Macau Property Opportunities Fund

Interim Report for the six-month period ended 31 December 2018

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 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 that are valued at US$320.2 million as at 31 December 2018.

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

Contents

Note:
US Dollar/Sterling exchange rate used in this report is 1.274 based on the rate as at 31 December 2018.

Chairman's Message

The six months to 31 December 2018 was a particularly challenging period for our Company. A weak Chinese stock market and increasingly stringent cross border capital controls, coupled with concerns over the pace of US interest rate rises and the US-China trade war, weighed heavily on Macau's luxury property sector. The fourth quarter was especially difficult.

The result was a marked drop-off in the number and size of transactions involving higher-priced properties, with anti-speculation mortgage restrictions affecting purchasing behaviour more significantly. In the near term, there are no signs that Macau's government will relax those restrictions.

Investors' fears at the end of 2018 may, however, prove to be overblown. Recently, there have been signs of policy adjustments that may slow increases in US interest rates. Trade talks between the US and China are continuing, and any positive developments could have a beneficial impact on sentiment. In the past week, China's central government issued its long term development plan for the Greater Bay Area, commencing an exciting new phase of economic integration for the Pearl River Delta region.

Asset enhancement and divestment approach

Against this backdrop, the Company is well-positioned to execute the divestment of its three remaining properties. Our approach is results-focused, ensuring that the appeal of each property to prospective investors is maximised, while adopting a very prudent approach towards such expenditure.

At *The Waterside*, modest but necessary refurbishments to some apartments are ongoing. Enhancements at *Estrada da Penha* have made a marked improvement to the appearance of the property. Reconfiguring the larger units at *The Fountainside* to meet the current demands of the market will also prove to be a sensible course of action.

Our Manager, Sniper Capital, is focused on the necessary steps to achieve successful sales to both Macau-based buyers and a broader international market. It is important that we exercise a measure of patience as we work through the current volatility, supported by our strong capital base. During this time, focus remains on containing all manageable costs.

By 31 December 2018, the value of our property portfolio had fallen for a second quarter to US$320 million, an accumulated 5.2% decrease over the six-month period. A major factor influencing valuations was a decline in the number of comparable transactions in the market.

Our target remains an orderly but well-timed disposal of each asset. The Manager has demonstrated a strong track record in that regard, as reflected in the 85% of initial invested capital distributed since inception.

Corporate governance

Since my appointment as Chairman, we have carried out a review of the Company. We have made minor changes to the structure of our committees. We have also engaged with our service providers following the changes to our investment objectives agreed in 2018.

Our overriding aim is to deliver cost-effective and timely divestments of our remaining properties, including further returns of capital to our shareholders.

Our Board provides a diversity of experience and geographical perspective, coupled with an essential understanding of the unique features of Macau and its property market. We have assessed that we have the capacity to fulfil our obligations in the context of the latest corporate governance guidelines, taking full account of the phase that the Company is in and its clearly defined business objectives.

We have also assessed our environmental, social and governance (ESG) obligations. Within the context of our clear strategic aims, we are satisfied that the Company, the Manager and our service providers have clear policies and procedures in place to operate the business in accordance with relevant ESG principles. It is also important to note that comprehensive anti-money laundering policies have always been in place and are regularly reviewed and updated where appropriate.

Conclusion

Much has been written about the growth of Macau and its enviable economic performance. It is important to consider the current headwinds in the context of how Macau, the only legal gaming jurisdiction on Chinese soil, has developed during the life of the Company. Measures including visa restrictions for Chinese visitors and anti-graft controls have had an impact in the past, and yet longer-term growth has continued.

"Our overriding aim is to deliver cost-effective and timely divestments of our remaining properties, including further returns of capital to our shareholders."

The Greater Bay Area's development as a world-class city cluster will have a powerful cascading effect on the wider Pearl River Delta region, including Macau. Ambitious infrastructure projects – which form a strategic component of the plan – have always been a key factor influencing the Manager's approach to the timing of divestments. The Hong Kong-Zhuhai-Macau bridge was opened by Chinese President Xi Jinping in October. Although its full benefits have yet to flow through to Macau's economy, we believe the relative ease, speed and comparably low cost of crossing the bridge will provide long-term support for Macau's growth.

We remain confident of the quality of our portfolio and believe it is well-positioned to capitalise on an improvement in sentiment among prospective investors. Our approach is designed to ensure that we enhance our assets, while continuing to maximise opportunities for divestment.

Finally, I would like to thank MPO's former Chairman, Chris Russell, who stepped down in November. Under his stewardship, MPO emerged strengthened from a turbulent period for Macau's economy. I join with the rest of the Board and the executive management in wishing him the very best for the future.

Mark Huntley
Chairman
Macau Properties Opportunities Fund
21 February 2019

Manager's Report

Financial *Review*

FINANCIAL OVERVIEW

	31 December 2018	30 June 2018
NAV (IFRS) (US$ million)	**143.1**	212.8
NAV per share (IFRS) (US$)	**2.31**	2.78
Adjusted NAV (US$ million)	**188.2**	260.6
Adjusted NAV per share (US$)	**3.04**	3.41
Adjusted NAV per share (pence)[1]	**239**	258
Share price (pence)	**162**	194
Share price discount to Adjusted NAV per share (%)	**32%**	25%
Portfolio valuation (US$ million)	**320.2**	338.4
Loan-to-value ratio (%)	**42%**	35%

[1] Based on the following US Dollar/Sterling exchange rates 1.274 on 31 December 2018 and 1.321 on 30 June 2018.

Macau's economy continued to expand in 2018, albeit at a slower pace. Although China's ambitious Greater Bay Area plan, including the recently opened Hong Kong-Zhuhai-Macau Bridge, are expected to be long-term drivers of the territory's economy and property market, near term sentiment in its luxury residential segment – to which MPO's remaining portfolio is exposed – has become cautious. This has resulted in a marked decline in property transaction volumes, which has hindered MPO's divestment strategy in the near term.

While investors and homeowners are adopting a "wait-and-see" approach, MPO is continuing to carry out various asset enhancement works at modest cost to ensure that the Company's remaining assets are well positioned for divestment opportunities. The Manager is actively utilising its various networks to implement divestment plans for each asset, in order to ensure they are well positioned in the market for sale.

Half-Year Financial Results

The value of MPO's portfolio, which now comprises three main assets, was US$320.2 million as at 31 December 2018. On a like-for-like comparison, this reflects a decline of 5.2% over the six-month period.

Adjusted Net Asset Value (NAV) was US$188.2 million, which translates to US$3.04 (239 pence) per share, a decline of 11% over the period. IFRS NAV was US$143.1 million as of the period end, equating to US$2.31 (182 pence) per share, a decline of 16.9%.

As at 31 December 2018, MPO's share price was 162 pence, representing a 32% discount to its Adjusted NAV per share.

