Macau Property Opportunities Fund

Interim Report for the six-month period ended 31 December 2023

Macau Property Opportunities Fund (MPO) is a closed-end investment fund and the only quoted property fund dedicated to investing in Macau, the world's leading gaming market and the only city in China where casinos are legal. Premium listed on the London Stock Exchange, the Company holds strategic property investments in Macau. Its current portfolio comprises prime residential assets valued at US$183.5 million as at 31 December 2023. MPO is managed by Sniper Capital Limited, an Asia-based property investment manager with a proven track record in fund management and investment advisory.

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Chairman's Message

I present my report for the first six months of our financial year and the second half of the calendar year to 31 December 2023.

We witnessed continued progress during the period as Macau transitioned out of COVID-19 restrictions. The territory's economy gained significant momentum compared to the COVID period, driven by strong gaming revenues and increased visitor numbers. Although its economic indicators have not yet returned to pre-COVID levels, the final six months of 2023 suggest that a stronger performance is likely in the current period.

Despite this broadly positive backdrop, the property market — especially the higher-end luxury segment — has yet to respond as favourably as other areas of the economy, as a degree of caution remains. The twin factors of a sluggish Chinese economy clearly experiencing major issues, including in its own real estate sector, coupled with higher interest rates, continue to affect investor appetite for high-end real estate and have also increased our on-going debt service costs.

Despite these challenging circumstances, we have made further divestment progress at *The Waterside*, where more than one-third of units have now been sold or contracted for sale. Momentum is also building in the form of increased interest in *The Fountainside* and, to an extent, *Penha Heights*, which remains a unique opportunity as one of the very few prime detached properties for sale in Macau.

During H2 2023, seven units at *The Waterside* were sold during the six month period ended 31st December 2023. Sale prices reflected a discount to valuation, demonstrating our pragmatic approach to delivering continued divestment by pricing to maximise necessary sales amid changing demand patterns and challenging market dynamics. More valuable higher-level units are being prepared for sale in what we believe will be an improving market. Sale proceeds continued to be applied to reducing our current levels of debt, with the balance deployed to support working capital.

In a welcome development, Macau's government announced a series of measures to provide relief to the property sector that came into effect in January 2024. These are fully explained in the Manager's Report and constitute a much-needed sign of support for the real estate market. We have also seen continued stimulus applied by mainland Chinese authorities to address the economic situation in China. It remains to be seen whether further targeted stimulus measures will follow in Macau. Such measures would provide long-sought support after many years of difficulty in the property sector and anti-speculation real estate market measures that are no longer required. In the meantime, the Lunar New Year period has slowed sales activity, making it too early to assess the near-term effects of the changes. Nevertheless, they can be seen only as helpful following years of stifling restrictions.

For the first time in four years the Board was able to hold a meeting in Macau. We saw at first-hand the territory's vibrant, dynamic gaming and hospitality sectors, which is now perhaps even more vibrant and dynamic than it was pre-COVID. It was helpful to hear commentary directly from our valuers and other experts, and to witness the significant growth that has taken place in the casino and hotel sectors. Investment in infrastructure continues within the region, where it has become clear that fast rail travel will be widely available and increasingly important, alongside improvements to facilitate border crossings. The bridge between Zhuhai, Hong Kong and Macau is clearly driving visitor numbers, and the expansion of Macau's light rail system will bring improved transportation in the territory. We spent time with the management team, whose resilience after the hardships of the COVID period is commendable, as is their continuing commitment to delivering our divestment plan.

The Waterside retains a superior position relative to both other towers in One Central and to other luxury developments. This has maintained a relative premium pricing differential that is helpful amid market conditions in which very low transaction volumes persist. Leased units now represent 50% of available space at the development, and our leasing strategy aims to ensure higher rental levels. We plan to scale back leasing to make units available for sale as we progress through 2024.

Sales enquiries relating to *The Fountainside* have increased as a result of broader marketing strategies explained in the Manager's report. It is expected that the development's converted small units, valued at lower lump sums, will be available for sale after the approval of additional alterations.

Penha Heights has attracted an increased numbers of viewings, but it is clear that sale opportunities will improve as and when more confidence and momentum appears in the Chinese economy. This unique detached property is likely to require more time and careful continued marketing to find a buyer.

As our portfolio consolidates and our debt level is reduced, we remain alert to opportunities whereby we might achieve a whole-portfolio sale, although market conditions are not currently offering any such prospects.

Macau's economy continued to show signs of a very positive recovery from the low ebb seen at the end of the territory's COVID restrictions, with the key gaming and tourism sectors driving robust year-on-year expansion. During our visit, we were able to witness first-hand the increased activity reported in both gaming and tourism. The phenomenon of "revenge tourism" was much in evidence, with the mood among visitors appearing cheerful and retail outlets solidly supported, which bodes well for further progress.

The economy still has some way to go before it recovers to pre-COVID levels, but the direction seems clear and broadly positive. Unemployment has declined, although some parts of the economy remain subdued, affected in part by easier cross-border travel that has allowed local consumers to access goods and services in mainland China at lower prices than at home. Whether this prompts Macau's government to introduce further stimulus and support remains to be seen.

Mainland China is Macau's key market, and the performance of the country's economy remains lacklustre. China's economic woes have prompted authorities there to continue to apply stimulus measures, including moves to support both the finance and real estate sectors. Recent statistics suggest that Chinese manufacturing has also continued to expand, albeit at a slower-than-normal pace, and the services sector has also shown improvement. The significant rebound expected following the end of COVID restrictions did not materialise, and China's overall recovery has been somewhat subdued.

In China's real estate sector, measures introduced to impose de-leveraging on property developers have translated into a full-scale down cycle. Real estate constitutes an important component of the Chinese economy and it has a wealth effect across the population. The key concern is that the longer consumer sentiment is affected, the more sluggish China's economy will remain. However, it should be remembered that Macau occupies a unique position as the only Chinese territory in which gaming is legal, and with such a large population to target, the impact of current and growing visitor numbers on Macau's economy should continue to be positive, especially given the significant investment in connectivity and infrastructure that is taking place.

An improvement in the Chinese property market is regarded as the potential first stage of any turnaround, and it may already be under way because new developments are not breaking ground at the pace seen previously. It will take years for China to absorb its current real estate inventory, and direct and indirect measures are being applied to provide support, including official government-led encouragement of relocation. There appears to be an official willingness to support the stock market and property sector, and any improvement in confidence will aid similar sentiment in Macau.

As at 31 December 2023, the Company's unaudited adjusted net Asset Value (NAV) was US$81.7 million, equivalent to US$1.32 (104 pence*) per share, which represents a decline of 10.5% over the period.

The Company's shares closed at 40.6 pence at the end of the reporting period, decline of 31% over the six-month period. The share price discount to Adjusted NAV had increased to 60.9% as of 31 December 2023, from 49.5% over the six-month period.

Our share price is monitored daily, and its recent decline follows a broader issue experienced across the entire investment fund sector that has affected real estate funds in particular. Both the Board and the Manager recognise that delivering a distribution of capital is key to closing the current discount between the Company's share price and its adjusted NAV. This remains our core focus for 2024, although in the near term, repaying and reducing our debt levels and debt service costs is critical. With demands on available cash focused on debt repayment, any measures to buy back shares cannot be implemented at this time.

The Board appreciated the overwhelming support for extending the life of the Company provided by the vote at the Annual General Meeting. We remain convinced that a managed, orderly divestment of assets will achieve the best return for Shareholders.

Revised remuneration has been agreed in principle with the Manager that will cover the remaining term of the engagement. The monthly management fee remains unchanged, but starting in 2025, the Board retains the right to reduce the management fee to US$80,000 per month by providing one month's advance notice to the Manager. This would be subject to an affirmative vote to continue the life of the Company, and it recognises the clear intention to deliver meaningful progress on divestment in 2024.

