Macau Property Opportunities Fund

Annual Report for the year ended 30 June 2023

Macau Property Opportunities Fund (MPO) is a closed-end investment fund and the only listed company dedicated to investing in real estate in Macau, the world's largest gaming market and the only city in China in which gaming is permitted.

Premium-listed on the London Stock Exchange, the Company has historically held multi-segment property assets in Macau and Zhuhai, China. Its current portfolio comprises prime residential assets valued at US$200.5 million, which are being progressively divested.

MPO is managed by Sniper Capital Limited, an Asia-based property investment manager with a strong track record in fund management and investment advisory.

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Corporate Introduction

Macau Property Opportunities Fund Limited, a closed-end investment company, was incorporated and registered in Guernsey under the Companies (Guernsey) Law, 2008 (as amended) on 18 May 2006, under registration number 44813. The Company is an authorised entity under the Authorised Closed-Ended Investment Schemes Rules 2008. The Company is premium listed on the London Stock Exchange.

Sniper Capital Limited, the Manager for Macau Property Opportunities Fund, is responsible for the day-to-day management of the Company's property portfolio and the identification and execution of divestment opportunities.

The Company's entire remaining investment portfolio is allocated to residential property investments in Macau. The Company is managed with the objective of realising the value of all remaining assets in its portfolio, individually, in aggregate or in any other combination of disposals or transaction structures, in a prudent manner, consistent with the principles of good investment management with a view to making an orderly return of capital to Shareholders. Its overriding aim is to deliver cost-effective and timely divestments of the three remaining properties, to enable further returns of capital to the shareholders. The Company has ceased making any new investments and will not undertake additional borrowings other than to refinance existing loans or for short-term working capital purposes.

The Board reflects a diversity of ethnicity, gender and relevant experience from a corporate, sectoral and geographical perspective, coupled with a deep understanding of the unique features of Macau, its property market and the Company's portfolio. The Board has assessed that it has the capacity to fulfil its obligations in the context of the latest corporate governance guidelines, taking full account of the Company's late-stage divestment and its clearly defined business objectives.

Pursuant to its Articles of Incorporation, MPO is subject to annual continuation votes. At the annual general meeting (AGM) held on 13 December 2022, Shareholders voted in favour of a Continuation Resolution to extend the life of the Company for a further year until the next continuation vote on 21 December 2023. **The Board will be recommending the Company's continuation of the Company at the AGM, which is expected to be held in December.**

Key Facts

Exchange
London Stock Exchange
Main Market

Symbol
MPO

Lookup
Reuters — MPO.L
Bloomberg — MPO:LN

Domicile
Guernsey

Shares in Issue
61,835,733

Shares Held in Treasury
Nil

Share Denomination
Pounds sterling;
Reporting currency: US Dollars

Fee Structure
Realisation-focused fee structure that incentivises the Manager to divest assets at realistic prices

Inception Date
5 June 2006

Net IPO Proceeds
GBP101 million (US$189 million)

Amount Returned to Shareholders Since Inception
US$173 million (Distribution US$97.4m; Share buyback US$75.3m)

ADVISERS & SERVICE PROVIDERS

Company Secretary and Administrator
Ocorian Administration (Guernsey) Limited

Corporate Broker
Liberum Capital Limited

External Auditor
Deloitte LLP

Chairman's Message

Our overriding priority remains optimising ways to deliver a return of capital.

I present my report for the financial year ended 30 June 2023, together with our perspective on the best way forward for the Company.

The financial year can be separated into two distinct periods. During the first six months, Macau was subject to strict dynamic zero-COVID regulations, in lockstep with mainland China. At the beginning of 2023, however, COVID controls were rapidly relaxed, triggering a dramatic economic recovery. Yet the picture during the financial year was nuanced and complex, with periods of optimism during which we were able to advance our divestment strategy, followed by severe setbacks. The environment in which we operate has remained challenging as COVID-19 outbreaks prompted local lockdowns, concerns surfaced regarding China's economic performance and inflation concerns drove global interest rates higher. Executing our divestment strategy has therefore been challenging and we have had to be nimble and creative to deliver a positive outcome for shareholders.

The Manager has worked successfully to exploit the periods of opportunity and optimism, progressing the strata sales programme at *The Waterside*. This programme yielded proceeds of approximately US$44.3 million since commencement in July 2022 — a significant achievement given the context in which those sales were made. Correspondingly, debt levels have been reduced and the Company's loan-to-value ratio has fallen. Repayment of debt remains the key priority in the application of sales proceeds, as reducing interest costs and meeting debt repayments are critical in the current environment.

We are continually assessing the market to apply the optimal divestment strategy for each of our remaining property assets, including a whole portfolio disposal.

China and Macau

Mainland China experienced an economic rebound following the relaxation of its COVID-19 restrictions, but as with other jurisdictions where severe COVID measures were imposed, the length of its closure, coupled with external factors — in particular the global battle against inflation — has made that recovery brittle. Weaker economic data has been widely reported, and although specific details of the situation are difficult to ascertain, the country's property-led economic woes are unmistakable, as is lower consumer spending.

Mainland Chinese authorities appear willing to take targeted action, with moves to support the country's currency and, more recently, the property sector, in addition to a loosening of monetary policy. Authorities may well seek to apply lessons learned from other jurisdictions following the introduction of wide-ranging economic stimulus measures. Any intervention by Chinese authorities, however, is likely to be administered very carefully. For such a large economy, this presents a significant challenge, and one that could affect the Company's near-term opportunities. We had anticipated that the economic recovery from the pandemic would not be linear, and this has proved to be an accurate assessment.

Against this somewhat uncertain backdrop and the widely reported problems of some large Chinese developers, it is important to distinguish between events affecting mainland Chinese property and developers and the specific circumstances of Macau's economy and real estate market. Macau's property sector was in a prolonged downturn before the pandemic struck, and continued to flatline ahead of the territory's economic recovery, particularly the luxury property market. Relative to other regional cities therefore, our portfolio can be seen as an exceptionally good investment opportunity. However, accessing potential investors has taken time as travel and the supporting transport infrastructure continue to recover to pre-COVID levels. Many prospective purchasers remain preoccupied with repairing the damage caused by COVID measures to their investment and business operations before returning to the market.

Macau's economy is driven by two main activities: gaming and tourism. Under the territory's strict COVID-19 restrictions, both were severely negatively affected. However, from a low base, a recovery appears to be well under way. Visitor numbers have increased significantly, and gross gaming revenue appears to be holding up, with casinos revamping their offerings to meet the demands of the new operating environment. It appears that the macro situation in China is not affecting the recovery of tourism in Macau, where many of the wealthy and middle class mainland Chinese continue to spend on travel and entertainment. The renewal of casino licences provided a welcome reminder that this key driver of the economy and the associated tax revenue has a positive future. We are already seeing that the return to more normal activity has flowed through into new leasing enquiries relating to the remaining apartments at *The Waterside*.

Although mainland Chinese authorities have relaxed certain controls and enacted measures to stimulate the country's real estate market, mainland capital control measures remain in place, as do Macau's anti-speculation real estate policies. The latter appears to serve a policy objective that has already been achieved, and although property businesses and agents continue to lobby for change, Macau's authorities are currently more focused on the broader housing market than the high-end segment.

In the longer term, Macau's future looks promising, with development initiatives on neighbouring Hengqin Island rivalling MICE* destinations such as Orlando, Florida. Coupled with gaming, these present compelling drivers for long-term growth. The return of growth and investment opportunities is likely to attract investors that are currently maintaining a "wait-and-see" approach.

Our overriding priority remains optimising ways to deliver a return of capital within a reasonable timeline for shareholders.

* Meetings, incentives, conferences and exhibitions

Property portfolio

The Waterside

The commencement of the strata sales programme that we announced earlier has delivered a combined total of US$44.3 million to date. Sixteen units have now been divested to date, with buyers originating from Macau, Hong Kong and mainland China. This leaves 43 units yet to be sold, including many on the development's higher, more valuable floors. A carefully executed sales strategy has been deployed to capitalise on current market dynamics and to meet our debt repayment obligations. The active sales process remains ongoing.

On a similarly positive note, *The Waterside's* leasing performance has been encouraging, with 46% of the remaining units leased. The tenant mix has improved alongside rental levels, meaning that income has held up well in the face of competitive market conditions.

The Fountainside

The Company is close to completing the process to enable the three smaller units to be marketed and sold. Delays in receiving the necessary consents and approvals affected the schedule for the sale of these apartments. This segment of the market has held up well and the sales process is now targeted for early 2024.

The Fountainside's four villas are still being marketed but no sales have yet been completed.

Penha Heights

This property remains an exceptional asset in terms of both its location and size. It has been maintained to appeal to a very discerning target market. The Manager has adopted a focused approach to reach prospective investors, with marketing timed to the post-COVID recovery. Further patience will be required to achieve a divestment, as the pool of buyers is limited, and prospective purchasers seemingly remain preoccupied with their own post-COVID issues.

Debt management and interest rates

Interest rates in Macau have increased significantly, in line with those in other jurisdictions, notably the US, given the currency linkage. Macau is not experiencing severe inflation, meaning that the increased cost of debt is having a dampening effect on the economy and the real estate market. This has been exacerbated by the territory's ongoing mortgage restrictions.

Driven by events in mainland China, banks have continued to take a cautious approach to lending and debt management. Ongoing and active dialogue, driven by our Manager, is an essential part of ensuring support from lenders. This has enabled the flexible scheduling of our debt repayments, for example where sales proceeds might overlap with repayments. This underscores the banks support for our current approach of prudently managing the business and producing results in challenging market dynamics.

During the year, the Company's debt was reduced from US$131 million to US$105.6 million. Our continued focus is on taking pragmatic steps to dispose of sufficient assets to meet or exceed scheduled debt repayments. Although there are signs that interest rates may be close to their peak, troubling inflationary issues remain in other parts of the world that may influence central bankers' interest rate decisions. Overall, persistent high interest rates are unhelpful to Macau and its real estate market.

It is important to highlight the divestment progress we have made at *The Waterside* and in our focus on improving the Company's financial position. At times, this has necessitated providing sales incentives in order to generate cash to meet approaching debt repayment obligations. In turn this has resulted in the need to accept discounts to valuation levels on some disposals. On behalf of the Board, I would like to commend the Manager for the way it has handled both our sales programme and interactions with our lenders. This approach informs our assessments of going concern and viability. It will be a continuing requirement as we seek opportunities to achieve our divestment objectives at realistic prices and with a focus on our future debt repayment obligations. Patience and judgement, however, are essential, as the disposals at *The Waterside* represent a significant proportion of overall sales in Macau's luxury property segment.

Financial performance

With Macau's economy on a path to recovery, our portfolio valuation has stabilised, as reflected in the 1% decline from 30 June 2022 on a like-for-like comparison.

The Company's Adjusted Net Asset Value (NAV) was US$90.4 million as of 30 June 2023. This is equivalent to US$1.46 (116 pence) per share and represents a decline of 12.6% (16% in sterling terms) compared to the previous year. NAV, which records inventory at cost rather than market value, was US$1.06 per share, down 15.3% from the previous year. The Company remained in compliance with its debt covenants. Its shares closed at 58.5 pence at the end of the reporting period, an increase of 53% over the year. The share price discount to Adjusted NAV narrowed to 50% as of 30 June 2023 from 72% the previous year. The recent weakness in the share price, which may be partly driven by wider market sentiment, has been noted, together with trading volumes which remain very low. Whilst we retain the option to buy back shares, we believe it is better to apply proceeds to reduce current debt levels and deliver sales which support the NAV.

ESG considerations

Our development activities have, of course, been concluded, delivered in accordance with our environmental, social and governance (ESG) approach, as previously reported. Where we carry out minor works, such as the completion of apartments at *The Fountainside* and general property maintenance, those policies and processes remain in place. Where apartments have been refurbished between tenancies at *The Waterside*, environmental considerations have been actively applied.

In the context of governance, our three-person board reflects a diversity of skills, gender and ethnicity, and our ongoing appraisal process concluded that the Board, as it is currently constituted, functions very effectively. As the Company is in a very late stage of its life, we continue to carefully assess our board composition, although further changes in the context of that time horizon would likely be unhelpful.

Our strategy is clearly defined, and our objectives are being implemented in the context of the external factors through which we must navigate. Our experience with our assets, the market and the reality of day-to-day operations is a vital factor in the context of governance.

Non-executive Director Alan Clifton has exceeded the normal tenure set out in external codes. He continues to demonstrate independence through action, and his experience is important in the context of our broad functions. This, coupled with the challenges of finding a suitable director for what will be a comparatively short tenure amid such challenging market circumstances, is why we are proposing that Mr Clifton continues to serve as a director.

We have determined that we will continue without any increase in directors' remuneration at this time.

Extension of life

Pursuant to its Articles of Incorporation, MPO is subject to annual continuation votes. At the AGM held on 13 December 2022, Shareholders voted in favour of a Continuation Resolution to extend the life of the Company for a further year until the next Continuation Vote on 21 December 2023. The Board has the continued support of major shareholders and all historic continuation votes have passed by an overwhelming majority. A forced sale of assets, particularly under current market conditions and at current levels of gearing, would realise significantly lower returns than a continued, measured disposal of our remaining assets.

Subject to a positive outcome from the Continuation Vote, the Board intends to agree a revised fee agreement with the Manager that will be at a level no higher than that during the year under review. Any terms will be consistent with, and wholly focused on, achieving the Company's strategic objectives, within a shortened time frame where practically possible.

Outlook

It is the Company's intention to press ahead with its pragmatic approach to achieving its divestment objectives through carefully managed sales. Debt reduction will be the primary application of proceeds from near-term sales.

External influences, namely the economic downturn in mainland China and the high interest rate scenario, will continue to complicate the operating environment in the short-term. The recovery of the tourism and gaming markets have both been promising; however, it is also important to restate that we expect that Macau's recovery will not be linear, and that periods of slower activity will be interspersed with increased optimism. Through determination and a disciplined approach, we have achieved positive divestment outcomes in this market context. We will continue to apply all of our energies to returning capital to our shareholders at the earliest opportunity.

MARK HUNTLEY

CHAIRMAN

MACAU PROPERTY OPPORTUNITIES FUND LIMITED

4 October 2023

Board of Directors

MARK HUNTLEY

Chairman

Mark Huntley has more than 40 years of experience of fund management, administration and fiduciary operations. He began his career at NatWest before moving to the First National Bank of Chicago, where his portfolio included overseas-owned US real estate. He worked in a variety of roles at Barings, primarily in fund administration specialising in alternative investment funds, and served on the executive management committee. In 2006, he established an independent financial services business within the Heritage Group, retiring from the role of CEO upon the sale of the business in 2017. His involvement in funds and private assets has spanned real estate, private equity and emerging market investment. He has served on the boards of listed and private investment funds and of management/general partner entities. Mr Huntley is a resident of Guernsey.

ALAN CLIFTON

Chairman of the Audit and Risk Committee

Alan Clifton began his career at stockbroker Kitcat & Aitken, first as an analyst, thereafter becoming a Partner and then a Managing Partner, prior to the firm's acquisition by the Royal Bank of Canada. He was subsequently invited to take up the role of Managing Director of the asset management arm of Aviva, the UK's largest insurance group. He has had a long non-executive career as an Independent Director of numerous investment and finance sector companies. Mr Clifton is a UK resident.

CARMEN LING

Non-executive Director

Carmen Ling has more than 25 years of banking experience. She has served as a Managing Director at Citigroup and Standard Chartered Bank, and she has extensive experience of client coverage, real estate, transaction banking and network strategies. Her role as global head of RMB Internationalisation/Belt & Road at Standard Chartered Bank added to her unique knowledge and experience as an international banker. Before beginning her banking career, Ms Ling worked in the hospitality industry for hotel project developments in North Asia, including China and Japan. She is a resident of Hong Kong.

Financial Review

	2018	2019	2020	2021	2022	2023
NAV (IFRS) (US$ million)	212.8	131.1	100.6	97.9	77.6	**65.7**
NAV per share (IFRS; US$)	2.78	2.12	1.63	1.58	1.25	**1.06**
Adjusted NAV (US$ million) [a]	260.6	174.9[c]	136.5	128.8	103.4	**90.4**
Adjusted NAV per share (US$) [a]	3.41	2.83	2.21	2.08	1.67	**1.46**
Adjusted NAV per share (pence)[1, a]	258	223	179	150	138	**116**
Share price (pence)	194.0	146.0	61.75	67.5	38.2	**58.5**
Portfolio valuation (US$ million) [b]	338.4	311.1	275.6	265.4	242.0	**200.5**
Loan-to-value ratio (%)	34.7	43.5	49.6	49.3	53.3	**50.9**

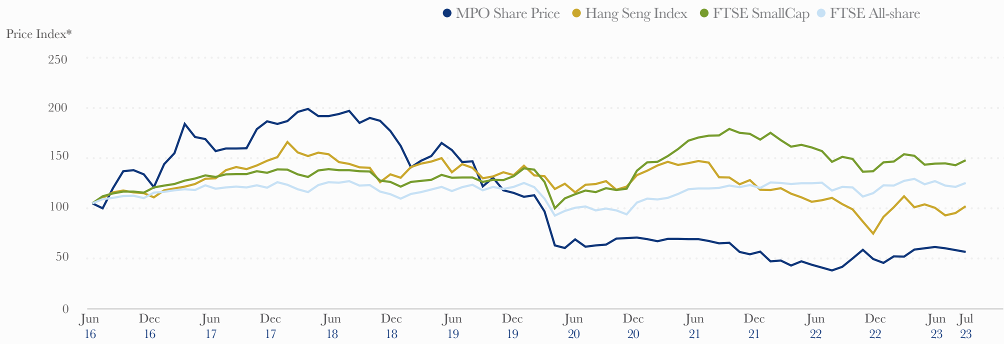
[1] Based on the following US dollar/sterling exchange rates on 30 June: 2018: 1.321; 2019: 1.270; 2020: 1.231; 2021: 1.386; 2022: 1.212; 2023: 1.261

[a] Refer to Note 18 for calculation of Adjusted NAV and Adjusted NAV per share

[b] Refer to Notes 6 & 7 for independent valuations of the Group's portfolio including investment property and inventories

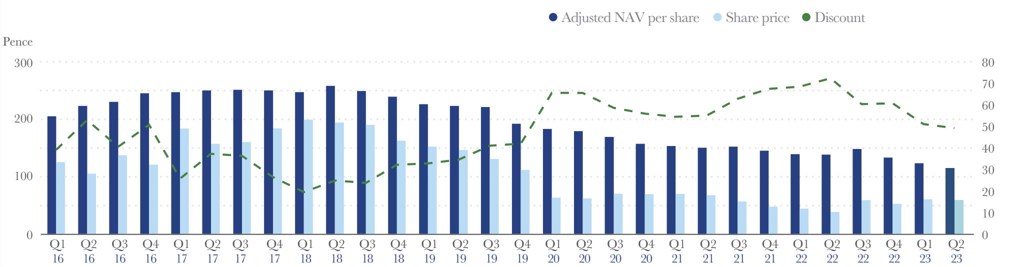
[c] MPO returned US$50.5 million (50p per share) to shareholders in 2018

MPO Share Price vs. Hang Seng, FTSE SmallCap & FTSE All-share Indices



*Re-based to MPO share price. Source: Bloomberg/Sniper Capital

Share Price Discount to Adjusted NAV



The two halves of this financial year stand in stark contrast to one another. Macau's worst economic performance in more than a decade was followed by the territory's tourism and gaming numbers roaring back to life following the abrupt dismantling of zero-COVID measures in January.

However, the recovery has to date been uneven.

Economic activity has been centred on tourism and gaming, a dynamic highlighted by the recovery of both hotel performance as well as the tourism focused retail real estate segment. Meanwhile, the luxury residential market, in which the Company operates, has remained subdued, impacted by a weak economic recovery in mainland China and a markedly higher interest rate environment.

Despite these challenges, the Manager continued to progress its divestment programme, generating total sales of US$44.3 million through the sale of sixteen units at *The Waterside* since the programme's commencement.

Financial results

The Company's portfolio, comprising three main assets, was valued at US$200.5 million as at 30 June 2023. On a like-for-like basis after adjusting for the units sold during the year, the portfolio valuation declined by 1% from the previous year. Although property values have stabilised, liquidity has remained low, and the long-awaited revival of Macau's real estate market has remained hindered by the high interest rate environment, restrictive mortgage policies, and continued caution among potential buyers following the effects of the pandemic in mainland China, where draconian COVID measures were relaxed only in early 2023. The Manager is maintaining a cautious stance on property values moving forward.

MPO's Adjusted NAV was US$90.4 million at the end of the period, which translates to US$1.46 (116 pence) per share, a 12.6% decrease year on year (YoY). The primary reasons for the decline were increased financing costs due to a significant rise in interest rates and the impact of *The Waterside* divestment programme. IFRS NAV, which records inventory at cost rather than market value, was US$65.7 million, or US$1.06 (84 pence) per share, a 15.3% drop over the one-year period.

Capital management

As at 30 June 2023, MPO's balance sheet listed assets valued at a total of US$182.6 million, offsetting combined liabilities of US$116.9 million, of which US$105.1 million represented bank borrowings.

The Company ended the financial year with a consolidated cash balance of US$6.7 million, of which US$5.6 million was pledged with lenders and restricted as to its usage. During the year, c.US$27.9 million, representing 75% of the sales proceeds generated from sales at *The Waterside*, was deployed for loan repayments that became due over the year, and for the partial prepayment of upcoming instalments. The Company's ongoing operating expenses are expected to be covered by sales proceeds released as free cash.

The Company's gross borrowings stood at US$105.6 million, translating to a loan-to-value ratio of 50.9%, compared to 53.3% at the end of the previous financial year. Gross borrowings are expected to decline further to c.US$96 million following completions of sales at *The Waterside* that occurred post year end, improving the Company's loan-to-value ratio to 48.8%.

Extension of Company life and fee revision

At the Company's Annual General Meeting in December 2022, shareholders passed a resolution to extend its life for a further year, until 31 December 2023. Although Macau's economy is on the road to recovery, economic activity is concentrated in tourism and gaming-related activities. The ultra-luxury property market has not yet seen a spillover effect.

Given these circumstances, the timely completion of the Company's divestment programme is expected to be extended to maximise valuations in sales transactions. Therefore, even though the Manager will deploy all possible strategies to secure further sales, it is expected that an extension of the Company's life to the end of 2024 will be necessary to enable the divestment programme to progress in an orderly manner and to achieve the best possible returns for shareholders.

The Board and Manager are in discussion on how future fees will be allocated in the next year.

Portfolio Overview

Property	Segment	No. of units	Commitment (US$ million)	Acquisition cost (US$ million)	Project development cost (US$ million)	Market valuation (US$ million)	Changes (based on market value)		Project composition (based on market value)
							Over the year	Since acquisition	
The Waterside Tower Six at One Central Residences*/**	Luxury residential	45	78.6	67.7	10.9	141.0	-1.0%	108%	70.3%
The Fountainside**	Low-density residential	7	6.3	2.0	4.3	17.8	-2.8%	788%	8.9%
Penha Heights	Luxury residential	N.A.	28.5	26.8	1.7	41.7	-1.1%	56%	20.8%
Total			113.4	96.5	16.9	200.5	-1.2%	108%	100%

*
One Central is a trademark registered in Macau SAR under the name of Basecity Investments Limited. Sniper Capital Limited, Macau Property Opportunities Fund Limited, MPOF Macau (Site 5) Limited, Bela Vista Property Services Limited and *The Waterside* are not associated with Basecity Investments Limited, Shun Tak Holdings Limited or Hongkong Land Holdings Limited.
**
Information listed refers to the remaining units and parking spaces available for sale.

The Waterside

The Fountainside

Penha Heights

Portfolio Updates

Divestment progress

Although the reopening of Macau's borders in December led to a major revival of its tourism and gaming industries, investor interest in high-end residential properties has remained subdued.

The luxury residential segment faces a particularly challenging environment due to a weaker-than-expected economic recovery in China, high interest rates, and legacy anti-speculation policy measures imposed by Macau's government before the pandemic period that continue to dampen demand.

Nevertheless, Macau's demographics remain favourable. In general, the territory's residents remain cash-rich with low levels of personal debt. Furthermore, Macau's luxury residential properties are currently at their lowest valuations in a decade, both in absolute terms and on a relative basis compared with neighbouring Hong Kong, Guangzhou and Shenzhen, and with other regional markets such as Singapore.

During the financial year, while sales efforts at *The Waterside* produced results amid headwinds, investor interest in *Penha Heights* and *The Fountainside* remained muted.

The Waterside

The Waterside is the Company's flagship luxury residential asset, located in a prime district on the Macau Peninsula.

The marketing strategy for *The Waterside* sales campaign has been to seek out cash-rich buyers who intend to retain apartments for their own long-term use, typically as primary residences or holiday homes. Among the reasons these buyers cite for selecting *The Waterside* are its attractive, central location on the Macau Peninsula, its premium design, which offers the exclusivity of only two units per floor, extensive clubhouse facilities, and the availability of spacious, three-bedroom layouts.

Since the launch of *The Waterside* strata sales programme in Q2 2022, the Company has achieved total divestments of US$44.3 million (HK$348 million) through the sale of 16 units to mainland Chinese, Macau and Hong Kong investors.

The completion of 13 units occurred during the period under review, while the remaining three units completed following the Company's year-end. The 16 units were sold at an average value of 65% above cost, at approximately HK$8,800 (US$1,126) per square foot of gross floor area, an average 8% discount to their latest average valuations.

Following these transactions, 43 units remain available for sale.