Capital Management

As at 31 December 2018, MPO had total assets worth US$309.4 million, offsetting combined liabilities of US$166.3 million. Its consolidated cash balance was US$33.3 million, of which US$1.8 million was pledged as collateral for credit facilities. Gross borrowing stood at US$148.1 million, equating to a loan-to-value ratio of 41.8%.

In July 2018, the Company distributed to shareholders approximately US$50.5 million (GBP38.2 million) by way of a compulsory redemption of shares, utilising cash receipts from the disposal of *Senado Square*. The distribution was equivalent to 50 pence per share.

As the Company endeavours to execute its divestment plan, we will continue to adopt a prudent stance towards capital management, ensuring that we maintain a healthy balance sheet. We also remain very focused on containing costs, with debt facilities reviewed and refinanced where applicable to obtain the most cost-efficient terms.

Portfolio *Updates*

PORTFOLIO OVERVIEW AS AT 31 DECEMBER 2018

	SECTOR	TYPE	CURRENT STATUS	NO. OF UNITS	COSTS (US$ million)	MARKET VALUATION (US$ million)	CHANGES IN MARKET VALUE	COMPOSITION (Based on market value)
The Waterside *Tower Six of One Central Residences**	Luxury residential	Investment	Leasing and asset management	59	99.8	233.5	-6.1%	72.9%
One Central Residences *Strata units*	Luxury residential	Investment	Opportunistic divestment	2	4.3	6.4	-6.2%	2.0%
The Fountainside	Low-density residential	Redevelopment	Sales phase	12	9.4	34.2	-5.6%	10.7%
Estrada da Penha	Luxury residential	Investment	Divestment phase	N.A.	27.9	46.1	0.2%	14.4%
Total					**141.4**	**320.2**	**-5.2%****	**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 2018 to reflect like-for-like comparisons to 31 December 2018 due to property sales during the period.

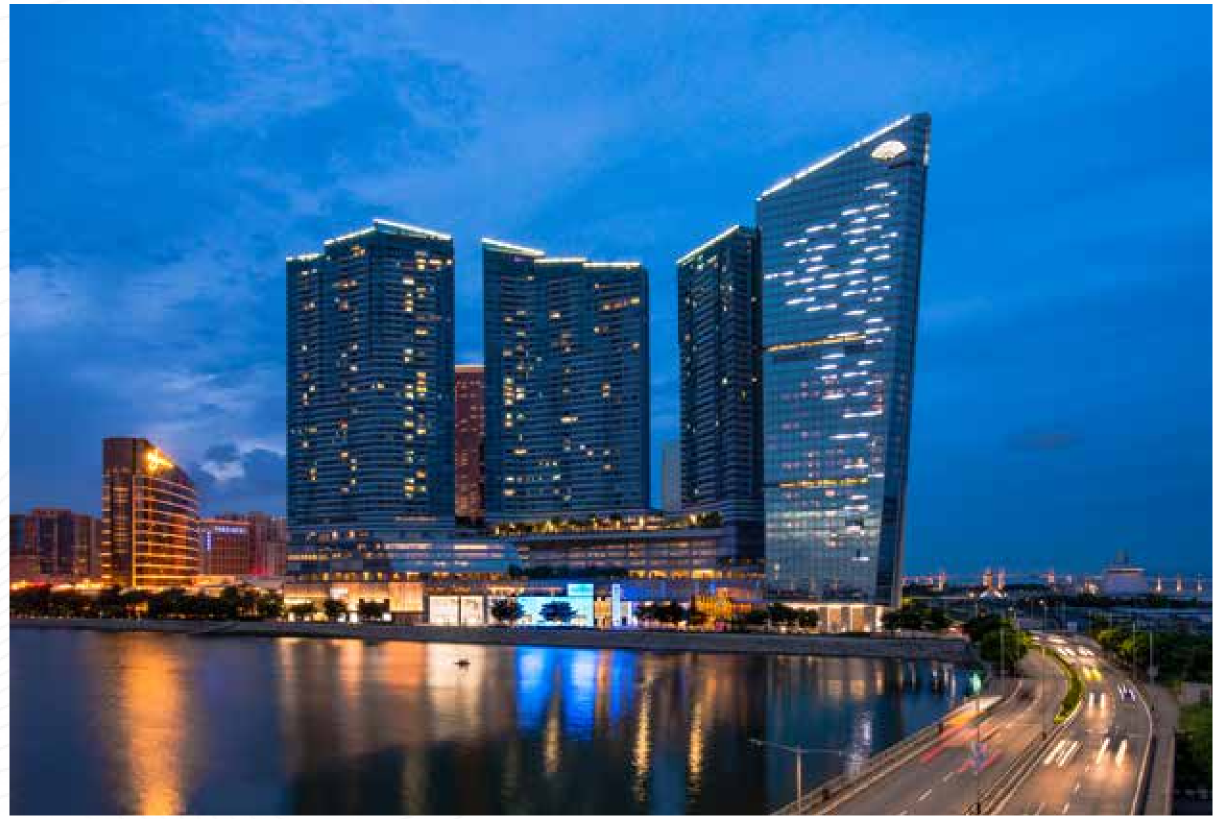
The Waterside

The Waterside is MPO's landmark development in downtown Macau, with 59 luxury residential apartments for lease, all commanding panoramic views.

Leasing activity in Macau's high-end residential market has declined amid a slowdown in the VIP gaming sector. At the end of 2018, the occupancy level at *The Waterside* was approximately 53%, down 17% over the period, while the average rental rate remained stable at HK$21.42 (US$2.74) per square foot per month.

Although 10 new leases and 9 lease renewals were secured during the period, 20 leases were terminated by tenants with links to the gaming industry. The Macau government's plans to introduce more stringent oversight of junket operators is leading some to carry out reviews of their business models. While this is expected to act as a near-term challenge for our leasing programme, the VIP gaming segment is notoriously volatile and has been known to rebound at short notice.

All efforts are being focused on rebuilding occupancy at *The Waterside* by offering attractive incentives to potential tenants. In the meantime, MPO's progressive asset enhancement programme is continuing, with a budget of some US$0.5 million for this financial year.



The Waterside

The Fountainside

The Fountainside is a low-density, freehold residential development comprising 42 homes and 30 car-parking spaces in Macau's popular Penha Hill district. 12 units and 9 car-parking spaces remain available for sale.

Macau's residential sales market remains muted due to stricter mortgage policies introduced by the government. Despite renewing our marketing of available apartments and car-parking spaces with special offers, buyers have remained cautious, although in August, a car-parking space was sold for HK$2.37 million (US$0.3 million).

A discernible trend in Macau's property market is the growing popularity of smaller, more affordable homes among younger locals. To enhance the marketability of the remaining units at *The Fountainside*, the Company has applied to Macau's authorities to reconfigure the six largest units into smaller apartments at an expected cost of US$3 million. 2 duplex units and the 4 villas will be converted into 12 smaller units plus 13 additional car-parking spaces. In addition, the gym will be relocated and enlarged.

