Macau Property Opportunities Fund
Interim Report for the six-month period ended 31 December 2017

Realising Potential

This year celebrates Macau rising from the setbacks of the past economic recession, into a new phase of optimistic growth and outlook.

With this dawn of a new stage, fresh bouts of energy are generated, invigorating the entire region.

Loosely drawing on the curvature of the steep hills in Macau that demarcate its natural landmass, the positive economic energy is depicted as steady streams that move through the entire landscape – strong, constant and ever-assuring.

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 largest gaming market and the only city in China where gaming is legalised.

Premium listed on the London Stock Exchange, the Company targets strategic property investment and development opportunities in Macau. Its current portfolio comprises a mix of prime residential and retail property assets that are valued at US$435.1 million as at 31 December 2017.

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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Note: Exchange rate used in this report is based on the US Dollar/Sterling 1.351 as at 31 December 2017, unless otherwise stated.

Chairman's Message

Macau has begun 2018 on a solid footing, following a long-awaited economic recovery that continued to unfold throughout last year.

Full-year gross domestic product is forecast to have grown 13.4% year-on-year in 2017, driven by gaming revenue – the mainstay of Macau's economy – which rebounded by almost 20% in the same period. A further increase of 7% in GDP is expected in 2018.

Against this backdrop, and despite continuing government anti-speculation measures, a further recovery in Macau property values is anticipated. This should present a more opportune environment in which to divest our assets than that experienced in the last few years.

FINANCIAL PERFORMANCE

The Company enjoyed a continuing recovery, albeit gradual, in asset values over the six months under review.

Over the 6-month period, MPO's portfolio rose by 3.4% to US$435.1 million as at 31 December 2017. Adjusted NAV was US$258.6 million, an increase of 3.7% and equivalent to US$3.38 (250 pence) per share.

IFRS NAV increased by 4.4% from 30 June 2017 to US$134.5 million.

Total debt at the end of the period was US$172.3 million, equating to a loan-to-value ratio of 38.3%.

PORTFOLIO REALISATION

We remain wholly committed to our divestment strategy and are taking full advantage of the long-awaited recovery in sentiment to market our assets to targeted investor groups.

While we have had some success in disposing of smaller assets in the last 12 months, the divestment of higher-value assets has proven more challenging.

However, since the period end, we have announced a conditional agreement to dispose of our retail redevelopment site, *Senado Square*, at a c. 14% premium to its latest valuation. The transaction is subject to receiving shareholder approval at an Extraordinary General Meeting to be held on 19 March 2018.

The conditional sale of *Senado Square*, along with the recovery in both MPO's net asset value and share price, supports the position the Board took a year ago to reject a bid for the entire portfolio at a large discount to end-December 2016 asset values. That said, we are working hard to achieve further divestments at attractive prices.

Demand from mainland Chinese investors – previously key participants in the Macau market – has been subdued, largely due to tight scrutiny by China's central government of capital outflows and outbound property investment. Macau's own anti-speculation policies have also curbed investors' purchasing power, particularly in the higher-value residential segment to which our portfolio is now skewed.

ASSET MANAGEMENT

While intensive marketing activities continue for our properties, we are also ensuring that they continue to be maintained and managed to the very highest standards.

Leasing at our most significant asset, *The Waterside*, continues to benefit from a strong rebound in the VIP gaming segment and an asset enhancement programme that began during the downturn from which Macau is now recovering.

Sales at *The Fountainside* remain hindered by tighter mortgage loan curbs that came into effect in 2017, but buyer interest remains steady and we are working towards securing more transactions. We are also examining the potential that a reconfiguration of the larger units into a mix of smaller apartments might offer.

Meanwhile, we continue to market *Estrada da Penha* to an exclusive group of potential buyers.

CONTINUATION VOTE

Following the AGM in November 2016, the Company adopted new Articles of Association. These require the Board to put an ordinary resolution to shareholders each year to extend the life of the Company for a period of one year. The first continuation resolution is due to be proposed at the Company's next AGM in November 2018 when shareholders will be presented with full updated information.

LOOKING AHEAD

Macau's long-term prospects remain compelling.

Improved connectivity and significant economic benefits are promised by the territory's involvement in large-scale development plans such as China's ambitious "Belt and Road" initiative and the Guangdong-Hong Kong-Macau Greater Bay Area project. The latter will bring together a population of 70 million people and achieve a potential GDP of US$4.6 trillion by 2030. Macau will be integrated even further into the area when the Hong Kong-Zhuhai-Macau Bridge opens later this year, encouraging more frequent visits and longer stays.

We remain confident in the quality of our assets and the appeal they hold to investors seeking prime properties in a long-term growth market. We are, however, also mindful that Macau's property market is still in the relatively early stages of a recovery, which is likely to take further time to gather solid momentum.

CHRIS RUSSELL
CHAIRMAN
MACAU PROPERTY OPPORTUNITIES FUND LIMITED
6 MARCH 2018

Financial Review

The prospects for Macau's property market are bright, on the back of positive investment momentum and greater optimism. The residential property segment is expected to remain healthy, underpinned by the city's strong fundamentals and thriving gaming industry.

HALF-YEAR FINANCIAL RESULTS

As at the end of December, MPO's Adjusted NAV had grown 3.7% over the 6-month period to US$258.6 million, equating to a NAV per share of US$3.38 (250 pence). IFRS NAV increased by 4.4% over the period to US$134.5 million, or US$1.76 (130 pence) per share. The value of the Company's portfolio grew 3.4%[1] to US$435.1 million.

MPO's share price rose 17% from 6 months earlier to reach 184 pence as at 31 December 2017, a 26% discount to its Adjusted NAV per share.

CAPITAL MANAGEMENT

As at 31 December 2017, MPO had total assets worth US$326.6 million and total liabilities of US$192.1 million. Its consolidated cash balance was US$15.3 million, of which US$3.5 million was pledged as collateral for credit facilities. The remainder was free cash.

Gross borrowings stood at US$172.3 million, equating to an improved loan-to-value ratio of 38.3%.

During the six-month period, one of the two loan facilities for *Estrada da Penha* was extended, with improved terms, by two years to mature in December 2019.