The Board has also agreed with the Manager to amend the thresholds for the realisation fee, subject to divestment hurdles being met in 2024. Further details on the Manager remuneration will be announced in due course. The Board believes that the terms are firmly aligned with the Company's stated divestment objective of ensuring a complete portfolio sale is achieved with the associated return of capital to Shareholders.

Both the management fee and realisation fee are subject to an overall cap of 4.99% of the Company's market capitalisation. If the Company's life is extended into 2025, the notice period for termination of the management engagement will be reduced to three months.

The economic recovery we have witnessed in Macau is both encouraging and significant in the context of our divestment strategy. However, the robust nature of the growth in gaming and tourism has yet to translate into a meaningful improvement in our segment of the real estate market, which remains challenged by very low transaction volumes.

Continued careful management is required as we move ahead with the divestment of our remaining assets following two extremely difficult years; 2022 was Macau's worst year for real estate transactions in 40 years, while 2023 was only a little better.

The relaxation of stifling and largely unnecessary constraints on property market activity has yet to translate into increased demand. Property developers continue to lobby for further measures to stimulate and support the higher-end market segment. Such measures might include a "golden visa" programme linked to property purchases above a certain value threshold, which would mirror a similar incentive in operation in Hong Kong that is designed to revive the territory's status as a financial centre and boost its revenue. The removal of the foreign investor property purchase stamp duty of 10%, which acts as a disincentive to overseas investment in Macau's property sector, would be another helpful measure. Hong Kong has just announced the removal of such extra stamp duties on all residential transactions.

Were such improvements to be implemented they would undoubtedly aid market sentiment. However, we must be mindful of the need to manage the Company within current constraints. This is how we must continue to operate in order to achieve the disposal of our portfolio, to reduce and repay our debt obligations, whilst maintaining our core objective of delivering the earliest possible return of capital to our Shareholders.

Manager's Report

INTRODUCTION

In the second half of 2023, Macau witnessed a remarkable economic resurgence, powered by its two economic engines — tourism and gaming. For much of the world, the COVID-19 pandemic was fading into memory, whereas Macau was barely six months into its recovery after three years of almost complete isolation under China's strict zero-COVID policies. That isolation reduced Macau's economy to less than half of its pre-pandemic size.

During the first three quarters of 2023, Macau's economy grew 78% year on year (YoY), and analysts expect full-year 2023 growth of 75% YoY. Gross gaming revenue (GGR) for 2023 stood at MOP183 billion (approximately US$23 billion), an increase of more than 300% YoY. These numbers imply a rebound in gross domestic product (GDP) to 77% of its pre-pandemic level and a recovery to 62% of pre-pandemic GGR.

Nonetheless, despite the encouraging headline economic data, Macau's recovery has been uneven across the economy, and 2023 is best regarded as a period of recovery and transition. More sustainable, balanced growth in 2024 and beyond should follow.

FINANCIAL OVERVIEW

	31 December 2023	30 June 2023
NAV (IFRS) (US$ million)	**58**	65.7
NAV per share (IFRS) (US$)	**0.94**	1.06
Adjusted NAV (US$ million)	**81.7**	90.4
Adjusted NAV per share (US$)	**1.32**	1.46
Adjusted NAV per share (pence)[1]	**104**	116
Share price (pence)	**40.6**	58.5
Share price discount to Adjusted NAV per share (%)	**60.9%**	49.5%
Portfolio valuation (US$ million)	**183.5**	200.5
Loan-to-value ratio (%)	**51.2%**	50.9%

1 Based on the following US dollar/sterling exchange rates: 1.274 on 31 December 2023 and 1.261 on 30 June 2023.

FINANCIAL REVIEW

Half-year financial results

The value of the Company's portfolio, which comprises three main assets, was US$183.5 million as at 31 December 2023. On a like-for-like comparison, adjusting for units sold during the six-month period, its valuation declined by 2.1% over the period.

The Company's adjusted NAV was US$81.7 million, which translates to US$1.32 (104 pence) per share, a decline of 10.5% over the period. Its IFRS NAV was US$58 million as of the period's end, equating to US$0.94 (74 pence) per share, a drop of 12.5%.

As at 31 December 2023, the Company's share price was 40.6 pence, representing a 60.9% discount to its Adjusted NAV per share.

Capital management

As at 31 December 2023, the Company had total assets worth US$164.8 million and liabilities totalled US$106.8 million. Gross borrowing stood at US$96.5 million, equating to a loan-to-value (LTV) ratio of 51.2%.

The Company's consolidated cash balance was approximately US$4.8 million, of which US$4.6 million was pledged as collateral for credit facilities, while the balance of some US$0.2 million represented free cash.

The Manager continues to focus on securing further asset sales to meet all the Company's financial obligations. Discussions are ongoing with the Company's lenders to agree on better aligning repayment schedules with the completion of future sales.

As the Company continues to execute its divestment strategy, its focus remains firmly on cash and capital management to strengthen its balance sheet and bolster its operating cash flow. Disposal proceeds have been used to reduce debt facilities, and existing facilities are consistently reviewed or refinanced to secure the most cost-efficient and beneficial terms.

Company life extended

Macau's economic recovery has been uneven and the Manager is continuing to navigate market challenges to optimise the divestment of the Company's portfolio, reduce its debt, and return capital to Shareholders within the earliest possible timeframe. A Shareholder resolution was therefore proposed, and subsequently passed, at the Company's Annual General Meeting in December 2023, extending the life of the Company for a year to facilitate the orderly divestment of its portfolio. The Company thanks all Shareholders for their continued support in this regard.

Revised remuneration has been agreed with the Manager that will cover the remaining term of the engagement. The monthly management fee remains unchanged, but the Board retains the right to reduce the management fee to US$80,000 per month by providing one month's advance notice to the Manager, effective from 1 January 2025.

The Board has also agreed with the Manager to amend thresholds for the realisation fee, subject to divestment hurdles being met in 2024. Further details on the Manager remuneration will be announced in due course. Both fees are subject to an overall cap of 4.99% of the Company's market capitalisation.

PORTFOLIO UPDATES

PORTFOLIO OVERVIEW AS AT 31 DECEMBER 2023

	Sector	No. of Units	Cost (US$ million)	Market Valuation (US$ million)	Change in Market Value Since 30 June 2023	Composition (based on market value)
The Waterside *Tower Six at One Central Residences**	Luxury residential	41	70.9	125	-2.4%**	68%
The Fountainside	Low-density residential	7	6.4	17.3	-2.4%	9.5%
Penha Heights	Luxury residential	—	28.6	41.2	-1.2%	22.5%
Total			**105.9**	**183.5**	**-2.1%****	**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.

** Calculation is based on adjusted figures made to 30 June 2023 to reflect like-for-like comparisons to 31 December 2023 due to property sales during the period.

Despite a very positive recovery in Macau's gaming and tourism sectors, the territory's property market faced headwinds linked to weak sentiment in mainland China's property market, in tandem with a series of interest rate hikes that brought rates to their highest levels in 16 years, dampening investor sentiment across much of the real estate sector.

Despite the challenging operating environment, we continued to make progress on the divestment of the portfolio and, since the commencement of apartment sales at *The Waterside* began approximately 20 months ago, the Company has sold more than one-third of the units at the landmark development. It has walked a tightrope, striking a delicate balance between closing sales and maintaining price levels that will protect the value of the portfolio and maximise returns to Shareholders.

THE WATERSIDE

The Waterside occupies a prime location in One Central Residences.