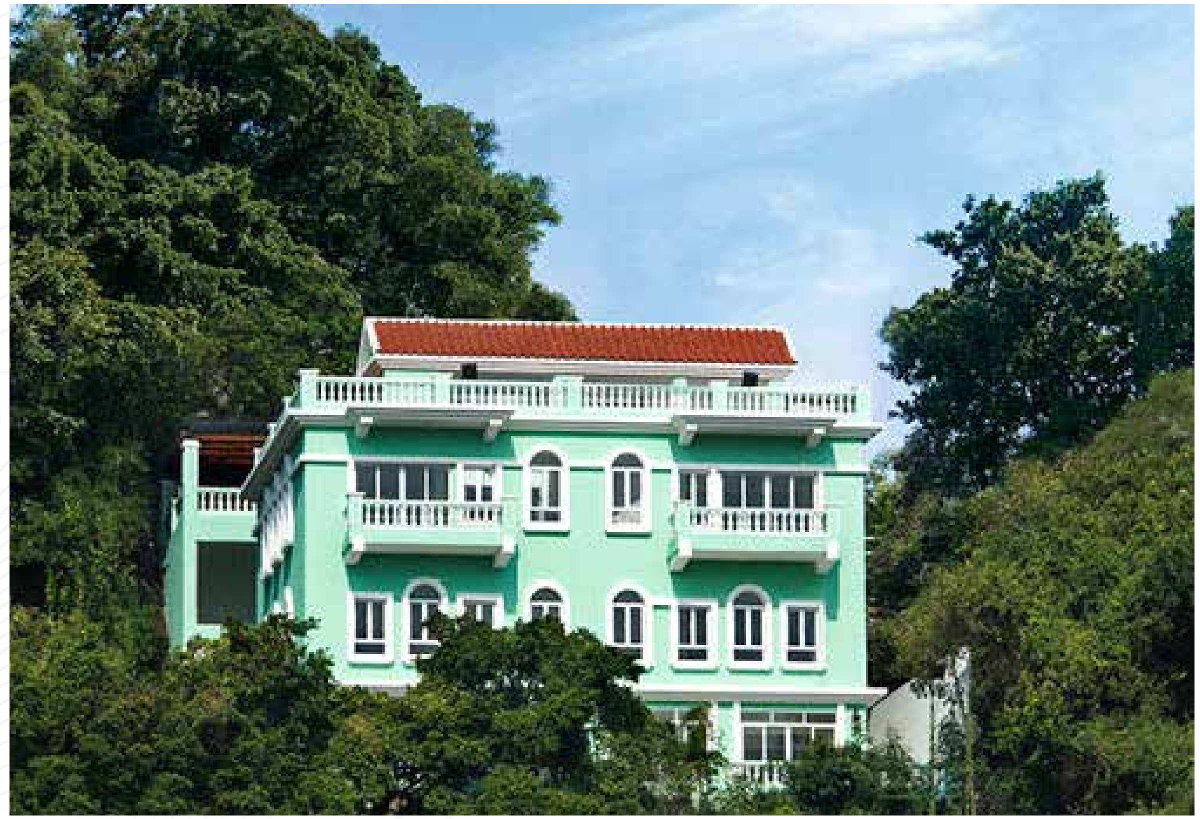
The Fountainside

Estrada da Penha

E*strada da Penha* is a prestigious, colonial-style villa atop Penha Hill – an exclusive and highly sought-after residential enclave. This magnificent villa has a gross floor area of approximately 12,000 square feet spread across five storeys.

With the opening of the Hong Kong-Zhuhai-Macau Bridge, the "Greater Bay Area" – the Chinese Government's scheme to link 11 cities in the Pearl River Delta region into an integrated economic and business hub – is clearly in focus, with much discussion about the shortened travel times and the consequent impact on property values.

A recent softening of luxury residential property prices in Hong Kong may lead the region's niche group of ultra-high-net-worth buyers to expand their search for trophy homes to neighbouring and more attractively priced cities. Dedicated marketing efforts to promote *Estrada da Penha* are continuing, highlighting the extreme scarcity value of this exceptional location.



Estrada da Penha

MANAGER'S REPORT

Macroeconomic *Outlook*

Positive GDP growth

In the first three quarters, Macau's GDP grew 5.6% year on year (YoY), with third-quarter GDP expanding by 1.6% YoY. The International Monetary Fund forecasts full-fiscal-year growth for the territory of 6.3%, while the Economist Intelligence Unit's growth forecast stands at 3.8%. These forecasts suggest slower expansion in Macau's economy than in 2017, during which GDP grew 9.1%.

That more muted growth is due mainly to a decline in construction investment, as many new casino resorts have been completed, and a notable slowdown in the growth of gaming service exports.

Slower economic expansion is expected to continue in 2019 as gaming revenue growth is forecast to slow further and limited new resort construction is scheduled. The Economist Intelligence Unit forecasts 2.3% GDP growth for Macau in 2019.

Gross gaming revenue set to slow

Macau's gross gaming revenue (GGR), which turned positive in August 2016 after a two-year downturn, has now enjoyed more than two years of gains. Full-year GGR for 2018 increased by 14% to US$37.6 billion.

Analysts, however, are cautious about GGR in 2019. Morgan Stanley has revised down its GGR growth forecast for 2019 from 5% to -2%.

This more cautious outlook among analysts is shaped primarily by two major concerns. The first is that China's economy appears to be slowing, which will potentially impact Macau's gaming industry. The second is the ongoing anti-corruption campaign by China's central government, which has affected the VIP gaming market.

In addition, expiry dates for Macau's six casino concessions are on the horizon, with the first two – held respectively by SJM Holdings Ltd and its sub-concession holder, MGM China Holdings Ltd – due in 2020.

The government received a preliminary proposal for amending the existing gaming law in July. While it remains tight-lipped on the matter, it has indicated that any decisions will centre on how the gaming industry can help Macau achieve its vision of becoming a world centre for tourism and leisure.

Gaming operators continue to expand

Despite the uncertainties surrounding the future of their concessions, gaming operators continue to push ahead with expansion plans, with new integrated resorts set to open in 2019 and 2020, alongside additional capacity and facilities at existing resorts.

Notably, SJM Holdings' Grand Lisboa Palace, which is currently under construction in Cotai, is due to open in the second half of 2019, shortly before the expiry of the company's current gaming concession in 2020.

Nearby, the HK$5 billion (US$640 million) Lisboeta, an integrated resort with an "old Macau" theme, is due to open in 2020. The 820-room resort will feature three hotels and a range of non-gaming activities.

Las Vegas Sands has announced that it will invest US$2.2 billion to upgrade three of its Cotai properties – the Four Seasons Tower Suites, St. Regis Tower Suites and The Londoner – through 2021. This is double the amount it previously announced in 2017.

