Macau Property Opportunities Fund

Interim Report for the six-month period ended 31 December 2019

Macau Property Opportunities Fund (MPO) is a closed-ended 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$294.2 million as at 31 December 2019.

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:
US Dollar/Sterling exchange rate used in this report is 1.312 based on the rate as at 31 December 2019.

Chairman's Message

During the six months to 31 December 2019 we have seen lower valuations and a reduced Net Asset Value for our Company amid a backdrop of subdued transaction levels, reflecting sustained caution among prospective investors in high-end residential property in Macau. Towards the end of the fourth quarter of calendar 2019, there were positive developments as US-China trade tensions eased and a new Macau Chief Executive was appointed, coinciding with a rare three-day visit to the territory by Chinese President Xi Jinping. Subsequently, however, the emergence of the coronavirus in mainland China served to greatly dampen sentiment and create further uncertainty in the immediate future.

President Xi voiced support for the direction that Macau is following, and praised the approach towards the "One Country Two Systems" policy. Adding to the positive tone was the long-awaited opening of Macau's Light Rapid Transit (LRT) system and encouraging visitor number statistics boosted by use of the Hong Kong-Zhuhai-Macau Bridge. The easing of trade tensions between the United States and China, albeit with a degree of caution, rounded off a somewhat encouraging end to another difficult period.

Against this backdrop, the Manager's continued efforts to secure sales also saw more encouraging levels of enquiries, although these had not resulted in transaction closures by the end of the period. Early in the New Year, the outbreak of the Covid-19 coronavirus in China and beyond has had a substantially negative impact on Macau visitor numbers, and has dampened the more positive mood that had been developing. It is too early to assess the full impact of the epidemic but rapid, coordinated global measures, including in Macau, offer some encouragement compared to the approach taken to SARS (Severe Acute Respiratory Syndrome) 17 years ago.

The Board appreciated shareholders' support for extending the Company's life for a further year and, as a consequence, lower management and administration fees came into effect from 1 January 2020. These lower costs, supported by meaningful reductions in debt-servicing obligations, are important as we navigate another period of unexpected, externally driven challenges.

Portfolio

The Waterside has benefited from a strong performance by the leasing team who have secured an improved and more diversified tenant base. The asset management has maintained *The Waterside*'s prominent position in Macau's high-end residential property market. The strata title for each floor affords a variety of options when presenting the building to prospective purchasers.

The maintenance of, and modest enhancements to, *Estrada da Penha* – which have been thoughtfully executed – have sought to incorporate feedback from agents and prospective purchasers as well as constituting necessary upkeep work on the property.

At *The Fountainside*, the sale of one unit together with car and motorbike spaces was welcome, and strong incentives remain in place to stimulate further sales, even though mortgage restrictions continue to weigh heavily as an obstacle to sales of larger units. A request to Macau's authorities to reconfigure the building so that the larger units can be converted into more marketable, smaller units is in progress. Once official consent is received, a key decision point will arise as to whether we proceed with the cost of conversion, which will necessarily take into account market circumstances and prospects at the time.

Each of the sites was inspected by the Board during the period and was found to be well maintained and in a good position for sale.

Asset disposal

The remaining assets in the portfolio form part of a divestment approach that has been clearly explained and is being implemented. Sales and marketing – which combines direct efforts by the Manager, respected local agents and international real estate brokers – continued, and was reflected in more encouraging levels of interest towards the end of the period. Although some of the factors underlying the "wait and see" approach taken by prospective investors in the high-end residential sector eased, the unfolding impact of the coronavirus has created further uncertainty and another significant challenge to work through. The very low transaction volumes that have prevailed since mortgage restrictions were introduced in Macau commencing in 2017 and capital controls were imposed in mainland China have persisted.

Costs and expenses

Revised fees for the Manager and the Administrator came into effect from 1 January 2020 as a consequence of the affirmative Continuation Vote. These revised fees, set out in detail in the letter that accompanied the Notice of the Annual General Meeting, have the effect of lowering the Company's operating costs in the second half of the current financial year. There are clear incentives for Sniper Capital (the Company's largest shareholder) to achieve sales in 2020.

It has been an important consideration that the Company has a Manager that is able to remain viable given its carefully assessed and necessary responsibilities, notwithstanding the obvious driver created by the size of its shareholding. These changes are comparable with similar changes implemented more generally across the investment company sector, but deliberately tailored to reflect the specific needs and objectives of the Company.

Further cost savings and the renegotiation of debt facilities were also welcome achievements by the Manager. These will also show through in the second half of the current financial year.

Macau

The appointment of Mr Ho Iat Seng as Macau's Chief Executive coincided with the 20th anniversary of the territory's handover to China, and was marked by a three-day visit by President Xi Jinping. President Xi made complimentary remarks about Macau's progress and achievements under the One Country Two Systems model. China's support for Macau and clear emphasis of the role it plays in the Greater Bay Area project are important underpinnings for the territory's future development and growth, especially given the viral outbreak.

Adding to the positive news during the visit by President Xi was the long-anticipated opening of the LRT system, coupled with improved visitor numbers, which offset some of the disappointment brought about by weaker growth in Macau's economy.