As the Company moves ahead with its strategic divestment plan, we will continue to adopt a prudent stance towards our capital management, carefully reviewing our cash flow, debt profile and overall liquidity position to maintain a healthy balance.

[1] Calculation was adjusted to reflect like-for-like comparisons to 31 December 2017 due to the divestment of properties during the period.

Portfolio Updates

THE WATERSIDE

The Waterside

A unique and unrivalled development, *The Waterside* at One Central Residences[2] remains the pre-eminent residential development in Macau. Comprising 59 ultra-prime residences for lease, this 39-storey premier waterfront property has over the years earned an enviable reputation for prestige and class.

As at the end of December 2017, the occupancy level at *The Waterside* stood at 61%, and the average rental rate rose 12% over the preceding 6-month period to HK$19.85 (US$2.54) per square foot per month. The uplift was attributed to higher rents secured for new and renewed leases, primarily due to a strong recovery in the VIP gaming segment. We remain committed to maximising rental growth and improving the occupancy level at *The Waterside*.

With clear signs that the gaming industry has recovered, leasing activity at *The Waterside* is expected to pick up in tandem with the return of junket operators. China's anti-corruption campaign has reshaped junket operators' business models to include premium mass-market players, a gaming market segment that boasts superior resilience to economic downturns.

Demand for accommodation is also likely to increase when the Hong Kong-Zhuhai-Macau Bridge opens in 2018 and new employment opportunities are created as a result. Given that there are no new residential developments on Macau Peninsula that live up to the stature of *The Waterside*, we believe the property will retain its position as the city's premier address for tenants seeking lifestyle accommodation.

Amid a brighter economic outlook and improved property market sentiment, we are actively marketing *The Waterside* to dispose of the development.

INDIVIDUAL UNITS AT ONE CENTRAL RESIDENCES

The Company successfully disposed of one of the three remaining individual units at One Central Residences[2] in October for US$3.7 million, a 2.2% premium to the unit's latest valuation of US$3.6 million.

We are working closely with property agents to dispose of the remaining two units at above valuation prices. We believe Macau's improving economy will offer commensurately improved buying sentiment, presenting opportunities for us to divest amid the positive momentum.

[2] 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.

The Fountainside

Located in Macau's prime Penha Hill district, *The Fountainside* is a modern residential development comprising 38 apartments and 4 villas, with 30 carparking spaces. As at the end of December, 9 apartments, 4 villas and 22 carparking spaces were available for sale.

A 1,620-square-foot apartment was successfully sold in August for US$1.2 million, or US$736 per square foot. More recently, a block of nine carparking spaces has been contracted for sale.

The rise of smaller households in Macau, coupled with the tightening of mortgage loan cap in May last year, has led to increased interest in smaller homes. In view of this trend and market demand, we are exploring the feasibility of subdividing the larger units at *The Fountainside* into studio apartments and one- and two-bedroom apartments.

With a limited selection of new projects on the market, we believe that *The Fountainside*, with its freehold status, will appeal to prospective buyers looking to reside in Macau and opportunistic investors looking to tap the city's growing leasing market.

As the opening of the Hong Kong-Zhuhai-Macau Bridge approaches, we expect that demand for residential properties will increase as connectivity to Macau will be enhanced. Marketing efforts will be stepped up to take advantage of this new opportunity to dispose of the remaining apartments and parking spaces at *The Fountainside*.

THE FOUNTAINSIDE

Estrada da Penha

ESTRADA DA PENHA

Estrada da Penha is a colonial-style villa in Macau's exclusive Penha Hill district that offers sweeping views of the South China Sea and Hengqin Island. Set among lush greenery, this exclusive five-storey property has a gross floor area of approximately 12,000 square feet.

Active marketing to potential buyers in the region has begun. As *Estrada da Penha* is a rare property, valued at a fraction of its equivalent in Hong Kong, we believe wealthy investors will be attracted to it. As a unique residential property, it may take time to achieve a satisfactory transaction.

Senado Square

The Company had conditionally agreed to sell *Senado Square* project for HK$800 million (US$102.3 million) in February 2018. The sales price represents a premium of c. 14% to the property's valuation of HK$703 million (c. US$90.0 million) as at 31 December 2017 and a gain of 541% over the acquisition cost of US$15.96 million in October 2007. This translates to a return on investment of 469% and an internal rate of return of 20%.

The transaction, which is subject to shareholder approval at an Extraordinary General Meeting to be held on 19 March 2018, is expected to complete by the end of March 2018.

This is the Company's first significant divestment since the Discontinuation Vote in November 2016.

SENADO SQUARE

Macroeconomic Outlook

Macau's economy performed better than expected in 2017, due mostly to a stream of positive economic data from the gaming, tourism and construction sectors. The International Monetary Fund has forecast that the city's gross domestic product will grow 7% in 2018. Although the gaming industry remains the star performer, robust growth in the tourism sector in the second half of 2017 shows that Macau is poised for further success as a world-class leisure and tourism destination.

REBOUND IN VIP GAMING TRIGGERS STRICTER REGULATIONS

Macau remains unchallenged as the world's biggest gaming market, bringing in revenue of US$33.2 billion in 2017. Year-on-year (YoY) gaming revenue growth was stronger than expected, at 19.1%, outpacing a 4-10% growth estimate at the beginning of 2017. The surge in gaming revenue was the first year of growth since 2014, when the industry began a two-year downturn. VIP players have been gradually returning to the tables, with their market share having risen from 53% to 57% over the year.

The rebound in the VIP gaming segment has prompted Macau's government to tighten the regulation of junket operators to promote responsible gaming and improve the industry's competitiveness. The government is also making a concerted effort to promote non-gaming tourism to reduce the territory's reliance on a single industry.

Looking ahead, analysts have maintained a positive long-term outlook for Macau, and expect gross gaming revenue to grow 14% in 2018, underpinned by the ongoing rise of China's middle class.