Wynn Macau has also announced plans to add two hotel towers to the Wynn Palace Casino Resort in Cotai, increasing its guest room count from 1,700 currently to more than 3,000.

Macau continues to grow as a world-class tourism and leisure hub

Macau's appeal as a tourism and leisure destination continues to grow, supported by an increasing number of high-quality integrated resorts and the government's promotion of the meetings, incentives, conferences and events (MICE) sector.

In 2018, visitor arrivals to Macau grew 9.8% YoY to 35.8 million, the highest ever.

A total of 116 hotels and guesthouses were operating in Macau at the end of 2018, providing 39,000 hotel and guesthouse rooms, of which around 25,000 were five-star hotel rooms. The average occupancy rate had increased to 94.7% by the end of the year, up 1.1 percentage points YoY. The average daily room rate had risen to US$179 (MOP1,443) by December 2018, a 4.6% YoY increase. For full-year 2018, the average occupancy rate increased 3.9 percentage points YoY to 91.1%.

Macau's tourism office recently said that the city should add around 1,000 new guestrooms annually in order to drive more overnight visitors.

A total of 966 MICE events took place in Macau during the first three quarters of 2018, attracting around 1.39 million participants and attendees, up 14.8% YoY. This rapid growth reflects the government's efforts to prioritise the MICE sector as a major component of non-gaming revenues.

Greater Bay Area plan to spur long term growth

In the recently published "Outline Development Plan for the Guangdong-Hong Kong-Macao Greater Bay Area", China set out its ambitious strategy to promote close cooperation among 11 cities in the Pearl River Delta region, including Macau and Hong Kong, with the goal of developing a world-class city cluster of close to 70 million people. In the plan, Macau featured prominently and was named as one of the four "core cities" of the Greater Bay Area along with Hong Kong, Shenzhen and Guangzhou.

Large scale infrastructure projects are at the forefront of the Greater Bay Area initiative with the aim of improving connectivity with the rest of China and within the Pearl River Delta region itself. In the second half of 2018, two major infrastructure projects were completed and began operations: a high-speed rail link from Hong Kong to Guangzhou and the Hong Kong-Zhuhai-Macau Bridge.

The rail link is the Hong Kong section of the Guangzhou-Shenzhen-Hong Kong Express Rail Link that links West Kowloon in Hong Kong with Shenzhen and shortens the travel time from 1 hour to a mere 15 minutes.

The US$20 billion Hong Kong-Zhuhai-Macau Bridge was declared open by Chinese President Xi Jinping on 23 October. The 55km bridge – the world's longest sea crossing – connects Macau to Hong Kong, and is one of a series of Chinese government infrastructure initiatives to integrate and connect the Greater Bay Area. The bridge's gateway to Macau is strategically located adjacent to Hong Kong International Airport, the world's eighth-busiest air hub. It significantly improves access to Macau for visitors arriving via

Hong Kong's airport, making the territory much easier to reach than via the existing ferry services, offering a travel time of just 40 minutes via buses that run every 5 minutes during peak hours.

The considerable improvements in connectivity to Macau are collectively potential game-changers for the territory's economy, likely to boost mass-market gaming revenues and drive growth in non-gaming segments such as MICE, retail, food and beverage.

With visitor arrivals to Macau hitting a record 35.8 million people in 2018, moving tourists around the territory itself has become a priority for the Macau government. The vastly delayed Taipa-Cotai section of the city's light rail transit system is due to become operational in the second half of 2019.

Risks and uncertainties

Although Macau's economy is expected to maintain growth this year, we are cognisant of the potential headwinds that may impact the economy generally and the property market in particular.

US-China trade war

The ongoing trade war between the United States and China has caused many investors to adopt a "wait-and-see" attitude towards purchases of big-ticket items, including property. As investors await clarity on the progress of US-China trade negotiations, an air of uncertainty has also hung over the Macau casino concessions of the three US-based companies operating in the territory.

Softening regional markets and Hong Kong's property sector

Hong Kong's residential property market appears to be undergoing a correction, with the city's home price index falling 3.5% in November 2018 – the sharpest monthly decline since November 2008. The index dropped another 2.4% to 358.4 in December 2018, which represents a 1.6% increase YoY.

Potential further interest rate rises

In lockstep with interest rate increases by the US Federal Reserve in 2018, the Monetary Authority of Macao raised its base rate four times over the year, from 1.75% to 2.75%, with some banks increasing their prime lending rates accordingly. This may have a greater impact on higher-priced properties as potential investors and upgraders continue to delay purchasing decisions.

Continued anti-corruption campaign and more stringent capital outflow restrictions

China's long-running anti-corruption campaign, coupled with increasingly stringent mainland Chinese capital controls, continues to dampen the VIP gaming market in Macau, which as a percentage of GGR fell from a peak of 73% in 2011 to around 55% in 2018. Some high-rollers have stayed away from Macau to

avoid central government scrutiny. Junket operators have also had to contend with increased regulation by Macau's authorities.

Uncertainty over gaming concessions with looming expiry dates

Another risk is a lack of clarity over the future of the gaming industry in Macau, with the territory's six concession holders facing the end of their licence periods between 2020 and 2022. Macau's government has not indicated whether their licences will be renewed and, if so, on what terms. This has led to uncertainty in the market, especially for SJM Holdings Ltd and MGM China Holdings Ltd, whose concessions expire in 2020.

MANAGER'S REPORT

Property Market *Overview*

Although headline figures suggest Macau's property market remained robust in 2018, the data is skewed by the fact that activity was dominated by first-time buyers seeking smaller, lower-priced units. Macau's average home prices reached HK$10,033 (US$1,282) per square foot in 2018, up 10.6% YoY. The number of residential units transacted totalled 10,585 for the full year, an increase of 1.3% from the previous year. Transaction volumes for luxury and higher-priced units, however, dropped significantly due to anti-speculation mortgage policies, capital outflow restrictions in China, and general economic uncertainty.

First-time buyers dominate the market

In the primary market, new property launches of smaller, lower-priced units attracted mainly first-time buyers, who accounted for nearly 70% of transactions in 2018. Macau residents aged between 21 and 44 years are now able to borrow up to 90% of a property's value, and many took advantage of that incentive to make their debut in the city's property market.

Luxury residential segment remains subdued

In the secondary market, especially that for larger luxury properties, to which MPO is predominantly exposed, sentiment is still muted as buyers remain cautious amid a climate of general uncertainty. Property investors face measures such as increased stamp duties for second and third properties as the government has moved to curb speculation in the real estate market. As uncertainty weighs on Macau's economy, property values and borrowing costs, buyers are hesitant when it comes to making new investments and commitments.

Looking ahead

China's Greater Bay Area integration plan will bring significant benefits to the Pearl River Delta, stimulating economic growth and strengthening investor confidence in the region. As the full potential of major infrastructure projects is progressively realised, Macau stands to reap the benefits through further economic expansion. This will have a positive impact on property prices over the long term.