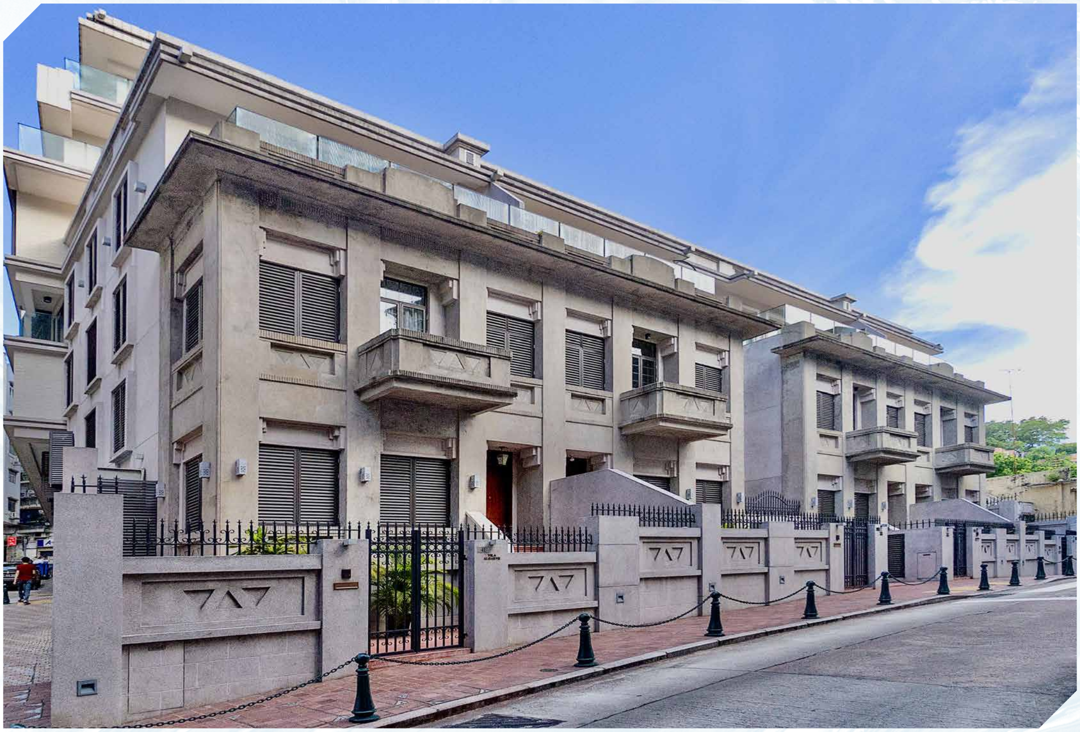
The Waterside is the Company's landmark luxury residential apartment development in central Macau. The asset originally comprised 59 units for lease and sale, but at the time of this report's publication, 22 units, or 37.3% had been sold, with 37 units (62.7%) remaining available for sale.

During the second half of 2023, the Company signed agreements for the sale of a further seven apartments — all standard units located primarily on mid-to low floors. The seven units were sold at an average value of 51% above cost, or approximately HK$8,299 (US$1,061) per square foot of gross floor area, an average discount of 11% to their latest average valuations.

To date, of the 22 sale transactions, 18 have been completed, with the Company receiving total gross proceeds of HK$395 million (US$49.3 million). Deploying the sales proceeds, the Company reduced its debt by HK$75 million (c. US$9.6 million) during the second half of 2023, and the remaining will be used for interest payment and working capital to cover the Company's operating cost.

At the end of 2023, the occupancy rate at *The Waterside* was 50%, based on the gross floor area of the unsold units. This reflects the Manager's more selective leasing approach to maximise the sales potential of the units, based on purchasers' indicated preferences for vacant units.

THE FOUNTAINSIDE



The heritage façade of *The Fountainside's villas*

T*he Fountainside* is a low-density, freehold residential development originally comprising 42 homes and 30 car-parking spaces in Macau's popular Penha Hill district. All 36 standard units have been sold, but seven homes — four villas and three smaller reconfigured units converted from two duplexes — and two car parking spaces remain available for sale.

The sale process for the three smaller units was delayed due to additional alterations requested by the Macau authorities at a very late stage when the issuance of occupancy permits had been anticipated. Nevertheless, once the construction permits were obtained in November 2023, alteration works began immediately and are now completed. The next stage of approval will be subject to further government inspection. Thereafter, sales and marketing efforts will commence.

The Company is maintaining a flexible sales approach for the four villas and will entertain both individual and en bloc offers.

PENHA HEIGHTS

Trophy property *Penha Heights*

P*enha Heights* is a prestigious, colonial-style villa with a gross floor area of approximately 12,000 square feet, located in the exclusive residential enclave of Penha Hill and surrounded by lush greenery. The Company is exploring a variety of new marketing opportunities for this trophy home as interest in the property picked up in 2023 after Macau's pandemic-related travel restrictions were lifted.

Although the number of inquiries and viewings has increased, it will nevertheless take time to identify a buyer for the property, given its value and unique status as one of very few large, detached houses in Macau.

MACROECONOMIC OUTLOOK

Economy: Recovering to double-and triple-digit growth

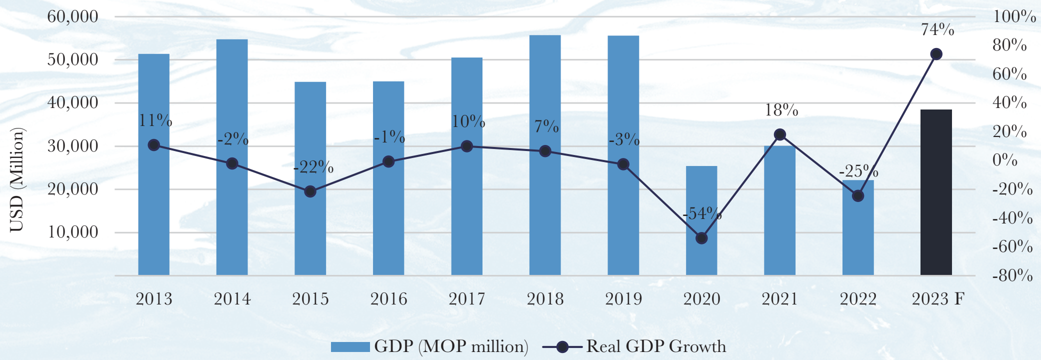
Macau's economy continued its robust growth in the second half of 2023, with GDP expanding 116.1% YoY in Q3 2023. During the first three quarters of 2023, the territory's GDP grew 78% YoY, and full-year 2023 growth is expected to be 75% YoY.

Driving these impressive growth numbers is the rapid recovery of the territory's twin economic engines — tourism and gaming — which roared back to life aided by post-pandemic "revenge travel" in the Greater China region. However, Macau's economic recovery has been uneven, with other businesses — such as small and medium-sized enterprises and local retail businesses — adversely affected by changes in spending patterns among local residents. As the Macau-China border becomes increasingly easy to cross, Macau residents can travel more readily and frequently between the territory and neighbouring cities in China, and many have taken to making regular trips to buy consumer goods at significantly lower prices in Zhuhai and other mainland Chinese cities.

Despite the rebound in growth seen during 2023, Macau still needs more time to reach the economic performance it enjoyed before the pandemic. The territory's GDP is currently at approximately 77% of its 2019 level, and although its per capita GDP ranks fifth globally, at approximately US$125,000, it is still 30% below its 2019 level. Key economic indicators, such as visitor arrivals and GGR, which have also registered strong growth, are still lagging pre-pandemic levels, with visitor arrivals at 70% of their 2019 level and GGR at 62%. Macau's unemployment rate has continued to improve, with full-year 2023 general unemployment falling to 2.6%, a 1% decline YoY. As airline traffic and other means of travel return to pre-COVID capacity, Macau's government has estimated a target of 33 million visitor arrivals for 2024, a 17% increase on arrivals in 2023 and 84% of 2019's peak levels.

Ratings agency Moody's downgraded Macau's credit outlook from "stable" to "negative" in December 2023, in tandem with its downgrade of mainland China's credit outlook, based on the tight institutional, economic and financial linkages between the territory and the mainland. This assessment appears to be at variance with Macau's overall pace of economic recovery. Fitch Ratings' assessment remains unchanged at "AA" with a stable outlook.