THE TOURISM ECOSYSTEM REINVENTED

Efforts by China's central government and Macau's government to transform the city into an even more vibrant destination, with an increasingly diversified economy, have had a tangible positive impact. Macau was ranked fifth in Euromonitor's 2017 Top 100 City Destinations Ranking[3] of the world's most-visited cities, with its visitor numbers trailing only those of Hong Kong, Bangkok, London and Singapore. Macau's culinary tourism has also made its mark, with UNESCO designating the city a gastronomy hub. These achievements have expanded the opportunities to develop a dynamic and distinctive tourism ecosystem in the territory.

Macau welcomed 32.6 million visitors in 2017, up 5.4% from the previous year. Total tourism receipts were US$7.7 billion, a significant increase of 16.4% YoY. Although mainland China remained the biggest source of inbound tourists during the year, there was a surge of visitors from South Korea and Japan, which accounted for 3.7% of all visitors, up 25% from a year earlier.

Macau's newly endorsed tourism development master plan has set out a clear vision for the city's tourism sector, targeting extended stays and higher non-gaming tourism revenues. It aims to draw 40 million tourists to the territory and generate tourism revenue of US$12-14 billion annually by 2025. To achieve more sustainable growth in the tourism sector, the government has also made a focused effort to bolster Macau's credentials as a meetings, incentives, conferencing and exhibitions (MICE) destination. Based on the latest figures from the Statistics and Census Bureau, a total of 1,003 MICE events took place in the first 9 months of 2017, attracting approximately 1.2 million visitors.

MACAU TO BENEFIT FROM GREATER BAY AREA INTEGRATION

The Greater Bay Area (GBA) scheme is a high-priority development project designed to forge closer economic and social links between Hong Kong, Macau and nine cities in Guangdong province. Under the GBA plan, Macau and neighbouring Hengqin Island will form an international tourism hub. With Hengqin Island connected to Macau by a bridge, the ongoing development of tourist attractions on the island will help to boost Macau's appeal as a tourism destination, broadening its economic horizons and improving its connectivity with the rest of the world.

Macau is also expected to benefit from the "one-hour commuting circle" when key infrastructure projects such as cross-border bridges, and high-speed and intercity railways, within the GBA have been completed. On the near horizon are the Hong Kong-Zhuhai-Macau Bridge and a high-speed railway between Shenzhen and Hong Kong that will enter service in 2018. According to PwC, the GBA received more than 400 million tourists and tourism revenue in excess of RMB1 trillion (US$157.9 billion) in 2016. This bodes well for Macau, whose aim is to attract 40 million tourists annually by 2025 – a conservative 10% of the GBA's total tourist number.

[3] Top 100 City Destinations Ranking shows the 100 world's leading cities in terms of international tourist arrivals in 2016 and forecast data between 2017 and 2025.

Property Market Overview

Macau's residential property market, especially the mass market segment, has seen a steady increase in values amid improving sentiment, with prices continuing to gain upward traction. This suggests the market is picking up, but a full recovery is likely to be gradual, as mid to high-end property transactions continue to be hindered by government policies such as the mortgage loan restrictions and demand has been dampened as a result.

HOUSING MARKET SUPPORTED BY POPULATION GROWTH AND NEW FAMILY UNITS

Macau's property market has continued to develop positively, thanks to an improving economy and increasing consumer spending. According to the Financial Services Bureau, the average home price in 2017 was MOP9,343 (US$1,168) per square foot, and 10,452 units were transacted during the year. That was an increase of 17.1% and 3.4% YoY, respectively. Meanwhile, 2,137 off-plan sales were recorded in 2017, a surge of 21.5% YoY, with the average transacted price rising 16.6% YoY to MOP12,809 (US$1,601) per square foot.

Macau's population is expected to reach 710,000 by 2020. A cultural shift towards late marriages and an increased desire for independent living among young adults has resulted in an increase in single-person households, which in turn has created demand for smaller homes. Many developers have been quick to capitalise on this trend by launching new residential projects with significant portions devoted to smaller units, comprising mainly studio apartments and one- and two-bedroom apartments.

POSITIVE INVESTMENT SENTIMENT IN MACAU

Investment sentiment in Macau's property market remains strong, underpinned by a significant number of property transactions in the second half of 2017. Two land plots in Taipa, with a combined size of 60,246 square feet, were sold for US$450 million to Chinese developer Jiayuan International Group Limited. Hong Kong-listed investment company China Star Entertainment Limited sold the Lan Kwai Fong casino-hotel and 18 residential units for US$256.2 million to a private investor. Subsequently, a group of real estate investors acquired The Landmark Macau casino-hotel for US$589.7 million.

We believe these acquisitions, worth a total of US$1.3 billion, will send an encouraging signal to investors and foster positive market sentiment.

RISK AND UNCERTAINTIES

Despite the optimistic outlook for Macau, there are still underlying risks that warrant a cautious approach. The US Federal Reserve is likely to raise interest rates further in 2018, which could prompt local banks to follow suit, resulting in higher rates for housing mortgages. In a further attempt to stabilise property prices and to promote a more sustainable property market, the government has recently introduced additional stamp duty for the purchase of more than one property. Any changes in the policies of China's central government and its ongoing clampdown on capital outflows are likely to affect market sentiment and Macau's economic growth.

Come mid-2018, when Macau's government releases details of the renewal of gaming licences, any changes to existing terms could cause disruptions in the industry. In addition, further delays to infrastructure projects such as the light rail transit and airport extension could be a stumbling block to growth in Macau's tourism sector.

LOOKING AHEAD

Despite political uncertainty and geopolitical risks, strong support from China's central government, alongside a more diversified growth model, should benefit Macau's economy.

In the medium term, we believe healthy demographic trends will continue to support housing demand in the territory's sale and leasing markets, with steady occupancy and gradual growth in sale and rental prices.

The city's property market is likely to remain compelling in the long term, given the improved connectivity and economic benefits brought about by the GBA and upcoming key infrastructure projects such as the Hong Kong-Zhuhai-Macau Bridge and the Shenzhen-Zhongshan Corridor.