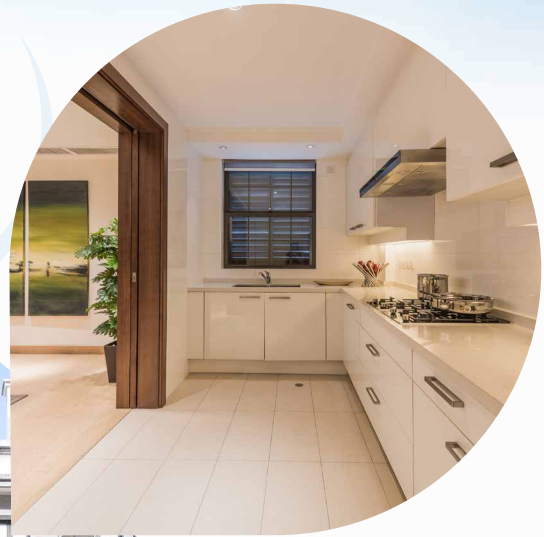
Among the remaining units at *The Waterside*, 46% of the units were tenanted as at end-June 2023. Although this occupancy rate reflects a 19% increase YoY, it is a combination effect of a 16% increase in new leases and a 24% reduction in units available for lease during the financial year. As a testament to the appeal of *The Waterside*, rents have remained steady at an average monthly rate of HK$17.02 per square foot, despite average rents in the immediate vicinity falling 8.3% in Q1 2023. In addition, occupied units yielding a steady rental stream are potentially more attractive to prospective buyers.

The Fountainside

The Fountainside is a low-density, freehold residential development in Macau's Penha Hill district. Of its original 42 units, all 36 standard units have been sold. Four villas and three reconfigured apartments remain available for sale, as do two car-parking spaces.

As previously reported, as market demand for affordable units among small families and young individuals remains strong, *The Fountainside's* original two duplexes have been reconfigured as three smaller units, with on-site work having been completed in 2022. Occupancy permits from Macau's Land and Urban Construction Bureau (DSSCU) for the three smaller units remain pending, delaying the commencement of the sales and marketing campaign. The DSSCU conducted its initial inspection of the reconfigured units only in January 2023 and made requests for minor alterations to the final drawings, which have since been submitted and approved.

The delays have been unfortunate, but the occupancy permits are now finally expected to be issued at the end of 2023, allowing sales to be progressed. Meanwhile, the divestment strategy for the four villas is expected to generate increased investor interest as we enter 2024.



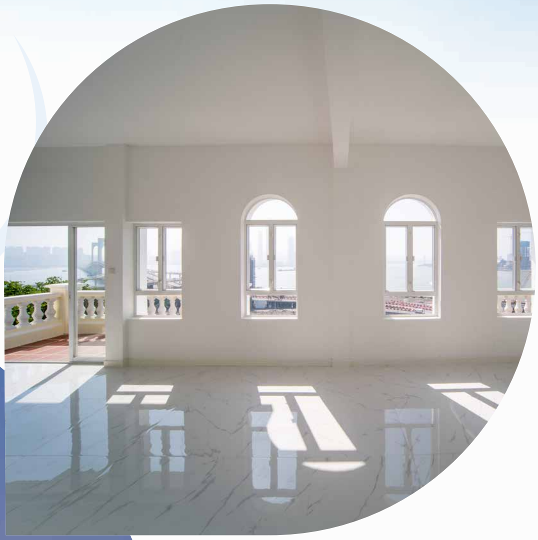

THE BLACK ISLAND

Penha Heights

Penha Heights is a prestigious, five-storey, colonial-style villa covering an area of more than 12,000 square feet, nestled amid lush greenery atop Penha Hill, an exclusive and highly desirable residential enclave. This trophy home, with its sweeping bay views, has been immaculately maintained and enhanced through works undertaken throughout the pandemic, ensuring it is at its most attractive to prospective purchasers.

During the second half of 2022, despite the Manager's targeted marketing efforts and implementation of various strategies to divest the asset, including a sales and marketing drive with specialist property agents, Macau's zero-COVID measures disrupted on-site viewings, weighed on investor sentiment, and weakened the appetite among ultra-high net worth individuals for homes in the territory.

Since Macau's zero-COVID measures were lifted in early 2023, marketing activity for the property has been stepped up. Real estate market activity among ultra-high net worth individuals is expected to increase as we enter 2024.



Macroeconomic Outlook

ECONOMY

GDP Forecast

+58.9%
2023 full year

+20.6%
2024

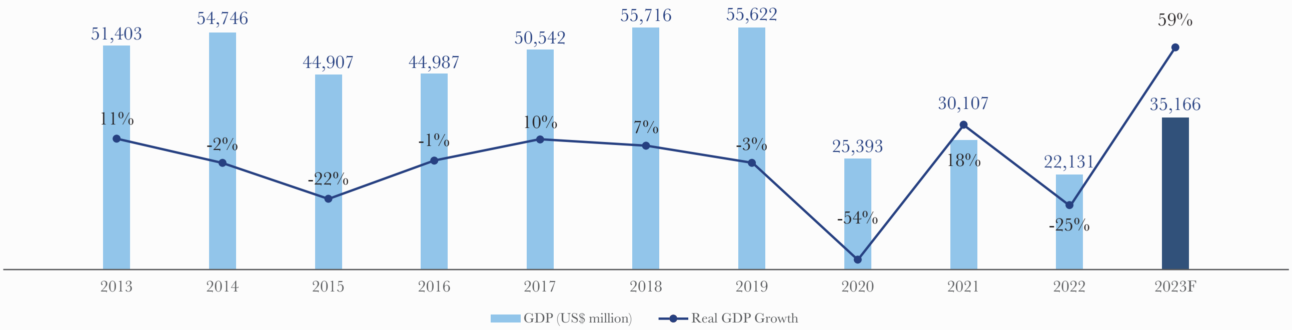
Source: The International Monetary Fund (IMF)

Unemployment rate (local residents)

3.5%
-1.3pp YoY

Source: DSEC

GDP and Real Growth Rate



Source: DSEC The International Monetary Fund (IMF)

TOURISM

Visitors from Mainland China

64%
2023 H1

Recovered to 53% of 2019 level

Visitors from Hong Kong

30%
2023 H1

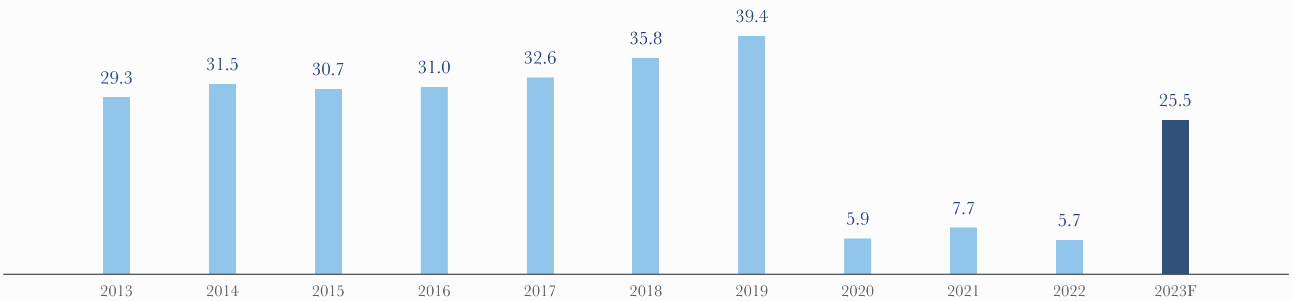
Recovered to 93% of 2019 level

Visitors from Others Regions

6%
2023 H1

Recovered to 29% of 2019 level

Number of Visitor Arrivals to Macau (in million)



Source: DSEC, University of Macau

GAMING

Mass Gaming

74%

2023 H1

+22pp vs. 2019

VIP Gaming

26%

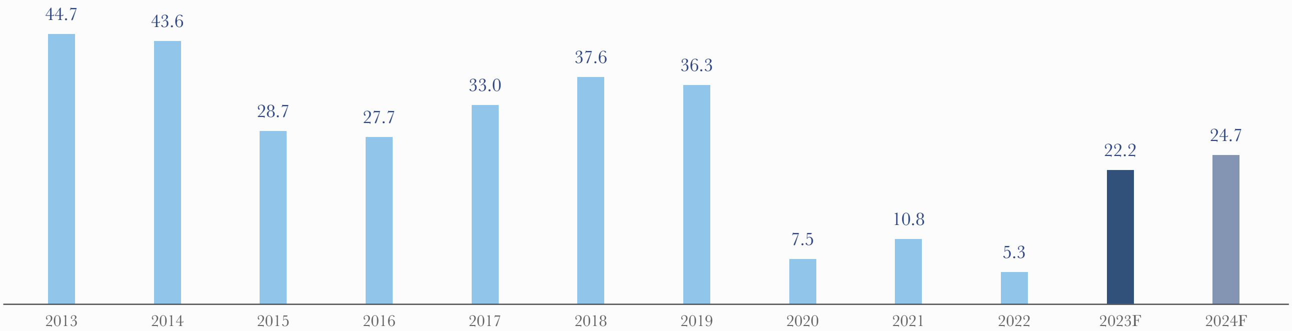
2023 H1

-22pp vs. 2019

Gaming operator's commitment to non-gaming investment over 10 years

US$15 billion

Gross Gaming Revenue (GGR) US$ billion

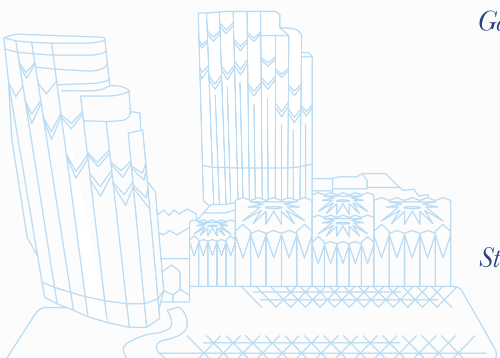


Source: DSEC, Macau Government

Galaxy Phase 3 - Raffles Hotel

Galaxy Phase 3

- Galaxy International Convention Center



Studio City Phase 2 - W Hotel

A 180-degree turnaround, but full recovery only by late 2024

Macau maintained its zero-COVID policy in lockstep with mainland China throughout 2022, deploying strict dynamic zero-COVID measures, including travel restrictions, lockdowns and closures of non-essential businesses. A rapid reversal of those measures in late December 2022 marked an abrupt exit from this uncompromising approach.

By then, the three years of strict public health measures had taken their toll on the economy. Macau's economy bottomed out with a sharp decline of 27% in gross domestic product in 2022. This had a spillover effect on all parts of the economy, including property.

By contrast, H1 2023 saw a 180-degree turnaround in Macau's economic performance, with the lifting of all zero-COVID restrictions by January. Fuelled by tourism and gaming activity, in H1 2023, GDP grew 71.5% YoY to reach approximately 71% of H1 2019 levels. The economic recovery had also reduced unemployment among local residents to 3.5% in Q2 2023, compared to 4.8% in the same period in 2022.

The Economist Intelligence Unit (EIU) expects Macau's economy to return to its pre-pandemic size only in late 2024 due to the extent of the shocks it suffered during 2020–22. That projection is ahead of previous forecasts, which were for a full recovery only by early 2025, although the EIU also expects Macau's growth to moderate amid China's recent slowing economic activity.

Tourism boom in H1 2023

Since the lifting of travel restrictions in January 2023, visitor numbers have rebounded and totalled approximately 11.6 million visitors in the first half of 2022 — around 60% of pre-pandemic tourist arrivals in 2019, and a stark contrast with the 5.7 million visitors throughout the whole of 2022, a threshold that was surpassed by April 2023.

Tourists from mainland China continue to account for the bulk of visitors to Macau, at approximately 55% of 2019's numbers. By contrast, the number of visitors from Hong Kong has reached 90% of pre-pandemic levels. Visitor arrivals from elsewhere, however, have recovered to only 30% of pre-pandemic levels due to the lead time and resources required by airlines to restore international connectivity to Macau, although numbers are expected to improve in the second half of 2023.

With the opening of several new hotel properties, Macau's hotel room supply has increased by 5,000 units compared to pre-pandemic levels, with 47,000 rooms throughout the territory at the end of H1 2023. The hotel occupancy rate in H1 2023 was 82%, an improvement of 42% YoY while average room rates leapt 58% to MPO1,247 (US$156), an indication of the heightened demand. Nevertheless, a shortage of labour remains, which has impacted the tourism industry's efforts to scale up further.

Stability and recovery in the gaming sector

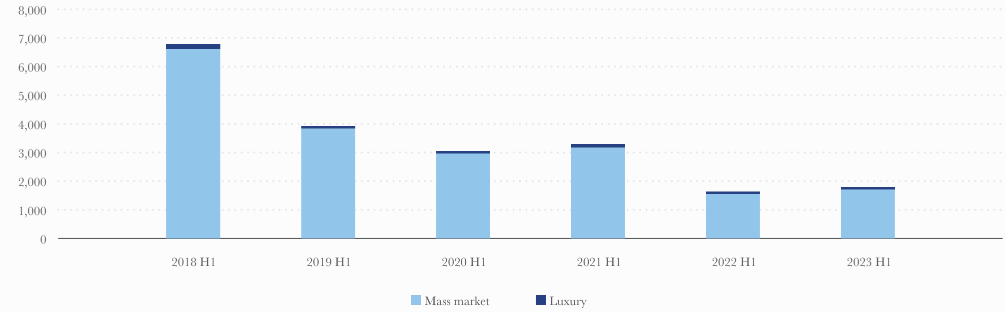
Macau's gaming operators endured an immensely difficult operating environment during the pandemic, marked by low revenues, unprecedented temporary casino closures, uncertainties over licence renewals, and a crackdown on junket operators. Gross gaming revenue (GGR) for 2022 stood at a dismal 14% of 2019's pre-pandemic figure. Nevertheless, in H2 2022, industry players welcomed the government's announcement of the renewal of all six licences for a further 10 years, ushering in a period of greater stability and certainty for the gaming industry.

The lifting of travel restrictions at the beginning of 2023 has enabled GGR to grow rapidly, and in May and June 2023, gaming revenues had recovered to approximately 64% of 2019 levels. Analysts expect GGR to reach more than 60% of 2019's levels by end-2023, but a full recovery is expected only in 2024. However, given the dominance of the more profitable premium mass-market and mass-market gaming segments following the demise of the junket business, gaming operators are currently enjoying unprecedented operating margins.

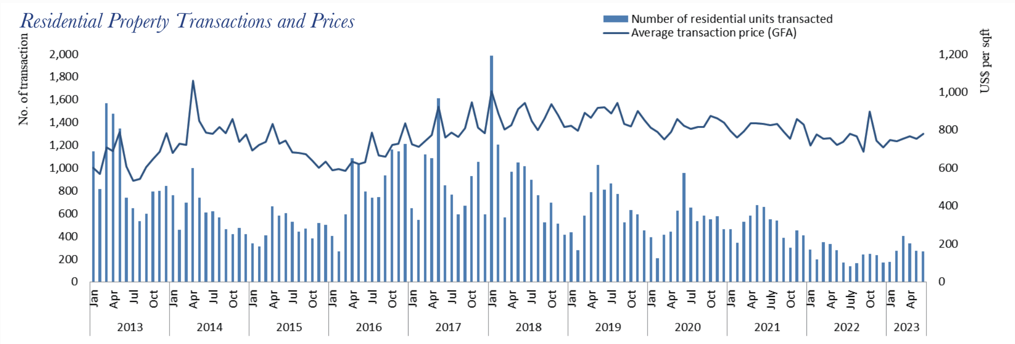
In addition, guided by the government's expectation that gaming operators focus on diversification in expanding non-gaming tourism and attracting customers from outside the region immediately surrounding Macau, operators have committed to collectively investing US$15 billion over their concession periods, of which 90% is to be spent on non-gaming activities such as the conventions and exhibitions business, entertainment and performances, sports events, culture, art, healthcare and theme parks. They will also be required to make further non-gaming investments for every year that GGR exceeds an annual threshold of US$22.4 billion. In the long term, this is likely to reduce Macau's dependency on gaming revenues while also attracting a wider range of tourists.

Property Market Overview

Overall H1 Residential Transactions 2018-2023

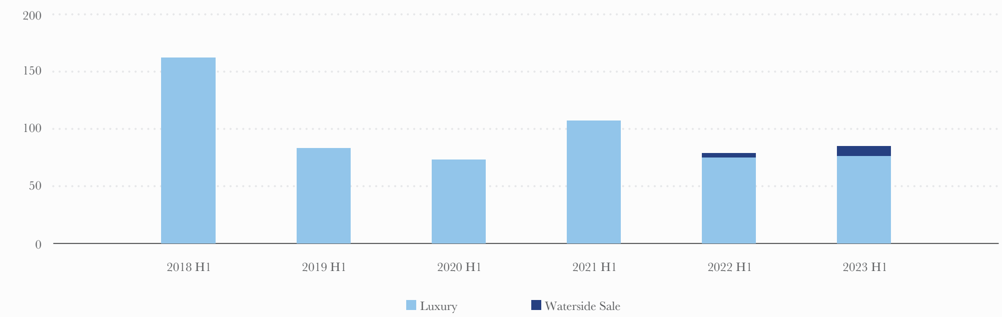


Note: Luxury is defined as residential unit with usable area above 150 square metre
Source: DSF DSEC



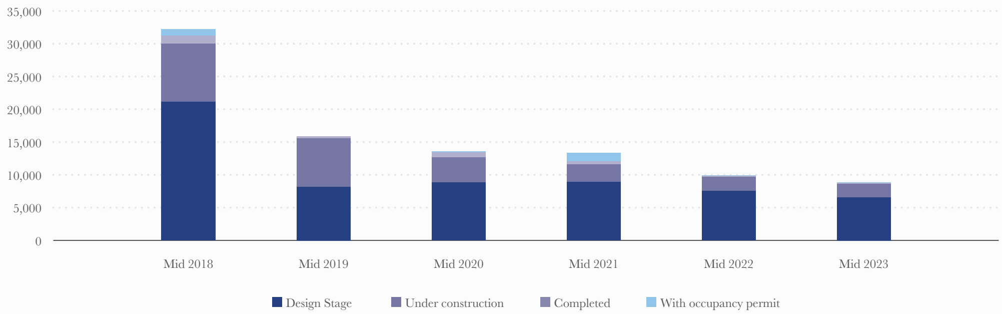
Source: DSF

H1 Luxury Residential Transactions 2018-2023



Note: Luxury is defined as residential unit with usable area above 150 square metre
Source: DSEC

All Residential Supply as of mid-year (number of units)



Source: DSEC

Residential property volumes slowly recovering

With zero-COVID measures in place in H2 2022, sales of residential properties declined 51% YoY to 1,318 units, according to Macau's Financial Services Bureau. Residential prices also fell, with the average price per square foot measured by gross floor area dropping 4% YoY to HK$6,160 (US$787). During full-year 2022, a total of 2,950 units were transacted, a decline of 51% YoY, marking the territory's worst year for residential sales in two decades.

In H1 2023, the residential property market appears to be slowly recovering from this trough level. For 2023, available data until June indicates that a total of 1,793 residential properties were transacted, an increase of 10% YoY but still 54% lower than the corresponding period in 2019. Price data available for H1 2023 indicates an increase of 2% YoY to HK$5,919 per square foot of gross floor area, 14% lower than the corresponding quarter in 2019.

Luxury residential segment continues to face challenges

In the luxury residential segment, for units above 150 square metres, just 85 sales were recorded in H1 2023, an increase of 8% YoY and 2% higher than the corresponding quarter in 2019. In Q2, prices for units above 150 square metres averaged HK$6,033 per square foot, an increase of 7% YoY but 9% lower than Q2 2019 prices.

In July 2023, the Monetary Authority of Macau announced a further increase in the prime lending rate, resulting in the base rate reaching 5.75%. Its decision was in alignment with similar interest rate hikes by the Hong Kong Monetary Authority and the United States Federal Reserve. This interest rate hike — the 11th since March 2022 — marks a 15-year high for Macau's base rate.

The high interest rate environment has added to the challenges the luxury residential segment faces, driving potential investors to seek increased yields when considering investment opportunities, or to seek price reductions to compensate for lower expected returns. But sellers are also exhibiting strong holding power, with many reluctant to accept lower prices at a time when the tourism sector is seeing such a strong rebound. The depreciation of the Chinese yuan, which is currently at a 15 year low versus the US dollar, has also dampened potential investor interest from mainland China.

In addition, measures taken by the Macau government to curb real estate speculation have a weighed heavily on the sector since the pre-pandemic era. These include additional *ad valorem* stamp duty of up to 20% if a property is resold within two years of purchase, buyer's stamp duty of 10% for properties purchased by companies or non-residents, and an additional stamp duty of up to 10% for those owning more than one residential property. The residential mortgage lending ratio for buyers, which was tightened in 2018, has resulted in maximum financing levels of only 40–50% of purchase prices for properties valued at more than MOP8 million (approximately US$1 million), which affects all the properties in the Company's portfolio.

China's property woes have dampened investor sentiment

China's current difficulties, with its slowing economic growth and troubled property sector, have dampened investor interest in Macau real estate. In Q2 2023, China's economy expanded 6.3% YoY, falling short of market expectations, weighed down by tepid export demand and declining property prices. On a quarter-on-quarter basis, growth slowed to 0.8% in Q2 2023 from 2.2% in the first quarter.

The property sector in China is also facing a crisis resulting from the lingering effects of the pandemic slowdown, a housing market that depended on debt and pre-sales to fund construction, a borrowing cap imposed by the government in 2020, and ensuing cash crunches and debt defaults at several property giants. Despite the lifting of zero-COVID restrictions, China's property market has failed to sustain a rebound in sales, deepening the sector's woes.

As real estate accounts for approximately one-quarter of China's economy, the government has announced several policy measures to aid property developers by boosting consumer demand. However, it is uncertain whether these measures, which fall short of constituting a clear stimulus package, will provide the necessary relief for the ailing industry. More than US$100 billion of Chinese property bonds have defaulted over the past two-and-a-half years, creating a spillover effect on high net worth individuals in Macau, who have seen a portion of their capital vanish.

Looking Ahead

Macau's economy appears to be on a path to recovery, but economic growth has been concentrated in the tourism and gaming industries, with the property market continuing to face a unique set of challenges; a deteriorating Chinese economy, high interest rates, and Macau's outdated anti-speculation property measures. Collectively, these have adversely impacted market sentiment, limiting the progress of the Company's divestment programme.

Although a sustained improvement in investor sentiment and a recovery in mainland China will most likely be required for the Company to realise the full potential value of its portfolio, MPO's assets remain among the most sought-after in Macau. The Manager will continue to act decisively to identify potential pockets of interest among investors through a wide range of marketing initiatives with the aim of returning capital to shareholders as soon as possible.

Environmental, Social and Governance Report

1 About this report

This ESG report has been prepared with reference to the Ten Principles of the United Nations Global Compact (UNGC). The report elaborates the environmental and social responsibility measures and the related performance of Macau Property Opportunities Fund Limited.

1.1 Company core business

The Company is in the process of an orderly and managed divestment of its three remaining portfolio properties. No new construction or development activities will be undertaken aside from a limited reconfiguration at *The Fountainside*.

The Company is focused on and exposed solely to the high-end residential property market in Macau. It has never had any exposure to any property or other investments in the gaming or associated hospitality sectors, and each investment is in full compliance with the parameters set out in the Company's prospectus.

1.2 Report boundary

The ESG report focuses on the environmental and social responsibility performance of the Company's core business of investment in properties in Macau, as listed below:

- *The Waterside*
- *The Fountainside*
- *Penha Heights*

1.3 Overall ESG approach

The Board understands the significance of ESG and has incorporated ESG-related risks into the Company's risk management processes. The Company's overall ESG approach is aimed at generating returns for shareholders in a responsible manner while taking into consideration environmental and social responsibility and supply chain management.

The Company's ESG approach has been developed based on the Ten Principles of UNGC. The UNGC is a voluntary, multi-stakeholder platform that convenes multinational companies to align with The Ten Principles relating to human rights, labour, the environment and anti-corruption standards. The Board is committed to the basic concepts of fairness, honesty and respect for people and the environment in its business activities.

2 Environment

2.1 Commitment principle

The Company aims at all times to adopt environment-friendly practices in its business operations to minimise any potential negative impacts on the environment and natural resources. It complies strictly with all applicable environmental laws and regulations in Macau. Different environmental protection measures have been implemented at key stages of property development, alongside the incorporation of green building designs and the implementation of responsible construction practices at work sites. The Company also upholds the principles of recycling and reuse at its properties.

2.2 Initiatives and performance

Property design

The Company follows local green building requirements that take into consideration green design principles relating to project elements such as building materials, indoor air quality, site selection and energy use. Examples of green building designs and features are as follows:

– preservation and retention of cultural heritage such as façades of historic buildings;

– incorporation of passive building designs to improve ventilation and optimise natural light;

– use of water-efficient fixtures; and

– greening of rooftops.

Indoor air quality is improved through the introduction of air purifying equipment. Measures for monitoring temperature and humidity in residential units and thus enhancing living conditions for residents have been implemented at One Central and *The Fountainside*.

Property management

Various green measures have been adopted at our properties to improve overall environmental performance, for example:

– Energy efficiency: Energy consumption has been reduced by (i) replacing incandescent, halogen and fluorescent lighting with LED lighting, (ii) reducing the amount of lighting used in common areas, and (iii) installing air-conditioning systems with energy-efficiency labelling, in accordance with local requirements.

– Resident engagement: Residents are encouraged to minimise their consumption of electricity, water and materials, and are provided with recycling facilities to reduce waste.

– Rechargeable battery recycling: Collection points for rechargeable battery recycling have been provided, and tenants are encouraged to use these facilities for battery disposal. Certain materials in rechargeable batteries, such as cadmium, are hazardous to human health and the environment.

An effective environmental management system has been implemented. Some of the Company's main environmental objectives in its property management activities are as follows:

– using pesticides and cleansing agents in accordance with relevant regulations, and aiming for zero adverse incidents involving their use and storage; and

– managing community wastewater, waste and noise according to local standards.

Regulatory compliance

The Company is not aware of any non-compliance with environmental regulatory requirements that may significantly impact its business.

2.3 Climate risk

We have considered climate risk and concluded that there is no material impact on the Annual Report.

3 Social responsibility and supply chain management

The Company strongly believes that quality property is a pathway to quality living. It strives to provide a quality property experience through innovation and sensitivity, and by operating with integrity. Through such efforts, its aim is to enhance residents' quality of life and become their trusted partner.