GDP and Real Growth Rate



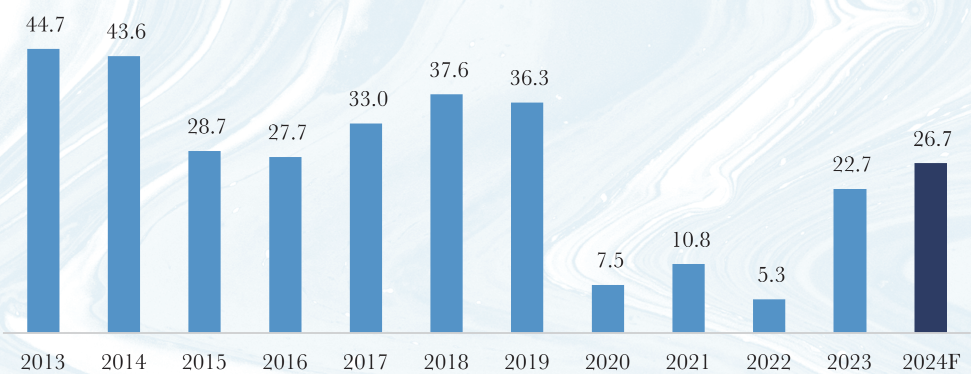
Source: DSEC, The International Monetary Fund (IMF)

Gaming: FY2023 performance was stronger than expected

Macau's 2023 GGR stood at MOP183 billion (around US$23 billion), an increase of 333.8% YoY. The sum is significant as it exceeds the MOP180 billion threshold set by Macau's government that obliges gaming concessionaires to make additional commitments of up to 20% to non-gaming and overseas marketing spend over and above their total commitment of MOP109 billion (approximately US$13 billion).

Following the near-20-year lows of 2022, when GGR amounted to US$5.3 billion, a paltry 14% of 2019's pre-pandemic level, the remarkable recovery in GGR demonstrates the strong demand for Macau's tourism and gaming offerings, particularly among visitors from mainland China and Hong Kong. For perspective, Macau's GGR in 2023 amounted to approximately 62% of 2019's pre-pandemic level, and Morgan Stanley predicts that in 2024, GGR will grow a further 24% YoY to approximately US$28 billion — 80% of 2019's level.

Gross Gaming Revenue (GGR) *USD billions*



Source: DSEC, Macau Government

Tourism: Recovery to 70% of peak arrivals

Macau welcomed more than 28 million visitors in 2023, in stark contrast to 2022, when the total number fell short of 6 million. Visitor arrivals in 2023 were 70% of 2019's pre-pandemic peak of more than 39 million.

Most visitors to Macau in 2023 originated from mainland China and Hong Kong, accounting for 68% and 26% of total arrivals, respectively. International visitors comprised only 5% of the total. Compared to 2019 levels, visitor arrivals from Hong Kong recovered to 98% of 2019's level, but the number of mainland Chinese and international visitors hovered at 68% and 48% of 2019's level, respectively.

Overnight visitors and day trippers were roughly equal in number, and the average length of stay shortened YoY by 0.2 days to 1.3 days.

Number of Visitor Arrivals to Macau (in millions)

Source: DSEC, Macau Government

PROPERTY MARKET OVERVIEW

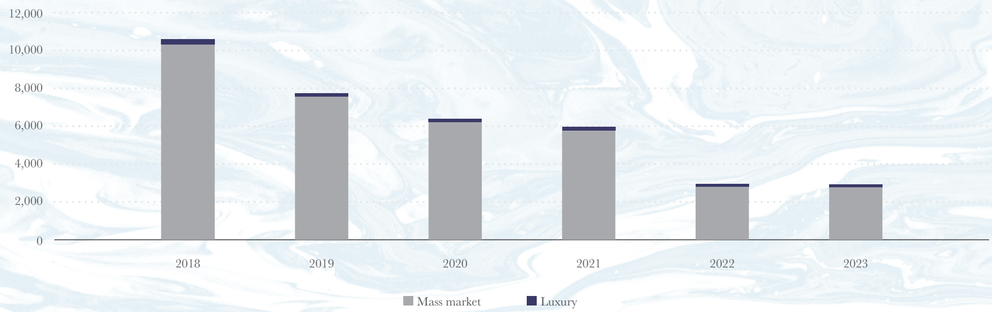
Economic recovery has yet to flow into the property sector

Macau's residential property market improved marginally in 2023. In terms of sales activity, 2,879 transactions were recorded during the year, an increase of 2% YoY on the same period in 2022, when market activity hit a 40-year low. Prices held steady at around HK$5,800 per square foot in 2023, less than 1% lower than prices in 2022.

In the luxury residential segment, of which the Company's assets are a part, only 136 transactions were recorded involving homes with usable floor areas of more than 150 square metres during 2023, a decrease of 2% YoY by volume. Luxury residential sales accounted for only 5% of all sales transactions in the residential market. Average prices in the luxury residential segment increased by 3% YoY in 2023. The increase was mainly driven by new developments in Taipa and Coloane, which generally have a smaller size in comparison to the units in *the Waterside*.

According to Macau's Land and Urban Construction Bureau, at the end of Q4 2023, a total of 9,023 units were in the development pipeline, 71% of which were at the design stage, 25% of which were under construction, and around 4% of which had been completed. The vast majority of developers' new units are in the affordable segment and include properties such as one-bedroom homes or studios aimed at first-time buyers and, as such, are not competing with the Company's portfolio properties.

Overall Residential Transactions 2018-2023



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

Luxury Residential Transactions 2018-2023

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

A potential boost from policy initiatives

The poor performance of Macau's property market prompted calls for the government to ease measures put in place over the past decade to curb speculation. Citing policy initiatives introduced in mainland China to boost the country's troubled property sector, Macau property players urged the government to consider similar measures.

In a boost to the sector, Macau's government announced a package of measures to rekindle investor interest in property, taking effect from January 2024. Two of the measures are particularly relevant to the Company's portfolio properties: the removal of stamp duty for second home ownership and an increase in the maximum LTV ratio to 70% for residential properties valued above MOP8 million (around US$1 million).

Before the policy changes, measures to curb real estate speculation in Macau included the imposition of additional ad valorem stamp duty of up to 20% if a property was 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 was tightened in 2018, resulting in maximum financing levels of only 40-50% of purchase prices for properties valued above MOP8 million.

These policy revisions are the first such moves to roll back years of measures to curb speculation, and may provide a much-needed and timely boost to market sentiment in the luxury segment in 2024. They follow a similar relaxation of policies seen in Hong Kong which have just been further augmented.

Higher interest rates dampened investor interest

In July 2023, the Monetary Authority of Macau raised interest rates by 25 basis points to 5.75%, in tandem with interest rate hikes by the US Federal Reserve and the Hong Kong Monetary Authority. It was the 11th rate increase since March 2022, despite inflation in Macau holding steady at 0.94% in 2023 and 1.04% in 2022. The resulting increase in borrowing costs contributed to a dampening of investor interest in Macau property.

Although elevated US inflation remains a concern, a general consensus exists that the Federal Reserve will hold rates steady for a period while it considers lowering them during the course of 2024. Stable or lower interest rates should provide an additional boost for Macau's property sector.

China’s property sector woes affected regional markets

China’s property market, which accounts for about one-third of the country’s economy, has been engulfed by a severe debt crisis. The government’s efforts to deleverage the sector, which began in 2020, coupled with the economic impact of zero-COVID measures, resulted in the sector as a whole and some of its largest developers struggling to cope with the challenging operating environment. This led to several headline events in H2 2023, including bankruptcy filings and debt defaults by some of China’s biggest property companies.

As a result of the turmoil in China’s property sector, home sales growth and home prices have remained sluggish. There is a risk of the crisis spilling over into the banking sector, as approximately 40% of all bank loans in the country are linked to property. Coupled with a pronouncement by the country’s National Administration of Financial Regulation that approximately RMB3.2 trillion in loans held by commercial banks in China are underperforming, these issues have adversely impacted investors’ views of, and sentiment towards, Macau’s real estate market.

To address the adverse impact of the property sector on China’s economy, the People’s Bank of China (PBOC), the country’s central bank, has announced easing measures. The PBOC cut its reserve requirement ratio by 50 basis points from February 2024 onwards to allow banks to hold smaller cash reserves, potentially releasing RMB1 trillion (approximately US$140 billion) in long-term capital into the market. This move is regarded as a significant shift towards more proactive policy support for the country’s flagging economy. On the same day, the PBOC and the National Administration of Financial Regulation announced measures to encourage banks to lend to qualified developers, further signalling the government’s commitment to revitalising its real estate market.