Thanks to a recovering economy and a rebound in the gaming industry, we are well positioned to capitalise on new growth, and we remain committed to our divestment strategy of maximising exit values and returning cash 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 as adopted by the European Union; 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

Chris Russell
Chairman
6 March 2018

Interim Condensed Consolidated Statement of Financial Position (Unaudited)

As at 31 December 2017

	Note	Unaudited 31 Dec 2017 US$'000	Unaudited 31 Dec 2016 US$'000	Audited 30 Jun 2017 US$'000
ASSETS				
Non-current assets				
Investment property	3	249,856	217,264	241,193
Deposits with lenders	4	3,198	2,169	3,107
Financial assets at fair value through profit or loss - interest rate swap	6	-	69	-
Trade and other receivables		111	111	111
		253,165	219,613	244,411
Current assets				
Inventories	5	61,156	67,596	63,994
Trade and other receivables		92	52	1,688
Deposits with lenders	4	270	-	205
Financial assets at fair value through profit or loss - interest rate swap	6	22	141	21
Cash and cash equivalents		11,860	18,293	13,093
		73,400	86,082	79,001
Total assets		326,565	305,695	323,412
EQUITY				
Capital and reserves attributable to the Company's equity holders				
Share capital		764	764	764
Retained earnings		67,647	43,137	61,832
Distributable reserves		66,208	66,208	66,208
Foreign currency translation reserve		(131)	1,008	(18)
Total equity		134,488	111,117	128,786
LIABILITIES				
Non-current liabilities				
Deferred taxation provision	12	18,037	13,235	17,003
Taxation provision	12	259	-	2,260
Interest-bearing loans	7	137,488	148,830	153,775
		155,784	162,065	173,038
Current liabilities				
Taxation provision	12	-	2,149	-
Trade and other payables		1,929	1,478	1,941
Interest-bearing loans	7	34,364	28,886	19,617
Financial liabilities at fair value through profit or loss - interest rate swap	6	-	-	30
		36,293	32,513	21,588
Total liabilities		192,077	194,578	194,626
Total equity and liabilities		326,565	305,695	323,412
Net Asset Value per share (US$)	9	1.76	1.45	1.69
Adjusted Net Asset Value per share (US$)	9	3.38	3.03	3.26

The interim condensed consolidated financial statements were approved by the Board of Directors and authorised for issue on 6 March 2018.

The notes on pages 27 to 36 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 2017 to 31 December 2017

	Note	Unaudited 6 months 1 Jul 2017 - 31 Dec 2017 US$'000	Unaudited 6 months 1 Jul 2016 - 31 Dec 2016 US$'000	Audited 12 months 1 Jul 2016 - 30 Jun 2017 US$'000
Income				
Income on sale of inventories	5	4,852	-	6,351
Rental income		1,348	896	2,055
Net gain from fair value adjustment on investment property	3	8,720	10,231	36,013
Other income		-	11	13
		14,920	11,138	44,432
Expenses				
Cost of sales of inventories	5	3,089	-	3,477
Management fee	11	2,708	2,391	4,867
Non-executive directors' fees	11	94	74	150
Auditors' remuneration: audit fees		65	71	101
Auditors' remuneration: non-audit fees		-	152	245
Property operating expenses		615	602	1,249
Sales and marketing expenses		209	39	250
General and administration expenses		432	682	1,524
(Gain)/Loss on foreign currency translation		(13)	25	(164)
		(7,199)	(4,036)	(11,699)
Operating profit for the period/year		7,721	7,102	32,733
Finance income and expenses				
Net gain on valuation of interest rate swap	6	31	314	95
Bank loan interest	7	(2,488)	(2,398)	(5,079)
Interest expense on interest rate swap	6	(38)	(70)	(78)
Other financing costs		(143)	(141)	(280)
Bank and other interest		1	-	1
		(2,637)	(2,295)	(5,341)
Profit for the period/year before tax		5,084	4,807	27,392
Taxation	12	731	(394)	(4,284)
Profit for the period/year after tax		5,815	4,413	23,108
Items that may be reclassified subsequently to profit or loss				
Exchange difference on translating foreign operations		(113)	61	(965)
Total comprehensive income for the period/year		5,702	4,474	22,143
Profit attributable to:				
Equity holders of the Company		5,815	4,413	23,108
Total comprehensive income attributable to:				
Equity holders of the Company		5,702	4,474	22,143

	Note	Unaudited 6 months 1 Jul 2017 - 31 Dec 2017 US$	Unaudited 6 months 1 Jul 2016 - 31 Dec 2016 US$	Audited 12 months 1 Jul 2016 - 30 Jun 2017 US$
Basic and diluted earnings per Ordinary Share attributable to the equity holders of the Company during the period/year	8	0.0761	0.0577	0.3023

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

The notes on pages 27 to 36 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 2017 to 31 December 2017 (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 2017	764	61,832	66,208	(18)	128,786
Profit for the period	-	5,815	-	-	5,815
Items that may be reclassified subsequently to profit or loss					
Exchange difference on translating foreign operations	-	-	-	(113)	(113)
Total comprehensive income for the period	-	5,815	-	(113)	5,702
Balance carried forward at 31 December 2017	764	67,647	66,208	(131)	134,488

Movement for the six-month period from 1 July 2016 to 31 December 2016 (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 2016	764	38,724	66,208	947	106,643
Profit for the period	-	4,413	-	-	4,413
Items that may be reclassified subsequently to profit or loss					
Exchange difference on translating foreign operations	-	-	-	61	61
Total comprehensive income for the period	-	4,413	-	61	4,474
Balance carried forward at 31 December 2016	764	43,137	66,208	1,008	111,117

Movement for the year from 1 July 2016 to 30 June 2017 (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 2016	764	38,724	66,208	947	106,643
Profit for the year	-	23,108	-	-	23,108
Items that may be reclassified subsequently to profit or loss					
Exchange difference on translating foreign operations	-	-	-	(965)	(965)
Total comprehensive income for the year	-	23,108	-	(965)	22,143
Balance carried forward at 30 June 2017	764	61,832	66,208	(18)	128,786

The notes on pages 27 to 36 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 2017 to 31 December 2017