3.1 Supply chain management

During the process of property construction and redevelopment, the Company carefully appoints external contractors by taking into consideration factors such as human rights protection, non-discrimination in employment and occupation, environmental protection, construction safety and product safety. When selecting contractors for property construction, the Company seeks contractors that are familiar with environmental, social and safety requirements, and which are committed to the abolition of child labour and corruption. The Company maintains close relations with contractors relating to all construction and sourcing activities, holding regular meetings to facilitate two-way communication. It also performs regular assessments of contractors based on environmental and social risk considerations.

3.2 Quality services

To ensure consistently high quality in its property management services, the Company aims to:

- develop quality properties that embrace innovation and enhance their locales;

- provide committed service and improve its property management offering on an ongoing basis;

- achieve high standards by through rigorous property management practices to maximise customer satisfaction; and

- provide a tasteful living environment for residents.

3.3 Protection of privacy

To ensure residents' wellbeing, regular communication is maintained through satisfaction surveys that help to identify potential areas for improvement. Residents' identities are kept confidential and access to information gathered is restricted.

Regulatory Compliance

The Company is not aware of any non-compliance with supply chain management regulations that may significantly impact its business.

4 Human rights and labour

The Company strongly believes that businesses should support and respect the protection of internationally recognised human rights.

4.1 Gender Equality and Diversity

To ensure that we have an equitable platform to perform, the Company aims to:

- ensure the hiring process is performance-based despite gender;

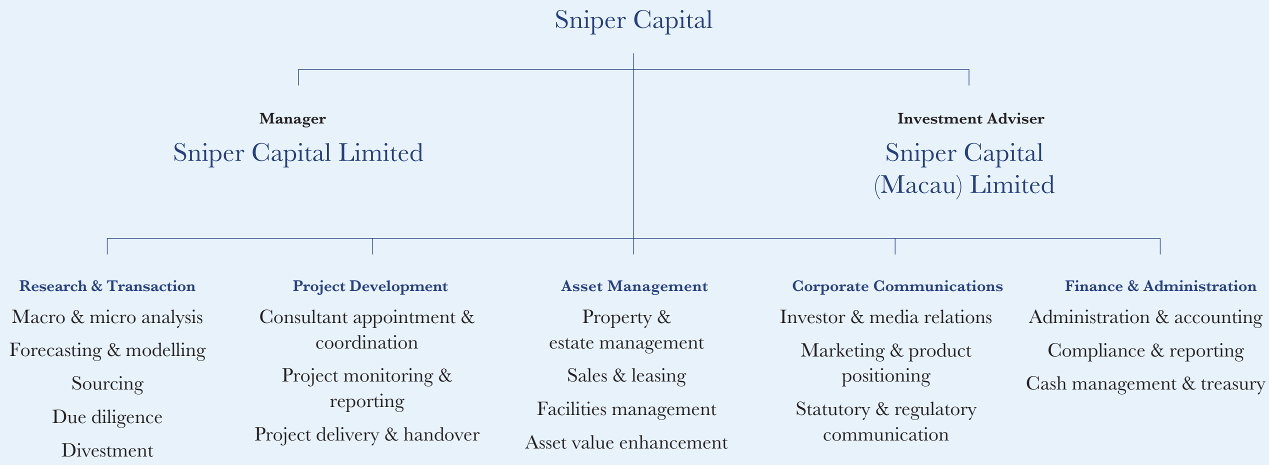
- ensure there is diverse gender representation at all levels of the Company (as of June 2023, one of our three board members is female); and

- ensure our service providers embrace diversity in their workforces.

Abbreviations and acronyms

IMF	INTERNATIONAL MONETARY FUND
DSEC	STATISTICS AND CENSUS SERVICE (MACAU)
DICJ	GAMING INSPECTION AND COORDINATION BUREAU (MACAU)
DSF	FINANCIAL SERVICES BUREAU (MACAU)
MICE	MEETINGS, INCENTIVES, CONFERENCES AND EXHIBITIONS

Manager and Adviser



Manager

The day-to-day responsibility for the management of the Macau Property Opportunities Fund's ("MPOF", "Company" or "Group") portfolio rests with Sniper Capital Limited.

Founded in 2004, Sniper Capital Limited focuses on capital growth from carefully selected investment, development and redevelopment opportunities in niche and undervalued property markets.

Sniper Capital Limited's team of over 25 professionals covers all the required investment and development disciplines, including research, site acquisition, project development, asset management, divestment, investor relations and finance.

Working closely with Headland Developments Limited and Bela Vista Property Services Limited, Sniper Capital Limited ensures that all necessary project management skills and services are provided in a way that will deliver each MPOF project to the right standards and on budget.

With its 29 August 2023 holding of 12.08 million shares or 19.54% of the Company's issued share capital, Sniper Investments Limited — an investment vehicle associated with Sniper Capital Limited — is the largest shareholder in MPOF, which bears witness to Sniper Capital Limited's belief in the Company.

The Manager is committed to the full disposal of the Company's Portfolio within the current expected timeline while striving to return maximum possible values to shareholders.

Adviser

The Company's Board of Directors and Manager are advised by Sniper Capital (Macau) Limited, which has a highly developed network of contacts and associates spanning Macau's financial and business community.

The Investment Adviser's brief is to source, analyse and recommend potential divestment opportunities, whilst providing the Board with property investment and management advisory services in relation to the Company's real estate assets.

For more information, please visit www.snipercapital.com

Manager and Adviser *(continued)*

Investment Policy

The Company is managed with the objective of realising the value of all remaining assets in the portfolio, individually, in aggregate or in any other combination of disposals or transaction structures, in a prudent manner consistent with the principles of sound investment management with a view to making an orderly return of capital to shareholders at the earliest opportunity.

The Company may sell or otherwise realise its investments (including individually, or in aggregate or other combinations) to such persons as it chooses, but in all cases with the objective of achieving the best exit values reasonably available within shortest acceptable time scales.

The Company has ceased to make any new investments and will not undertake additional borrowing other than to refinance existing borrowing or for short-term working capital purposes.

Any net cash received by the Company after discharging any relevant loans as part of the realisation process will be held by the Company as cash on deposit and/or as cash equivalents prior to its distribution to shareholders.

The Company's Articles of Incorporation do not contain any restriction on borrowings.

Directors' Report

The Directors present their report and audited financial statements of the Group for the year ended 30 June 2023. This Directors' report should be read together with Corporate Governance Report on pages 54 to 59.

Principal activities

Macau Property Opportunities Fund Limited (the "Company") is a Guernsey-registered closed-ended investment fund traded on the London Stock Exchange (the "LSE"). Following the passing of all resolutions at the Extraordinary General Meeting held on 28 June 2010, the Company's shares obtained a Premium Listing on the LSE Main Market on 30 June 2010.

The Company is an authorised entity under the Authorised Closed-Ended Investment Schemes Rules and Guidance, 2021 and is regulated by the Guernsey Financial Services Commission ("GFSC"). During the year, the principal activities of the Company and its subsidiaries as listed in Note 4 to the Consolidated Financial Statements (together referred to as the "Group") were property investment in Macau.

Business review

A review of the business during the year, together with likely future developments, is contained in the Chairman's Message on pages 6 to 13 and in the Manager's Report on pages 16 to 37.

Going concern

The Group's business activities, together with the factors likely to affect its future development, performance and position, are set out in the Manager's Report. The financial position of the Group, its cash flows and its liquidity position are described in the Capital Management section of the Manager's Report.

The financial risk management objectives and policies of the Group and the exposure of the Group to credit risk, market risk and liquidity risk are discussed in Note 2 to the Consolidated Financial Statements.

In accordance with provision 30 of the 2018 revision of the UK Corporate Governance Code, (the "UK Code"), and as a fundamental principle of the preparation of financial statements in accordance with IFRS, the Directors have assessed as to whether the Company will continue in existence as a going concern for a period of at least 12 months from signing of the financial statements, which contemplates continuity of operations and the realisation of assets and settlement of liabilities occurring in the ordinary course of business.

The financial statements have been prepared on a going concern basis for the reasons set out below and as the Directors, with recommendation from the Audit and Risk Committee, have a reasonable expectation that the Group has adequate resources to continue in operational existence for the next twelve months after date of approval of the Annual Report.

In reaching its conclusion, the Board have considered the risks that could impact the Group's liquidity over the period to 30 September 2024. This period represents the period of at least 12 months from the date of signing of the Annual Report.

As part of their assessment the Audit and Risk Committee highlighted the following key considerations:

1. Whether the Group can repay or refinance its loan facilities to discharge its liabilities over the period to 30 September 2024

2. Extension of life of the Company

1. Whether the Group can repay or refinance its loan facilities to discharge its liabilities over the period to 30 September 2024

As at 30 June 2023, the Group has major debt obligations to settle during the going concern period being:

i) principal repayments for *The Waterside* loan facility of approximately US$7.7 million, US$9.6 million and US$11.5 million due for settlement in September 2023, March 2024 and September 2024, respectively;

ii) principal repayments for *The Fountainside* loan facility of approximately US$1.9 million and US$3.7 million due for settlement in September 2023 and March 2024, respectively;

iii) principal repayments for the *Penha Heights* Tai Fung Bank loan facility of approximately US$1.6 million due for settlement in quarterly instalment of US$318,900; and

iv) principal repayments for the *Penha Heights* BCM loan facility of approximately US$0.4 million and US$7.6 million due for settlement in September 2023 and December 2023, respectively.

The Fountainside US$1.9 million loan repayment due in September has been settled in full. *The Waterside* US$7.7 million loan repayment due in September 2023 has been partially settled in the amount of US$4.4 million, with the remaining balance to be settled upon completion of a confirmed sale as agreed with the lender. By reference to the Company's comprehensive working capital projections, it is anticipated that the remaining debt obligations that are due over the going concern period would be settled from sales proceeds that are to be generated from the ongoing divestments of remaining units in *The Waterside* and *The Fountainside*. The Board has considered stress-tested scenarios which indicated that a conservative, modest sales programme would provide sufficient working capital.

The Company has agreed in principle with lenders of the banking facilities for *Penha Heights* to defer principal repayments that are due in September and December 2023. The loan facility with BCM is to be extended to mature in March 2025. As a result, the loan repayments for the two *Penha Heights* facilities that would then become due over the going concern period are reduced from US$9.7 million to approximately US$1.7 million. It is anticipated that this US$1.7 million debt obligation would be settled from the sales proceeds from *The Waterside* and *The Fountainside* units, in the event that *Penha Heights* is not disposed of during the period.

The Manager is responsible for maintaining relationships with the Group's lenders, monitoring loan terms and covenants to ensure compliance, and reporting to the Board on regular basis for all key matters arising. Throughout the year ended 30 June 2023 and up to the financial statements issuance date, the Group has been in compliance with all loan covenants. Over the years, the Manager always maintains proactive dialogue with the lenders and in turn receives their strong support to the Group, even during the very challenging market environment amid the prolonged COVID period. Post COVID, the existing lenders continue to indicate their support for the Group as well as the underlying properties. Further, the upcoming debt servicing obligations over the going concern period are expected to be met by sales proceeds. Meanwhile, the Manager has also started to explore financing options with other banks as part of its contingency planning. Based on the Manager's proven track record in executing property sales and managing lender relationships, the Board is confident that the Group will be able to meet its debt obligations during the going concern period provided the sales velocity can be maintained.

Notwithstanding the above, given that it remains uncertain that adequate proceeds could be generated from sales of properties to settle payment obligations over the going concern period, and given that any necessary refinancing of debt obligations would still be subjected to lenders' approval, the Directors consider that there is a material uncertainty that may cast significant doubt over the Group's and Company's ability to continue as a going concern.

2. Extension of life of the Company

After the Ordinary Resolution was passed by an overwhelming majority at the Annual General Meeting ("AGM") of the Company in its 2022 AGM to extend the Fund's life until 31 December 2023, the Directors assessed the impact of the Continuation Vote on the Fund's ability to continue as a going concern. The Directors have also considered the going concern assumption outside the primary going concern horizon.

In line with Article 38 of the Articles of Incorporation, the Company will put forward a resolution for its continuation at the next AGM (to be held before 31 December 2023). If any continuation resolution is not passed, the Directors are required to formulate proposals to be put to Members to reorganise, unitise, reconstruct or wind up the Company.

The Directors anticipate receiving continuation support from major shareholders and note that 50% of shareholder support is required to ensure continuation. The Board and the Company's broker maintain ongoing communication with shareholders and the feedback regarding the Continuation Vote is broadly positive. It is likely that returns from the sale of properties would be significantly lower if the Fund was forced to sell under some form of fire sale arrangement as a result of a failed Continuation Vote and it is therefore commercially sensible for the Fund to continue in business.

Given that the Continuation Vote has not taken place at the date of issue of the financial statements, the Directors consider that there is a material uncertainty related to events or conditions that may cast significant doubt over the Company's ability to continue as a going concern and, therefore, that it may be unable to realise assets and discharge liabilities in the normal course of business.

Going Concern Conclusion

After careful consideration and based on the reasons outlined above, including the Manager's continuing dialogue with lenders and shareholders, whilst there is material uncertainty related to going concern, the Board have a reasonable expectation that the Company will continue in existence as a going concern for 12 months from the date of signing the Annual report. They are therefore satisfied that it is appropriate to adopt the going concern basis in preparing the financial statements.

Viability Statement

The Board has carried out a robust assessment of the principal risks facing the Company, including those that would threaten its business model, future performance, solvency and liquidity. The Directors consider each of the Company's principal risks and uncertainties, during the quarterly Board meetings, supported by the twice monthly reporting from the Manager. The Directors also considered the Company's policy for monitoring, managing and mitigating its exposure to these risks and the impact on the Company's operations. This assessment involved an evaluation of the potential impact on the Company of these risks occurring. Where appropriate, the Company's financial model was subject to a sensitivity analysis involving flexing a number of key assumptions in the underlying financial forecasts in order to analyse the effect on the Company's net cash flows and other key financial ratios. A base case and adverse scenario where projections calculated based upon flexing these key assumptions had both resulted in positive cash held balances throughout the two-year projection period with ending cash balances of over US$2 million under both scenarios. The Board expects the payments obligation of the loan facilities which will be due within the next 12 months will be repaid while the Company continues to comply with the loan covenants and that the Company's life will be further extended at the 2023 AGM.

In accordance with provision 31 of the 2018 revision of the UK Code, the Directors have assessed the prospects of the Company over a longer period than the 12 months required by the going concern provision. During the year, the Board conducted a review for a period covering two years, including a review of a comprehensive cash flow projection, together with adverse scenarios to stress test the cash positions of the Company. The Board considered two years to be an appropriate time horizon for its divestment plan, being the period over which the majority of the Company's properties should have been disposed of. This has remained the same timeframe as the prior year due to the delay in divestment as a result of the dynamic zero policy for COVID-19 which continued to be adopted in Macau and China with restrictions that hindered economic and business recovery until early 2023 and the post restriction property market conditions that followed easing of those constraints. Based on an assessment of the principal risks facing the Company and the stress testing based assessment of the Company's prospects, the Directors have a reasonable expectation that the Company will be able to continue in operation (subject to the Continuation Vote and projected sales) and meet its liabilities as they fall due over the two-year period of their assessment. It is expected that the timeframe for the disposal of the majority of the assets will be within the remaining two-year period.

Share capital

Ordinary Shares

The Company has one class of ordinary shares, which carries no rights to fixed income. On a show of hands, each member — present in person or by proxy — has the right to one vote at general meetings. On a poll, each member is entitled to one vote for every share held.

The Company's Memorandum and Articles of Incorporation contain details relating to the rules that the Company has regarding the appointment and removal of Directors or amendment to the Company's Articles of Incorporation.

Results and dividends

The results for the year are set out in the Consolidated Financial Statements on pages 80 to 114. There are no dividends proposed or declared for the current year end (2022: US$ nil).

Authority to purchase own shares

Following the authority first granted in the Extraordinary General Meeting on 28 June 2010 and subsequently renewed at each AGM, the Board has publicly stated its commitment to undertake share buybacks at attractive levels of discount of the share price to Adjusted NAV. The Board intends to renew this authority at the 2023 AGM. No shares have been repurchased in the current or prior financial year.

Significant shareholdings

As at 29 August 2023, a total of 8 shareholders each held more than 3% of the issued ordinary shares of the Company, accounting for a total of 45,484,753 shares (29 August 2022: 45,871,129) or 73.56% (29 August 2022: 74.19%) of the issued share capital. Significant shareholdings as at 29 August 2023 are detailed below:

Name of shareholder	No. of shares	%
Sniper Investments Limited	**12,081,904**	**19.54**
Universities Superannuation Scheme	**8,494,683**	**13.74**
Lazard Asset Management LLC	**8,261,981**	**13.36**
Fidelity International	**5,080,233**	**8.22**
Apollo Multi Asset Management	**3,687,861**	**5.96**
Premier Miton Investors	**3,590,357**	**5.81**
Banque de Luxembourg (PB)	**2,288,485**	**3.70**
Hargreaves Lansdown, stockbrokers (EO)	**1,999,249**	**3.23**
Subtotal	**45,484,753**	**73.56**
Other	**16,350,980**	**26.44**
Total	**61,835,733**	**100.00**

Directors

Biographies of the Directors who served during the year are detailed on pages 14 – 15.

Name	Function	Date of appointment
Mark Huntley	Chairman, Chairman of the Management Engagement Committee and the Chairman of the Disclosure and Communications Committee	3 October 2018
Alan Clifton	Director, Chairman of the Audit and Risk Committee and the Nomination and Remuneration Committee	18 May 2006
Carmen Ling	Director	24 February 2022

Directors' interests

Directors who held office during the year and had interests in the shares of the Company as at 30 June 2023 were:

	Ordinary Shares of US$0.01	
	Held at 30 June 2023	**Held at 30 June 2022**
Mark Huntley	**200,000**	200,000
Alan Clifton	**80,902**	80,902
Carmen Ling	**50,000**	–

There have been no changes to the aforementioned interests since 30 June 2023.

Directors' Report *(continued)*

Non-mainstream pooled investments

The Board notes the changes to the Financial Conduct Authority (FCA) rules ("UK Listing Rules") relating to the restrictions on the retail distribution of unregulated collective investments schemes and close substitutes which came into effect on 1 January 2014.

Following the receipt of legal advice, the Board confirms that it has conducted the Company's affairs in such a manner that the Company would have qualified for approval as an investment trust if it was resident in the United Kingdom, and that it is the Board's intention that the Company will continue to conduct its affairs in such a manner. Thus, the Company is, and the Board expects it will continue to be, outside the scope of the new restrictions and Independent Financial Advisors (IFAs) should therefore be able to recommend ordinary shares in the Company to retail investors in accordance with the FCA requirements relating to non-mainstream investment products.

AIFM directive

The Directors have considered the impact of the EU Alternative Investment Fund Managers Directive (no. 2011/61/EU) ("AIFM Directive"), which was transposed into United Kingdom law on 22 July 2013 with the transitional period having ended in June 2014, on the Company and its operations.

The Company is a non-EU domiciled Alternative Investment Fund which does not currently intend to market its shares within Europe. The Directors, therefore, consider that neither authorisation nor registration is required.

Directors' remuneration

Directors of the Company are all non-executive and, by way of remuneration, receive an annual fee. During the year, the Directors received the following emoluments in the form of Directors' fees from the Company. There has been no change in director remuneration since 2017.

	2023 **US$**	**2022** **US$**
Mark Huntley	**69,949**	74,865
Alan Clifton	**53,507**	56,149
Carmen Ling *(Appointed on 24 February 2022)*	**43,063**	15,432
Wilfred Woo *(Resigned on 22 December 2021)*	**–**	23,218
Total	**166,519**	169,664

Directors' Responsibilities to Stakeholders

Section 172 of the UK Companies Act 2006 applies directly to UK domiciled companies. Nonetheless the AIC Code requires that the matters set out in section 172 are reported on by all companies, irrespective of domicile.

Directors' Report *(continued)*

Section 172 recognises that directors are responsible for acting in a way that they consider, in good faith, is the most likely to promote the success of the Company for the benefit of its stakeholders as a whole. In doing so, they are also required to consider the broader implications of their decisions and operations on other key stakeholders and their impact on the wider community and the environment. Key decisions are those that are either material to the Company or are significant to any of the Company's key stakeholders. The Company's engagement with key stakeholders and the key decisions that were made or approved by the Directors during the year are described below.

Stakeholder Group

Shareholders
The major investors in the Company's shares are set out on page 49.

Continued shareholder support is vital to the Company's divestment objectives, and therefore, in line with its objectives, the Company seeks to maintain shareholder satisfaction through:

— Net asset value preservation
— Divestment of remaining properties, and
— Operating cost reduction

Methods of Engagement

The Company engages with its shareholders through the issue of periodic portfolio updates in the form of Regulatory News Service ("RNS") announcements and half yearly updates.

The Company provides in depth commentary on the investment portfolio and corporate outlook in its semi-annual financial statements.

In addition, the Company directly and, through its Manager undertake periodic roadshows to meet with existing and prospective investors to solicit their feedback and understand any areas of concern.

The Manager and Board have achieved a substantial operating cost reduction.

In the financial year the Company issued:

— 4 NAV updates by way of RNS
— 2 half yearly updates.

The Company directly and through the Manager interacts with major shareholders. These meetings have been largely virtual during the period. Such interaction provides mutual understanding of the Company's prospects and outlook for divestment.

Independent valuation reports confirm the fair value of the Company's properties.

Benefits of Engagements

Shareholders are aware of any developments and issues and through engagement can be actively engaged in the process of divestment.

Directors' Report *(continued)*

Stakeholder Group	Methods of Engagement	Benefits of Engagements
Service Providers The Company does not have any direct employees; however it works closely with a number of service providers (the Manager, the Investment Adviser, Administrators, Company Secretary, Brokers and other professional advisers) whose interests are aligned to the success of the Company. The quality and timeliness of their service provision is critical to the success of the Company.	The Company's Management Engagement Committee has identified its key service providers. On an annual basis it undertakes a review of performance based on a questionnaire through which it also seeks feedback. Furthermore, the Board and its sub-committees engage regularly with its service providers on a formal and informal basis. The Management Engagement Committee will also regularly review all material contracts for service quality and value.	The Feedback given by the service providers is used to review the Company's policies and procedures to ensure open lines of communication, operational efficiency and appropriate pricing for services provided.
Lenders The Group has interest-bearing loans with three banks. These facilities provides the Group with the resources which can be used to finance capital expenditure or working capital and therefore their availability is a key component of the Company's ability to operate.	The Group's engagement with its bankers is primarily through its Manager who provides regular reports to the banks and has an open line of communication in respect of the ongoing operation and maintenance of the facilities.	The facilities have continued to operate throughout the year, and based on the performance and delivery of the divestment programme, no issues or concerns have been raised by the banks.
Tenants The Group has rental paying tenants in *The Waterside*.	Formal lease agreements are executed to safeguard the interests of the landlord, *The Waterside*, and tenants. In addition, top-class facilities and quality property management services are provided at *The Waterside* to help ensure comfortable occupancy.	Positive feedback is received from residents at *The Waterside* as well as from the local market. Occupancy levels have increased in real terms and rental levels have been maintained.
Community & Environment As an Investment Company whose purpose is the investment in real estate in Macau, the Company's direct engagement with the local community and the environment is limited.	As discussed above the Board actively engages with the Company's service providers on a regular basis.	The ESG report provides further information on the Manager's approach to this important subject.

Change of control

There are no agreements that the Company considers significant and to which the Company is party, that would take effect, alter or terminate upon change of control of the Company, following a takeover bid.

Annual General Meeting

The AGM of the Company will be held in December 2023 at Floor 2, Trafalgar Court, Les Banques, St Peter Port, Guernsey. A notice of Meeting and Agenda will be in December 2023.

Directors' Report *(continued)*

Independent auditors

The Audit and Risk Committee reviews the appointment of the external auditor, its effectiveness and its relationship with the Group, which includes monitoring the use of the external auditor for non-audit services and the balance of audit and non-audit fees paid. Deloitte LLP have been appointed as external auditor for the year to 30 June 2023. Each Director believes that there is no relevant information of which the external auditor is unaware. Each has taken all steps necessary, as a director, to be aware of any relevant audit information and to establish that Deloitte LLP is made aware of any pertinent information. This confirmation is given and should be interpreted in accordance with the provisions of Section 249 of the Companies (Guernsey) Law, 2008.

Subsequent events

Significant subsequent events have been disclosed in Note 25.

Financial risk management policies and objectives

Financial risk management policies and objectives are disclosed in Note 2.

Principal risks and uncertainties

Principal risks and uncertainties are discussed in the Corporate Governance Report on page 57.

On behalf of the Board

Mark Huntley
Chairman of the Board
4 October 2023

Corporate Governance Report

The Board has put in place a framework for corporate governance which it believes is appropriate for an investment company. Paragraph 9.8.6R of the UK Listing Rules obliges Boards to report upon their corporate governance arrangements against the UK Code issued by the Financial Reporting Council (the "FRC"). The Company is a member of the Association of Investment Companies (the "AIC") and the Board has considered the principles and recommendations of the 2019 AIC's Code of Corporate Governance ("AIC Code"). The Board considers that reporting against the principles and recommendations of the AIC Code provides better information to shareholders. The FRC has provided the AIC with an endorsement letter to cover the latest edition of the AIC Code. The endorsement confirms that by following the AIC Code, investment company boards should fully meet their obligations in relation to the UK Code and paragraph 9.8.6R of the UK Listing Rules.

The AIC Code is available on the AIC's website, www.theaic.co.uk. The UK Code is available on the FRC's website, www.frc.org.uk.

Throughout the accounting period, the Company has complied with the recommendations of the AIC Code and thus the relevant provisions of Section 1 of the UK Code, except as set out below.

The UK Code includes provisions relating to:

- the role of the chief executive;
- executive directors' remuneration;
- the need for an internal audit function;
- appointment of a senior independent director; and
- whistleblowing policy.

The Board considers that the above provisions, where practical, have been fully adhered to but many are not currently relevant to the position of the Company, being an internally managed investment company, which delegates most day-to-day functions to third parties. There are areas of governance codes which present genuine practical challenges for a company that is both in the late stage of life, with a clearly defined but narrow strategic objective. All Directors are non-executive and independent of the Investment Adviser and therefore the Directors consider the Company has no requirement for a Chief Executive or a Senior Independent Director and the Board is satisfied that any relevant issues can be properly considered by the Board. The absence of an internal audit function is discussed in the Report of the Audit and Risk Committee.