Despite these efforts, concerns persist about mainland China’s sluggish economy and the need for fundamental reforms. New reports suggest that the government is considering a further RMB2 trillion (US$278 billion) stimulus package as part of its ongoing efforts to address the country’s economic challenges.

In February 2024, Beijing announced further policy initiatives to boost the property sector in the Greater Bay Area, including allowing Hong Kong and Macau residents to bypass daily remittance limits for funds to purchase property in the region. Removing that pain point associated with property investment in mainland China puts properties in the Greater Bay Area on the radar of investors in Hong Kong and Macau seeking to take advantage of their weak prices. This added competition may negatively impact Macau's property sector as investors from the Hong Kong and Macau special administrative regions now have a wider range of options to consider.

LOOKING AHEAD

Macau's economic outlook became more buoyant during the course of 2023 as confidence grew that the territory's recovery was sustainable and represented a genuine transition from the pandemic era to a period of more diversified and sustainable economic growth in 2024 and beyond.

The Economic Intelligence Unit has revised its outlook for Macau's economy, suggesting that the territory is on track to reach 2019's pre-pandemic level of economic performance by late 2024, and it forecasts that gaming revenues will hit 2019 levels by the middle of the year. Macau's government has announced a target of 33 million visitor arrivals for 2024, a 17% increase to reach 84% of 2019's figure.

These are positive indicators for the overall health of Macau's economy. They will help to improve investor sentiment towards the territory as a whole and rekindle investor interest in making long-term investments. Coupled with the new policy initiatives to reignite interest in Macau property and a more stable interest rate environment, these developments should aid the Company's divestment programme by expediting further sales, lowering debt, and returning capital to Shareholders.

Directors’ Statement of Responsibilities

The Directors are responsible for preparing this half-yearly financial report in accordance with applicable law and regulations.

The Directors confirm that to the best of their knowledge:

- the interim condensed consolidated financial statements have been prepared in accordance with IAS 34 Interim Financial Reporting; and

- the Chairman’s Message and Manager’s Report meet the requirements of an interim management report, and include a fair review of the information required by:

  a. DTR 4.2.7R of the Disclosure and Transparency Rules, being an indication of important events that have occurred during the first six months of the financial year and their impact on the interim condensed consolidated financial statements; and a description of the principal risks and uncertainties for the year to date and the remaining six months of the year; and

  b. DTR 4.2.8R of the Disclosure and Transparency Rules, being related party transactions that have taken place in the first six months of the current financial year and that have materially affected the financial position or performance of the entity during that period; and any changes in the related party transactions described in the last annual report that could do so.

On behalf of the Board

Mark Huntley
Chairman
1 March 2024

Interim Condensed Consolidated Statement of Financial Position (Unaudited)

As at 31 December 2023

	Note	**Unaudited 31 Dec 2023 US$'000**	Unaudited 31 Dec 2022 US$'000	Audited 30 Jun 2023 US$'000
ASSETS				
Non-current assets				
Investment property	**3**	**124,956**	164,100	141,045
Deposits with lenders	**4**	**320**	1,878	1,170
Trade and other receivables		**16**	16	16
		125,292	165,994	142,231
Current assets				
Inventories	**5**	**34,933**	34,872	34,775
Trade and other receivables		**63**	92	66
Deposits with lenders	**4**	**4,245**	384	4,438
Cash and cash equivalents		**282**	23	1,118
		39,523	35,371	40,397
Total assets		**164,815**	201,365	182,628
EQUITY				
Capital and reserves attributable to the Company's equity holders				
Share capital	**12**	**618**	618	618
Retained earnings		**42,365**	57,975	50,342
Distributable reserves		**15,791**	15,791	15,791
Foreign currency translation reserve		**(738)**	(746)	(1,067)
Total equity		**58,036**	73,638	65,684
LIABILITIES				
Non-current liabilities				
Deferred taxation provision	**11**	**6,482**	8,720	7,498
Taxation provision	**11**	**240**	279	1,158
Interest-bearing loans	**6**	**69,124**	87,319	81,913
		75,846	96,318	90,569
Current liabilities				
Trade and other payables		**4,021**	2,176	3,181
Interest-bearing loans	**6**	**26,912**	29,233	23,194
		30,933	31,409	26,375
Total liabilities		**106,779**	127,727	116,944
Total equity and liabilities		**164,815**	201,365	182,628
Net Asset Value per share (US$)	**8**	**0.94**	1.19	1.06
Adjusted Net Asset Value per share (US$)	**8**	**1.32**	1.61	1.46

The interim condensed consolidated financial statements were approved by the Board of Directors and authorised for issue on 1 March 2024.

The notes on pages 39 to 49 form part of these interim condensed consolidated financial statements.

Interim Condensed Consolidated Statement of Comprehensive Income (Unaudited)

For the six-month period from 1 July 2023 to 31 December 2023

	Note	**Unaudited 6 months 1 Jul 2023– 31 Dec 2023 US$'000**	Unaudited 6 months 1 Jul 2022– 31 Dec 2022 US$'000	Audited 12 months 1 Jul 2022– 30 Jun 2023 US$'000
Income				
Income on sale of investment property	3	**—**	17,254	—
Rental income		**714**	543	1,122
		714	17,797	1,122
Expenses				
Net loss from fair value adjustment on investment property	3	**3,569**	8,541	3,412
Net loss on disposal of investment property	3	**1,616**	—	1,909
Cost of sales of investment property	3	**—**	9,602	—
Management fee	10	**600**	600	1,200
Realisation fee	10	**39**	27	98
Non-executive directors' fees	10	**86**	79	167
Auditors' remuneration: audit fees		**92**	52	162
Auditors' remuneration: other professional services		**—**	—	9
Property operating expenses		**605**	624	1,277
Sales and marketing expenses		**39**	616	76
General and administration expenses		**246**	207	450
Loss on foreign currency translation		**102**	116	34
		(6,994)	(20,464)	(8,794)
Operating loss for the period/year		**(6,280)**	(2,667)	(7,672)
Finance income and expenses				
Bank loan interest	6	**(3,373)**	(2,555)	(5,440)
Other financing costs		**(155)**	(179)	(346)
Bank and other interest		**12**	2	8
		(3,516)	(2,732)	(5,778)
Loss for the period/year before tax		**(9,796)**	(5,399)	(13,450)
Taxation	11	**1,819**	1,025	1,443
Loss for the period/year after tax		**(7,977)**	(4,374)	(12,007)
Items that may be reclassified subsequently to profit or loss				
Exchange difference on translating foreign operations		**329**	436	115
Total comprehensive loss for the period/year		**(7,648)**	(3,938)	(11,892)
Loss attributable to:				
Equity holders of the Company		**(7,977)**	(4,374)	(12,007)
Total comprehensive loss attributable to:				
Equity holders of the Company		**(7,648)**	(3,938)	(11,892)

Interim Condensed Consolidated Statement of Comprehensive Income (Unaudited) *(continued)*

For the six-month period from 1 July 2023 to 31 December 2023

	Note	**Unaudited 6 months 1 Jul 2023– 31 Dec 2023 US$**	Unaudited 6 months 1 Jul 2022– 31 Dec 2022 US$	Audited 12 months 1 Jul 2022– 30 Jun 2023 US$
Basic and diluted loss per Ordinary Share attributable to the equity holders of the Company during the period/year	7	**(0.1290)**	(0.0707)	(0.1942)

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

The notes on pages 39 to 49 form part of these interim condensed consolidated financial statements.