In the short term, first-time buyers will continue to dominate the real estate market, with the acquisition of smaller, lower-priced properties that benefit from more generous mortgage allowances. Investors and upgraders affected by a mortgage cap on transactions worth more than MOP8 million, however, are likely to maintain a "wait-and-see" attitude until there is increased clarity in the macro-economic environment.

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

Mark Huntley
Chairman

21 February 2019

Interim Condensed Consolidated Statement of Financial Position (Unaudited)

As at 31 December 2018

	Note	**Unaudited 31 Dec 2018 US$'000**	Unaudited 31 Dec 2017 US$'000	Audited 30 Jun 2018 US$'000
ASSETS				
Non-current assets				
Investment property	3	**233,527**	249,856	248,763
Deposits with lenders	4	**1,597**	3,198	1,821
Trade and other receivables		**110**	111	110
		235,234	253,165	250,694
Current assets				
Inventories	5	**41,558**	61,156	41,777
Trade and other receivables		**183**	92	1,426
Deposits with lenders	4	**212**	270	5,098
Financial assets at fair value through profit or loss - interest rate swap	6	**-**	22	-
Cash and cash equivalents		**31,446**	11,860	81,290
		73,399	73,400	129,591
Total assets		**308,633**	326,565	380,285
EQUITY				
Capital and reserves attributable to the Company's equity holders				
Share capital	13	**618**	764	764
Retained earnings		**127,693**	67,647	147,309
Distributable reserves		**15,791**	66,208	66,208
Foreign currency translation reserve		**(1,013)**	(131)	(1,507)
Total equity		**143,089**	134,488	212,774
LIABILITIES				
Non-current liabilities				
Deferred taxation provision	12	**16,053**	18,037	17,940
Taxation provision	12	**647**	259	742
Interest-bearing loans	7	**126,498**	137,488	128,438
		143,198	155,784	147,120
Current liabilities				
Trade and other payables		**1,475**	1,929	1,704
Interest-bearing loans	7	**20,871**	34,364	18,687
		22,346	36,293	20,391
Total liabilities		**165,544**	192,077	167,511
Total equity and liabilities		**308,633**	326,565	380,285
Net Asset Value per share (US$)	9	**2.31**	1.76	2.78
Adjusted Net Asset Value per share (US$)	9	**3.04**	3.38	3.41

The interim condensed consolidated financial statements were approved by the Board of Directors and authorised for issue on 21 February 2019.

The notes on pages 37 to 48 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 2018 to 31 December 2018

	Note	**Unaudited 6 months 1 Jul 2018 - 31 Dec 2018 US$'000**	Unaudited 6 months 1 Jul 2017 - 31 Dec 2017 US$'000	Audited 12 months 1 Jul 2017 - 30 Jun 2018 US$'000
Income				
Income on sale of inventories	5	**558**	4,852	111,770
Rental income		**1,502**	1,348	2,898
Net gain from fair value adjustment on investment property	3	**-**	8,720	8,548
Other income		**5**	-	299
		2,065	14,920	123,515
Expenses				
Net loss from fair value adjustment on investment property	3	**15,993**	-	-
Cost of sales of inventories	5	**341**	3,089	22,296
Management fee	11	**2,480**	2,708	5,503
Non-executive directors' fees	11	**100**	94	192
Auditors' remuneration: audit fees		**32**	65	129
Auditors' remuneration: non-audit fees		**-**	-	103
Write off of inventories to net realisable value	5	**-**	-	120
Property operating expenses		**644**	615	1,346
Sales and marketing expenses		**105**	209	1,632
General and administration expenses		**453**	432	1,300
Loss/(Gain) on foreign currency translation		**111**	(13)	403
		(20,259)	(7,199)	(33,024)
Operating (loss)/profit for the period/year		**(18,194)**	7,721	90,491
Finance income and expenses				
Net gain on valuation of interest rate swap	6	**-**	31	9
Bank loan interest	7	**(3,252)**	(2,488)	(5,141)
Interest expense on interest rate swap	6	**-**	(38)	(16)
Other financing costs		**(163)**	(143)	(312)
Bank and other interest		**12**	1	8
		(3,403)	(2,637)	(5,452)
(Loss)/Profit for the period/year before tax		**(21,597)**	5,084	85,039
Taxation	12	**1,981**	731	438
(Loss)/Profit for the period/year after tax		**(19,616)**	5,815	85,477
Items that may be reclassified subsequently to profit or loss				
Exchange difference on translating foreign operations		**494**	(113)	(1,489)
Total comprehensive (loss)/income for the period/year		**(19,122)**	5,702	83,988
(Loss)/Profit attributable to:				
Equity holders of the Company		**(19,616)**	5,815	85,477
Total comprehensive (loss)/income attributable to:				
Equity holders of the Company		**(19,122)**	5,702	83,988

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

The notes on pages 37 to 48 form part of these interim condensed consolidated financial statements.

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

For the six-month period from 1 July 2018 to 31 December 2018

	Note	**Unaudited 6 months 1 Jul 2018 - 31 Dec 2018 US$**	Unaudited 6 months 1 Jul 2017 - 31 Dec 2017 US$	Audited 12 months 1 Jul 2017 - 30 Jun 2018 US$
Basic and diluted (loss)/earnings per Ordinary Share attributable to the equity holders of the Company during the period/year	8	**(0.3136)**	0.0761	1.1183

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

The notes on pages 37 to 48 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 2018 to 31 December 2018 (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 2018	**764**	**147,309**	**66,208**	**(1,507)**	**212,774**
Loss for the period	-	(19,616)	-	-	(19,616)
Items that may be reclassified subsequently to profit or loss					
Exchange difference on translating foreign operations	-	-	-	494	494
Total comprehensive loss for the period	**-**	**(19,616)**	**-**	**494**	**(19,122)**
Share buy back	(146)	-	(50,417)	-	(50,563)
Balance carried forward at 31 December 2018	**618**	**127,693**	**15,791**	**(1,013)**	**143,089**

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 year from 1 July 2017 to 30 June 2018 (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 2017	764	61,832	66,208	(18)	128,786
Profit for the year	-	85,477	-	-	85,477
Items that may be reclassified subsequently to profit or loss					
Exchange difference on translating foreign operations	-	-	-	(1,489)	(1,489)
Total comprehensive income for the year	-	85,477	-	(1,489)	83,988
Balance carried forward at 30 June 2018	764	147,309	66,208	(1,507)	212,774

The notes on pages 37 to 48 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 2018 to 31 December 2018

	Note	**Unaudited 6 months 1 Jul 2018 - 31 Dec 2018 US$'000**	Unaudited 6 months 1 Jul 2017- 31 Dec 2017 US$'000	Audited 12 months 1 Jul 2017 - 30 Jun 2018 US$'000
Net cash (used in)/generated from operating activities	10	**(472)**	3,331	104,569
Cash flows from investing activities				
Capital expenditure on investment property	3	**(299)**	(113)	(269)
Movement in pledged bank balances		**5,110**	(156)	(3,607)
Net cash generated from/(used in) investing activities		**4,811**	(269)	(3,876)
Cash flows from financing activities				
Proceeds from bank borrowings		**10,214**	-	59,387
Repayment of bank borrowings		**(10,407)**	(1,531)	(84,459)
Share buy back		**(50,563)**	-	-
Interest and bank charges paid		**(3,203)**	(2,841)	(6,124)
Net cash used in financing activities		**(53,959)**	(4,372)	(31,196)
Net movement in cash and cash equivalents		**(49,620)**	(1,310)	69,497
Cash and cash equivalents at beginning of period/year		**81,290**	13,093	13,093
Effect of foreign exchange rate changes		**(224)**	77	(1,300)
Cash and cash equivalents at end of period/year		**31,446**	11,860	81,290

The notes on pages 37 to 48 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 2018 to 31 December 2018

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 49.