The GFSC Finance Sector Code of Corporate Governance (the "GFSC Code") came into force in Guernsey on 1 January 2012 and was amended in February 2016, June 2021 and November 2021. The Company is deemed to satisfy the GFSC Code provided that it continues to conduct its governance in accordance with the requirements of the AIC Code.

Except as disclosed below, the Company complied throughout the year with the recommendations of the AIC Code and the relevant provisions of the UK Code.

The Board

The Board consists of three non-executive directors, all of whom are independent of the Company's Manager and Investment Adviser.

Directors' details are listed on pages 14 and 15 which set out the range of investment, financial and business skills and experience represented. Provision 14 of the AIC Code states that a Board should consider appointing one independent non-executive director to be the senior independent director. The Board, having taken into account its small size and that all directors are each similarly independent and non-executive, considers it unnecessary to appoint a senior independent director.

All Directors will retire annually in accordance with the AIC Code. A retiring director shall be eligible for reappointment. No director shall be required to vacate his office at any time by reason of the fact that they have attained any specific age.

The Board has considered the need for a policy regarding tenure of office and a succession plan for the retirement of existing officers; however, the Board believes that any decisions regarding tenure should consider the need for continuity and maintenance of knowledge and experience and to balance this against the need to periodically refresh board's composition, with the limited expected life of the Company in mind.

The Company has benefitted greatly from the knowledge, expertise and skill mix of the Board as it has had to navigate through the difficulties of the current situation. Whilst there are no concerns about either stale behaviour or lack of vigour to deliver the Company's strategy, any appointment of a director requires a sound understanding of the market in Macau as well as broader experience of the real estate market: to the contrary, the Board and Manager dynamics have been most constructive and measured in the face of an unprecedented challenges.

The majority of the Board is independent within the meaning of the AIC Code.

The Board meets at least four times a year for regular scheduled meetings and, should the nature of the activity of the Company require it, additional meetings may be held, some at short notice. At each meeting, the Board follows a formal agenda that covers the business to be discussed. Since the easing of the COVID-19 pandemic all board meetings have been held in Guernsey.

To fulfil the recommendation of AIC Code Provision 15 and to give sufficient attention to strategy, the Board discusses strategy at each of its regular scheduled meetings, but holds a separate session annually devoted to this.

Between meetings, there is regular contact with the Manager and the Administrator, and the Board requires to be supplied in a timely manner with information by the Manager, the Company Secretary and other advisers in a form and of a quality to enable it to discharge its duties.

The terms and conditions of appointment of non-executive directors are available for inspection from the Company's registered office.

Performance and evaluation

Pursuant to Principle J of the AIC Code which requires a formal and rigorous annual evaluation of its performance, the Board formally reviews its performance annually through an internal process. Internal evaluation of the Board, the Audit and Risk Committee, the Nomination and Remuneration Committee, the Management Engagement Committee, the Disclosure and Communications Committee and individual Directors has taken the form of self-appraisal questionnaires and detailed discussions to determine effectiveness and performance in various areas, as well as the Directors' continued independence. Given the late stage of life of the Company, the Board considered it sufficient to undertake its own evaluation rather than appointing, at cost, an external facilitator.

During the year, a formal board performance appraisal was carried out by the Nomination and Remuneration Committee. Following review and collation of the results, the Board considered that the overall performance of the Board during the year had been satisfactory and that the Board is confident in its ability to continue effectively to lead the Company and oversee its affairs. The Board believes that the current mix of skills, experience, knowledge and location of the Directors is appropriate to the requirements of the Company.

Any new directors, were they to be appointed, would receive an induction from the Manager as part of the familiarisation process of candidates following appointment. All directors receive other relevant training as necessary.

Duties and responsibilities

The Board is responsible to shareholders for the overall management of the Company. The Board has adopted a Schedule of Matters Reserved for the Board which sets out the particular duties of the Board. Such reserved powers include decisions relating to the determination of investment policy and approval of investments, strategy, capital raising, statutory obligations and public disclosure, financial reporting and entering into any material contracts by the Company.

The Directors have access to the advice and services of the Company Secretary and Administrator, who are responsible to the Board for ensuring that Board procedures are followed and that it complies with Guernsey Law and applicable rules and regulations of the GFSC and the LSE. Where necessary, in carrying out their duties, the Directors may seek independent professional advice at the expense of the Company. The Company maintains appropriate Directors' and Officers' liability insurance in respect of legal action against its Directors on an on-going basis.

The Board has responsibility for ensuring that the Company keeps proper accounting records, which disclose with reasonable accuracy at any time the financial position of the Company, and which enable it to ensure that the financial statements comply with the Companies (Guernsey) Law, 2008.

The Board has responsibility for ensuring that the Annual Report presents a fair, balanced and understandable assessment of the Company's position and prospects. This responsibility extends to interim and other price-sensitive public reports.

Corporate Governance Report *(continued)*

Committees of the Board

Nomination and Remuneration Committee

The Nomination and Remuneration Committee Report is on page 60.

Management Engagement Committee

The Management Engagement Committee Report is on page 62.

Audit and Risk Committee

The Audit and Risk Committee Report is on page 63.

Meeting Attendance

Name	Scheduled Board Meeting (max 4)	Audit and Risk Committee Meeting (max 3)	Nomination and Remuneration Committee Meeting (max 2)	Management Engagement Committee Meeting (max 2)
Mark Huntley	4	3	2	2
Alan Clifton	4	3	2	2
Carmen Ling	4	2	2	2

In addition to the above, there were two additional Board meetings and two other committee meetings held during the year.

Internal control and financial reporting

The Board is responsible for the Group's system of internal control and for reviewing its effectiveness, and the Board has, therefore, established a process designed to meet the particular needs of the Group in managing the risks to which it is exposed.

The process takes a risk-based approach to internal control through a matrix which identifies the key functions carried out by the Manager and other key service providers, the various activities undertaken within those functions, the risks associated with each activity and the controls employed to minimise those risks. A residual risk rating is then applied. Regular reports are provided to the Board, highlighting material changes to risk ratings and a formal review of these procedures is carried out by the Audit and Risk Committee and reported to the Board on an annual basis and has been completed during the financial year. By their nature, these procedures provide a reasonable, but not absolute, assurance against material misstatement or loss.

At each board meeting, the Board also monitors the Group's investment performance and activities since the last board meeting to ensure that the Manager adheres to the agreed investment policy and approved investment guidelines. Furthermore, at each board meeting, the Board receives reports from the Company Secretary and Administrator in respect of compliance matters and duties performed on behalf of the Company.

The Board considers that an internal audit function specific to the Group is unnecessary and that the systems and procedures employed by the Administrator and Manager, including their own internal control functions, provide sufficient assurance that a sound system of internal control, which safeguards the Group's assets, is maintained. The Administrator issues an ISAE 3402 Type II report annually, setting out a description of controls and detailed external testing of the controls over a year. The serving auditor concluded in the most recent report that control objectives were suitably designed and achieved during the period. Investment advisory services are provided to the Group by Sniper Capital (Macau) Limited. The Board is responsible for setting the overall investment policy and monitors the action of the Manager at regular board meetings. The Board has also delegated administration and company secretarial services to Ocorian Administration (Guernsey) Limited but retains accountability for all functions it delegates.

Management agreement

The Company has entered into an agreement with the Manager. This sets out the Manager's key responsibilities, which include proposing the property investment strategy to the Board and identifying property investments to recommend for divestment. The Manager is also responsible to the Board for all issues relating to property asset management.

The Company has delegated the provision of all services to external service providers whose work is overseen by the Management Engagement Committee at its regular scheduled meetings. Each year, a detailed review of performance pursuant to their terms of engagement is undertaken by the Management Engagement Committee.

Corporate Governance Report *(continued)*

In accordance with Listing Rule 15.6.2(2)R and having formally appraised the performance and resources of the Manager, in the opinion of the Directors, the continuing appointment of the Manager, on the terms agreed, is in the interests of shareholders as a whole.

Relations with shareholders

The Company welcomes the views of shareholders and places great importance on communication with its shareholders. Senior members of the Manager are available at all reasonable times to meet with principal shareholders and key sector analysts. The Manager, Chairman and other Directors are not only available to meet with shareholders, but have actively done so.

Reports on the views of shareholders are provided to the Board on a regular basis. The Board is also kept fully informed of all relevant market commentary on the Company by the Manager and the Corporate Broker.

All shareholders can address their individual concerns to the Company in writing at its registered address. The AGM of the Company provides a forum for shareholders to meet and discuss issues with the Directors and the Manager. The Manager and Board also engage with shareholders on an ongoing basis. In addition, the Company maintains a website (www.mpofund.com) which contains comprehensive information, including company notifications, share information, financial reports, investment objectives and policy, investor contacts and information on the Board and corporate governance.

Whistleblowing

The Board has considered the AIC Code recommendations in respect of arrangements by which staff of the Administrator and Investment Manager may, in confidence, raise concerns within their respective organisations about possible improprieties in matters of financial reporting or other matters.

It has concluded that adequate arrangements are in place for the proportionate and independent investigation of such matters and, where necessary, for appropriate follow-up action to be taken within their organisation.

GDPR

The Board confirmed that the Company has considered GDPR and taken measures itself and with its service providers to meet the requirements of GDPR and the equivalent Guernsey law.

Cyber-security

The Board recognises the increased incidence of cyber-security threats and regularly reviews its policies, procedures and defences to mitigate associated risks, and receives confirmation on such matters such as quarterly compliance reports, from the key service providers.

Principal risks and uncertainties

The Group’s assets consist of residential property investments in Macau. Its principal risks are therefore related to the residential property market in general, but also the particular circumstances of the properties in which they are invested and where relevant, their tenants. The Manager seeks to mitigate these risks through active asset management initiatives and carrying out due diligence work on potential tenants before entering into any new lease agreements. All the properties in the portfolio are insured.

Each Director is aware of the risks inherent in the Group’s business and understands the importance of identifying and evaluating these risks. The Board has adopted procedures and controls that enable it to manage these risks within acceptable limits and to meet all its legal and regulatory obligations.

For each material risk, the likelihood and consequence are identified, management controls and frequency of monitoring are confirmed and results are reported and discussed at board meetings.

The Company’s principal risk factors are fully discussed in the Company’s prospectus, are available on the Company’s website and should be reviewed by shareholders. Note 2 further describes the Group’s risk management processes.

The principal risks and uncertainties faced by the Group are set out below:

- The global COVID-19 pandemic and the resulting uncertainty which that placed on Macau's real estate market, the valuation of the underlying assets and whether this could prevent the Group from being able to realise its assets. During the second half of the year travel restrictions to Macau have been eased and this has led to an economic recovery with modest increased levels of transactions in the luxury real estate market. The Manager provides the Board with regular reports and updates on key local developments. Working capital requirements and an analysis of loan to value covenants are reported to the Board for monitoring. Stress testing using various disposal scenarios will be incorporated into this analysis and investors will be kept updated as to the impact of the pandemic. The Manager and Administrator each have their own business continuity plans, which are tested and effective to prevent business disruptions.

- Economic changes that have occurred in 2023 such as high global inflation, interest rate increases and their impact on the Macau economy and in particular, the luxury property market. The Manager provides quarterly updates and ad-hoc analysis about such economic related impact to the Board, to facilitate their informed decisions making process;

- There can be no guarantee that Macau will remain the only centre in China where gambling is legal. It is, however, unlikely in the expected remaining life of the Company. Changes in policies of the government or changes in laws and regulations may result in the legalisation of gambling in other parts of China. Other regional centres may also provide increased competition to Macau. This, in turn, may have an adverse effect on Macau's economy and property market and the favourable treatment of gambling in Macau. This is an inherent risk of investing in the Macau region and therefore cannot be mitigated or managed by the Board.

- The Group's loan refinancing may not be available in the future due to reduced lending appetite from banks and a change in market sentiment. The Board, through the Manager, has an ongoing dialogue with all external lenders and closely monitors the loan covenants of all facilities.

- Inability to achieve the Group's strategic objectives, linked to a widening of the discount between share price and Adjusted NAV and the Continuation Vote in the AGM in December 2023, where a concentrated shareholder base exists, the Board, the Manager and the Company maintain good relationship with investors through periodic contact, investor updates, addressing influences of the share price and through provision of factual information to support any resolutions requiring shareholders' approval.

- New legislation or regulations, or different or more stringent interpretation or enforcement of existing laws or regulations, in any jurisdiction in which the Group operates, may have a material adverse effect on the Group's financial performance and returns to shareholders. The Manager provides the Board with updates on any development on a regular basis.

- Macau law governs the majority of the Group's agreements which relate to property investments, property ownership rights and securities. It cannot be guaranteed that the Group will be able to enforce any such agreements or that remedies will be available outside of Macau. The Manager provides the Board with updates on any development on a regular basis.

- The Group's return on its investments and prospects are subject to economic, legal, political and social developments in Macau and China, and the Asia Pacific region in general. The Manager provides the Board with updates on any development on a regular basis. In particular, the Group's return on its investments may be adversely affected by:

    - changes in Macau's and China's political, economic and social conditions including the long term effects of COVID-19;

    - changes in policies of the government or changes in laws and regulations (including the revocation or modification by the Chinese Government of Macau's SAR status and high autonomy levels), or the interpretation of laws and regulations;

    - changes in foreign exchange rates or regulations;

    - measures that may be introduced to control inflation, such as interest rate increases;

    - changes in the rate or method of taxation;

    - title and/or legal disputes with neighbouring land owners and legal disputes with architects, project managers and suppliers; and

    - changes to restrictions on or regulations concerning repatriation of funds.

Emerging risks

Emerging risks have been identified by the Board through a process of evaluating which of the principal risks or any previously unidentified risks have increased materially through the year and/or are expected to significantly grow and such evaluation is completed at regular Board meetings. Any such emerging risks are likely to cause disruption to the Group's business. If ignored, there could be significant impact on the Group's financial situation and future operating performance but, if recognised, they could provide opportunities for transformation. In the current year no further emerging risks have been identified.

There is a process for identifying, evaluating and managing the principal and emerging risks faced by the Group. This process (which accords with the FRC's "Guidance on Risk Management, Internal Control and Related Financial and Business Reporting") has been regularly reviewed and has been in place throughout the financial year and up to the date of approval of these annual accounts.

The above principal risks are mitigated and managed by the Board through continual review, policy setting and annual updating of the Group's risk matrix to ensure that procedures are in place with the intention of minimising the impact of the above mentioned risks should they crystallise. The Board relies on reports periodically provided by the Administrator and the Manager regarding risks that the Group faces. When required, experts are employed to gather information, including tax advisers, legal advisers and planning advisers. Some risks are, however, beyond the Board or Managers' ability to mitigate.

The Board relies on the Manager's close relationship with legal and other professionals in Macau, Hong Kong and China to keep abreast of any potential changes to the law and any possible impact on the Group. The Board also regularly monitors the investment environment and the management of the Group's property portfolio, and applies the principles detailed in the internal control guidance issued by the FRC. Details of the Group's internal controls are described in more detail on page 56.

The Group's financial risks and uncertainties are further discussed in Note 2 to the Consolidated Financial Statements.

On behalf of the Board

Mark Huntley
Chairman of the Board
4 October 2023

Nomination and Remuneration Committee Report

Summary of the role of the Nomination and Remuneration Committee

The Nomination and Remuneration Committee regularly reviews the structure, size and composition (including the skills, knowledge, gender, experience and diversity) of the Board and makes recommendations to the Board with regard to any changes and also considers the appropriate levels of the Board's remuneration. The Board monitors the developments in corporate governance to ensure the Board remains aligned with best practice. The Board acknowledges the importance of diversity of experience, approach and gender, for the effective functioning of a board and commits to supporting diversity in the boardroom. The Board also values diversity of business skills and experience because directors with diverse skills sets, capabilities and experience gained from different geographical backgrounds enhance the Board by bringing a wide range of perspectives to the Company. The Board is satisfied with the current composition and functioning of its members. It is the Company's policy to give careful consideration to issues of the Board's balance, including gender and ethnic diversity, when appointing board members, but its priority is to appoint based on merit, notwithstanding a strong desire to maintain the Board's diversity. The Board's current ethnic diversity ratio is 33.33% and current gender diversity ratio is 33.33%. The terms of reference are considered annually by the Nomination and Remuneration Committee and are then referred to the Board for approval and are available on the Company's website. The Board's approach to succession needs to take account of the fact that the Company is in the final phase of its life.

Remuneration

The Nomination and Remuneration Committee determines and agrees with the Board the remuneration of the Company's Chairman, and non-executive directors. No director shall be involved in any decisions as to their own remuneration. In determining such remuneration, the Nomination and Remuneration Committee takes into account all factors which it deems necessary including any relevant legal requirements, the provisions and recommendations in the AIC Code of Corporate Governance and the UK Listing Authority's Listing Rules and associated guidance. The Nomination and Remuneration Committee also obtains reliable, up-to-date information about remuneration in other comparable companies. There has been no changes to annual director remuneration since 2017.

Composition of the Nomination and Remuneration Committee

The members of the Nomination and Remuneration Committee are listed on page 115.

Meetings

The Nomination and Remuneration Committee shall meet at least once a year and otherwise as required. Meetings of the Nomination and Remuneration Committee shall be called by the Company Secretary at the request of the Committee Chairman. Unless otherwise agreed, notice of each meeting confirming the venue, time and date, together with an agenda of items to be discussed, shall be forwarded to each member of the Nomination and Remuneration Committee, any other person required to attend and all other non-executive directors, no later than five working days before the date of the meeting. Supporting papers shall be sent to the Nomination and Remuneration Committee and to other attendees as appropriate, at the same time. Any non-executive director who is not considered independent will not take part in the Nomination and Remuneration Committee's deliberations regarding remuneration levels.

Consideration of Directors for re-election

All Directors will retire annually in accordance with the AIC Code. A retiring director shall be eligible for reappointment. No director shall be required to vacate his office at any time by reason of the fact that he has attained any specific age.

The Nomination and Remuneration Committee will consider the use of external consultants to assist with the appointment of future directors.

Nomination and Remuneration Committee Report *(continued)*

Overview

The Nomination and Remuneration Committee met two times in the year ended 30 June 2023. Matters considered at the meeting included but were not limited to:

- the structure, size and composition (including the balance of skills, knowledge, experience and diversity) of the Board and Audit and Risk Committee and the need periodically to refresh membership;
- to note guidance set out in the AIC Code;
- to consider key outcomes from the Board's evaluation process;
- to consider Board's tenure and succession planning;
- consideration of Directors for re-election;
- consideration of Directors' remuneration; and
- consideration of the effectiveness of new Directors.

As a result of its work during the year, the Nomination and Remuneration Committee has concluded that it has acted in accordance with its terms of reference.

On behalf of the Nomination and Remuneration Committee

Alan Clifton
Chairman of the Nomination and Remuneration Committee
4 October 2023

Management Engagement Committee Report

Summary of the role of the Management Engagement Committee

The Management Engagement Committee annually reviews the terms of the Investment Management Agreement between the Company and the Manager and reviews the performance and terms of engagement of any other key service providers to the Company, as detailed in Appendix 1 of the Terms of Reference of the Committee. The terms of reference are considered annually by the Management Engagement Committee and are then referred to the Board for approval and are available on the Company's website. During the year the Management Agreement was amended to extend the Manager's entitlement to earn fees into 2023 in reflection of the delays to the realisation of assets arising as a consequence of the coronavirus pandemic and the challenging subsequent trading conditions. The maximum fee that could be paid to the manager in all circumstances is US$1,780,000.

Composition of the Management Engagement Committee

The members of the Management Engagement Committee are listed on page 115.

Meetings

The Management Engagement Committee meets at least once a calendar year and otherwise as required. Meetings of the Management Engagement Committee shall be called by the Company Secretary at the request of the Committee Chairman. Unless otherwise agreed, notice of each meeting confirming the venue, time and date, together with an agenda of items to be discussed, shall be forwarded to each member of the Management Engagement Committee, any other person required to attend, no later than five working days before the date of the meeting. Supporting papers shall be sent to the Management Engagement Committee and to other attendees as appropriate, at the same time.

Performance of the Manager

Following discussion, it is the opinion of the Management Engagement Committee that the performance of the Manager for the year ended 30 June 2023 was satisfactory and the continuing appointment of the Manager on the terms as currently agreed and, following negotiation and an affirmative Continuation Vote, any future ongoing extension is in the interests of the shareholders as a whole.

Performance of key service providers

Following discussion, it is the opinion of the Management Engagement Committee that the performance of the key service providers (as detailed in Appendix 1 of the Terms of Reference of the Committee) for the year ended 30 June 2023 was satisfactory.

Overview

The Management Engagement Committee met two times during the year and as a result of its work, the Management Engagement Committee has concluded that it has acted in accordance with its terms of reference.

On behalf of the Management Engagement Committee

Mark Huntley
Chairman of the Management Engagement Committee
4 October 2023

Audit and Risk Committee Report

Summary of the role of the Audit and Risk Committee

The Audit and Risk Committee is appointed by the Board from the non-executive directors of the Company. The Audit and Risk Committee's terms of reference include all matters indicated by Disclosure Guidance and Transparency Rule 7.1 and the UK Code. The terms of reference are considered annually by the Audit and Risk Committee and are then referred to the Board for approval and are available on the Company's website.

The Audit and Risk Committee is responsible for:

- reviewing and monitoring the integrity of the Annual Report and Audited Consolidated Financial Statements, the Interim Report and Interim Condensed Consolidated Financial Statements of the Group, and any formal announcements relating to the Group's financial performance, and reviewing significant financial reporting judgements contained therein;

- reporting to the Board on the appropriateness of the accounting policies and practices including critical accounting policies and practices;

- advising the Board that the annual report and accounts, taken as a whole, are fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's performance, business model and strategy;

- reviewing the Group's internal financial controls and, unless expressly addressed by the Board itself, the Group's internal controls and principal risks;

- making recommendations to the Board for a resolution to be put to the shareholders, for their approval in general meetings, on the appointment of the external auditor and the approval of the remuneration and terms of engagement of the external auditor;

- reviewing and monitoring the external auditor's independence and objectivity and the effectiveness of the audit process, taking into consideration relevant UK professional and regulatory requirements;

- developing and implementing a policy on the engagement of the external auditor to supply non-audit services, taking into account relevant guidance regarding the provision of any non-audit services by the external audit firm;

- reviewing the valuations of the Company's investments prepared by the Investment Adviser, and providing a recommendation to the Board on the valuation of the Company's investments;

- meeting the external auditor to review their proposed audit programme of work and the subsequent audit report and to assess the effectiveness of the audit process and the levels of fees paid in respect of both audit and any non-audit work;

- considering annually whether there is a need for the Company to have its own internal audit function; and

- reviewing and considering the UK Code, the AIC Code and the Stewardship Code.

The Audit and Risk Committee is required to report its findings to the Board, identifying any matters on which it considers that action or improvement is needed, and to make recommendations on the steps to be taken.

The Audit and Risk Committee is also required to report to the Board, identifying how it has discharged its responsibilities during the current year.

The Board has taken note of the requirement that at least one member of the Audit and Risk Committee should have recent and relevant financial experience and is satisfied that the Audit and Risk Committee is properly constituted in that respect, with all members having relevant sector experience.

The Audit and Risk Committee reviews the information contained in the other sections of the Annual Report including the Directors' Report, Chairman's Message and the Manager's Report.

The Audit and Risk Committee is the formal forum through which the external auditor reports to the Board. The external auditor is invited to attend the Audit and Risk Committee meetings at which the Annual Report and Audited Consolidated Financial Statements, and at which they have the opportunity to meet with the Audit and Risk Committee without representatives of the Investment Adviser being present at least once per year.

Audit and Risk Committee Report *(continued)*

Composition of the Audit and Risk Committee

The members of the Audit and Risk Committee are:

	Date of appointment
Alan Clifton (Chairman)	23 May 2006
Mark Huntley	12 November 2018
Carmen Ling	24 February 2022

Appointments to the Audit and Risk Committee will be for a period of up to three years, which is extendable, depending upon members continuing to be independent. Alan Clifton has been a member of the Audit and Risk Committee for 17 years. However, the Board and Audit and Risk Committee have satisfied themselves that Alan Clifton continues to be independent in approach and judgement. The Board are satisfied that Alan Clifton remains completely independent of the Investment Manager and provides consistency and continuity in the current realisation phase of the Company. Accordingly, it has resolved to extend his appointment to the Audit and Risk Committee for a further year. The Board has also considered the inclusion of the Chairman within the Audit and Risk Committee and, having taken into account that the Chairman is independent and non-executive, believes it appropriate for the Chairman to be a member. It is the intention to maintain the majority board independence within the meaning of the AIC Code.

Financial Reporting

The primary role of the Audit and Risk Committee in relation to the financial reporting is to review with the Administrator, Investment Adviser and the external auditor on the appropriateness of the Annual Report and Audited Consolidated Financial Statements and Interim Report, concentrating on, among other matters:

- the quality and acceptability of accounting policies and practices;
- the clarity of the disclosures and compliance with financial reporting standards and relevant financial and governance reporting requirements;
- material areas in which significant judgement have been applied or there has been discussion with the external auditor;
- whether the Annual Report and Audited Consolidated Financial Statements, taken as a whole, are fair, balanced and understandable and provide the information necessary for the shareholders to assess the Company's performance, business model and strategy; and
- any correspondence from regulators in relation to Company's financial reporting.

To aid its review, the Audit and Risk Committee considers reports from the Administrator, Manager and Investment Adviser and also reports from the external auditor on the outcomes of their annual audit. The Audit and Risk Committee supports Deloitte LLP in displaying the necessary professional scepticism their role requires.

Significant issues considered in relation to the financial statements

The Audit and Risk Committee has had regular contact with the Investment Adviser and the external auditor during the year end audit process. The Committee's discussions have been broad ranging, including the consideration of the Company's going concern status and key areas of judgement.