	Note	Unaudited 6 months 1 Jul 2017 - 31 Dec 2017 US$'000	Unaudited 6 months 1 Jul 2016 - 31 Dec 2016 US$'000	Audited 12 months 1 Jul 2016 - 30 Jun 2017 US$'000
Net cash generated from/(used in) operating activities	10	3,331	(4,771)	(4,210)
Cash flows from investing activities				
Capital expenditure on investment property	3	(113)	(342)	(36)
Movement in pledged bank balances		(156)	(56)	(1,199)
Net cash used in investing activities		(269)	(398)	(1,235)
Cash flows from financing activities				
Proceeds from bank borrowings		-	15,215	15,115
Repayment of bank borrowings		(1,531)	(1,431)	(4,621)
Interest and bank charges paid		(2,841)	(3,016)	(5,439)
Net cash (used in)/generated from financing activities		(4,372)	10,768	5,055
Net movement in cash and cash equivalents		(1,310)	5,599	(390)
Cash and cash equivalents at beginning of period/year		13,093	12,741	12,741
Effect of foreign exchange rate changes		77	(47)	742
Cash and cash equivalents at end of period/year		11,860	18,293	13,093

The notes on pages 27 to 36 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 2017 to 31 December 2017

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 37.

The interim condensed consolidated financial statements for the six months ended 31 December 2017 comprise the interim financial statements of the Company and its subsidiaries (together referred to as the "Group"). The Group invests in residential and commercial properties and property-related ventures primarily in Macau.

There have been no change to the Group's principal risks and uncertainties in the six-month period to 31 December 2017 and the Board of Directors does not anticipate any changes to the principal risks and uncertainties in the second half of the year. Principal risks and uncertainties are further discussed on page 21.

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 have been approved for issue by the Board of Directors on 6 March 2018.

1. Significant accounting policies

Basis of accounting

The annual consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"), as adopted by the European Union; applicable legal and regulatory requirements of Guernsey Law and under the historical cost convention as modified by the revaluation of investment properties and derivative financial instruments. The accounting policies and valuation principles adopted are consistent with those of 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 2017.

New and amended standards and interpretations applied

There have been no new standards or amendments to existing standards applicable during the current period.

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

For the six-month period from 1 July 2017 to 31 December 2017

1. Significant accounting policies (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 2017, 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. 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 passing the continuation resolution in 2016 to extend the Fund's life until the end of 2018, assessed whether the continuation vote before the end of 2018 gives rise to a material uncertainty that might cast significant doubt about 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 expect to receive continuation support from major shareholders and 50% of shareholder support is required to ensure continuation; and it is likely that returns from the sale of properties would be lower if the Fund was forced to sell as a result of discontinuation and it is therefore commercially sensible 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 end of 2018 agreed at the Annual General Meeting on 14 November 2016 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 geographical sector, Macau.

This segment includes residential, commercial and mixed-use 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.

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

For the six-month period from 1 July 2017 to 31 December 2017

3. Investment property

	Unaudited 1 Jul 2017 - 31 Dec 2017 US$'000	Unaudited 1 Jul 2016 - 31 Dec 2016 US$'000	Audited 1 Jul 2016 - 30 Jun 2017 US$'000
At beginning of the period/year	241,193	206,595	206,595
Capital expenditure on property	113	342	36
Fair value adjustment	8,720	10,231	36,013
Exchange difference	(170)	96	(1,451)
Balance at end of the period/year	249,856	217,264	241,193

Valuation gains and losses from investment property are recognised in profit and loss for the period and are attributable to changes in unrealised gains or losses relating to investment property 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 compare these to previous valuations.

The Group's investment properties were revalued at 31 December 2017 by independent, professionally-qualified valuers: Savills (Macau) Limited. 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 (Macau) Limited 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 12 in relation to deferred tax liabilities on investment property.

Capital expenditure in the period relates to the fit-out costs for *The Waterside*.

Rental income arising from *The Waterside* of US$1,348,000 (6 months ended 31 December 2016: US$896,000, 12 months ended 30 June 2017: US$2,055,000) was received during the period. Direct operating expenses of US$483,000 (6 months ended 31 December 2016: US$461,000, 12 months ended 30 June 2017: US$954,000) arising from *The Waterside* that generated rental income were incurred during the six-month period. Direct operating expenses during the period arising from vacant units totalled US$105,000 (6 months ended 31 December 2016: US$166,000, 12 months ended 30 June 2017: US$284,000).

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

For the six-month period from 1 July 2017 to 31 December 2017

3. Investment property (continued)

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 2017 US$'000	Valuation technique	Input	Unobservable and observable inputs used in determination of fair values	Other key information
Name	*The Waterside*	249,856	Term and reversion analysis	Term rent (inclusive of management fee and furniture)	HK$19.7 psf (30 June 2017: HK$17.1 psf)	Age of building
Type	Completed apartments			Term yield (exclusive of management fee and furniture)	1.4% - 2.2% (30 June 2017: 1.4% - 2.2%)	Remaining useful life of building
Location	One Central Tower 6 Macau			Reversionary rent (exclusive of management fee and furniture)	HK$19.7 psf (30 June 2017: HK$17.1 psf)	
				Reversionary yield	1.7 % (30 June 2017: 1.7%)	

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 by US$12 million (6 months ended 31 December 2016: US$11 million, 12 months ended 30 June 2017: US$12 million) or decrease by US$12 million (6 months ended 31 December 2016: US$11 million, 12 months ended 30 June 2017: US$12 million).

If the term and reversionary yields or discount rates increased/decreased by 5% (and all other assumptions remained the same), the fair value of *The Waterside* would decrease by US$12 million (6 months ended 31 December 2016: US$10 million, 12 months ended 30 June 2017: US$12 million) or increase by US$13 million (6 months ended 31 December 2016: US$11 million, 12 months ended 30 June 2017: US$13 million).

The same valuation method was deployed in June 2017 and December 2017.

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.