Interim Condensed Consolidated Statement of Changes in Equity (Unaudited)

Movement for the six-month period from 1 July 2023 to 31 December 2023 (unaudited)

	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 2023	**618**	**50,342**	**15,791**	**(1,067)**	**65,684**
Loss for the period	—	(7,977)	—	—	(7,977)
Items that may be reclassified subsequently to profit or loss					
Exchange difference on translating foreign operations	—	—	—	329	329
Total comprehensive loss for the period	—	(7,977)	—	329	(7,648)
Balance carried forward at 31 December 2023	**618**	**42,365**	**15,791**	**(738)**	**58,036**

Movement for the six-month period from 1 July 2022 to 31 December 2022 (unaudited)

	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	618	62,349	15,791	(1,182)	77,576
Loss for the period	—	(4,374)	—	—	(4,374)
Items that may be reclassified subsequently to profit or loss					
Exchange difference on translating foreign operations	—	—	—	436	436
Total comprehensive loss for the period	—	(4,374)	—	436	(3,938)
Balance carried forward at 31 December 2022	618	57,975	15,791	(746)	73,638

Movement for the year from 1 July 2022 to 30 June 2023 (audited)

	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	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	618	50,342	15,791	(1,067)	65,684

The notes on pages 39 to 49 form part of these interim condensed consolidated financial statements.

Interim Condensed Consolidated Statement of Cash Flows (Unaudited)

For the six-month period from 1 July 2023 to 31 December 2023

	Note	**Unaudited 6 months 1 Jul 2023– 31 Dec 2023 US$'000**	Unaudited 6 months 1 Jul 2022 – 31 Dec 2022 US$'000	Audited 12 months 1 Jul 2022– 30 Jun 2023 US$'000
Net cash used in operating activities	9	**(30)**	(2,200)	(2,341)
Cash flows from investing activities				
Capital expenditure on investment property	3	**—**	—	(27)
Proceeds from disposal of investment property		**11,392**	17,254	35,384
Movement in pledged bank balances		**1,043**	1,194	(2,152)
Net cash generated from investing activities		**12,435**	18,448	33,205
Cash flows from financing activities				
Proceeds from bank borrowings		**—**	6,532	6,512
Repayment of bank borrowings		**(9,565)**	(20,845)	(32,025)
Interest and bank charges paid		**(3,701)**	(2,317)	(4,590)
Net cash used in financing activities		**(13,266)**	(16,630)	(30,103)
Net movement in cash and cash equivalents		**(861)**	(382)	761
Cash and cash equivalents at beginning of period/year		**1,118**	355	355
Effect of foreign exchange rate changes		**25**	50	2
Cash and cash equivalents at end of period/year		**282**	23	1,118

The notes on pages 39 to 49 form part of these interim condensed consolidated financial statements.

Notes to the Interim Condensed Consolidated Financial Statements (Unaudited)

For the six-month period from 1 July 2023 to 31 December 2023

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 2008 and is regulated by the Guernsey Financial Services Commission. The address of the registered office is given on page 50.

The interim condensed consolidated financial statements for the six months ended 31 December 2023 comprise the interim financial statements of the Company and its subsidiaries (together referred to as the "Group"). The Group invests in residential property in Macau.

There has been a change to one of the Group's principal risks and uncertainties in the six-month period to 31 December 2023. The Board note that, while the impact of COVID-19 on Macau's real estate market has now receded, the Group faces a significant risk in realising its assets at appropriate values to meet debt repayment due dates and to reduce its current liabilities. The Manager provides the Board with regular reports and updates on key local developments and on divestment updates. Detailed working capital requirements and analysis of loan to value covenants are regularly reported to the Board for monitoring. Principal risks and uncertainties are further discussed in the Annual Report on page 57.

The interim condensed consolidated financial statements are presented in US Dollars ("US$") and are rounded to the nearest thousand ($'000).

These interim condensed consolidated financial statements were approved for issue by the Board of Directors on 1 March 2024.

1. Significant accounting policies

Basis of accounting

The annual consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("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. The accounting policies and valuation principles adopted are consistent with those of the previous financial year.

The interim condensed consolidated financial statements have been prepared in accordance with International Accounting Standard ("IAS") 34, Interim Financial Reporting. The same accounting policies and methods of computation are followed in the interim financial statements as compared with the annual financial statements. The interim condensed consolidated financial statements do not include all information and disclosures required in the annual financial statements and should be read in conjunction with the Group's annual financial statements as of 30 June 2023.

New and amended standards and interpretations applied

The following amendments to existing standards and interpretations are effective for the year ended 30 June 2024 and therefore were applied in the current period but did not have a material impact on the Group:

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

Notes to the Interim Condensed Consolidated Financial Statements (Unaudited) *(continued)*

For the six-month period from 1 July 2023 to 31 December 2023

1. Significant accounting policies (continued)

Basis of accounting (continued)

Going concern

The Group continues to meet its capital requirements and day-to-day liquidity needs through the Group's cash resources. As part of their assessment of the going concern of the Group as at 31 December 2023, the Directors have reviewed the comprehensive cash flow forecasts prepared by management which make assumptions based upon current and expected future market conditions, including predicted future sales of properties taking into consideration current market circumstances. It is the Directors' belief that, based upon these forecasts and their assessment of the Group's committed banking facilities, it is appropriate to prepare the financial statements of the Group on a going concern basis.

The Directors, after the continuation resolution was passed at the Annual General Meeting of the Company on 21 December 2023 extending the Fund's life until the 2024 Annual General Meeting, assessed whether the continuation vote before the end of 2024 gives rise to a material uncertainty that might cast significant doubt 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. The Directors currently expect to receive continuation support from major shareholders and over 50% of shareholder support is required in December 2024 to ensure continuation; it is likely that returns from the sale of properties could well be significantly lower if the Fund was forced to sell as a result of discontinuation and it is therefore commercially rational for the Fund to continue in business. Therefore, the Directors believe it is appropriate to prepare the financial statements of the Group on the going concern basis based upon existing cash resources, the forecasts described above, the extension of the life of the Company until the 2024 Annual General Meeting agreed at the Annual General Meeting on 21 December 2023 and the Directors' assessment of the Group's committed banking facilities and expected continuing compliance with related covenants.

Seasonal and cyclical variations

The Group does not operate in an industry where significant or cyclical variations as a result of seasonal activity are experienced during the financial year.

2. Segment reporting

The Chief Operating Decision Maker (the "CODM") in relation to Macau Property Opportunities Fund Limited is deemed to be the Board itself. The factors used to identify the Group's reportable segments are centred on asset class, differences in geographical area and differences in regulatory environment. Furthermore, foreign exchange and political risk 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 single geographical sector, 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 their on-going performance review. This is supported by a further breakdown of individual property groups only to help support their review and investment appraisal objectives.

For the six-month period from 1 July 2023 to 31 December 2023

3. Investment property

	Unaudited 1 Jul 2023– 31 Dec 2023 US$'000	Unaudited 1 Jul 2022– 31 Dec 2022 US$'000	Audited 1 Jul 2022– 30 Jun 2023 US$'000
At beginning of the period/year	**141,045**	181,520	181,520
Capital expenditure on property	**—**	—	27
Disposal of property	**(13,008)**	(9,602)	(37,293)
Fair value adjustment	**(3,569)**	(8,541)	(3,412)
Exchange difference	**488**	723	203
Balance at end of the period/year	**124,956**	164,100	141,045

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

The valuation process is initiated by the Investment Adviser with the Board consent and approval, 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 periodically meets with the valuer and reviews the latest valuations based on their knowledge of the property market and compare these to previous valuations.

The Group's investment properties were revalued at 31 December 2023 by an independent, professionally-qualified valuer: Savills (Macau) Limited ("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 independently determined by Savills, using recognised valuation techniques. The technique deployed was 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, plant and machinery, any environmental matters and the overall repair and condition of the property) and discount rates applicable to those assets. These estimates are based on local market conditions existing at the reporting date.

See Note 11 in relation to deferred tax liabilities on investment property.