The Audit and Risk Committee is satisfied, having received advice from professional advisers which include external valuers, tax advisers and lawyers, that these sensitivities have been appropriately reflected and disclosed in the financial statements.

Audit and Risk Committee Report *(continued)*

During its review of the Group's financial statements for the year ended 30 June 2023, the Audit and Risk Committee considered the following significant issues:

- continuing impact of the COVID-19 pandemic;
- going concern and viability in relation to the Continuation Vote in December 2023 and availability of loan refinancing;
- valuation of investment properties and inventories;
- existence and ownership of investments properties and inventories;
- accounting treatment for taxes incurred in multiple jurisdictions;
- interest rates and inflation;
- income recognition for rental income; and
- progress on divestment.

The risk relating to going concern and viability is mitigated through ongoing management of cash resources, regular monitoring of compliance with loan covenants and re-negotiation with lender banks prior to loan maturities. Communications with major shareholders lend support to the Company's continuation.

The risk relating to the valuation of investment properties and inventories is mitigated through use of a professionally qualified independent valuer to conduct the valuations in accordance with current Royal Institution of Chartered Surveyors Appraisal and Valuation Standards.

The valuation is overseen by the Investment Adviser to ensure that the values are comparable to current market values of similar properties. The valuation process and methodology are discussed with the Investment Adviser regularly during the year and with the external auditor as part of the year-end audit planning. These valuations are reviewed, challenged and ultimately agreed by the Board, who possesses knowledge and understanding of the markets where the properties are situated. The Board ordinarily meets with the valuer at least once a year. The factors that affect the value and ownership of the investment property and inventory are further discussed in Notes 3, 6 and 7.

The risk relating to the ownership and existence of investment properties and inventories is mitigated through ensuring proper title deeds for the properties are held. Asset reconciliations are performed by the Administrator with the special purpose vehicle ("SPV") Administrator on a quarterly basis. Property searches showing ownership of each of the assets are conducted to ascertain that there are no changes in ownership.

The risk relating to taxation is mitigated through the setup of the Group structure. When taxation queries arise, an independent taxation adviser is employed to advise the Board on such issues. The factors that affect the Group's taxation position are further discussed in Note 9.

Meetings

The Audit and Risk Committee meets not less than twice a year and at such other times as the Chairman requires. Any member of the Audit and Risk Committee may request that a meeting be convened by the Company Secretary. The external auditor may request that a meeting be convened if they deem it necessary. Other Directors and third parties may be invited by the Audit and Risk Committee to attend meetings as and when appropriate.

Annual General Meeting

The Audit and Risk Committee Chairman, or other members of the Audit and Risk Committee appointed for the purpose, shall attend each AGM of the Company, prepared to respond to shareholders' questions on the Audit and Risk Committee's activities.

Risk management

The Company's risk assessment process and the way in which significant business risks are managed is a key area of focus for the Audit and Risk Committee. The work of the Audit and Risk Committee was driven primarily by the Company's assessment of its principal risks and uncertainties as set out in the Corporate Governance Report. The Audit and Risk Committee receives reports from the Investment Adviser and Administrator on the Company's risk evaluation process and reviews changes to the principal risks identified, including emerging risks.

Audit and Risk Committee Report *(continued)*

Primary Area of Judgement

The Audit and Risk Committee determined that the key risk of misstatement of the Company's financial statements is the fair value of the investment property held by the Group in the context of the high degree of judgement involved in the assumptions and estimates underlying the discounted cash flow calculations and any resulting impairment.

As outlined in Note 6 of the financial statements, the fair value of the Group's investment property as at 30 June 2023 was US$141,045,000 (2022: US$181,520,000). The valuation process is initiated by the Investment Adviser who appoints a suitably qualified valuer to conduct the valuation of the investment property. The results are overseen by the Investment Adviser. Once satisfied with the valuations based on their expectations, the Investment Adviser reports the results to the Board. The Board reviews the latest valuation based on their knowledge of the property market and compares these to previous valuations. The Group's investment properties were revalued at 30 June 2023 by an independent, professionally-qualified valuer, Savills.

Savills is required to make assumptions on establishing the current market valuation. The most significant assumptions (as described further in Note 6), relate to future income streams and discount rates applicable to these estimates. The principal technique deployed was the income capitalisation method and these estimates are based on the local market conditions existing at the reporting date.

The valuation of the Group's investment property as at 30 June 2023 has been determined by the Board based upon the information provided by the Investment Adviser.

The properties accounted for as inventory under IFRS are recorded at the lower of cost and net realisable value. The Company also discloses an Adjusted NAV reporting what the Company's net asset value would be if the inventory were recognised at fair value (see Note 18) using the valuation prepared by Savills. As detailed above, Savills is required to make assumptions on establishing the current market valuation. The valuation of the Group's inventories at fair value for the purpose of the Adjusted NAV as at 30 June 2023 has been determined by the Board based upon the information provided by the Investment Adviser.

Internal audit

The Audit and Risk Committee considers at least once a year whether or not there is a need for an internal audit function. Currently, the Audit and Risk Committee does not consider there to be a need for an internal audit function, given that there are no employees in the Group and all outsourced functions are with parties/administrators who have their own internal controls and procedures. During the year, an ISAE 3402 report was produced for the Administrator, Ocorian Administration (Guernsey) Limited. The Audit and Risk Committee also considers the review of controls of the service organisations.

External audit

Deloitte LLP have been appointed as external auditor for the year to 30 June 2023. The external auditor is required to rotate the audit partner every five years. The current Deloitte LLP lead audit partner, David Becker, started his tenure for the financial year ended 30 June 2021. The GFSC have indicated that no audit rotation requirements are applicable to a Guernsey company. Accordingly, paragraph 3.9 of the FCA guidance which cross refers to the requirement included in UK legislation, is not relevant for a Guernsey incorporated company.

During the year, the Audit and Risk Committee discussed the planning, conduct and conclusions of the external audit as it proceeded. At the May 2023 Audit and Risk Committee meeting, the Committee discussed and approved the external auditor's Group plan in which they identified the Group's going concern assumption, valuation of the investment property and carrying value of inventories as the key areas of risk of misstatement in the Group's financial statements.

The Audit and Risk Committee discussed these issues at the May 2023 meeting to ensure that appropriate arrangements are in place to mitigate these risks.

To fulfil its responsibility regarding the independence of the external auditor, the Audit and Risk Committee will consider:

- discussions with or reports from the external auditor describing its arrangements to identify, report and manage any conflicts of interest; and
- the extent of any non-audit services provided by the external auditor.

Audit and Risk Committee Report *(continued)*

To assess the effectiveness of the external auditor, the Audit and Risk Committee will review:

- the external auditor's fulfilment of the agreed audit plan and variations from it;
- discussions or reports highlighting the major issues that arose during the course of the audit;
- feedback from other service providers evaluating the performance of the audit team;
- arrangements for ensuring independence and objectivity;
- the robustness of the external auditor in handling key accounting and audit judgements; especially with regard to the external auditor's review of the following areas:
    - Valuation of investment property: the external auditor identified this as the main focus area of the audit and challenged the underlying assumptions used to prepare the valuation of the investment property by independent and professionally-qualified valuer, Savills, using their regional market specialists in Hong Kong and performed recalculations of assumptions to ensure within their parameters.
    - The going concern assumption: the external auditor noted shareholder feedback in addition to rigorous testing of management's cash flow forecasts and two-year viability period to obtain comfort over the going concern assumption. A material uncertainty paragraph has been included in the audit opinion in relation to going concern.
    - Carrying value of inventory: Deloitte LLP performed an analysis of the cost of the properties classified as inventory against the valuation prepared by Savills and challenged the underlying assumptions that were used to prepare the valuations to ensure that these were appropriate.

The Audit and Risk Committee also held private meetings with the external auditor during 2023 and the Audit and Risk Committee Chairman also maintained regular contact with the audit partner throughout the year. These meetings provide an opportunity for open dialogue with the external auditor without management being present.

The Audit and Risk Committee is satisfied with Deloitte LLP's effectiveness and independence as the external auditor having considered the degree of diligence and professional scepticism demonstrated by them. Having carried out the review described above and having satisfied itself that the external auditor remains independent and effective, the Audit and Risk Committee has concluded that the external auditor implemented sufficiently robust processes to deliver a high quality audit. Accordingly, the Committee recommended to the Board that Deloitte LLP be reappointed as external auditor for the year ending 30 June 2024.

The Audit and Risk Committee has provided the Board with its recommendation to the shareholders on the re-appointment of Deloitte LLP as external auditor which will be put to shareholders at the AGM in December 2023.

Non-audit services

To safeguard the objectivity and independence of the external auditor from becoming compromised, the Audit and Risk Committee has a formal policy governing the engagement of the external auditor to provide non-audit services. This precludes Deloitte LLP from providing certain services, such as valuation work or the provision of accounting services, and also sets a presumption that Deloitte LLP should only be engaged for non-audit services where Deloitte LLP is best placed to provide the non-audit service, for example, the interim review service. Please see Note 23 for details of services provided by Deloitte LLP.

Audit and Risk Committee Report *(continued)*

Overview

The Audit and Risk Committee met three times in the year ended 30 June 2023. Matters considered at these meetings included but were not limited to:

- consideration and agreement of the terms of reference of the Audit and Risk Committee for approval by the Board;
- review of the accounting policies and format of the financial statements;
- review of the valuations of the properties held;
- review of the 2022 Annual Report and Audited Consolidated Financial Statements for the year ended 30 June 2022;
- review of the 2022 Interim Report and unaudited Interim Condensed Consolidated Financial Statements for the 6 months ended 31 December 2022;
- review of the quarterly results announcements issued in November 2022 and May 2023;
- review of the audit plan and timetable for the preparation of the 2023 Annual Report and Audited Consolidated Financial Statements;
- challenge of the 2023 Annual Report and Audited Consolidated Financial Statements for the year ended 30 June 2023;
- discussions and recommendation regarding the appointment of the external auditor;
- discussions and approval of the fee for the external audit;
- assessment of the effectiveness of the external audit process as described above; and
- review of the Company's principal risks, emerging risks and internal controls.

As a result of its work during the year, the Audit and Risk Committee has concluded that it has acted in accordance with its terms of reference and has ensured the independence and objectivity of the external auditor. The Audit and Risk Committee has recommended to the Board that the Annual Report and Financial Statements are considered to be fair, balanced and understandable. The Audit and Risk Committee has recommended to the Board that the external auditor is re-appointed.

On behalf of the Audit and Risk Committee

Alan Clifton
Chairman of the Audit and Risk Committee
4 October 2023

Statement of Directors' Responsibilities

The Directors are responsible for preparing the annual report and accounts in accordance with applicable laws and regulations. The Companies (Guernsey) Law, 2008 requires the Directors to prepare financial statements for each financial year. The Directors prepare the Group's financial statements in accordance with International Financial Reporting Standards as approved by the International Accounting Standards Board ("IFRS"). Under Company Law, the Directors must not approve the accounts unless they are satisfied that they give a true and fair view of the state of affairs of the Group and of the financial performance and cash flows of the Group for that period. In preparing these Group's financial statements, the Directors are required to:

- properly select and apply accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRS are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- make an assessment of the Company's ability to continue as a going concern.

The Directors confirm that they have complied with the above requirements in preparing the Group's financial statements.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group's transactions and disclose with reasonable accuracy, at any time, the financial position of the Group and which enable them to ensure that the financial statements comply with the Companies (Guernsey) Law, 2008. They are also responsible for safeguarding the assets of the Group and hence, for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The maintenance and integrity of the Company's website (www.mpofund.com) is delegated to the Manager but is ultimately the responsibility of the Directors. The work carried out by the external auditor does not involve consideration of these matters and, accordingly, the external auditor accepts no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.

Legislation in Guernsey governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

All companies with a Premium Listing of equity shares in the UK are required under the Listing Rules to report on how they have applied the UK Code in their annual report and financial statements.

Statement of Directors' Responsibilities *(continued)*

Responsibility Statement of the Directors in respect of the Annual Report and Accounts

Each of the Directors, whose names are set out on pages 14 and 15 of the Annual Report, confirms that, to the best of their knowledge and belief that:

Directors' statement under the Disclosure and Transparency Rules

- The Group's financial statements, prepared in accordance with IFRS, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole.

- The management report, which is incorporated into the Directors' Report, Manager's Report and Chairman's Message contained in the Annual Report, includes a fair review of the development and performance of the business and of the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties they face.

Directors' statement under the UK Corporate Governance Code

- The Directors are responsible for preparing the Annual Report and Group's financial statements in accordance with applicable law and regulations. Having taken advice from the Audit and Risk Committee, the Directors consider the Annual Report and Group's Financial Statements, taken as a whole, as fair, balanced and understandable and that it provides the information necessary for shareholders to assess the Group's performance, business model and strategy.

So far as each Director is aware, there is no relevant audit information of which the Company's external auditor is unaware, and each Director has taken all the steps that he ought to have taken as a Director in order to make himself aware of any relevant audit information and to establish that the Company's external auditor is aware of that information. This confirmation is given and should be interpreted in accordance with the provisions of section 249 of the Companies (Guernsey) Law, 2008 (as amended).

On behalf of the Board

Mark Huntley
Chairman of the Board
4 October 2023

Independent Auditor's Report to the Members of Macau Property Opportunities Fund Limited

Report on the audit of the financial statements

1. Opinion

In our opinion the financial statements of Macau Property Opportunities Fund Limited (the "Company"/ "Fund") and its subsidiaries (the "Group"):

- give a true and fair view of the state of the Group's affairs as at 30 June 2023 and of its loss for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as approved by the International Accounting Standards Board;
- have been prepared in accordance with the requirements of the Companies (Guernsey) Law, 2008.

We have audited the financial statements which comprise:

- the consolidated statement of financial position;
- the consolidated statement of comprehensive income;
- the consolidated statement of changes in equity;
- the consolidated cash flow statement; and
- the related notes 1 to 25.

The financial reporting framework that has been applied in their preparation is applicable law and IFRSs as adopted by the European Union.

2. Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the "FRC's") Ethical Standard as applied to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We confirm that we have not provided any non-audit services prohibited by the FRC's Ethical Standard to the Group.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

3. Material uncertainty related to going concern

We draw attention to note 1 in the financial statements which indicates that the Group has major debt obligations that fall due within 12 months of the date of approval of the financial statements, for which refinancing has not yet been formally agreed and proceeds from sales expected to settle the debt obliagtions are not committed at the date of approval of the financial statements. Also, the Fund's life is due to expire in December 2023 and whilst the Company will put forward a resolution for its continuation at the next annual general meeting, the continuation vote has not been passed at the date of approval of the financial statements. As stated in note 1, these events or conditions, along with the other matters as set forth in note 1 indicate that a material uncertainty exists that may cast significant doubt on the Group's and Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Our evaluation of the directors' assessment of the Group's and Company's ability to continue to adopt the going concern basis of accounting included:

- Evaluated management's assessment of the potential issues that may give rise to a material uncertainty, including mitigating actions identified by the directors;
- Evaluated the financial covenants currently in place and whether sufficient headroom exists, particularly in the context of decreased property valuations and the impact of the current macro-economic environment including rising interest rates;
- Evaluated the likelihood of renewal of external financing arrangements at expiry, including consideration of history of renewal of such arrangements;
- Evaluated the assumption made by the directors related to passing of the upcoming continuation vote for the extension of the life of the Company;
- Performed sensitivity analysis on the key assumptions and inputs applied in the going concern assessment and cashflow model, including the ability to sell the remaining properties given the slow recovery of real estate market sector;
- Assessed the reasonability of key assumptions in the cashflow model and obtained supporting documentation from management; and
- Evaluated the appropriateness of the disclosures in the financial statements.

In relation to the reporting on how the Group has applied the UK Corporate Governance Code, we have nothing material to add or draw attention to in relation to the directors' statement in the financial statements about whether the directors considered it appropriate to adopt the going concern basis of accounting.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

4. Summary of our audit approach

Key audit matters	The key audit matters that we identified in the current year were: • Going Concern (see material uncertainty related to going concern section) • Key judgements in the valuation of investment property • Carrying value of inventory
Materiality	The materiality that we used for the group financial statements in the current year was $652k which was determined on the basis of 1% of net asset value.
Scoping	The response to the risks of material misstatement was performed directly by the Group audit engagement team.
Significant changes in our approach	No significant changes in our approach compared with the prior year.

5. Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team.

These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Independent Auditor's Report to the Members of Macau Property Opportunities Fund Limited *(continued)*

In addition to the matter described in the material uncertainty related to going concern section, we have determined the matters described below to be the key audit matters to be communicated in our report.

5.1 Key judgements in the valuation of investment property

Key audit matter description	The Group owns a high-end residential investment property in Macau, China, as disclosed in note 6, that is valued at $141.0m as at 30 June 2022 (2022: $181.5m). The property is valued by an independent, professionally qualified valuer using the 'income capitalisation' method of valuation. Directors are required to make a number of significant assumptions and judgements in determining the fair value and therefore we have identified this as a potential fraud risk. The key inputs into the fair value model which are subject to significant estimates include future cash flows from assets, such as lettings, as well as applicable comparable term yields and market rent. Unreasonable assumptions could give rise to a material misstatement. The value of investment property declined by 1% as at 30 June 2023 in comparison to prior year. Consistent with the market conditions observed in the prior year, we note there continued to be a higher level of judgement associated with high-end residential properties. The valuation of investment property is disclosed as one of the key sources of estimation uncertainty in note 3 of the financial statements.
How the scope of our audit responded to the key audit matter	To respond to the key audit matter, we have performed the following audit procedures: • Tested relevant controls in relation to the valuation process; • Performed tests over the completeness and accuracy of the year end data provided to the valuers including reconciling the information included in the valuation report to supporting documentation such as lease agreements; • With involvement of our valuation specialists, discussed and challenged the appropriateness of the valuation methodology and the key inputs and assumptions (such as comparable term yields, recent sale transactions and market rent) with the valuers and management with reference to independent market data; • Evaluated the competence, objectivity and capabilities of the valuer; and • Assessed whether the disclosures in the financial statements are appropriate regarding the critical accounting judgements and key sources of estimation uncertainty.
Key observations	We have concluded that the assumptions applied by management, in arriving at fair value, and the resulting valuations of investment property are appropriate.

5.2. Carrying value of inventory

Key audit matter description

The Group owns high-end residential properties held as inventory in Macau, as disclosed in note 7, with carrying value of $34.7m as at 30 June 2023 (2022: $34.6m).

Properties held as inventory are carried at the lower of cost or net realisable value ("NRV"). In order to determine the NRV, the properties are valued by an independent, professionally qualified valuer using the 'sales comparison' method of valuation. The value indication is derived by comparing the property being appraised to similar properties that have been sold recently, then applying appropriate units of comparison and making adjustments to the sale prices of the comparable properties based on the elements of comparison. As disclosed in note 7, the NRV has been estimated as $57.7m at 30 June 2023 (2022: $58.7m).

Directors are required to make a number of significant assumptions and judgements in determining the NRV such as comparable recent sales transactions, which is necessary to assess the appropriate carrying value in the financial statements. As disclosed in note 18, the adjusted NAV includes the uplift of inventories to their market value which is utilised to calculate NAV based fees and therefore we have identified this as a potential fraud risk.

The key inputs into the fair value model which are subject to significant estimates include the weighted unit rate per square foot.

The valuation of inventory is disclosed as one of the key sources of estimation uncertainty in note 3 of the financial statements.

How the scope of our audit responded to the key audit matter

To respond to the key audit matter, we have performed the following audit procedures:

- Tested relevant controls in relation to the valuation process;
- Performed substantive tests of detail over the completeness and accuracy of the year end data provided to the valuers including reconciling the information included in the valuation report to supporting documentation;
- With involvement of our valuation specialists, discussed and challenged the appropriateness of the valuation methodology and the key inputs (such as weighted unit rate per square foot, comparable sales transactions) and assumptions with the valuer and management with reference to independent market data;
- Assessed whether the valuers are independent of the Group and evaluated the competence, capabilities and objectivity of the valuer;
- Compared NRV and cost to determine the carrying value of the property; and
- Assessed whether the disclosures in the financial statements are appropriate regarding the critical accounting judgements and key sources of estimation uncertainty.

Key observations

We note that the weighted unit rate per square foot determined by the independent valuer is within the range noted in our research, albeit at the higher end of the range. However, we have concluded that the assumptions applied by management, in arriving at the NRV of inventory were appropriate, and that the resulting valuations were within a reasonable range.

Independent Auditor's Report to the Members of Macau Property Opportunities Fund Limited *(continued)*

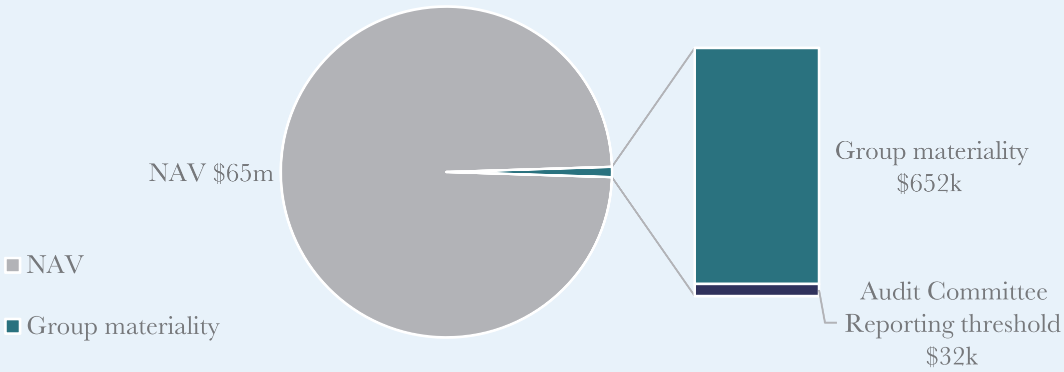
6. Our application of materiality

6.1. Materiality

We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality both in planning the scope of our audit work and in evaluating the results of our work.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

Group Materiality	$652k (2022: $776k)
Basis for determining materiality	1% of net asset value ("NAV") (2022: 1% of NAV)
Rationale for the benchmark applied	In determining the materiality, we considered what the most important balances on which the users of the financial statements would judge the performance of the Group. We consider the NAV of the Group to be an appropriate benchmark as this is a key performance indicator for shareholders.



6.2. Performance materiality

We set performance materiality at a level lower than materiality to reduce the probability that, in aggregate, uncorrected and undetected misstatements exceed the materiality for the financial statements as a whole. Group performance materiality was set at 70% of Group materiality for the 2023 audit (2022: 70%). In determining performance materiality, we considered the following factors:

- Our risk assessment, including our assessment of the quality of the control environment including that present at the administrator, Ocorian Administration (Guernsey) Limited;
- Our past experience of the audit, which has indicated a low number of corrected and uncorrected misstatements identified in prior period;
- The continued impact of macro — economic factors in Macau on the Group's performance in the current year

6.3 Error reporting threshold

We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of $32k (2022: $38k), as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the Audit Committee on disclosure matters that we identified when assessing the overall presentation of the financial statements.

7. An overview of the scope of our audit

7.1. Scoping

Our audit was scoped by obtaining an understanding of the Group and its environment, including internal control, and assessing the risks of material misstatement for the Company and its subsidiaries. Audit work to respond to the risks of material misstatement was performed directly by the Group audit team and all work was performed to Group materiality.

7.2. Our consideration of the control environment

We obtained an understanding of the information generated from the IT systems in place. However, we did not test the operating effectiveness of General IT Controls (GITCs) and IT controls.

In assessing the control environment, we also considered the control environments of the key service providers, including the administrators, to whom the Board have delegated certain functions for the Company and its subsidiaries.

We tested relevant controls over investment properties and inventory valuation.

7.3. Our consideration of climate-related risks

In planning our audit, we have considered the potential impact of environmental related risks on the Group's business and its financial statements.

The Group continues to develop its assessment of the potential impacts of environmental, social and governance ("ESG") related risks as outlined on page 38. As a part of our audit, we have obtained management's ESG policy and held discussions with management to understand the process of identifying ESG related risks, the determination of mitigating actions and the impact on the Group's financial statements.

We performed our own qualitative risk assessment of the potential impact of environmental related risks on the Group's account balances and classes of transactions and noted that there is no material impact.

8. Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated.

If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

9. Responsibilities of directors

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

10. Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

11. Extent to which the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

11.1. Identifying and assessing potential risks related to irregularities

In identifying and assessing risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, we considered the following:

- the nature of the industry and sector, control environment and business performance including the design of the Group's remuneration policies, key drivers for directors' remuneration, bonus levels and performance targets;
- results of our enquiries of management and the Audit Committee about their own identification and assessment of the risks of irregularities including those that are specific to the Group's sector;
- any matters we identified having obtained and reviewed the Group's documentation of their policies and procedures relating to:
    - o identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance;
    - o detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged fraud;
    - o the internal controls established to mitigate risks of fraud or non-compliance with laws and regulations;
- the matters discussed among the audit engagement team and relevant internal specialists, including valuation specialists regarding how and where fraud might occur in the financial statements and any potential indicators of fraud.

As a result of these procedures, we considered the opportunities and incentives that may exist within the organisation for fraud and identified the greatest potential for fraud in the following areas:

- Key judgements in the valuation of investment property; and
- Carrying value of inventory

In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override.

We also obtained an understanding of the legal and regulatory framework that the Group operates in, focusing on provisions of those laws and regulations that had a direct effect on the determination of material amounts and disclosures in the financial statements. The key laws and regulations we considered in this context included the Companies (Guernsey) Law, 2008, the Listing Rules and relevant tax legislation.

In addition, we considered provisions of other laws and regulations that do not have a direct effect on the financial statements but compliance with which may be fundamental to the Group's ability to operate or to avoid a material penalty. These included the Company's regulatory licence under The Protection of Investors (Bailiwick of Guernsey) Law, 2020.

11.2. Audit response to risks identified

As a result of performing the above, we identified the key judgements in the valuation of investment property and carrying value of inventory as key audit matters related to the potential risk of fraud. The key audit matters section of our report explains the matters in more detail and also describes the specific procedures we performed in response to those key audit matters.