4. Deposits with lenders

Pledged bank balances represents deposits pledged to the Group's bankers to secure the banking facilities granted to the Group. Deposits amounting to US$3.2 million (31 December 2016: US$2.2 million, 30 June 2017: US$3.1 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 2017 US$'000	Unaudited 31 Dec 2016 US$'000	Audited 30 Jun 2017 US$'000
Non-current	3,198	2,169	3,107
Current	270	-	205
	3,468	2,169	3,312

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

For the six-month period from 1 July 2017 to 31 December 2017

5. Inventories

Cost	**Unaudited 1 Jul 2017 - 31 Dec 2017 US$'000**	Unaudited 1 Jul 2016 - 31 Dec 2016 US$'000	Audited 1 Jul 2016 - 30 Jun 2017 US$'000
Balance brought forward	63,994	67,410	67,410
Additions	295	155	457
Disposals	(3,089)	-	(3,459)
Exchange difference	(44)	31	(414)
Balance carried forward	61,156	67,596	63,994

Additions include capital expenditure, development costs and capitalisation of financing costs. Financing costs of US$262,000 (6 months ended 31 December 2016: US$47,000, 12 months ended 30 June 2017: US$317,000) relating to *Senado Square* loan facility were capitalised during the period, including US$262,000 (6 months ended 31 December 2016: US$17,000, 12 months ended 30 June 2017: US$287,000) of interests capitalised to the property.

Under IFRS, inventories are valued at the lower of cost and net realisable value. The carrying amounts for inventories as at 31 December 2017 amounts to US$61,156,000 (6 months ended 31 December 2016: US$67,596,000, 12 months ended 30 June 2017: US$63,994,000). Net realisable value as at 31 December 2017 as determined by independent, professionally-qualified valuer, Savills (Macau) Limited, was US$183,379,000 (6 months ended 31 December 2016: US$185,830,000, 12 months ended 30 June 2017: US$182,670,000).

During the period ended 31 December 2017, one unit of *The Fountainside* and one individual unit of One Central Residences were sold for a total consideration of US$4.9 million (HK$37.9 million) against a total cost of US$3.1 million (HK$24.1 million) which resulted in a net profit of US$1.8 million (HK$13.8 million) after all associated fees and transaction costs.

No sales of inventories were recorded for the period ended 31 December 2016. For the year ended 30 June 2017, one unit of *The Fountainside* and one individual unit of One Central Residences were sold for a total consideration of US$6.4 million (HK$49.3 million) against a total cost of US$3.5 million (HK$27.0 million) which resulted in a net profit of US$2.9 million (HK$22.3 million) after all associated fees and transaction costs.

6. Interest rate swaps

During the period, the Group paid net interest to the banks of US$38,000 (6 months ended 31 December 2016: US$70,000, 12 months ended 30 June 2017: US$78,000) as shown in financing expenses on the consolidated statement of comprehensive income.

The swaps are treated as financial assets at fair value through profit or loss with a net period end value of US$22,000 (31 December 2016: financial asset of US$210,000, 30 June 2017: financial liability of US$9,000). For the period ended 31 December 2017, a fair value gain of US$31,000 (6 months ended 31 December 2016: US$314,000, 12 months ended 30 June 2017: US$95,000) arising from the net interest rate swaps has been recognised in the consolidated statement of comprehensive income.

All swaps held are categorised in Level 2 of the fair value hierarchy. There was no transfer between Levels 1, 2 and 3 or changes in valuation techniques during the period. The swaps have been valued on the basis of discounting future cash flows at prevailing interest rates.

There was no change in the counterparty credit risk during the period.

Hang Seng Bank

The Group has an interest rate swap with Hang Seng Bank to mitigate risks associated with the variability of cash flows arising from interest rate fluctuations.

The notional amount for the interest rate swap is HK$250,000,000 (31 December 2016: HK$250,000,000, 30 June 2017: HK$250,000,000), the tenor of the swap is five years with a maturity date on 19 March 2018. Under this swap, the Group receives quarterly interest at variable rates of 3-month HIBOR and pays quarterly interest at fixed rate of 1.00% per annum.

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

For the six-month period from 1 July 2017 to 31 December 2017

7. Interest-bearing loans

Bank loans - Secured	Unaudited 31 Dec 2017 US$'000	Unaudited 31 Dec 2016 US$'000	Audited 30 Jun 2017 US$'000
- Current portion	34,364	28,886	19,617
- Non-current portion	137,488	148,830	153,775
	171,852	177,716	173,392

The Group has a term loan facility with Hang Seng Bank for *The Waterside* and the individual residential units at One Central Residences.

As at 31 December 2017, three tranches remained outstanding. Tranche 3 had an outstanding balance of HK$572 million (US$73.2 million) (31 December 2016: HK$572 million (US$73.8 million), 30 June 2017: HK$572 million (US$73.3 million)); Tranche 4 had an outstanding balance of HK$76 million (US$9.7 million) (31 December 2016: HK$76 million (US$9.8 million), 30 June 2017: HK$76 million (US$9.7 million)); and Tranche 5 had an outstanding balance of HK$281 million (US$36.0 million) (31 December 2016: HK$281 million (US$36.3 million), 30 June 2017: HK$281 million (US$36.0 million)). As at 31 December 2017, the loan-to-value ratio for the Hang Seng One Central facility was 46.35%.

The interest rates applicable to Tranche 3, Tranche 4 and Tranche 5 of the term loan are 2.25% per annum, 2.35% per annum and 2.35% per annum, respectively, over the 1-, 2- or 3-month HIBOR rate. The choice of rate is at the Group's discretion. The term loan matures on 19 September 2020. The principal is to be repaid in half-yearly instalments commencing 19 March 2018 with 50% of the principal due upon maturity. The loan-to-value covenant is 60%. The facility is secured by means of a first registered legal mortgage over *The Waterside* and the individual residential units owned by the Group at One Central Residences 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. Early prepayment covenant for sales proceeds out of the individual One Central Residences units will be waived, subject to the Group maintaining a loan-to-value ratio of not more than 50% on the facility.