For the six-month period from 1 July 2023 to 31 December 2023

3. Investment property (continued)

During the current period, 5 residential units of *The Waterside* were sold with net losses on disposal against 30 June 2023 valuations of US$1,616,000 recognised. During the year ended 30 June 2023, 13 units were sold at *The Waterside* with net losses on disposal of investment properties against 30 June 2022 valuations of US$1,909,000 recognised. During the period ended 31 December 2022, 5 residential units at *The Waterside* were sold for a total consideration of US$17.3 million against a total cost of US$10.2 million which resulted in a net profit of US$7.1 million after all associated fees and transaction costs but before financing and other related holding costs.

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

Rental income arising from *The Waterside* of US$709,000 (6 months ended 31 December 2022: US$539,000, 12 months ended 30 June 2023: US$1,114,000) was received during the period. Direct operating expenses of US$354,000 (6 months ended 31 December 2022: US$389,000, 12 months ended 30 June 2023: US$772,000) arising from rented units were incurred during the six-month period. Direct operating expenses during the period arising from vacant units totalled US$93,000 (6 months ended 31 December 2022: US$134,000, 12 months ended 30 June 2023: US$279,000).

The table below shows the assumptions used in valuing the investment properties which are classified as Level 3 in the fair value hierarchy:

	Property information	Carrying amount/ fair value as at 31 December 2023: US$'000	Valuation technique	Input	Unobservable and observable inputs used in determination of fair values	Other key information
Name	*The Waterside*	124,956	Term and Reversion Analysis	Term rent (inclusive of management fee and furniture)	HK$18.3 psf (30 June 2023: HK$17.0 psf)	Age of building
Type	Residential/Completed apartments			Term yield (exclusive of management fee and furniture)	1.4%–2.2% (30 June 2023: 1.55%–2.2%)	Remaining useful life of building
Location	One Central Tower 6 Macau			Reversionary rent (exclusive of management fee and furniture)	HK$12.8 psf (30 June 2023: HK$13.04 psf)	
				Reversionary yield	1.55% (30 June 2023: 1.55%)	

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).

Notes to the Interim Condensed Consolidated Financial Statements (Unaudited) *(continued)*

For the six-month period from 1 July 2023 to 31 December 2023

3. Investment property (continued)

If the estimated reversionary rent increased/decreased by 5%, (and all other assumptions remained the same), the fair value of *The Waterside* would increase by US$6.3 million (6 months ended 31 December 2022: US$7.8 million, 12 months ended 30 June 2023: US$6.9 million) or decrease by US$6.3 million (6 months ended 31 December 2022: US$7.8 million, 12 months ended 30 June 2023: US$6.9 million).

If the term and reversionary yield or discount rate increased/decreased by 5%, (and all other assumptions remained the same), the fair value of *The Waterside* would decrease by US$6 million (6 months ended 31 December 2022: US$7.6 million, 12 months ended 30 June 2023: US$6.5 million) or increase by US$6.5 million (6 months ended 31 December 2022: US$8.2 million, 12 months ended 30 June 2023: US$7.3 million).

The same valuation method was deployed in June 2023 and December 2023.

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 any change in valuation technique since the last period.

4. Deposits with lenders

Pledged bank balances represent cash deposits pledged to the banks to secure the banking facilities granted to the Group. Deposits amounting to US$0.3 million (31 December 2022: US$1.9 million, 30 June 2023: US$1.2 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.

	Unaudited 31 Dec 2023 US$'000	Unaudited 31 Dec 2022 US$'000	Audited 30 Jun 2023 US$'000
Non-current	**320**	1,878	1,170
Current	**4,245**	384	4,438
	4,565	2,262	5,608

5. Inventories

	Unaudited 1 Jul 2023– 31 Dec 2023 US$'000	Unaudited 1 Jul 2022– 31 Dec 2022 US$'000	Audited 1 Jul 2022– 30 Jun 2023 US$'000
Cost			
Balance brought forward	**34,775**	34,635	34,635
Additions	**32**	88	100
Exchange difference	**126**	149	40
Balance carried forward	**34,933**	34,872	34,775

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

For the six-month period from 1 July 2023 to 31 December 2023

5. Inventories (continued)

Under IFRS, inventories are valued at the lower of cost and net realisable value. The carrying amounts for inventories as at 31 December 2023 amounts to US$34,933,000 (6 months ended 31 December 2022: US$34,872,000, 12 months ended 30 June 2023: US$34,775,000). Net realisable value as at 31 December 2023 as determined by the independent, professionally-qualified valuer, Savills, was US$56,829,000 (6 months ended 31 December 2022: US$58,932,000, 12 months ended 30 June 2023: US$57,718,000).

During the period ended 31 December 2023, no units of *The Fountainside* were sold.

During the year ended 30 June 2023 and the period ended 31 December 2022, no units of *The Fountainside* were sold.

6. Interest-bearing loans

	Unaudited 31 Dec 2023 US$'000	Unaudited 31 Dec 2022 US$'000	Audited 30 Jun 2023 US$'000
Bank loans - Secured			
- Current portion	**26,912**	29,233	23,194
- Non-current portion	**69,124**	87,319	81,913
	96,036	116,552	105,107

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*.

As at 31 December 2023, outstanding loan balance was HK$601 million (US$77.0 million) (31 December 2022: HK$734.6 million (US$94.0 million); 30 June 2023: HK$661 million (US$84.3 million)). The interest rate is 1.8% per annum over the 1-, 2-or 3-month HIBOR rate. The Manager determines the interest period upon assessing funding and market conditions prevailing at each interest rate fixing date. The loan-to-value covenant for *The Waterside* facility is 60%, which is assessed on aggregate basis to include *The Fountainside* facility. As at 31 December 2023, the loan-to-value ratio for *The Waterside* was 58.7% and the aggregated loan-to-value ratio including *The Fountainside* was 54.4%. 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$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$16.0 million) due in March 2025; and the remaining HK$311 million (US$39.8 million) due upon maturity in September 2025.

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

Notes to the Interim Condensed Consolidated Financial Statements (Unaudited) *(continued)*

For the six-month period from 1 July 2023 to 31 December 2023

6. Interest-bearing loans (continued)

The facility consists of a term loan maturing in March 2024 ("Tranche A") and a HK$7 million (US$0.9 million) revolving facility ("Tranche B"). As at 31 December 2023, outstanding loan balance was HK$29.2 million (US$3.7 million) (31 December 2022: HK$43.9 million (US$5.6 million); 30 June 2023: HK$43.9 million (US$5.6 million)). 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 Manager determines the interest period upon assessing funding and market conditions prevailing at each interest rate fixing date. The loan-to-value covenant is 55%. As at 31 December 2023, the loan-to-value ratio was 21.55%. The facility is secured by means of a first registered legal mortgage over all unsold units and car parking spaces of *The Fountainside* as 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. The outstanding loan balance of HK$24 million (US$3.1 million) for Tranche A is due in full at maturity whereas loan balance of HK$5.2 million (US$0.6 million) for Tranche B is subject to annual renewal.

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

Banco Tai Fung

The loan facility with Banco Tai Fung has a term of seven years and the facility amount is HK$70 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$320,133) each, commencing in September 2022. As at 31 December 2023, the facility had an outstanding balance of HK$60.0 million (US$7.7 million) (31 December 2022: HK$67.5 million (US$8.6 million), 30 June 2023: HK$60 million (US$7.7 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 31 December 2023, the loan-to-value ratio for this facility was 40.82%. There is no loan-to-value covenant for this loan.

Banco Comercial de Macau, S.A. ("BCM Bank")

During the period, BCM Bank renewed the loan facility of HK$63 million (US$8.1 million) for another term of two years until September 2025. Interest was revised from 2.55% to 2.75% per annum over 3-month HIBOR rate. The principal of HK$3 million is to be repaid in January 2024, March 2025 and June 2025 respectively, with the rest due upon maturity. As at 31 December 2023, the facility had an outstanding balance of HK$63 million (US$8.1 million) (31 December 2022: HK$70 million (US$9.0 million), 30 June 2023: HK$63 million (US$8 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 45%. As at 31 December 2023, the loan-to-value ratio for this facility was 36.00%.