In addition to the above, our procedures to respond to risks identified included the following:

- Reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- Enquiring of management and the Audit Committee concerning actual and potential litigation and claims;
- Performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- Reading minutes of meetings of those charged with governance, reviewing internal audit reports and reviewing correspondence with the Guernsey Financial Services Commission;
- In addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments; assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members including internal specialists, and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

Report on other legal and regulatory requirements

12. Corporate Governance Statement

The Listing Rules require us to review the directors' statement in relation to going concern, longer-term viability and that part of the Corporate Governance Statement relating to the Company's compliance with the provisions of the UK Corporate Governance Code specified for our review.

Based on the work undertaken as part of our audit, we have concluded that each of the following elements of the Corporate Governance Statement is materially consistent with the financial statements and our knowledge obtained during the audit:

- the directors' statement with regards to the appropriateness of adopting the going concern basis of accounting and any material uncertainties identified (set out on page 46);
- the directors' explanation as to its assessment of the Group's prospects, the period this assessment covers and why the period is appropriate (set out on page 47);
- the directors' statement on fair, balanced and understandable (set out on page 69);
- the Board's confirmation that it has carried out a robust assessment of the emerging and principal risks (set out on page 57);
- the section of the annual report that describes the review of effectiveness of risk management and internal control systems (set out on page 56); and
- the section describing the work of the audit committee (set out on page 63).

Independent Auditor's Report to the Members of Macau Property Opportunities Fund Limited *(continued)*

13. Matters on which we are required to report by exception

13.1. Adequacy of explanations received and accounting records

Under the Companies (Guernsey) Law, 2008 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- proper accounting records have not been kept by the parent company; or
- the financial statements are not in agreement with the accounting records.

We have nothing to report in respect of these matters.

14. Other matters which we are required to address

14.1. Auditor tenure

Following the recommendation of the audit committee, we were appointed by the Audit Committee on 19 February 2021 to audit the financial statements for the year ending 30 June 2021 and subsequent financial periods. The period of total uninterrupted engagement including previous renewals and reappointments of the firm is 3 years, covering the years ending 30 June 2021 to 30 June 2023.

14.2. Consistency of the audit report with the additional report to the audit committee

Our audit opinion is consistent with the additional report to the audit committee we are required to provide in accordance with ISAs (UK).

15. Use of our report

This report is made solely to the Company's members, as a body, in accordance with Section 262 of the Companies (Guernsey) Law, 2008. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

David Becker (Senior Statutory Auditor)
For and on behalf of Deloitte LLP
Recognised Auditor
St Peter Port, Guernsey
5 October 2023

Consolidated Statement of Financial Position

As at 30 June 2023

	Note	2023 US$'000	2022 US$'000
ASSETS			
Non-current assets			
Investment property	6	**141,045**	181,520
Deposits with lenders	21	**1,170**	1,561
Trade and other receivables		**16**	16
		142,231	183,097
Current assets			
Inventories	7	**34,775**	34,635
Trade and other receivables	10	**66**	53
Deposits with lenders	21	**4,438**	1,895
Cash and cash equivalents	25	**1,118**	355
		40,397	36,938
Total assets		**182,628**	220,035
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Share capital	12	**618**	618
Retained earnings		**50,342**	62,349
Distributable reserves		**15,791**	15,791
Foreign currency translation reserve		**(1,067)**	(1,182)
Total equity		**65,684**	77,576
LIABILITIES			
Non-current liabilities			
Deferred taxation provision	9	**7,498**	9,706
Taxation provision	9	**1,158**	579
Interest-bearing loans	8	**81,913**	104,852
		90,569	115,137
Current liabilities			
Trade and other payables	11	**3,181**	2,019
Interest-bearing loans	8	**23,194**	25,303
		26,375	27,322
Total liabilities		**116,944**	142,459
Total equity and liabilities		**182,628**	220,035
Net Asset Value per share (US$)	18	**1.06**	1.25
Adjusted Net Asset Value per share (US$)	18	**1.46**	1.67

The accompanying notes on pages 84 to 114 are an integral part of these Consolidated Financial Statements.
The Consolidated Financial Statements on pages 80 to 114 were approved by the Board of Directors and authorised for issue on 4 October 2023.

Mark Huntley
Chairman of the Board
4 October 2023

Alan Clifton
Chairman of the Audit and Risk Committee
4 October 2023

Consolidated Statement of Comprehensive Income

Year ended 30 June 2023

	Note	2023 US$'000	2022 US$'000
Income			
Income on sales of inventories	7	–	1,511
Rental income		**1,122**	1,082
Other income		–	129
		1,122	2,722
Expenses			
Net loss on disposal of investment property	6	**1,909**	–
Net loss from fair value adjustment on investment property	6	**3,412**	16,380
Cost of sales of inventories	7	–	521
Management fee	20	**1,200**	1,199
Realisation fees	20	**98**	23
Non-Executive Directors' fees	19	**167**	170
Auditors' remuneration: audit fees	23	**162**	131
Auditors' remuneration: other professional services	23	**9**	9
Property operating expenses	15	**1,277**	1,372
Sales and marketing expenses	16	**76**	115
General and administration expenses	13	**450**	615
Gain on foreign currency translation		**34**	(298)
		(8,794)	(20,237)
Operating loss for the year		**(7,672)**	(17,515)
Finance income and expenses			
Bank loan interest	8	**(5,440)**	(2,985)
Other financing costs	14	**(346)**	(431)
Bank interest received		**8**	–
		(5,778)	(3,416)
Loss for the year before tax		**(13,450)**	(20,931)
Taxation	9	**1,443**	1,840
Loss for the year after tax		**(12,007)**	(19,091)
Other Comprehensive Income			
Items that may be reclassified subsequently to profit or loss			
Exchange difference on translating foreign operations		**115**	(1,238)
Total comprehensive loss for the year		**(11,892)**	(20,329)
Loss attributable to:			
Equity holders of the Company		**(12,007)**	(19,091)
Total comprehensive loss attributable to:			
Equity holders of the Company		**(11,892)**	(20,329)

	Note	2023 US$	2022 US$
Basic and diluted loss per ordinary share attributable to the equity holders of the Company during the year	18	**(0.1942)**	(0.3087)

The accompanying notes on pages 84 to 114 are an integral part of these Consolidated Financial Statements.

All items in the above statement are derived from continuing operations.

Consolidated Statement of Changes in Equity

Year ended 30 June 2023

	Note	Share capital US$'000	Retained earnings US$'000	Distributable reserves US$'000	Foreign currency translation reserve US$'000	Total US$'000
Balance brought forward at 1 July 2022	12	**618**	**62,349**	**15,791**	**(1,182)**	**77,576**
Loss for the year		**–**	**(12,007)**	**–**	**–**	**(12,007)**
Items that may be reclassified subsequently to profit or loss						
Exchange difference on translating foreign operations		**–**	**–**	**–**	**115**	**115**
Total comprehensive loss for the year		**–**	**(12,007)**	**–**	**115**	**(11,892)**
Balance carried forward at 30 June 2023	12	**618**	**50,342**	**15,791**	**(1,067)**	**65,684**

	Note	Share capital US$'000	Retained earnings US$'000	Distributable reserves US$'000	Foreign currency translation reserve US$'000	Total US$'000
Balance brought forward at 1 July 2021	12	618	81,440	15,791	56	97,905
Loss for the year		–	(19,091)	–	–	(19,091)
Items that may be reclassified subsequently to profit or loss						
Exchange difference on translating foreign operations		–	–	–	(1,238)	(1,238)
Total comprehensive loss for the year		–	(19,091)	–	(1,238)	(20,329)
Balance carried forward at 30 June 2022	12	618	62,349	15,791	(1,182)	77,576

The accompanying notes on pages 84 to 114 are an integral part of these Consolidated Financial Statements.

Consolidated Statement of Cash Flows

Year ended 30 June 2023

	Note	2023 US$'000	2022 US$'000
Net cash used in operating activities	17	**(2,341)**	(402)
Cash flows from investing activities			
Capital expenditure on investment property	6	**(27)**	(288)
Movement in pledged bank balances	21	**(2,152)**	3,376
Net sales proceeds from disposal of investment property	6	**35,384**	–
Net cash generated from investing activities		**33,205**	3,088
Cash flows from financing activities			
Proceeds from bank borrowings		**6,512**	9,457
Repayment of bank borrowings		**(32,025)**	(13,673)
Interest and bank charges paid		**(4,590)**	(3,013)
Net cash used in financing activities		**(30,103)**	(7,229)
Net movement in cash and cash equivalents		**761**	(4,543)
Cash and cash equivalents at beginning of year		**355**	5,003
Effect of foreign exchange rate changes		**2**	(105)
Cash and cash equivalents at end of year		**1,118**	355

The accompanying notes on pages 84 to 114 are an integral part of these Consolidated Financial Statements.

Notes to the Consolidated Financial Statements

General information

Macau Property Opportunities Fund Limited (the "Company") is a Company incorporated and registered in Guernsey under The Companies (Guernsey) Law, 1994. This law was replaced by the Companies (Guernsey) Law, 2008 on 1 July 2008. The Company is an authorised entity under the Authorised Closed-Ended Investment Schemes Rules and Guidance, 2021 and is regulated by the GFSC. The address of the registered office is given on page 115.

The Consolidated Financial Statements for the year ended 30 June 2023 comprise the financial statements of the Company and its subsidiaries (together referred to as the "Group"). The Group has investments in residential property in Macau.

These Consolidated Financial Statements have been approved for issue by the Board of Directors on 4 October 2023.

1 Summary of significant accounting policies

The principal accounting policies applied in the preparation of these Consolidated Financial Statements are set out below. These policies have been consistently applied to all years presented, unless otherwise stated.

Statement of compliance
The financial statements have been prepared in accordance with the International Financial Reporting Standards ("IFRS"), which comprise standards and interpretations approved by the International Accounting Standards Board, together with applicable legal and regulatory requirements of Guernsey Law and the GFSC.

Basis of preparation
The Consolidated Financial Statements have been prepared in accordance with IFRS; applicable legal and regulatory requirements of Guernsey Law and under the historical cost basis, except for financial assets and liabilities held at fair value through profit or loss ("FVPL") and investment properties that have been measured at fair value. All other assets and liabilities are carried at amortised cost.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in Note 3. The Consolidated Financial Statements are presented in US Dollars and all values are rounded to the nearest thousand ($'000), except where otherwise indicated.

Going concern
The Group's business activities, together with the factors likely to affect its future development, performance and position, are set out in the Manager's Report. The financial position of the Group, its cash flows and its liquidity position are described in the Capital Management section of the Manager's Report.

The financial risk management objectives and policies of the Group and the exposure of the Group to credit risk, market risk and liquidity risk are discussed in Note 2 to the Consolidated Financial Statements.

In accordance with provision 30 of the 2018 revision of the UK Corporate Governance Code, (the "UK Code"), and as a fundamental principle of the preparation of financial statements in accordance with IFRS, the Directors have assessed as to whether the Company will continue in existence as a going concern for a period of at least 12 months from signing of the financial statements, which contemplates continuity of operations and the realisation of assets and settlement of liabilities occurring in the ordinary course of business.

The financial statements have been prepared on a going concern basis for the reasons set out below and as the Directors, with recommendation from the Audit and Risk Committee, have a reasonable expectation that the Group has adequate resources to continue in operational existence for the next twelve months after date of approval of the Annual Report.

1. Summary of significant accounting policies (continued)

Going Concern (continued)

In reaching its conclusion, the Board have considered the risks that could impact the Group's liquidity over the period to 30 September 2024. This period represents the period of at least 12 months from the date of signing of the Annual Report.

As part of their assessment the Audit and Risk Committee highlighted the following key considerations:

1. Whether the Group can repay or refinance its loan facilities to discharge its liabilities over the period to 30 September 2024

2. Extension of life of the Company

1. Whether the Group can repay or refinance its loan facilities to discharge its liabilities over the period to 30 September 2024

As at 30 June 2023, the Group had major debt obligations to settle during the going concern period being:

i) principal repayments for *The Waterside* loan facility of approximately US$7.7 million, US$9.6 million and US$11.5 million due for settlement in September 2023, March 2024 and September 2024, respectively;

ii) principal repayments for *The Fountainside* loan facility of approximately US$1.9 million and US$3.7 million due for settlement in September 2023 and March 2024, respectively;

iii) principal repayments for the *Penha Heights* Tai Fung Bank loan facility of approximately US$1.6 million due for settlement in quarterly instalment of US$318,900; and

iv) principal repayments for the *Penha Heights* BCM loan facility of approximately US$0.4 million and US$7.6 million due for settlement in September 2023 and December 2023, respectively.

The Fountainside US$1.9 million loan repayment due in September has been settled in full. *The Waterside* US$7.7 million loan repayment due in September 2023 has been partially settled in the amount of US$4.4 million, with the remaining balance to be settled upon completion of a confirmed sale as agreed with the lender. By reference to the Company's comprehensive working capital projections, it is anticipated that the remaining debt obligations that are due over the going concern period would be settled from sales proceeds that are to be generated from the ongoing divestments of remaining units in *The Waterside* and *The Fountainside*. The Board has considered Stress-tested scenarios which indicated that a conservative, modest sales programme would provide sufficient working capital.

The Company has agreed in principle with lenders of the banking facilities for *Penha Heights* to defer principal repayments that will be due in September and December 2023. The loan facility with BCM is to be extended to mature in March 2025. As a result, the loan repayments for the two *Penha Heights* facilities that would then become due over the going concern period are reduced from US$9.7 million to approximately US$1.7 million. It is anticipated that this US$1.7 million debt obligation would be settled from the sales proceeds from *The Waterside* and *The Fountainside* units, in the event that *Penha Heights* is not disposed of during the period.

The Manager is responsible for maintaining relationships with the Group's lenders, monitoring loan terms and covenants to ensure compliance, and reporting to the Board on regular basis for all key matters arising. Throughout the year ended 30 June 2023 and up to the financial statements issuance date, the Group has been in compliance with all loan covenants. Over the years, the Manager always maintains proactive dialogue with the lenders and in turn receives their strong support to the Group, even during the very challenging market environment amid the prolonged COVID period. Post COVID, the existing lenders continue to indicate their support for the Group as well as the underlying properties. Further, the upcoming debt servicing obligations over the going concern period are expected to be met by sales proceeds. Meanwhile, the Manager has also started to explore financing options with other banks as part of its contingency planning. Based on the Manager's proven track record in executing property sales and managing lender relationships, the Board is confident that the Group will be able to meet its debt obligations during the going concern period provided the sales velocity can be maintained.

Notwithstanding the above, given that it remains uncertain that adequate proceeds could be generated from sales of properties to settle payment obligations over the going concern period, and given that any necessary refinancing of debt obligations would still be subjected to lenders' approval, the Directors consider that there is a material uncertainty that may cast significant doubt over the Group's and Company's ability to continue as a going concern.

1. Summary of significant accounting policies (continued)

Going Concern (continued)

2. Extension of life of the Company

After the Ordinary Resolution was passed by an overwhelming majority at the AGM of the Company in its 2022 AGM to extend the Fund's life until 31 December 2023, the Directors assessed the impact of the Continuation Vote on the Fund's ability to continue as a going concern. The Directors have also considered the going concern assumption outside the primary going concern horizon.

In line with Article 38 of the Articles of Incorporation, the Company will put forward a resolution for its continuation at the next AGM (to be held in December 2023). If any continuation resolution is not passed, the Directors are required to formulate proposals to be put to Members to reorganise, unitise, reconstruct or wind up the Company.

The Directors anticipate receiving continuation support from major shareholders and note that 50% of shareholder support is required to ensure continuation. The Board and the Company's broker maintain ongoing communication with shareholders and the feedback regarding the Continuation Vote is broadly positive. It is likely that returns from the sale of properties would be significantly lower if the Fund was forced to sell under some form of fire sale agreement as a result of a failed Continuation Vote and it is therefore commercially sensible for the Fund to continue in business.

Given that the Continuation Vote has not taken place at the date of issue of the financial statements, the Directors consider that there is a material uncertainty related to events or conditions that may cast significant doubt over the Company's ability to continue as a going concern and, therefore, that it may be unable to realise assets and discharge liabilities in the normal course of business.

Going Concern Conclusion

After careful consideration and based on the reasons outlined above, including the Manager's continuing dialogue with lenders and shareholders, whilst there is a material uncertainty related to going concern, the Board have a reasonable expectation that the Company will continue in existence as a going concern for 12 months from the date of signing the Annual report. They are therefore satisfied that it is appropriate to adopt the going concern basis in preparing the financial statements.

New and amended standards and interpretations applied

The following amendments to existing standards and interpretations were effective for the year ended 30 June 2023 and therefore were applied in the current year but they did not have a material impact on the Group:

— Annual Improvements to IFRSs 2018–2020
— Amendment to IAS 37: Onerous Contracts: Cost of fulfilling a Contract
— Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 Interest Rate Benchmark Reform — Phase 2

New and amended standard and interpretation not applied

The following new and amended standards and interpretations in issue are applicable to the Group but are not yet effective and have not been adopted by the Group:

— IFRS 17: Insurance Contracts (effective 1 January 2023)
— Amendments to IAS 17: Insurance Contracts (effective 1 January 2023)
— Amendments to IAS 8: Accounting Policies, Changes in Accounting Estimates and Errors (effective 1 January 2023)
— Amendments to IAS 12: Income Taxes (effective 1 January 2023)
— Amendments to IAS 1: Presentation of Financial Statements (effective 1 January 2023)

1. Summary of significant accounting policies (continued)

IFRS 17 Insurance Contracts
IFRS 17 establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts within the scope of the standard. The objective of IFRS 17 is to ensure that an entity provide relevant information that faithfully represents those contracts. This information gives a basis for users of financial statements to assess the effect that insurance contracts have on the entity's financial position, financial performance and cash flows.

The Group has considered the IFRS standard that has been issued, but is not yet effective. This standard will not have a material effect on the Group as the Group does not have any material insurance contracts or write any insurance contracts.

Consolidation
The Consolidated Financial Statements incorporate the financial statements of the Company and all SPVs controlled by the Company and its subsidiaries. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. The financial statements of subsidiaries are included in the Consolidated Financial Statements from the date control commences until the date control ceases. Certain of the Company's subsidiaries have non-coterminous year-ends. These companies are consolidated on the basis of actual transactions occurring within the financial year.

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

Segment reporting
A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns different from those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment that are subject to risks and returns different from those segments operating in other economic environments.

The Directors are of the opinion that the Group is engaged in a single segment of business, being property investment and related business. This segment includes residential properties in Macau. Please refer to Note 5 for segment reporting.

Foreign currency translation
a) *Presentation currency*
The Consolidated Financial Statements are shown in US Dollars ("US$") which is the Group's presentation currency.

b) *Transactions and balances*
Foreign currency transactions are recorded in the respective functional currencies of group entities, Macanese Patacas and Hong Kong Dollars (the "functional currencies"), using the exchange rates prevailing at the date of the transaction. Foreign exchange gains and losses — resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Consolidated Statement of Comprehensive Income.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the date of the initial transaction. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of gain or loss on change in fair value of the item (i.e. translation differences on items whose fair value gain or loss is recognised in other comprehensive income or profit or loss are also recognised in other comprehensive income or profit or loss).

1. Summary of significant accounting policies (continued)

Foreign currency translation (continued)

c) Group companies

The results and financial position of all the Group entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

i) assets and liabilities for each statement of financial position are translated at the closing rate at the date of that statement of financial position;

ii) income and expenses for each statement of comprehensive income are translated at average exchange rates;

iii) all resulting exchange differences are recognised as a separate component of other comprehensive income; and

iv) on disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in profit or loss.

Foreign currency translation reserve

Foreign currency differences arising on translation of foreign operations into the Group's presentation currency are recognised in other comprehensive income and presented in the foreign currency translation reserve in equity.

Investment property

Property that is held for long-term rental yields or for capital appreciation or both, and that is not occupied by companies in the consolidated Group, is classified as investment property. Investment property also includes property that is being constructed or developed for future use as investment property.

Investment property is measured initially at its cost, including related transaction costs.

Subsequent expenditure is capitalised to the asset's carrying amount only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance costs are charged to the Consolidated Statement of Comprehensive Income during the financial period in which they are incurred. After initial recognition, investment property is carried at fair value.

The Group must be able to access the principal or the most advantageous market at the measurement date. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

There are no contractual obligations to purchase, construct or develop investment property for repairs, maintenance or enhancements.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from the disposal. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period in which the property is derecognised.

Fair value measurements

The Group measures certain financial instruments, and non-financial assets such as investment property, at fair value at the end of each reporting period.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- in the principal market for the asset or liability; or
- in the absence of a principal market, in the most advantageous market for the asset or liability.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use, or by selling it to another market participant that would use the asset in its highest and best use.

1. Summary of significant accounting policies (continued)

Fair value measurements (continued)

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs significant to the fair value measurement as a whole:

Level 1 — inputs that reflect unadjusted quoted prices in active markets for identical assets or liabilities that the Group has the ability to access at the measurement date;

Level 2 — inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (that is, prices) or indirectly (that is, derived from prices); and

Level 3 — inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Fair value of investment property

Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific investment property. If this information is not available, the Group uses alternative valuation methods such as recent prices on less active markets or discounted cash flow projections. Valuations are prepared semi-annually by Savills (Macau) Limited ("Savills"), whose valuers hold recognised and relevant professional qualifications and have recent experience in the location and category of the investment properties being valued. Investment property that is being redeveloped for continuing use as investment property continues to be measured at fair value, if the fair value is considered to be reliably measurable. Changes in fair values are recorded in the Consolidated Statement of Comprehensive Income.

Inventories

Properties and land that are being held or developed for future sale are classified as inventories. In the opinion of the Board, inventories are held with a view to short term sale in the ordinary course of business. They are individually carried at the lower of cost and net realisable value ("NRV"). NRV is the estimated selling price in the ordinary course of business less costs to complete redevelopment and selling expenses. Cost is the acquisition cost together with subsequent capital expenditure incurred, including capitalised interest where relevant.

Disposals

Disposals are recognised when the risks and rewards of ownership of an asset transfer to the purchaser.

Borrowing costs

Borrowing costs incurred for the purpose of acquiring, constructing or producing a qualifying asset, such as investment property or inventory, are capitalised as part of the cost. Borrowing costs are capitalised while the acquisition or construction is actively underway, and cease once the asset is substantially complete, or suspended if the development is suspended. All other borrowing costs are expensed in the period in which they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds. The interest capitalised is calculated using the Group's weighted average cost of borrowing after adjusting for borrowing associated with specific developments. Where borrowings are associated with specific developments, the amount capitalised is the gross interest incurred on those borrowings less any investment income arising from their temporary investment.

1. Summary of significant accounting policies (continued)

Impairment

Financial assets

The Group holds only trade and other receivables with no financing component and which have maturities of less than 12 months at amortised cost and deposits with lenders which represent restricted cash in relation to borrowing. The liquidity of this deposit with lenders follow the maturity of the borrowings. As such, the Group has chosen to apply an approach similar to the simplified approach for Expected Credit Losses (ECL) under IFRS 9 to all its trade and other receivables. Therefore, the Group does not track changes in credit risk, but instead, recognises a loss allowance based on lifetime ECLs at each reporting date.

The Group's approach to ECLs reflects a probability-weighted outcome, the time value of money and reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

The Group uses the provision matrix as a practical expedient to measuring ECLs on trade and other receivables and deposits with lenders, based on days past due for groupings of receivables with similar loss patterns. Receivables are grouped based on their nature. The provision matrix is based on historical observed loss rates over the expected life of the receivables and is adjusted for forward-looking estimates.

Non-financial assets

The carrying amounts of the Group's non-financial assets, other than investment property are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell.

Leases

Leases in which the Group does not transfer substantially all the risks and benefits of ownership to a lessee are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the term of the lease on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned. The Group regularly reviews and assesses the risk associated with the leases of the underlying assets.

Financial instruments

i) Classification

Financial assets

The Group classifies its financial assets as subsequently measured at amortised cost or measured at fair value through profit or loss on the basis of both:

- The entity's business model for managing the financial assets
- The contractual cash flow characteristics of the financial assets

Financial assets measured at amortised cost

Deposits with lenders and trade and other receivables are measured at amortised cost if it is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial liabilities

Financial liabilities measured at amortised cost

This category includes all financial liabilities, other than those measured at FVPL. The Group includes in this category interest-bearing loans and trade and other payables.

ii) Recognition

The Group recognises a financial asset or a financial liability when it becomes a party to the contractual provisions of the instrument.

Purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Group commits to purchase or sell the assets.

1. Summary of significant accounting policies (continued)

Financial instruments (continued)

iii) Initial measurement

Financial assets and liabilities (other than those classified as at FVPL) are measured initially at their fair value plus any directly attributable incremental costs of acquisition or issue.

iv) Subsequent measurement

After initial measurement, the Company's deposits with lenders and trade and other receivables are measured at amortised cost using the effective interest method less any allowance for impairment. Gains and losses are recognised in profit or loss when the deposits with lenders and trade and other receivables are derecognised or impaired, as well as through the amortisation process.

Financial liabilities, other than those classified as at FVPL, are measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the liabilities are derecognised, as well as through the amortisation process.

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability and of allocating and recognising the interest income or interest expense in profit or loss over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial asset or financial liability to the gross carrying amount of the financial asset or to the amortised cost of the financial liability. When calculating the effective interest rate, the Group estimates cash flows considering all contractual terms of the financial instruments, but does not consider ECL. The calculation includes all fees paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

Deposits with lenders

Deposits with lenders comprise cash held at bank that is pledged for loan covenants and are recognised as current and non-current assets.

Cash and cash equivalents

Cash and cash equivalents in the Consolidated Statement of Financial Position comprise cash at bank and on hand and demand deposits with an original maturity of three months or less and other short-term, highly-liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. For the purpose of the Consolidated Statement of Cash Flows, cash and cash equivalents consist of cash and cash equivalents as defined above. Deposits with lenders are excluded and not considered cash and cash equivalents.

Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and the amount can be reliably estimated.