The interim condensed consolidated financial statements for the six months ended 31 December 2018 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 changes to the Group's principal risks and uncertainties in the six-month period to 31 December 2018 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 in the Manager's Report on pages 25 to 27.

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 21 February 2019.

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 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 2018.

New and amended standards and interpretations applied

The following amendments to existing standards and interpretations were effective for the year ended 30 June 2019 and therefore were applied in the current period but did not have a material impact on the Group:

- IFRS 9 Financial Instruments
- IFRS 15 Revenue from contracts with customers

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 2018, 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 the continuation resolution was passed at a General Meeting of the Company on 5 July 2018 extending the Fund's life until November 2019, assessed whether the continuation vote before the end of 2019 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 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 November 2019 agreed at the Annual General Meeting on 5 July 2018 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 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 2018 to 31 December 2018

3. Investment property

	Unaudited 1 Jul 2018 - 31 Dec 2018 US$'000	Unaudited 1 Jul 2017 - 31 Dec 2017 US$'000	Audited 1 Jul 2017 - 30 Jun 2018 US$'000
At beginning of the period/year	**248,763**	241,193	241,193
Capital expenditure on property	**299**	113	269
Fair value adjustment	**(15,993)**	8,720	8,548
Exchange difference	**458**	(170)	(1,247)
Balance at end of the period/year	**233,527**	249,856	248,763

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 (completed and under construction) 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 2018 by independent, professionally-qualified valuers: 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 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 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$1,502,000 (6 months ended 31 December 2017: US$1,348,000, 12 months ended 30 June 2018: US$2,898,000) was received during the period. Direct operating expenses of US$549,000 (6 months ended 31 December 2017: US$483,000, 12 months ended 30 June 2018: US$1,010,000) 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$120,000 (6 months ended 31 December 2017: US$105,000, 12 months ended 30 June 2018: US$195,000).

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 2018: US$'000	Valuation technique	Input	Unobservable and observable inputs used in determination of fair values	Other key information
Name	*The Waterside*	233,527	Term and Reversion Analysis	Term rent (inclusive of management fee and furniture)	HK$ 21.7 psf (30 June 2018: HK$ 19.7 psf)	Age of building
Type	Completed apartments			Term yield (exclusive of management fee and furniture)	1.4% - 2.2% (30 June 2018: 1.4% - 2.2%)	Remaining useful life of building
Location	One Central Tower 6 Macau			Reversionary rent (exclusive of management fee and furniture)	HK$ 18.4 psf (30 June 2018: HK$ 19.7 psf)	
				Reversionary yield	1.7 % (30 June 2018: 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 2017: US$12 million, 12 months ended 30 June 2018: US$12 million) or decrease by US$12 million (6 months ended 31 December 2017: US$12 million, 12 months ended 30 June 2018: 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$11 million (6 months ended 31 December 2017: US$12 million, 12 months ended 30 June 2018: US$12 million) or increase by US$12 million (6 months ended 31 December 2017: US$13 million, 12 months ended 30 June 2018: US$13 million).

The same valuation method was deployed in June 2018 and December 2018.

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 deposits pledged to the banks to secure the banking facilities and interest rate swaps granted to the Group. Deposits amounting to US$1.6 million (31 December 2017: US$3.2 million, 30 June 2018: US$1.8 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 2018 US$'000	Unaudited 31 Dec 2017 US$'000	Audited 30 Jun 2018 US$'000
Non-current	**1,597**	3,198	1,821
Current	**212**	270	5,098
	1,809	3,468	6,919

5. Inventories

	Unaudited 1 Jul 2018 - 31 Dec 2018 US$'000	Unaudited 1 Jul 2017 - 31 Dec 2017 US$'000	Audited 1 Jul 2017 - 30 Jun 2018 US$'000
Cost			
Balance brought forward	**41,897**	63,994	63,994
Additions	**42**	295	462
Disposals	**(459)**	(3,089)	(22,236)
Exchange difference	**78**	(44)	(323)
Balance carried forward	**41,558**	61,156	41,897
Adjustment to net realisable value			
Balance brought forward	**(120)**	-	-
Write-back/(Write-down) to net realisable value	**120**	-	(120)
Balance carried forward	**-**	-	(120)
Carrying amounts	**41,558**	61,156	41,777

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

Under IFRS, inventories are valued at the lower of cost and net realisable value. The carrying amounts for inventories as at 31 December 2018 amounts to US$41,558,000 (6 months ended 31 December 2017: US$61,156,000, 12 months ended 30 June 2018: US$41,777,000). Net realisable value as at 31 December 2018 as determined by independent, professionally-qualified valuer, Savills, was US$85,815,000 (6 months ended 31 December 2017: US$183,379,000, 12 months ended 30 June 2018: US$89,627,000).

During the period ended 31 December 2018, 1 car parking space of *The Fountainside* and the Smaller Property were sold for a total consideration of US$0.5 million (HK$4.4 million) against a total cost of US$0.3 million (HK$2.7 million) which resulted in a net profit of US$0.2 million (HK$1.7 million) after all associated fees and transaction costs.

Financing costs of US$nil (6 months ended 31 December 2017: US$262,000, 12 months ended 30 June 2018: US$369,000) relating to *Senado Square* loan facility were capitalised during the period, including US$nil (6 months ended 31 December 2017: US$262,000, 12 months ended 30 June 2018: US$369,000) of interests capitalised to the property.

5. Inventories (continued)

During the year ended 30 June 2018, certain subsidiaries of the Company entered into a Promissory Transfer Agreement to sell *Senado Square* through the transfer of the entire issued share capital of Macau (Site 1) Limited and the assignment of shareholder loans to the purchaser for a consideration of US$102.2 million (HK$800 million) pursuant to the Circular. The total costs of *Senado Square* at disposal was US$17.7 million (HK$138.4 million). The transaction was completed on 26 March 2018 and resulted in a net profit of US$84.5 million (HK$661.6 million). Agent commission associated with the sale amounted to US$1.3 million (HK$10 million).