Bank Loan Interest

Bank loan interest paid during the period was US$3,373,000 (6 months ended 31 December 2022: US$2,555,000, 12 months ended 30 June 2023: US$5,440,000). As at 31 December 2023, the carrying amount of interest-bearing loans included unamortised prepaid loan arrangement fee of US$415,000 (31 December 2022: US$688,000, 30 June 2023: US$524,000).

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.

Notes to the Interim Condensed Consolidated Financial Statements (Unaudited) *(continued)*

For the six-month period from 1 July 2023 to 31 December 2023

6. Interest-bearing loans (continued)

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 31 December 2023, the fair value of the financial liabilities was US$222,000 higher than the carrying value of the financial liabilities (31 December 2022: US$727,000 higher than the carrying value of the financial liabilities, 30 June 2023: US$100,000 higher 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 last period.

7. Basic and diluted loss per Ordinary Share

Basic and diluted loss per equivalent Ordinary Share is based on the following data:

	Unaudited 6 months 1 Jul 2023– 31 Dec 2023	Unaudited 6 months 1 Jul 2022– 31 Dec 2022	Audited 12 months 1 Jul 2022– 30 Jun 2023
Loss for the period/year (US$'000)	**(7,977)**	(4,374)	(12,007)
Weighted average number of Ordinary Shares ('000)	**61,836**	61,836	61,836
Basic and diluted loss per share (US$)	**(0.1290)**	(0.0707)	(0.1942)

8. Net asset value reconciliation

	Unaudited 31 Dec 2023 US$'000	Unaudited 31 Dec 2022 US$'000	Audited 30 Jun 2023 US$'000
Net assets attributable to ordinary shareholders	**58,036**	73,638	65,684
Uplift of inventories held at cost to market value	**23,655**	25,883	24,728
Adjusted Net Asset Value	**81,691**	99,521	90,412
Number of Ordinary Shares Outstanding ('000)	**61,836**	61,836	61,836
NAV per share (IFRS) (US$)	**0.94**	1.19	1.06
Adjusted NAV per share (US$)	**1.32**	1.61	1.46
Adjusted NAV per share (£)*	**1.04**	1.33	1.16

* US$:GBP rates as at relevant period/year end

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 net realisable value. The Adjusted NAV includes the uplift of inventories to their market values before any tax consequences or adjustments.

The Adjusted NAV per share is derived 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 instruments in issue.

Notes to the Interim Condensed Consolidated Financial Statements (Unaudited) *(continued)*

For the six-month period from 1 July 2023 to 31 December 2023

9. Cash flows from operating activities

	Unaudited 6 months 1 Jul 2023– 31 Dec 2023 US$'000	Unaudited 6 months 1 Jul 2022– 31 Dec 2022 US$'000	Audited 12 months 1 Jul 2022– 30 Jun 2023 US$'000
Cash flows from operating activities			
Loss for the period/year before tax	**(9,796)**	(5,399)	(13,450)
Adjustments for:			
Net loss from fair value adjustment on investment property	**3,569**	8,541	3,412
Fair value gain on disposal of investment property	**1,616**	(7,652)	1,909
Net finance costs	**3,516**	2,732	5,786
Operating cash flows before movements in working capital	**(1,095)**	(1,778)	(2,343)
Effect of foreign exchange rate changes	**102**	116	34
Movement in trade and other receivables	**3**	(39)	(13)
Movement in trade and other payables	**992**	(249)	243
Movement in inventories	**(32)**	(88)	(100)
Net change in working capital	**963**	(376)	130
Taxation paid	**—**	(162)	(162)
Net cash used in operating activities	**(30)**	(2,200)	(2,341)

Cash and cash equivalents (which are presented as a single class of assets on the face of the interim condensed consolidated statement of financial position) comprise cash at bank and other short-term, highly-liquid investments with a maturity of three months or less.

10. 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.

	Unaudited 6 months 1 Jul 2023– 31 Dec 2023 US$'000	Unaudited 6 months 1 Jul 2022– 31 Dec 2022 US$'000	Audited 12 months 1 Jul 2022– 30 Jun 2023 US$'000
Directors' fees	**86**	79	167

The Directors are considered to be the key management personnel (as defined under IAS 24) of the Company. Directors' fees outstanding as at 31 December 2023 were US$44,000 (31 December 2022: US$41,000, 30 June 2023: US$43,000).

Notes to the Interim Condensed Consolidated Financial Statements (Unaudited) *(continued)*

For the six-month period from 1 July 2023 to 31 December 2023

10. Related party transactions (continued)

Sniper Capital Limited is the Manager to the Group and received management fees during the period as detailed in the Interim Condensed Consolidated Statement of Comprehensive Income. Management fees are paid quarterly in advance and amounted to US$600,000 (6 months ended 31 December 2022: US$600,000, 12 months ended 30 June 2023: US$1,200,000) at a quarterly fixed rate of US$300,000 per annum. Management fees outstanding as at 31 December 2023 were US$500,000 (31 December 2022: US$300,000, 30 June 2023: US$200,000).

A realisation fee shall be payable on deals originated and secured by the Manager which shall be 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 is 90 per cent or more of the value of the relevant asset as at 30 September 2019 (the "Carrying Value") a fee of 2.5 per cent of net proceeds (net of debt, costs and taxes) ("Net Proceeds") shall be payable; where the sale price of an asset is more than 80 per cent but less than 90 per cent of the Carrying Value of the relevant asset, a realisation fee of 1.5 per cent of Net Proceeds shall be payable; and where the sale price of an asset is less than 80 per cent of the Carrying Value, no realisation fee shall be 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 period totalled US$39,000 (6 months ended 31 December 2022: US$27,000, 12 months ended 30 June 2023: US$98,000).

For the calendar year 2024, a realisation fee of 2.5 per cent shall be payable on sales of assets above 90 per cent of the Carrying Values, while a realisation fee of 1.5 per cent shall be payable on assets above 80 per cent but less than 90 per cent of the Carrying Value. A management fee of US$300,000 per quarter shall be payable.

All intercompany loans and related interest are eliminated on consolidation.

11. Taxation provision

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

	Unaudited 31 Dec 2023 US$'000	Unaudited 31 Dec 2022 US$'000	Audited 30 Jun 2023 US$'000
Non-current liabilities			
Deferred taxation	**6,482**	8,720	7,498
Provisions for Macanese taxations	**240**	279	1,158
	6,722	8,999	8,656

Deferred taxation

The Group has recognised the 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%.

For the six-month period from 1 July 2023 to 31 December 2023

11. Taxation provision (continued)

Provision for Macanese taxations

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

Tax Reconciliation

	Unaudited 1 Jul 2023– 31 Dec 2023 US$'000	Unaudited 1 Jul 2022– 31 Dec 2022 US$'000	Audited 1 Jul 2022– 30 Jun 2023 US$'000
Accounting loss before taxation	**(9,796)**	(5,399)	(13,450)
Exempt from income tax in Guernsey	**—**	—	—
Movement in deferred tax provision	**1,042**	1,025	2,219
Movement in provision for Macanese taxation	**777**	—	(776)
At the effective income tax rate of (18.6)% (31 Dec 2022: (19.0)%, 30 Jun 2023: (10.7)%)	**1,819**	1,025	1,443

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

12. Share capital

Ordinary shares

	Unaudited 31 Dec 2023 US$'000	Unaudited 31 Dec 2022 US$'000	Audited 30 Jun 2023 US$'000
Authorised:			
300 million ordinary shares of US$0.01 each	**3,000**	3,000	3,000
Issued and fully paid:			
61.8 million (31 December 2022: 61.8 million; 30 June 2023: 61.8 million) ordinary shares of US$0.01 each	**618**	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 renewed this authority at the 2023 Annual General Meeting.

Currently cash reserves are applied to meet and repay debt obligations.

13. Subsequent events

Subsequent to the period end, the Company secured one further sale of unit at *The Waterside* at a consideration of HK$20.2 million (US$2.6 million), which is scheduled to complete in April 2024.

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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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Mark Huntley (Chairman)
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