During the year ended 30 June 2017, the Group executed a two-year loan facility with Hang Seng Bank for *Senado Square* redevelopment project. The total facility amount is HK$118 million (US$15.2 million) divided into 2 tranches: Tranche A is a term loan facility for an amount of HK$59 million (US$7.6 million) for refinancing the property acquisition cost; Tranche B is a revolving loan facility for an amount of HK$59 million (US$7.6 million) for general working capital needs. The full amount of the facility was drawndown in December 2016. Interest is charged at 2.7% per annum over the 1-, 2- or 3-month HIBOR rate. The choice of rate is at the Group's discretion. The facility will mature in December 2018 and the principal is to be repaid by one lump sum at maturity. The loan-to-value covenant is two tier, on a stand-alone basis: 45% and in aggregate with the One Central facility: 60%. The facility is secured by means of a first registered legal mortgage over the Group's interest in *Senado Square* as well as a pledge of all sales proceeds. The Company and MPOF Macau (Site 5) Limited are the joint guarantor for the loan facility. In addition, the Group is required to maintain a cash reserve equal to six months' interest with the lender.

As at 31 December 2017, Tranche A had an outstanding balance of HK$59 million (US$7.6 million) (31 December 2016: HK$59 million (US$7.6 million), 30 June 2017: HK$59 million (US$7.6 million)), and Tranche B had an outstanding balance of HK$59 million (US$7.6 million) (31 December 2016: HK$59 million (US$7.6 million), 30 June 2017: HK$59 million (US$7.6 million)). As at 31 December 2017, the loan-to-value ratio for *Senado Square* facility was 16.79%.

The Group has a HK$220 million (US$28.2 million) term loan facility with the Industrial and Commercial Bank of China (Macau) Limited in relation to *The Fountainside* redevelopment project with a tenor revised from 3 years to 5 years and to be matured in March 2020. Interest is charged at 3% per annum over the 3-month HIBOR rate. The principal is to be repaid in half-yearly instalments commencing 5 September 2017 with 50% of the principal due upon maturity. The loan-to-value covenant is 60%. 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.

As at 31 December 2017, the facility had an outstanding balance of HK$150 million (US$19.2 million) (31 December 2016: HK$187 million (US$24.1 million), 30 June 2017: HK$162 million (US$20.8 million)). Sales proceeds of US$181,000 (31 December 2016: US$nil, 30 June 2017: US$nil) were pledged with the lender. As at 31 December 2017, the loan-to-value ratio for *The Fountainside* facility was 45.93%.

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

For the six-month period from 1 July 2017 to 31 December 2017

7. Interest-bearing loans (continued)

The Group has two loan facilities for the purchase and redevelopment of *Estrada da Penha*:

Banco Tai Fung

The loan facility with Banco Tai Fung originally had a term of three years and the facility amount is HK$70 million which expired in June 2017 and was subsequently renewed for another term of two years. Interest was originally charged at 3.2% per annum over the 6-month HIBOR rate and was revised to 2.3% per annum over the 3-month HIBOR rate, and repayment is due in full at maturity in June 2019. As at 31 December 2017, the facility had an outstanding balance of HK$70 million (US$9.0 million) (31 December 2016: HK$70 million (US$9.0 million), 30 June 2017: HK$70 million (US$9.0 million)). This facility is secured by a first legal mortgage over the property as well as a pledge of all income from the property. Interest is paid monthly on this loan facility. As at 31 December 2017, the loan-to-value ratio for this facility was 42.42%.

ICBC Macau

The loan facility with Industrial and Commercial Bank of China (Macau) Limited originally had a term of three years and the facility amount is HK$79 million which expired in December 2017 and was subsequently renewed for another term of two years. Interest was originally charged at 3.2% per annum over the 3-month HIBOR rate and was revised to 2.3% per annum over the 3-month HIBOR rate in December 2017 and repayment is due in full at maturity in December 2019. As at 31 December 2017, the facility had an outstanding balance of HK$79 million (US$10.1 million) (31 December 2016: HK$79 million (US$10.2 million), 30 June 2017: HK$79 million (US$10.1 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. As at 31 December 2017, the loan-to-value ratio for this facility was 40.31%.

Bank loan interest charged during the period was US$2,488,000 (6 months ended 31 December 2016: US$2,398,000, 12 months ended 30 June 2017: US$5,079,000). Financing costs of US$262,000 (31 December 2016: US$17,000, 30 June 2017: US$287,000) were capitalised during the period (see Note 5). As at 31 December 2017, the carrying amount of interest-bearing loans included unamortised prepaid loan arrangement fee of US$494,000 (31 December 2016: US$659,000, 30 June 2017: US$608,000).

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 31 December 2017, the fair value of the financial liabilities was US$258,000 higher than the carrying value of the financial liabilities (31 December 2016: US$188,000 lower than the carrying value of the financial liabilities, 30 June 2017: US$84,000 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 last period.

8. Basic and diluted earnings per Ordinary Share

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

	Unaudited 6 months 1 Jul 2017 - 31 Dec 2017	Unaudited 6 months 1 Jul 2016 - 31 Dec 2016	Audited 12 months 1 Jul 2016 - 30 Jun 2017
Profit for the period/year (US$'000)	5,815	4,413	23,108
Weighted average number of Ordinary Shares ('000)	76,433	76,433	76,433
Basic and diluted earnings per share (US$)	0.0761	0.0577	0.3023

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

For the six-month period from 1 July 2017 to 31 December 2017

9. Net asset value reconciliation

	Unaudited 31 Dec 2017 US$'000	Unaudited 31 Dec 2016 US$'000	Audited 30 Jun 2017 US$'000
Net assets attributable to ordinary shareholders	134,488	111,117	128,786
Uplift of inventories held at cost to market value	124,075	120,111	120,521
Adjusted Net Asset Value	258,563	231,228	249,307
Number of Ordinary Shares Outstanding ('000)	76,433	76,433	76,433
NAV per share (IFRS) (US$)	1.76	1.45	1.69
Adjusted NAV per share (US$)	3.38	3.03	3.26
Adjusted NAV per share (£)*	2.50	2.45	2.50

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.

The Adjusted NAV per share is derived by dividing the Adjusted Net Asset Value 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.

* US$:GBP rates as at relevant period end.