Inventory was written down during the year ended 30 June 2018 following the agreement to sell the Smaller Property for HK$2,000,000 (US$255,000) in July 2018.

During the period ended 31 December 2017, one residential 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. For the year ended 30 June 2018, 2 residential units, 12 car parking spaces and 5 motorcycle parking spaces of *The Fountainside* and 1 individual unit of One Central Residences were sold for a total consideration of US$9.5 million (HK$74.7 million) against a total cost of US$4.6 million (HK$36.1 million) which resulted in a net profit of US$4.9 million (HK$38.6 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$nil (6 months ended 31 December 2017: US$38,000, 12 months ended 30 June 2018: US$16,000) 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$nil (31 December 2017: US$22,000, 30 June 2018 US$nil). For the period ended 31 December 2018, a fair value gain of US$nil (6 months ended 31 December 2017: US$31,000, 12 months ended 30 June 2018: US$9,000) arising from the net interest rate swaps has been recognised in the consolidated statement of comprehensive income.

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

Hang Seng Bank

The Group previously entered into 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 was HK$250 million, the tenure of the swap was 5 years with maturity date on 19 March 2018. Under this swap, the Group received quarterly interest at variable rates of 3-month HIBOR and paid quarterly interest at a fixed rate of 1% per annum. No further interest rate swaps have been entered into.

7. Interest-bearing loans

	Unaudited 31 Dec 2018 US$'000	Unaudited 31 Dec 2017 US$'000	Audited 30 Jun 2018 US$'000
Bank loans - Secured			
- Current portion	**20,871**	34,364	18,687
- Non-current portion	**126,498**	137,488	128,438
	147,369	171,852	147,125

7. Interest-bearing loans (continued)

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* and the individual residential units at One Central Residences. As at 31 December 2018, four tranches remained outstanding. Tranche 3 had an outstanding balance of HK$300 million (US$38.3 million) (31 December 2017: HK$572 million (US$73.2 million), 30 June 2018: HK$329 million (US$42.0 million)); Tranche 4 had an outstanding balance of HK$40 million (US$5.1 million) (31 December 2017: HK$76 million (US$9.7 million), 30 June 2018: HK$50 million (US$6.4 million)); Tranche 5 had an outstanding balance of HK$132 million (US$16.9 million) (31 December 2017: HK$281 million (US$36.0 million), 30 June 2018: HK$172 million (US$21.9 million)); and Tranche 6 had an outstanding balance of HK$428 million (US$54.6 million) (31 December 2017: HK$nil million (US$nil million), 30 June 2018: HK$348 million (US$44.3 million)).

The interest rates applicable to Tranche 3, Tranche 4, Tranche 5 and Tranche 6 of the term loan are 2.25% per annum, 2.35% 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. Tranche 3, Tranche 4 and Tranche 5 mature on 19 September 2020 and repayment is due in full. Tranche 6 matures on 19 September 2022 and the principal is to be repaid in half-yearly instalments commencing 19 September 2020 with 25% of the principal due upon maturity. The loan-to-value covenant is 60%. As at 31 December 2018, the loan-to-value ratio for the Hang Seng One Central facility was 47.91%. 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.

The Group had a two-year loan facility with Hang Seng Bank for the *Senado Square* redevelopment project as of 31 December 2017. The total facility amount was HK$118 million (US$15.2 million) divided into 2 tranches: Tranche A was a term loan facility for an amount of HK$59 million (US$7.6 million) for refinancing the property acquisition cost; Tranche B was 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 and was fully repaid in March 2018. Interest was charged at 2.7% per annum over the 1-, 2- or 3-month HIBOR rate. The choice of rate was at the Group's discretion. As at 31 December 2017, the loan-to-value ratio for the *Senado Square* facility was 16.79%.

On 19 March 2018, a new tranche of the facility was executed for HK$428 million (US$54.5 million) (Tranche 6) to finance the principal instalments of the previous tranches up to the beginning of 2020, to refinance the loan outstanding for *Senado Square*, and to provide bank guarantee to facilitate the Company to dispose of *Senado Square*. All ongoing facilities with Hang Seng Bank relate solely to *The Waterside*.

ICBC Macau

As at 31 December 2018, the facility had an outstanding balance of HK$110.9 million (US$14.2 million) (31 December 2017: HK$150 million (US$19.2 million), 30 June 2018: HK$113.3 million (US$14.4 million)). Sales proceeds of US$nil (31 December 2017: US$181,000, 30 June 2018: US$nil) were pledged with the lender.

The Group has a HK$220 million (US$28.1 million) term loan facility with the Industrial and Commercial Bank of China (Macau) Limited in relation to *The Fountainside* redevelopment project with a tenure 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%. As at 31 December 2018, the loan-to-value ratio for *The Fountainside* facility was 41.39%. 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.

7. Interest-bearing loans (continued)

The Group has two loan facilities for the purchase and redevelopment of *Estrāda 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. This 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 downwards 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 2018, the facility had an outstanding balance of HK$70 million (US$9.0 million) (31 December 2017: HK$70 million (US$9.0 million), 30 June 2018: HK$70 million (US$8.9 million)). This facility is secured by a first legal mortgage over the property as well as a pledge of all income from the property. Interest is paid monthly on this loan facility. As at 31 December 2018, the loan-to-value ratio for this facility was 42.42%.

The Group intends to refinance this facility should the underlying property not be disposed of by the maturity date in June 2019.

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. This 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 downwards 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 2018, the facility had an outstanding balance of HK$79 million (US$10.1 million) (31 December 2017: HK$79 million (US$10.1 million), 30 June 2018: 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. The loan-to-value covenant is 60%. As at 31 December 2018, the loan-to-value ratio for this facility was 40.31%.

Bank Loan Interest

Bank loan interest paid during the period was US$3,252,000 (6 months ended 31 December 2017: US$2,488,000, 12 months ended 30 June 2018: US$5,141,000), including US$nil (31 December 2017: US$262,000, 30 June 2018: US$369,000) capitalised during the period (see Note 5). As at 31 December 2018, the carrying amount of interest-bearing loans included unamortised prepaid loan arrangement fee of US$762,000 (31 December 2017: US$494,000, 30 June 2018: US$920,000).

Fair Value

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 2018, the fair value of the financial liabilities was US$194,000 higher than the carrying value of the financial liabilities (31 December 2017: US$258,000 higher than the carrying value of the financial liabilities, 30 June 2018: US$141,000 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 any change in valuation technique since last period.