Share capital

Shares are classified as equity when there is no obligation to transfer cash or other assets. Shares issued by the Company are recorded based upon the proceeds received, net of incremental costs directly attributable to the issue of new shares.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable, and includes rental income and income from property trading. Revenue from sales of completed properties and properties under development is within the scope of IFRS 15 and revenue from rental income is within the scope of IFRS 16. There are no assumptions or judgements involved in revenue recognition.

The Group earns revenue from acting as lessor in operating leases which do not transfer substantially all of the risks and rewards incidental to ownership of an investment property. No subleases are currently held.

Rental income

Rental income from operating leases is recognised as income on a straight-line basis over the lease term. When the Group provides incentives to its customers, the cost of incentives is recognised over the lease term, on a straight-line basis, as a reduction of rental income.

For investment property held primarily to earn rental income, the Group enters as a lessor into lease agreements that fall within scope of IFRS 16.

Notes to the Consolidated Financial Statements *(continued)*

1. Summary of significant accounting policies (continued)

Revenue recognition (continued)

Sale of completed property

Revenue from sale of completed properties is recognised when effective control of ownership of the properties is transferred to the buyer, which is on unconditional exchange of contracts and change of title on the property. Where the sales contract stipulates payments that cross over reporting period, revenue is recognised over the period of the contract by reference to the progress towards complete satisfaction of each performance obligation. This is determined based on the actual cost incurred to date to estimated total cost for each contract. The proceeds from disposal are recognised in income and net assets disposed of are recognised in cost of sales in expenses.

Sale of property under development

Where property is under development and an agreement has been reached to sell such property when construction is complete, and where the Directors determine the pre-sale to constitute the sale of a completed property, revenue is recognised when the significant risks and rewards of ownership of the real estate have been transferred to the buyer, which is on the unconditional exchange of contracts and change of title on the property. Where the sales contract stipulates payments that cross over reporting periods, revenue is recognised as the satisfaction of performance obligations is completed.

Sale of subsidiary

Revenue from the sale of a subsidiary is recognised when effective control of ownership of the subsidiary is transferred to the buyer. The sale of the subsidiary is regarded as a loss of control under IFRS 10 with all assets and liabilities of the subsidiary derecognised at the date control is lost, the fair value of the consideration received from the transaction compared to the net assets of the subsidiary and the resulting net income or expense of the transaction recorded in the income statement.

Borrowings

Borrowings are recognised initially at fair value, net of transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down and are subsequently measured at amortised cost using the effective interest method.

Borrowings are classified as current liabilities, unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the date of the Consolidated Statement of Financial Position.

Offsetting

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and to settle the liabilities simultaneously.

Finance income and expenses

Interest income is recognised using the effective interest rate method in the Consolidated Statement of Comprehensive Income.

Finance costs comprise interest expense on borrowings. Interest expense is recognised using the effective interest rate method in the Consolidated Statement of Comprehensive Income.

Distributable reserves

Distributable reserves may be legally paid out in the form of a dividend. Payments to shareholders from reserves can be seen as a distribution of accumulated profit.

Taxes

Current income tax

Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the reporting date. Current income tax relating to items recognised directly in equity is recognised in equity and not in the Consolidated Statement of Comprehensive Income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

1. Summary of significant accounting policies (continued)

Taxes (continued)

Deferred income tax

Deferred income tax is provided using the liability method on all temporary differences at the reporting date between the tax basis of assets and liabilities and their carrying amounts for financial reporting purposes, except where the timing of the reversal of the temporary differences can be controlled by the Group and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income tax assets are recognised only to the extent that it is probable that taxable profit will be available against which deductible temporary differences, carried forward tax credits or tax losses can be utilised.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date. Deferred income tax relating to items recognised directly in equity is recognised in equity and not in the Consolidated Statement of Comprehensive Income.

As a result of the discussion of the IFRS Interpretations Committee in its July 2014 meeting relating to deferred taxation for a single asset held by a corporate wrapper, the Group has recognised the deferred tax liability for the taxable temporary timing difference relating to the investment property carried at fair value.

2. Financial risk management, policies and objectives

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, cash flow and fair value interest rate risk), credit risk and liquidity risk.

The Board of Directors provides written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk and liquidity risk.

Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate as a result of changes in market prices, whether caused by factors specific to an individual financial instrument or all factors affecting all financial instruments traded in the market including foreign exchange risk, equity price risk and cash flow and fair value interest rate risk as detailed below.

The Group's market risk is managed by the Manager in accordance with policies and procedures in place. The Group's overall market position is monitored on a quarterly basis by the Board of Directors.

Sensitivities to market risks included below are based on a change in one factor while holding all other factors constant. In practice, this is unlikely to occur and changes in some of the factors may be correlated, for example, changes in interest rates and changes in foreign currency rates.

a) *Foreign exchange risk*

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures. Foreign exchange risk arises from future commercial transactions, recognised monetary assets and liabilities and net investments in foreign operations. The Group's policy is not to enter into any currency hedging transactions. The tables on the next page summarise the Group's exposure to foreign currency risk as at 30 June 2023 and 30 June 2022. The Group's financial assets and liabilities are included in the table, categorised by their currency at their carrying amount in US$'000. In the current economic climate, management's assessment of a reasonable possible change in foreign exchange rates would be up to a 1% increase/decrease for Hong Kong Dollar ("HK$")/US$, due to the HK$ being pegged to the US$, and up to a 10% increase/decrease for all other currencies.

The table on the next page presents financial assets and liabilities denominated in foreign currencies held by the Group as at 30 June 2023 and 30 June 2022, and can be used to monitor foreign currency risk as at that date.

2. Financial risk management, policies and objectives (continued)

Market risk (continued)

a) *Foreign exchange risk (continued)*

At 30 June 2023, if Sterling weakened/strengthened by 10% against US$ with all other variables held constant, the loss for the year would have been US$27,000 lower/higher (2022: US$21,000 lower/higher). The HK$ is pegged to the US$ with the Hong Kong Monetary Authority pledging to keep the exchange rate within a trading band of 5 Hong Kong cents either side of HK$7.80 per dollar. At present the rate is HK$7.84 per dollar so no downward risk while the currency peg remains in place. The foreign exchange risk is considered minimal and as such the Company does not actively manage against this risk. If the HK$ weakened/strengthened by 1% against the US$ with all other variables held constant, the net assets and movement in foreign currency translation reserve would have been US$1,009,000 higher/lower (2022: US$1,282,000 higher/lower). Any movement would have no other effect on the remaining equity components of the Group. There are no material transactions that would have effect on the profit/loss for the year.

The Macanese Patacas ("MOP") is fixed to the HK$ at a rate of MOP:HK$ of 1.03. Due to the low level of assets held in this currency, a 10% change in rate would not have a significant effect on the Consolidated Financial Statements.

As the HK$ is pegged to the US$ and the MOP is fixed to the US$ the foreign exchange risk of these currencies is considered minimal as under the normal course of business the Group has minor exposure to other currencies.

Movements in other currencies would not have a significant impact on the Consolidated Financial Statements.

As at 30 June 2023	US$ US$'000	£ US$'000	HK$ US$'000	Other currencies US$'000	Total US$'000
Trade and other receivables (excluding prepayments)	–	–	–	16	16
Cash and cash equivalents	1	1	1,108	8	1,118
Deposits with lenders	–	–	5,608	–	5,608
Total financial assets	1	1	6,716	24	6,742
Trade and other payables	275	268	1,976	662	3,181
Interest-bearing loans	–	–	105,632	–	105,632
Total financial liabilities	275	268	107,608	662	108,813
Net financial position	(274)	(267)	(102,892)	(638)	(102,071)

As at 30 June 2022	US$ US$'000	£ US$'000	HK$ US$'000	Other currencies US$'000	Total US$'000
Trade and other receivables (excluding prepayments)	–	–	–	16	16
Cash and cash equivalents	–	17	333	5	355
Deposits with lenders	–	–	3,456	–	3,456
Total financial assets	–	17	3,789	21	3,827
Trade and other payables	121	228	1,004	666	2,019
Interest-bearing loans	–	–	130,992	–	130,992
Total financial liabilities	121	228	131,996	666	133,011
Net financial position	(121)	(211)	(128,207)	(645)	(129,184)

2. Financial risk management, policies and objectives (continued)

Market risk (continued)

b) Cash flow and fair value interest rate risk

The Group's interest rate risk is managed by the Manager, in accordance with policies and procedures in place and can be mitigated through the use of interest rate swaps. The Manager has assessed the interest rate risk as not significant and therefore there were no interest rate swaps held during the current or prior years. The Group's overall positions and exposures are monitored on a quarterly basis by the Board of Directors.

If interest rates had been 500 bps higher/lower and all other variables were held constant, the Group's loss for the year would have increased/decreased by US$4,945,000 (2022: loss for the year increased/decreased by US$1,272,000 based on 1% movement) (based on the interest bearing net financial liability per the table below). This is mainly due to the Group's exposure to interest-bearing loans. There was significant increase in interest rates between 2022 and 2023 so a 5% movement is reasonable.

The following table details the Group's exposure to interest rate risks:

As at 30 June 2023	Interest bearing US$'000	Non-interest bearing US$'000	Total US$'000
Trade and other receivables (excluding prepayments)	**–**	**16**	**16**
Cash and cash equivalents	**1,118**	**–**	**1,118**
Deposits with lenders	**5,608**	**–**	**5,608**
Total financial assets	**6,726**	**16**	**6,742**
Trade and other payables	**–**	**3,181**	**3,181**
Interest-bearing loans	**105,632**	**–**	**105,632**
Total financial liabilities	**105,632**	**3,181**	**108,813**

As at 30 June 2022	Interest bearing US$'000	Non-interest bearing US$'000	Total US$'000
Trade and other receivables (excluding prepayments)	–	16	16
Cash and cash equivalents	355	–	355
Deposits with lenders	3,456	–	3,456
Total financial assets	3,811	16	3,827
Trade and other payables	–	2,019	2,019
Interest-bearing loans	130,992	–	130,992
Total financial liabilities	130,992	2,019	133,011

2. Financial risk management, policies and objectives (continued)

Credit risk

Credit risk is the risk that a counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into with the Group. The Group is exposed to credit risks from both its leasing activities and financing activities, including deposits with banks and financial institutions.

The Group's main exposure to credit risk is its cash balances with banks. This risk is mitigated through using banks with a high credit rating. The Group's cash and cash equivalents and deposits with lenders are all held with investment grade banks and the majority are held with a bank with a credit rating of A or higher.

The Group's cash and cash equivalents have the following ratings from Fitch and Moody's Ratings:

Credit Rating	2023 US$'000	2022 US$'000
AA-	**1,102**	218
A+	**2**	2
A	**13**	110
BBB+	**1**	25
	1,118	355

The Group's deposits with lenders with the following ratings from Fitch and Moody's Ratings:

Credit Rating	2023 US$'000	2022 US$'000
AA-	**5,480**	3,329
BBB+	**128**	127
	5,608	3,456

The Group is exposed to loss of rental income and increase in costs, such as legal fees, if tenants fail to meet their payment obligations under their leases. The Group seeks to mitigate default risk by diversifying its tenant base and requiring deposits or guarantees from banks or parent companies, where there is a perceived credit risk or in accordance with prevailing market practice.

All of the Group's major tenants have met their rental requirements within the terms of arrangement and no material receivables which are past due have been impaired.

The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial asset.

The Group's financial assets subject to the ECL model within IFRS 9 are cash and cash equivalents, deposits with lenders and trade and other receivables. There is not considered to be any concentration of credit risk within these assets. The amount of ECL on cash and cash equivalents and deposit with lenders are considered to be US$nil considering the credit quality as indicated on the credit risk tables.

None of the Group's financial assets are past their due date as at the current or prior year end.

Liquidity risk

The Group adopts a prudent approach to liquidity management and maintains sufficient cash reserves and borrowings to meet its obligations. The Group is able to obtain funding through credit facilities to meet its current liabilities and property development expenditure in addition to cash currently held.

2. Financial risk management, policies and objectives (continued)

Liquidity risk (continued)

It is anticipated that the remaining debt obligations that are due over the going concern period will be settled from sales proceeds that are to be generated from the ongoing divestments or the Group will need to arrange refinancing if necessary, see the Going Concern section on page 84.

The Manager is responsible for the relationship with the Group's lenders for monitoring compliance with loan terms and covenants and reporting to the Board on a regular basis all key matters arising. The Manager also maintains good relationships with other banks and explores refinancing options as part of its contingency planning. Throughout the year ended 30 June 2023 and up to the date of issue of the financial statements, the Group has continued to be in compliance with loan covenants and has maintained frequent ongoing dialogue with all lenders who have demonstrated strong support for the Group over the years, including the distressed COVID periods. Their indications are that this support will continue for the Group and in respect of the loans on the underlying properties.

Given the fact that all banking facilities of the Group have been successfully renewed previously, with the loan-to-value ratios of the facilities maintained within the covenants required under the respective loan agreements, the Board is confident that the Group would be able to arrange refinancing for debt obligations that exceed funding available from divestments.

Deposits amounting to US$5,608,000 (2022: US$3,456,000) have been pledged to secure banking facilities, of which US$1,170,000 (2022: US$1,561,000) relates to long-term banking facilities, and are, therefore, classified as non-current assets. Pledged bank balances represent deposits pledged to the banks to secure the banking facilities granted to the Group.

As at 30 June 2023, the Group has term loan facilities with Hang Seng Bank, Banco Tai Fung and Banco Comercial de Macau, S. A. ("BCM Bank") for its investments in *The Waterside*, *The Fountainside*, and *Penha Heights* respectively. The Group's liquidity position is monitored by the Manager and is reviewed quarterly by the Board. Please refer to Note 8 for details of the facilities.

The table on the next page analyses the Group's financial assets and liabilities into relevant maturity profiles based on the remaining period at the Consolidated Statement of Financial Position date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows (including interest payable).

As at 30 June 2023	On demand US$'000	Less than 3 months US$'000	3 to 12 months US$'000	1 to 2 years US$'000	2 to 5 years US$'000	Over 5 years US$'000	Total US$'000
Trade and other receivables (excluding prepayments)	–	–	–	16	–	–	16
Cash and cash equivalents	1,118	–	–	–	–	–	1,118
Deposits with lenders	–	4,363	75	128	1,042	–	5,608
Total financial assets	1,118	4,363	75	144	1,042	–	6,742
Trade and other payables	–	3,181	–	–	–	–	3,181
Interest-bearing loans	–	11,083	18,465	41,465	44,556	1,305	116,874
Total financial liabilities	–	14,264	18,465	41,465	44,556	1,305	120,055
Net financial position	1,118	(9,901)	(18,390)	(41,321)	(43,514)	(1,305)	(113,313)

2. Financial risk management, policies and objectives (continued)

Liquidity risk (continued)

As at 30 June 2022	On demand US$'000	Less than 3 months US$'000	3 to 12 months US$'000	1 to 2 years US$'000	2 to 5 years US$'000	Over 5 years US$'000	Total US$'000
Trade and other receivables (excluding prepayments)	–	–	–	16	–	–	16
Cash and cash equivalents	355	–	–	–	–	–	355
Deposits with lenders	–	1,895	–	127	1,434	–	3,456
Total financial assets	355	1,895	–	143	1,434	–	3,827
Trade and other payables	–	2,019	–	–	–	–	2,019
Interest-bearing loans	–	19,502	9,052	34,239	72,823	2,635	138,251
Total financial liabilities	–	21,521	9,052	34,239	72,823	2,635	140,270
Net financial position	355	(19,626)	(9,052)	(34,096)	(71,389)	(2,635)	(136,443)

The table below analyses the Group's changes in financial liabilities arising from financing activities.

	1 July 2022 US$'000	Cashflows US$'000	Foreign Exchange Movement US$'000	Other US$'000	Profit and Loss US$'000	30 June 2023 US$'000
Current interest-bearing loans	**25,616**	**(25,513)**	**35**	**23,325**	**–**	**23,463**
Non-current interest-bearing loans	**105,376**	**–**	**117**	**(23,325)**	**–**	**82,168**
Loan arrangement fees	**(837)**	**(26)**	**–**	**–**	**339**	**(524)**
Net interest-bearing loans	**130,155**	**(25,539)**	**152**	**–**	**339**	**105,107**
Interest payable	**84**	**(4,564)**	**–**	**–**	**5,447**	**967**
Total	**130,239**	**(30,103)**	**152**	**–**	**5,786**	**106,074**

	1 July 2021 US$'000	Cashflows US$'000	Foreign Exchange Movement US$'000	Other US$'000	Profit and Loss US$'000	30 June 2022 US$'000
Current interest-bearing loans	21,225	(21,001)	(224)	25,616	–	25,616
Non-current interest-bearing loans	115,417	16,785	(1,210)	(25,616)	–	105,376
Loan arrangement fees	(1,212)	(51)	–	–	426	(837)
Net interest-bearing loans	135,430	(4,267)	(1,434)	–	426	130,155
Interest payable	56	(2,962)	–	–	2,990	84
Total	135,486	(7,229)	(1,434)	–	3,416	130,239

The 'Other' column includes the effect of reclassification of non-current portion of interest-bearing loans to current due to the passage of time. The Group classifies interest paid as cash flows from financing activities.

2. Financial risk management, policies and objectives (continued)

Fair value hierarchy

Financial investments measured at fair value

IFRS 13 requires disclosure of fair value measurements by level as discussed in Note 1.

For all financial instruments, other than those recognised at fair value or whose fair value is disclosed within these financial statements, carrying value of the financial asset/liability is an approximation of their fair value.

Capital risk management

The Group's objectives, when managing capital, are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders, and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The Group's objective is to provide shareholders with an attractive total return, derived from the disposal of its remaining real estate assets. The timing and amount of rental or other income cannot be predicted.

Any cash received by the Company as part of the realisation process will be held by the Company as cash on deposit and/or as cash equivalents prior to its distribution to shareholders, which shall be at such intervals as the Board considers appropriate.

During the year ended 30 June 2023, there were no borrowings other than the Group's loan facilities in place which are classified as interest bearing loans in the Consolidated Statement of Financial Position.

Discount management policy

The Board closely monitors the discount to Adjusted Net Asset Value (adjusted NAV) at which the Company's shares trade and has sought shareholders' approval of powers to buy shares in the market to moderate the volatility of the discount. These powers will be sought again at the forthcoming AGM. The Board is also very mindful of the working capital operating needs of the Company when considering buying back its shares in the market.

During the year ended 30 June 2023, the Company did not purchase any ordinary shares under the discount management policy.

Shares which are bought back by the Company may either be cancelled or held in treasury and subsequently re-issued. Pursuant to the Companies (Guernsey) Law, the number of shares of any class held as treasury shares must not, at any time, exceed 10% of the total number of issued shares of that class at that time. The authority to buy back up to 14.99% per annum of shares in issue is renewed at each AGM of the Company by special resolution.

The Board remains committed to its discount management policy.

3. Critical accounting estimates, assumptions and judgements

The Directors' and Investment Adviser (the "management") make estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the actual results. Accounting estimates are monetary amounts that are subject to measurement uncertainty. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are outlined below:

a) Fair value of the investment property, NRV and Adjusted NAV are based on the current market valuation provided by Savills, an independent valuer. Savills is required to make assumptions on establishing the current market valuation. The most significant assumptions (as described further in Note 6), relate to future income streams and discount rates applicable to these estimates. The valuation has been made on the assumption that the owner sells the properties in the open market without a deferred term contract, leaseback, joint venture, management agreement or any similar arrangement, which could serve to affect the value of the properties. The Board and management have reviewed the valuations and are in agreement with the valuer's judgement. Some properties have been sold at a discount in the current year but there were particular reasons for this and it is not indicative of a lower fair value. This is an accounting estimate and assumption.

b) Inventory is stated at the lower of cost and NRV. NRV for completed inventory property is assessed with reference to market conditions and prices existing at the reporting date, and is determined by the Group, having taken suitable external advice and in the light of recent market transactions. NRV in respect of inventory property under construction (see Note 7), is assessed with reference to market prices at the reporting date for similar completed property, less estimated costs to complete construction and less an estimate of the time value of money to the date of completion. This is an accounting estimate.

c) The property at *The Waterside* is classified as Investment Property under IAS 40 and is measured at fair value. The Board have considered that IFRS 5 — Non-current Assets Held for Sale and Discontinued Operations does not apply as the property are not expected to be sold within one year from the statement of financial position date.

The Group did not make any critical accounting judgements, other than as described above, in the year ended 30 June 2023 or in the year ended 30 June 2022.

4. Subsidiaries

All SPVs are owned 100% by the Company. There are no significant restrictions on the ability to access or use the assets to settle the liabilities of the Group. The following subsidiaries, active for both the 30 June 2023 and 30 June 2022 year ends, have a year end of 31 December to coincide with the Macanese tax year and are the only subsidiaries which do not have the same year end as the Company:

- MPOF Macau (Site 2) Limited
- MPOF Macau (Site 5) Limited
- Castelo Branco Companhia Limitada
- The Fountainside Company Limited
- The Waterside Company Limited

The Consolidated Financial Statements include the financial statements of the Company and the subsidiaries listed below:

	Ownership	Incorporation		Ownership	Incorporation
MPOF Macau (Site 2) Limited[2]	100%	Macau	Cannonball Limited[1]	100%	Guernsey
MPOF Macau (Site 5) Limited[2]	100%	Macau	Civet Limited[1]	100%	Guernsey
The Waterside Company Limited	100%	Macau	Gorey Hills International Limited[1]	100%	British Virgin Islands ("BVI")
The Fountainside Company Limited	100%	Macau	Hillsleigh Holdings Limited[1]	100%	BVI
Castelo Branco Companhia Limitada	100%	Macau	East Base Properties Limited[2]	100%	Hong Kong
MPOF (Jose) Limited[1]	100%	Guernsey	Eastway Properties Limited[2]	100%	Hong Kong
MPOF (Sun) Limited[1]	100%	Guernsey			
MPOF (Guia) Limited[1]	100%	Guernsey			
MPOF (Antonio) Limited[1]	100%	Guernsey			

1 Company is a holding company.

2 Company is an investment holding company.

5. Segment reporting

The Chief Operating Decision Maker (the "CODM") in relation to the Company is deemed to be the Board itself. The factors used to identify the Group's reportable segments are centred on asset class and differences in both geographical area and regulatory environment. Furthermore, foreign exchange and political risks are identified, as these also determine where resources are allocated.

Based on the above and a review of information provided to the Board, it has been concluded that the Group is currently organised into one reportable segment based on the geographical area, Macau.

This segment refers principally to residential properties. Furthermore, there are multiple individual properties that are held within each property type. However, the CODM considers, on a regular basis, the operating results and resource allocation of the aggregated position of all property types as a whole, as part of its ongoing performance review. This is supported by a further breakdown of individual property groups only to help support their review and investment appraisal objectives.

Information about major customers
The Group does not have any customers or rental agreements which represent more than 10% of Group's revenues. Revenues represented by rental income were US$1,122,000 for the year ended 30 June 2023 (2022: US$1,082,000).

6. Investment property

	2023 US$'000	2022 US$'000
At the beginning of the year	**181,520**	199,629
Capital expenditure on property	**27**	288
Disposals	**(37,293)**	–
Fair value adjustment	**(3,412)**	(16,380)
Exchange difference	**203**	(2,017)
Balance at end of the year	**141,045**	181,520

Valuation gains/(losses) (fair value adjustment) from investment property are recognised in profit and loss for the year. These are attributable to changes in unrealised gains/losses relating to completed investment properties held at the end of the reporting period.

The valuation process is initiated by the Investment Adviser who appoints a suitably qualified valuer to conduct the valuation of the investment property. The results are overseen by the Investment Adviser. Once satisfied with the valuations based on their expectations, the Investment Adviser reports the results to the Board. The Board reviews the latest valuations based on its knowledge of the property market and compares these to previous valuations. The Group's investment properties were revalued at 30 June 2023 by an independent, professionally-qualified valuer, Savills. The valuation has been carried out in accordance with the current Royal Institution of Chartered Surveyors (RICS) Appraisal and Valuation Standards to calculate the market value of the investment properties in their existing state and physical condition, with the assumptions that:

- The owner sells the property in the open market without any arrangement, which could serve to affect the value of the property.
- The property is held for investment purposes.
- The property is free from encumbrances, restrictions and outgoings of any onerous nature which could affect its value.

The fair value of investment property is determined by Savills, using recognised valuation techniques. The principal technique deployed is the income capitalisation method. The determination of the fair value of investment property requires the use of estimates such as future cash flows from assets (such as lettings, tenants' profiles, future revenue streams, capital values of fixtures and fittings, any environmental matters and the overall repair and condition of the property) and discount rates applicable to those assets. These estimates are based on the local market conditions existing at the reporting date.

Capital expenditure on property during the year relates to fit-out costs for *The Waterside*.

6. Investment property (continued)

During the year 13 units were sold at *The Waterside* with net losses on disposal of investment properties of US$1,909,000 recognised. There were no disposals in the year ended 30 June 2022.

The market value as at 30 June 2023 as determined by the independent, professionally-qualified valuer, Savills, was US$141,045,000 (2022: US$181,520,000).

Rental income arising from *The Waterside* of US$1,114,000 (2022: US$1,079,000) was received during the year. Direct operating expenses of US$772,000 (2022: US$866,000) arising from rented units were incurred during the year. Direct operating expenses during the year arising from vacant units totalled US$279,000 (2022: US$369,000).

The following tables show the most appropriate presentation of the inputs used in valuing the investment property which is classified as Level 3 in the fair value hierarchy:

	Property information	Carrying amount/ fair value as at 30 Jun 2023 US$'000	Valuation technique	Input	Unobservable and observable inputs used in determination of fair values	Other key information
Name	***The Waterside***	**141,045**	**Term and Reversion Analysis**	**Term rent (inclusive of management fee and furniture)**	**HK$17.0 psf**	**Age of building**
Type	**Residential/ Completed apartments**			**Term yield (exclusive of management fee and furniture)**	**1.55%–2.2%**	**Remaining useful life of building**
Location	**One Central Tower 6 Macau**			**Reversionary rent (exclusive of management fee and furniture)**	**HK$13.04 psf**	
				Reversionary yield	**1.55%**	

6. Investment property (continued)

	Property information	Carrying amount/ fair value as at 30 Jun 2022 US$'000	Valuation technique	Input	Unobservable and observable inputs used in determination of fair values	Other key information
Name	*The Waterside*	181,520	Term and Reversion Analysis	Term rent (inclusive of management fee and furniture)	HK$17.5 psf	Age of building
Type	Residential/ Completed apartments			Term yield (exclusive of management fee and furniture)	1.4%–2.2%	Remaining useful life of building
Location	One Central Tower 6 Macau			Reversionary rent (exclusive of management fee and furniture)	HK$13.16 psf	
				Reversionary yield	1.55%	

There have not been any transfers in the fair value hierarchy during the current and prior years.