10. Cash flows from operating activities

Cash flows from operating activities	Unaudited 6 months 1 Jul 2017 - 31 Dec 2017 US$'000	Unaudited 6 months 1 Jul 2016 - 31 Dec 2016 US$'000	Audited 12 months 1 Jul 2016 - 30 Jun 2017 US$'000
Profit for the period/year before tax	5,084	4,807	27,392
Adjustments for:			
Net gain on valuation of interest rate swap	(31)	(314)	(95)
Net gain from fair value adjustment on investment property	(8,720)	(10,231)	(36,013)
Net finance costs	2,668	2,609	5,436
Operating cash flows before movements in working capital	(999)	(3,129)	(3,280)
Effect of foreign exchange rate changes	(113)	61	(965)
Movement in trade and other receivables	1,596	1,044	(592)
Movement in trade payables and other payables	405	238	468
Movement in inventories	2,794	(155)	3,002
Net change in working capital	4,795	1,127	2,878
Taxation paid	(352)	(2,830)	(2,843)
Net cash generated from/(used in) operating activities	3,331	(4,771)	(4,210)

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.

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

For the six-month period from 1 July 2017 to 31 December 2017

11. Related party transactions

Directors of the Company are all Non-Executive and by way of remuneration receive only an annual fee.

	Unaudited 6 months 1 Jul 2017 - 31 Dec 2017 US$'000	Unaudited 6 months 1 Jul 2016 - 31 Dec 2016 US$'000	Audited 12 months 1 Jul 2016 - 30 Jun 2017 US$'000
Directors' fees	94	74	150

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 2017 was US$51,000 (31 December 2016: US$37,000, 30 June 2017: US$39,000).

Thomas Ashworth has a beneficial interest in and is a Director of Sniper Capital Limited. 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$2,708,000 (6 months ended 31 December 2016: US$2,391,000, 12 months ended 30 June 2017: US$4,867,000) at a fee of 2.0% per annum of the Net Asset Value, as adjusted to reflect the Property Investment Valuation Basis. Thomas Ashworth received no Directors' fees from the Group.

No performance fee was accrued at period end (31 December 2016: US$nil, 30 June 2017: US$nil). No performance fee was paid during the period (6 months ended 31 December 2016: US$nil, 12 months ended 30 June 2017: US$nil).

Thomas Ashworth is a shareholder and Director of Adept Capital Partners Services Limited. Adept Capital Partners Services Limited provides administrative services to the Macanese, Hong Kong and British Virgin Islands SPVs and received fees during the period of US$40,000 of which US$nil was outstanding at the period end (31 December 2016: US$50,000 of which US$nil was outstanding, 30 June 2017: US$91,000 of which US$nil was outstanding).

The Group has a Development Management Services Agreement with a development management company named Headland Developments Limited ("Headland"). Thomas Ashworth has beneficial interest in and is a Director of Headland and therefore constitutes a related party of the Group. During the period, Development Management Services fees of HK$68,000 (US$9,000) (6 months ended 31 December 2016: HK$66,000 (US$8,000), 12 months ended 30 June 2017: HK$133,000 (US$17,000)) were capitalised in inventories. As at 31 December 2017, US$1,000 (31 December 2016: US$1,000, 30 June 2017: US$1,000) was outstanding.

The Group has a Project Management Services Agreement with a property management company named Bela Vista Property Services Limited ("Bela Vista"). Thomas Ashworth has beneficial interest in and is a Director of Bela Vista and therefore constitutes a related party of the Group. During the period, Project Management Services fees of US$nil (6 months ended 31 December 2016: US$nil, 12 months ended 30 June 2017: US$10,000) were capitalised in investment property. As at 31 December 2017, US$nil (31 December 2016: US$nil, 30 June 2017: US$nil) was outstanding.

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 units in One Central Residences. Bela Vista is paid an agency services fee based on a percentage of the total sales considerations. Such percentage will be reviewed annually by the Board. During the period, agency services fees of US$39,363 (HK$307,500) (6 months ended 31 December 2016: US$nil (HK$nil), 12 months ended 30 June 2017: US$38,352 (HK$297,890)) were paid. As at 31 December 2017, US$nil (31 December 2016: US$nil, 30 June 2017: US$nil) was outstanding.

All intercompany loans and related interest are eliminated on consolidation.

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

For the six-month period from 1 July 2017 to 31 December 2017

12. Taxation provision

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

	Unaudited 31 Dec 2017 US$'000	Unaudited 31 Dec 2016 US$'000	Audited 30 Jun 2016 US$'000
Current liabilities			
Provisions for Macanese taxation	-	2,149	-
Non-current liabilities			
Deferred taxation	18,037	13,235	17,003
Provisions for Macanese taxation	259	-	2,260
	18,296	15,384	19,263

Deferred taxation

The Group has recognised the deferred tax liability for the taxable temporary difference relating to the investment property carried at fair value.

Provision for Macanese taxations

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

Taxation

The tax credit for the period of US$731,000 (6 months ended 31 December 2016: tax charge of US$394,000, 12 months ended 30 June 2017: tax charge of US$4,284,000) comprised a deferred tax charge of US$1,046,000 (6 months ended 31 December 2016: deferred tax charge of US$447,000, 12 months ended 30 June 2017: deferred tax charge of US$4,322,000) arising from the increase in the value of investment property and a reversal in the provision for Macanese taxes of US$1,777,000 (6 months ended 31 December 2016: US$ nil, 12 months ended 30 June 2017: tax provision of US$15,000) at a rate of 12%. For the period ended 31 December 2016 and the year ended 30 June 2017, there was also a reversal in the tax authorities provision for the People's Republic of China of US$53,000.

13. Subsequent events

On 2 February 2018, the Group conditionally entered into a formal contract to sell the *Senado Square* retail redevelopment project for HK$800 million (US$102.3 million). The transaction is subject to shareholder approval at an Extraordinary General Meeting to be held on 19 March 2018.

Directors and Company Information

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Chris Russell (Chairman)
Thomas Ashworth
Alan Clifton
Wilfred Woo

Audit Committee
Alan Clifton (Chairman)
Wilfred Woo
Chris Russell

Management Engagement Committee
Alan Clifton (Chairman)
Chris Russell
Wilfred Woo

Nomination and Remuneration Committee
Alan Clifton (Chairman)
Thomas Ashworth
Wilfred Woo
Chris Russell

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