Notes to the Interim Condensed Consolidated Financial Statements (Unaudited) *(continued)*
For the six-month period from 1 July 2018 to 31 December 2018

8. Basic and diluted (loss)/earnings per Ordinary Share

Basic and diluted (loss)/earnings per equivalent Ordinary Share is based on the following data:

	Unaudited 6 months 1 Jul 2018 - 31 Dec 2018	Unaudited 6 months 1 Jul 2017 - 31 Dec 2017	Audited 12 months 1 Jul 2017 - 30 Jun 2018
(Loss)/Profit for the period/year (US$'000)	**(19,616)**	5,815	85,477
Weighted average number of Ordinary Shares ('000)	**62,550**	76,433	76,433
Basic and diluted (loss)/earnings per share (US$)	**(0.3136)**	0.0761	1.1183

9. Net asset value reconciliation

	Unaudited 31 Dec 2018 US$'000	Unaudited 31 Dec 2017 US$'000	Audited 30 Jun 2018 US$'000
Net assets attributable to ordinary shareholders	**143,089**	134,488	212,774
Uplift of inventories held at cost to market value	**45,124**	124,075	47,850
Adjusted Net Asset Value	**188,213**	258,563	260,624
Number of Ordinary Shares Outstanding ('000)	**61,836**	76,433	76,433
NAV per share (IFRS) (US$)	**2.31**	1.76	2.78
Adjusted NAV per share (US$)	**3.04**	3.38	3.41
Adjusted NAV per share (£)*	**2.39**	2.50	2.58

* US$:GBP rates as at relevant period 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.

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.

10. Cash flows from operating activities

	Unaudited 6 months 1 Jul 2018 - 31 Dec 2018 US$'000	Unaudited 6 months 1 Jul 2017 - 31 Dec 2017 US$'000	Audited 12 months 1 Jul 2017 - 30 Jun 2018 US$'000
Cash flows from operating activities			
(Loss)/Profit for the period/year before tax	**(21,597)**	5,084	85,039
Adjustments for:			
Net gain on valuation of interest rate swap	**-**	(31)	(9)
Net loss/(gain) from fair value adjustment on investment property	**15,993**	(8,720)	(8,548)
(Write-back)/write-down of inventories to net realisable value	**(120)**	-	120
Net finance costs	**3,403**	2,668	5,461
Operating cash flows before movements in working capital	**(2,321)**	(999)	82,063
Effect of foreign exchange rate changes	**494**	(113)	403
Movement in trade and other receivables	**1,243**	1,596	263
Movement in trade and other payables	**(69)**	405	422
Movement in inventories	**417**	2,794	21,774
Net change in working capital	**1,591**	4,795	22,459
Taxation paid	**(236)**	(352)	(356)
Net cash (used in)/generated from operating activities	**(472)**	3,331	104,569

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.

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 2018 - 31 Dec 2018 US$'000	Unaudited 6 months 1 Jul 2017 - 31 Dec 2017 US$'000	Audited 12 months 1 Jul 2017 - 30 Jun 2018 US$'000
Directors' fees	**100**	94	192

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 2018 were US$46,000 (31 December 2017: US$51,000, 30 June 2018: 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$2,480,000 (6 months ended 31 December 2017: US$2,708,000, 12 months ended 30 June 2018: US$5,503,000) 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.

11. Related party transactions (continued)

No performance fee was accrued at period end (31 December 2017: US$nil, 30 June 2018: US$nil). No performance fee was paid during the period (6 months ended 31 December 2017: US$nil, 12 months ended 30 June 2018: US$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$34,000 of which US$nil was outstanding at the period end (31 December 2017: US$40,000 of which US$nil was outstanding, 30 June 2018: US$78,000 of which US$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$nil (US$nil) (6 months ended 31 December 2017: HK$nil (US$nil), 12 months ended 30 June 2018: HK$nil (US$nil)) were capitalised in investment property and HK$nil (US$nil) (6 months ended 31 December 2017: HK$68,000 (US$9,000), 12 months ended 30 June 2018: HK$100,000 (US$13,000)) were capitalised in inventories. As at 31 December 2018, US$nil (31 December 2017: US$1,000, 30 June 2018: US$nil) 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$nil (6 months ended 31 December 2017: US$nil, 12 months ended 30 June 2018: US$nil) were capitalised in investment property. As at 31 December 2018, US$nil (31 December 2017: US$nil, 30 June 2018: US$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 motorcycle 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$5,000 (6 months ended 31 December 2017: US$39,000, 12 months ended 30 June 2018: US$96,000) were paid. As at 31 December 2018, US$nil (31 December 2017: US$nil, 30 June 2018: US$nil) was outstanding.

All intercompany loans and related interest are eliminated on consolidation.

12. Taxation provision

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

	Unaudited 31 Dec 2018 US$'000	Unaudited 31 Dec 2017 US$'000	Audited 30 Jun 2018 US$'000
Non-current liabilities			
Deferred taxation	**16,053**	18,037	17,940
Provisions for Macanese taxation	**647**	259	742
	16,700	18,296	18,682

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.

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

For the six-month period from 1 July 2018 to 31 December 2018

12. Taxation provision (continued)

Tax Reconciliation

	Unaudited 1 Jul 2018 - 31 Dec 2018 US$'000	Unaudited 1 Jul 2017 - 31 Dec 2017 US$'000	Audited 1 Jul 2017 - 30 Jun 2018 US$'000
Accounting (loss)/profit before tax	**(21,597)**	5,084	85,039
Exempt from income tax in Guernsey	**-**	-	-
Movement in deferred tax charge provision	**1,919**	(1,046)	(1,026)
Movement in provision for Macanese taxations	**62**	1,777	1,464
At the effective income tax rate of (9.2%) (31 Dec 2017: (14.4%), 30 Jun 2018: (0.5%))	**1,981**	731	438

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

13. Share capital

Ordinary shares

	Unaudited 31 Dec 2018 US$'000	Unaudited 31 Dec 2017 US$'000	Audited 30 Jun 2018 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 2017: 76.4 million; 30 June 2018: 76.4 million) ordinary shares of US$0.01 each	**618**	764	764

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 has renewed this authority at the 2018 Annual General Meeting.

A compulsory redemption of 14,597,231 shares was made for US$50.5 million, pro-rated amongst shareholders as at that date, by the Group on 24 July 2018.

14. Subsequent events

There have been no significant events occurring after the reporting date of the Interim Report for the period ended 31 December 2018.

Directors and Company Information

Directors
Mark Huntley (Chairman) (appointed to Board on 3 October 2018, appointed as Chairman on 12 November 2018)
Thomas Ashworth
Alan Clifton
Wilfred Woo
Chris Russell (retired at AGM on 12 November 2018)

Audit and Risk Committee
Alan Clifton (Chairman)
Wilfred Woo
Mark Huntley
Chris Russell (retired at AGM on 12 November 2018)

Management Engagement Committee
Mark Huntley (Chairman)
Alan Clifton
Wilfred Woo
Chris Russell (retired at AGM on 12 November 2018)

Nomination and Remuneration Committee
Alan Clifton (Chairman)
Thomas Ashworth
Wilfred Woo
Mark Huntley
Chris Russell (retired at AGM on 12 November 2018)

Manager
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British Virgin Islands

Investment Adviser
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