The fair value of *The Waterside* is determined using the income approach, more specifically a term and reversion analysis, where a property's fair value is estimated based on the rent receivable and normalised net operating income generated by the property, which is divided by the capitalisation (discount) rate. The difference between gross and net rental income includes the same expense categories as those for the discounted cash flow method with the exception that certain expenses are not measured over time, but included on the basis of a time weighted average, such as the average lease up costs. Under the income capitalisation method, over-and under-rent situations are separately capitalised (discounted).

If the estimated reversionary rent increased/decreased by 5% (and all other assumptions remained the same), the fair value of *The Waterside* would increase or decrease by US$6.9 million (2022: increase or decrease by US$8.3 million).

If the term or revisionary yield increased/decreased by 5% (and all other assumptions remained the same), the fair value of *The Waterside* would decrease by US$6.5 million or increase by US$7.3 million (2022: decrease by US$7.9 million or increase by US$8.8 million).

The Waterside is currently valued at its highest and best use. There is no extra evidence available to suggest that it has an alternative use that would provide a greater fair value measurement.

There have been no transfers between levels during the period or a change in valuation technique since the last period.

7. Inventories

	2023 US$'000	2022 US$'000
Cost		
Balance brought forward	**34,635**	34,924
Additions	**100**	595
Disposals	**–**	(518)
Exchange difference	**40**	(366)
Balance carried forward	**34,775**	34,635

In the year ended 30 June 2022, one residential unit of *The Fountainside* was sold for a total consideration of US$1.5 million (HK$11.8 million) against a total cost of US$0.6 million (HK$4.4 million) which resulted in a net profit of US$0.9 million (HK$7.4 million) after all associated fees and transaction costs. There are no disposals which occurred in the year ended 30 June 2023.

Additions include capital expenditure, development costs and capitalisation of financing costs.

Under IFRS, inventories are valued at the lower of cost and NRV. The carrying amounts for inventories as at 30 June 2023 amounts to US$34,775,000 (2022: US$34,635,000). The market value as at 30 June 2023 as determined by the independent, professionally-qualified valuer, Savills, was US$59,503,000 (2022: US$60,479,000). The NRV as at 30 June 2023 was US$57,718,000 (2022: US$58,661,000).

If the estimated unit rate increased/decreased by 5% (and all other assumptions remained the same), the fair value of the properties would increase by US$2.9 million or decrease by US$2.8 million (2022: increase by US$3.0 million or decrease by US$2.8 million).

8. Interest-bearing loans

	2023 US$'000	2022 US$'000
Bank loans – Secured		
– Current portion	**23,194**	25,303
– Non-current portion	**81,913**	104,852
	105,107	130,155

There are interest-bearing loans with three banks:

Hang Seng Bank

The Group has a term loan facility with Hang Seng Bank for *The Waterside* which consisted of various tranches executed over the years. During the year, the Group executed a new tranche for a HK$50 million (US$6.4 million) nine month term loan facility to partially finance the loan repayments that was due in September 2022.

As at 30 June 2023, outstanding loan balance was HK$661 million (US$84.3 million) (2022: HK$845 million (US$107.7 million)). The interest rate is 1.8% per annum over the 1-, 2-or 3-month HIBOR rate, the choice of rate is at the Group's discretion. The loan-to-value covenant is 60%. As at 30 June 2023, the loan-to-value ratio was 56.9% (2022: 59.3%). The facility is secured by means of a first registered legal mortgage over all unsold units of *The Waterside* as well as a pledge of all income from the units. The Company is the guarantor for the credit facility. In addition, the Group is required to maintain a cash reserve equal to six months' interest with the lender. The principal is to be repaid in half yearly instalments with HK$60 million (US$7.7 million) due in September 2023; HK$75 million (US$9.6 million) due in March 2024; HK$90 million (US$11.5 million) due in September 2024; HK$125 million (US$15.9 million) due in March 2024; and the remaining HK$311 million (US$39.7 million) due upon maturity in September 2025.

8. Interest-bearing loans (continued)

Hang Seng Bank (continued)
The principal repayment due in September 2023 of HK$60 million (US$7.7 million) has been partially settled subsequent to the year end. Please refer to Note 25 for details.

The Group has a loan facility with Hang Seng Bank for *The Fountainside*:

The Facility amount is HK$96 million (US$12.2 million) divided into 2 tranches, with a tenor of 4 years to mature in March 2024. Tranche A is a facility for an amount of HK$89 million (US$11.3 million). Tranche B is a facility for an amount of HK$7 million (US$0.9 million) for financing the alteration costs of *The Fountainside*. Tranche A facility has been fully drawn down while amount of HK$5.2 million (US$0.7 million) has been drawn down for Tranche B facility. The interest rates applicable to Tranche A and Tranche B are 2.8% per annum and 3.3% per annum respectively over the 1-, 2- or 3-month HIBOR rate. The choice of rate is at the Group's discretion. The principal of Tranche A is to be repaid half-yearly with HK$14.7 million (US$1.9 million) due in September 2023 and the remaining balance due upon maturity, while repayment for Tranche B is due in full at maturity. The loan-to-value covenant is 55%. The facility is secured by means of a first registered legal mortgage over all unsold units and car parking spaces of *The Fountainside* as at the loan facility date as well as a pledge of all income from the units and the car parking spaces. The Company is the guarantor for the credit facility. In addition, the Group is required to maintain a cash reserve equals to six months' interest with the lender.

As at 30 June 2023, the facility had an outstanding balance of HK$43.9 million (US$5.6 million) (2022: HK$43 million (US$5.5 million)) and the loan-to-value ratio was 31.50% (2022: 29.86%).

Properties pledged under loan facilities for *The Waterside* and *The Fountainside* cross-collateralised both facilities. The combined loan-to-value ratio of the two facilities was 54.1%.

The principal repayment due in September 2023 of HK$14.7 million (US$1.9 million) has been settled in full subsequent to the year end. Please refer to Note 25 for details.

The Group has two loan facilities for *Penha Heights*:

Banco Tai Fung
The loan facility with Banco Tai Fung had a term of seven years and the facility amount was HK$70 million (US$8.9 million). Interest was Prime Rate minus 2.25% per annum. The principal is to be repaid in 28 quarterly instalments of HK$2.5 million (US$318,975) each, commencing in September 2022. As at 30 June 2023, the facility had an outstanding balance of HK$60 million (US$7.7 million) (2022: HK$70 million (US$8.9 million)). This facility is secured by a first legal mortgage over the property as well as a pledge of all income from the property. The Company is the guarantor for this term loan. Interest is paid quarterly for the first six month and monthly thereafter on this loan facility. As at 30 June 2023, the loan-to-value ratio was 40.27% (2022: 46.36%).

There is no loan-to-value covenant for this loan.

The principal repayment due in September 2023 has been deferred. Please refer to Note 25 for details.

BCM Bank
The loan facility with BCM Bank had a term of 2 year and the facility amount is HK$70 million (US$8.9 million). The interest rate is 2.55% per annum over the 3-month HIBOR rate. The principal is to be repaid in quarterly instalments commencing in March 2023 with 90% of the principal due upon maturity. As at 30 June 2023, the facility had an outstanding balance of HK$63 million (US$8 million) (2022: HK$70 million (US$8.9 million)). This facility is secured by a first legal mortgage over the property as well as a pledge of all income from the property. The Company is the guarantor for this term loan. In addition, the Group is required to maintain a cash reserve equal to six months' interest with the lender. Interest is paid monthly on this loan facility. The loan-to-value covenant is 50%. As at 30 June 2023, the loan-to-value ratio for this facility was 35.39% (2022: 38.89%).

The principal repayment due in September 2023 has been deferred. Please refer to Note 25 for details.

8. Interest-bearing loans (continued)

Bank Loan Interest
Bank loan interest incurred during the year was US$5,440,000 (2022: US$2,985,000), including US$nil (2022: US$nil) capitalised during the year (see Note 7).

Amortised loan arrangement fees for the year are disclosed in Note 14.

Fair Value
Interest-bearing loans are carried at amortised cost. The fair value of fixed rate financial assets and liabilities carried at amortised cost are estimated by comparing market interest rates when they were first recognised with current market rates for similar financial instruments.

The estimated fair value of fixed interest bearing loans is based on discounted cash flows using prevailing market interest rates for debts with similar credit risk and maturity. As at 30 June 2023, the fair value of the interest-bearing loans was US$100,000 higher than the carrying value of the financial liabilities (2022: the fair value of the interest-bearing loans was US$462,000 lower than the carrying value of the financial liabilities).

The Group's interest-bearing loans have been classified within Level 2, as they have observable inputs from similar loans. There have been no transfers between levels during the period or a change in valuation technique since the last period.

9. Taxation

The Company is exempt from taxation in Guernsey under the provisions of The Income Tax (Exempt Bodies) (Guernsey) Ordinances, 1989 to 1992, and is charged an annual exemption fee of £1,200 (US$1,492) (2022: £1,200 (US$1,469)).

The Group would only be exposed to Hong Kong profits tax if it is:

(i) not exempted under the Revenue (Profits Tax Exemption for Offshore Funds) Ordinance 2006 (the "Ordinance"); and

(ii) treated as carrying on a trade or business in Hong Kong either on its own account or through any person as an agent.

No accrual has been made for Hong Kong profits tax, as the Board believes that no such tax exposure exists at the end of the reporting year (2022: US$nil).

The Group is not subject to any income, withholding or capital gains taxes in the BVI. No capital or stamp duties are levied in the BVI on the issue, transfer or redemption of shares. As a result, no provision for BVI taxes has been made in the Consolidated Financial Statements.

The Macanese SPVs are liable to Macau Property Tax in respect of their ownership of Macau properties. Taxation will be charged at 8% (2022: 8%) of any rent received for rental properties or 6% (2022: 6%) of the official ratable rentable value for self-use properties. Newly built residential buildings or commercial buildings were exempted from Property Tax for four years and six years, respectively (such time running from the month after the occupancy permit is issued) for properties located in Macau peninsula and outlying islands. Macau Complementary Taxes ("MCT") are generally levied on income and profits arising in or derived from commercial and/or industrial activities carried on in Macau. There is no distinction made between a "revenue profit" and "capital profit" under the MCT regulations. Accordingly, income in accordance with MCT regulations booked by a Macau corporate taxpayer, including gains on sale of investment/immovable property, will be subject to MCT. Under prevailing practice, gains on the disposal of shares in a Macau company (such as an SPV of the Company) by a non-Macau entity should generally not attract MCT.

The Board closely monitors and assesses the level of provisions for Macanese tax taking into consideration factors such as the Group's structure.

9. Taxation (continued)

As at the year-end, the following amounts are the outstanding tax provisions.

	2023 US$'000	2022 US$'000
Non-current liabilities		
Deferred taxation	**7,498**	9,706
Provisions for Macanese taxations	**1,158**	579
	8,656	10,285

Deferred taxation

The Group has recognised a deferred tax liability for the taxable temporary difference relating to the investment property carried at fair value and has been calculated at a rate of 12% as relates to Macau taxation.

Provisions for Macanese taxations

The Group has made provisions for property tax and complementary tax arising from its Macau business operations.

Major components of taxation

	2023 US$'000	2022 US$'000
Provision to property tax (note 15)	**(262)**	(291)
Movement in deferred taxation provision	**2,219**	1,965
Provision for MCT	**(776)**	(125)

The differences between the taxation charge for the year and the movement in taxation provisions are due to the foreign exchange rate movements and Macanese taxation paid during the year.

10. Trade and other receivables

Current assets	2023 US$'000	2022 US$'000
Prepayments	**66**	53

11. Trade and other payables

Current liabilities	2023 US$'000	2022 US$'000
Accruals	**626**	370
Other payables	**2,555**	1,649
	3,181	2,019

Other payables principally comprise outstanding amounts for operating expenses.

12. Share capital

Ordinary shares	**2023 US$'000**	**2022 US$'000**
Authorised:		
300 million ordinary shares of US$0.01 each	**3,000**	3,000
Issued and fully paid:		
61.8 million (2022: 61.8 million) ordinary shares of US$0.01 each	**618**	618

The Company has one class of ordinary shares which carries no rights to fixed income.

The Board has publicly stated its commitment to undertake share buybacks at attractive levels of discount of the share price to Adjusted NAV. In order to continue this strategy, the Board intends to renew this authority at the 2023 AGM.

No redemption of shares was made during the current or prior year.

There are no restrictions on the distribution of dividends and repayment of capital.

13. General and administration expenses

General and administration expenses	**2023 US$'000**	**2022 US$'000**
Legal and professional	**41**	200
Holding Company administration	**111**	127
Guernsey SPV administration	**56**	63
BVI, Hong Kong, & Macanese SPV administration	**46**	52
Insurance costs	**14**	15
Listing fees	**19**	19
Printing & postage	**28**	22
Other operating expenses	**135**	117
	450	615

14. Other financing costs

Financing costs	**2023 US$'000**	**2022 US$'000**
Bank charges	**7**	5
Loan arrangement fees	**339**	426
	346	431

As at 30 June 2023, unamortised loan arrangement fees were US$524,000 (2022: US$837,000). These have been netted off against the interest bearing loans and also split between current and non-current.

Notes to the Consolidated Financial Statements *(continued)*

15. Property operating expenses

Property operating expenses	**2023 US$'000**	**2022 US$'000**
Property management fees	**502**	601
Leasing and property management service fee (Note 20)	**351**	350
Property taxes	**262**	291
Utilities	**5**	10
Other property expenses	**157**	120
	1,277	1,372

16. Sales and marketing expenses

Sales and marketing expenses	**2023 US$'000**	**2022 US$'000**
Agent commission (note 20)	**76**	115

17. Cash flows from operating activities

	2023 US$'000	**2022 US$'000**
Cash flows from operating activities		
Loss for the year before tax	**(13,450)**	(20,931)
Adjustments for:		
Loss on disposal of investment property	**1,909**	–
Net loss from fair value adjustment on investment property	**3,412**	16,380
Net finance costs	**5,786**	3,416
Operating cash flows before movements in working capital	**(2,343)**	(1,135)
Effects of foreign exchange rate changes	**34**	(298)
Movement in trade and other receivables	**(13)**	545
Movement in trade and other payables	**243**	775
Movement in inventories	**(100)**	(77)
Net change in working capital	**130**	1,243
Taxation paid	**(162)**	(212)
Net cash used in operating activities	**(2,341)**	(402)

Cash and cash equivalents (which are presented as a single class of assets on the face of the Consolidated Statement of Financial Position) comprise cash at bank and other short-term, highly-liquid investments with a maturity of three months or less. For both year ends, there are no cash equivalents held by the Group.

18. Basic and diluted loss per ordinary share and net asset value per share

The basic and diluted loss per equivalent ordinary share is based on the loss attributable to equity holders for the year of US$12,007,000 (2022: loss of US$19,091,000) and on the 61,835,733 (2022: 61,835,733) weighted average number of ordinary shares in issue during the year.

	30 June 2023			30 June 2022		
	Loss Attributable US$'000	Weighted Average No. of Shares '000s	Loss Per Share US$	Loss Attributable US$'000	Weighted Average No. of Shares '000s	Loss Per Share US$
Basic and diluted	**(12,007)**	**61,836**	**(0.1942)**	(19,091)	61,836	(0.3087)

Net asset value reconciliation	**2023 US$'000**	**2022 US$'000**
Net assets attributable to ordinary shareholders	**65,684**	77,576
Uplift of inventories held at cost to market value	**24,728**	25,844
Adjusted NAV	**90,412**	103,420
Number of ordinary shares outstanding ('000)	**61,836**	61,836
NAV per share (IFRS) (US$)	**1.06**	1.25
Adjusted NAV per share (US$)	**1.46**	1.67
Adjusted NAV per share (£)*	**1.16**	1.38

The NAV per share is arrived at by dividing the net assets as at the date of the Consolidated Statement of Financial Position, by the number of ordinary shares in issue at that date.

Under IFRS, inventories are carried at the lower of cost and NRV (see Note 3 and Note 7). The NRV is determined by Savills and is subject to significant estimation uncertainty. The Adjusted NAV includes the uplift of inventories to their market values before any tax consequences or adjustments.

The Adjusted NAV per share is arrived at by dividing the Adjusted NAV as at the date of the Consolidated Statement of Financial Position, by the number of ordinary shares in issue at that date.

There are no potentially dilutive shares in issue.

* US$:GBP rate as at 30 June 2023 is 1.261 (2022: 1.212).

19. Related party transactions

Directors of the Company are all non-executive and by way of remuneration, receive only an annual fee which is denominated in Sterling.

	2023 US$'000	2022 US$'000
Directors' fees	**167**	170

The Directors are considered to be the key management personnel (as defined under IAS 24) of the Company. Directors' fees outstanding as at 30 June 2023 were US$43,000 (2022: US$41,000).

Sniper Capital Limited is the Manager to the Group and received fees during the year, as detailed in the Consolidated Statement of Comprehensive Income and on the basis described in Note 20.

Management fees for the year totalled US$1,200,000 (2022: US$1,199,000). Management fees amounting to US$200,000 are outstanding as at 30 June 2023 (2022: US$nil) (see Note 20).

Realisation fees for the year totalled US$98,000 (2022: US$23,000) with US$98,000 outstanding as at 30 June 2023 (2022: US$nil).

20. Material contracts

Management fee
Under the terms of an appointment made by the Board of Directors of the Company on 23 May 2006, Sniper Capital Limited was appointed as Manager to the Group. The original Management fee was calculated at 2.0% of the net asset value, as adjusted to reflect the Property Investment Valuation Basis, payable quarterly in advance. The Property Investment Valuation Basis is the basis on which the properties will be valued by an independent valuer being an open market basis in accordance with RICS property valuation practice and guidelines. It was reduced to 1.0% of the net asset value, as adjusted to reflect the Property Investment Valuation Basis, from the start of 2020 and further reduced to a quarterly fixed fee of US$300,000 for the calendar year 2021 onwards. A management fee of US$1,200,000 will be payable for 2023. Management fees for the year totalled US$1,200,000 (2022: US$1,199,000) with US$200,000 outstanding as at 30 June 2023 (2022: US$nil).

Realisation fee
A realisation fee was payable on deals originated and secured by the Manager in 2020 which was linked to the sales price achieved. The realisation fee is currently active until 31 December 2023. The realisation fee is payable upon the sale of individual properties and becomes payable 10 business days after completion. Where the sale price of the asset was 90% or more of the of the value of the relevant asset as at 30 September 2019 (the "Carrying Value") a fee of 2.5% of net proceeds (net of debt, costs and taxes) ("Net Proceeds") was payable; where the sale price of an asset was more than 80% but less than 90% of the Carrying Value of the relevant asset, a realisation fee of 1.5% of Net Proceeds was payable; and where the sale price of an asset is less than 80% of the Carrying Value, no realisation fee was payable. In no circumstances will the aggregate of the 2023 management fee and realisation fee exceed US$1,780,000. Any realisation fee achieved on strata sales of units at *The Waterside* will be subject to the retention of 50% until all units have been sold. Realisation fees for the year totalled US$98,000 (2022: US$23,000) with US$98,000 outstanding as at 30 June 2023 (2022: US$nil), of which US$49,000 (2022: US$nil) was deferred until sale of all units at *The Waterside*.

The Manager's appointment is terminable by the Manager or the Company on not less than 6 months' notice. The Company may terminate the Management Agreement with immediate effect, if either or both of the Principals are removed from their position of full-time employment with the Manager or ceases to be available for any reason beyond the Manager's reasonable control and the Manager fails, within three months (or six months in the case of one only) of such event, to cause to be made available the services of a competent replacement(s) of equivalent skill and experience. The Management Agreement may also be terminated with immediate effect by either the Manager or the Company if the other party has gone into liquidation, administration or receivership or has committed a material breach of the Management Agreement.

20. Material contracts (continued)

Development Management Services Agreement
The Group and Headland entered into an Development Management Services Agreement, under which Headland provides development management services to the Group in respect of the Group's properties that require development.

During the year, no development management services fees were capitalised in investment property and inventories (2022: nil) and none were outstanding (2022: nil).

Agency Services Agreement
The Group and Bela Vista entered into an Agency Services Agreement, under which Bela Vista provides agency services to the Group in respect of the sales of residential units and car and motorbike parking spaces of *The Fountainside* as well as the individual unit in One Central Residences. Bela Vista is paid an agency services fee based on a percentage of the total sales considerations.

During the year, no agency services fees (2022: US$30,000 (HK$236,000)) were paid. As at 30 June 2023, there was no outstanding balance (2022: US$nil).

Leasing and Tenancy Management and Property Management Services Agreement
The Group and Bela Vista entered into a Leasing and Tenancy Management and Property Management Services Agreement, under which Bela Vista provides property services to the Group in respect of asset management, tenant management and leasing at *The Waterside*. Bela Vista is paid a leasing and tenancy management fee based on a percentage of the monthly rental receivable by *The Waterside* and fixed fees for property management services and the staff costs and overhead incurred.

During the year, leasing and tenancy management and property management services fees of US$351,000 (HK$2,752,000) (2022: US$350,000 (HK$2,792,000)) were paid. As at 30 June 2023, US$30,000 (2022: US$22,000) was outstanding.

21. Deposits with lenders

Pledged bank balances represent deposits pledged to the banks to secure the banking facilities granted to the Group. Deposits amounting to US$1.2 million (2022: US$1.6 million) have been pledged to secure long-term banking facilities and are, therefore, classified as non-current assets. There are no other significant terms and conditions associated with these pledged bank balances.

	2023 US$'000	2022 US$'000
Non-current	**1,170**	1,561
Current	**4,438**	1,895
Pledged for loan covenants	**5,608**	3,456

Notes to the Consolidated Financial Statements *(continued)*

22. Commitments and contingencies

As at 30 June 2023, the Group had agreed consultancy contracts with an architectural firm, an engineering firm, an electrical engineering firm and a quantity surveying consultancy firm and are consequently committed to future capital expenditure in respect of inventories of US$132,000 (2022: US$281,000).

23. Auditors' remuneration

All fees payable to the external auditor relate to audit services except for US$9,000 (2022: US$9,000) that was payable to Ernst & Young Macau in relation to non-audit services.

Auditors' remuneration was broken down as follows:

	2023 US$'000	2022 US$'000
Audit fees	**162**	131
Other professional services	**9**	9
	171	140

24. Operating leases – Group as lessor

The Group has entered into leases on its property portfolio.

Future minimum rentals receivable under non-cancellable operating leases as at 30 June 2023 are as follows:

	2023 US$'000	2022 US$'000
Residential		
Within 1 year	**733**	625
After 1 year, but not more than 5 years	**–**	–
Total future rental income	**733**	625

The majority of leases involve tenancy agreements with a term of 12 months. The Group has assessed the risks as minimal as the leases held are all operating leases relating to the rental of apartments in *The Waterside* to which the Group acts as lessor.

As at 30 June 2023, lease incentives on which the Group was lessor amounted to US$51,000 (2022: US$48,000) with rent free liabilities of US$36,000 (2022: US$30,000).

25. Subsequent events

Subsequent to the year end in September 2023, *The Fountainside* US$1.9 million loan repayment due in September has been settled in full.

The Waterside US$7.7 million loan repayment due in September 2023 has been partially settled in the amount of US$4.4 million, with the remaining balance to be settled upon completion of a confirmed sale as agreed with the lender.

The Company has agreed in principle with lenders of the banking facilities for *Penha Heights* to defer principal repayments that will be due in September and December 2023. The loan facility with BCM would be extended to mature in March 2025.

Subsequent to the year end, two sales have been agreed at *The Waterside* at a total consideration of US$4.8 million, one of which has completed and the other is scheduled to complete in October 2023.

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Alan Clifton
Carmen Ling

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Alan Clifton (Chairman)
Mark Huntley
Carmen Ling

Management Engagement Committee
Mark Huntley (Chairman)
Alan Clifton
Carmen Ling

Nomination and Remuneration Committee
Alan Clifton (Chairman)
Mark Huntley
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Disclosure and Communications Committee
Mark Huntley (Chairman)
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Cautionary Statement (unaudited)

The Chairman's Statement, the Manager's Report and the Report of the Directors have been prepared solely to provide additional information for shareholders to assess the Company's strategies and the potential for those strategies to succeed. These should not be relied on by any other party or for any other purpose.

The Chairman's Statement, Manager's Report and the Report of the Directors may include statements that are, or may be deemed to be, "forward-looking statements". These forward-looking statements can be identified by the use of forward-looking terminology, including the terms "believes", "estimates", "anticipates", "expects", "intends", "may", "will" or "should" or, in each case, their negative or other variations or comparable terminology.

These forward-looking statements include all matters that are not historical facts. They appear in a number of places throughout this document and include statements regarding the intentions, beliefs or current expectations of the Directors and the Manager, concerning, amongst other things, the investment objectives and investment policy, financing strategies, investment performance, results of operations, financial condition, liquidity, prospects, and distribution policy of the Company and the markets in which it invests. By their nature, forward-looking statements involve risks and uncertainties because they relate to events and depend on circumstances that may or may not occur in the future. Forward-looking statements are not guarantees of future performance.

The Company's actual investment performance, results of operations, financial condition, liquidity, distribution policy and the development of its financing strategies may differ materially from the impression created by the forward-looking statements contained in this document. Subject to their legal and regulatory obligations, the Directors and the Manager expressly disclaim any obligations to update or revise any forward-looking statement contained herein to reflect any change in expectations with regard thereto or any change in events, conditions or circumstances on which any statement is based.

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Company Registration Number 44813

Macau Property Opportunities Fund