It is interesting to reflect on what has been delivered in just 20 years since Macau's handover to China: a nine-fold increase in economic activity, delivering the world's third-highest GDP per capita. Macau, also the world's biggest gaming hub, is now increasingly served by a more diverse economy. As a consequence, the territory's government has significant reserves for economic support and stimulus. Evidence of such action is already appearing.

Financial performance

The Company's adjusted Net Asset Value was US$156.0 million at the end of the period, a fall of 10.8% from 30 June 2019, with the portfolio valuation down by 4.7% at US$294.2 million. The Company had US$22.2 million in cash and total debt of US$146.2 million.

Outlook

The more positive tone we saw at the very end of the period, and the increase in sales enquiries, offers some encouragement after a succession of externally driven factors negatively affected the high-end residential sector in Macau and our divestment timetable. The Board and the Manager will maintain close dialogue and continue to press on with action to divest the remaining property assets, while recognising the uncertain and significant challenges created by the coronavirus outbreak. There is no question that Macau's new Chief Executive will be compelled to face those challenges, so we hope that strong and considered leadership will build on the progress that is so evident in both Macau's economic success and its comparable stability, and release some of the current constraints on the real estate sector.

MARK HUNTLEY
CHAIRMAN
MACAU PROPERTY OPPORTUNITIES FUND LIMITED
19 February 2020

Manager's Report

FINANCIAL OVERVIEW

	31 December 2019	30 June 2019
NAV (IFRS) (US$ million)	**115.2**	131.1
NAV per share (IFRS) (US$)	**1.86**	2.12
Adjusted NAV (US$ million)	**156.0**	174.9
Adjusted NAV per share (US$)	**2.52**	2.83
Adjusted NAV per share (pence)[1]	**192**	223
Share price (pence)	**111.5**	146
Share price discount to Adjusted NAV per share (%)	**42%**	35%
Portfolio valuation (US$ million)	**294.2**	311.1
Loan-to-value ratio (%)	**46%**	44%

1 Based on the following US Dollar/Sterling exchange rates 1.312 on 31 December 2019 and 1.270 on 30 June 2019.

Financial Review

The outbreak of the Covid-19 coronavirus has become the overriding concern relating to Macau's economy. Measures imposed to contain the virus such as temporary casino closures, suspensions of group travel and the freezing of individual travel visas have severely impacted Macau's tourism and GGR numbers.

These concerns have overshadowed positive news that included the signing of the US-China Phase 1 trade agreement in January as part of a more extensive trade pact. Infrastructure supporting Macau's development, such as the Light Rapid Transit (LRT), has begun operating, China has announced new policies to support Macau's economic diversification, and Macau's new Chief Executive has taken office with a determination to pursue sustainable growth.

In the current environment, making progress on property sales will be extremely challenging. Nevertheless, the Manager will continue any essential maintenance work to preserve value so that the Manager is well positioned to continue its sales initiatives when the current crisis abates.

Significantly revised fee structures for both the Manager and the Administrator came into effect from 1 January 2020 to reduce operating expenses.

Half-Year Financial Results

The value of MPO's portfolio, which now comprises three main assets, was US$294.2 million as at 31 December 2019. On a like-for-like comparison, this reflects a decline of 4.7% over the six-month period.

Adjusted Net Asset Value (NAV) was US$156.0 million, which translates to US$2.52 (192 pence) per share, a decline of 11% over the period. IFRS NAV was US$115.2 million as of the period's end, equating to US$1.86 (142 pence) per share, a decline of 12.1%.

As at 31 December 2019, MPO's share price was 111.5 pence, representing a 42% discount to its Adjusted NAV per share.

Capital Management

As at 31 December 2019, MPO had total assets worth US$276.2 million, offsetting combined liabilities of US$161.0 million. The Fund's consolidated cash balance was US$22.2 million, of which US$1.9 million was pledged as collateral for credit facilities. Gross borrowing stood at US$146.2 million, equating to a loan-to-value ratio of 46.2%.

As the Company seeks 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.

Extension of Company Life

At the Company's Annual General Meeting in November, shareholders passed a resolution to extend its life by one year until the next continuation vote in late 2020 to permit an orderly divestment of its portfolio. The conditions for the extension were aimed at enhancing shareholder value by restructuring fees to reduce operating expenses, while ensuring that the Manager is appropriately incentivised to achieve satisfactory divestments.

From 1 January 2020, management fees were reduced from 2% to 1% of Adjusted NAV for calendar 2020, and they will be reduced to zero for calendar 2021. A tiered structure of realisation fees and an extra incentive fee will be paid to the Manager if realised values exceed pre-set thresholds and if sales are concluded within agreed timeframes.

Portfolio Updates

PORTFOLIO OVERVIEW AS AT 31 DECEMBER 2019

	SECTOR	NO. OF UNITS	COSTS (US$ million)	MARKET VALUATION (US$ million)	CHANGES IN MARKET VALUE Since 30 June 2019	COMPOSITION (Based on market value)
The Waterside *Tower Six of One Central Residences**	Luxury residential	59	100.8	212.4	-6.0%	72.2%
One Central Residences *Strata units*	Luxury residential	2	4.3	5.8	-6.0%	2.0%
The Fountainside**	Low-density residential	11	8.5	29.7	-3.3%	10.1%
Estrada da Penha	Luxury residential	1	28.3	46.3	0.3%	15.7%
Total			**141.9**	**294.2**	**-4.7%**	**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 2019 to reflect like-for-like comparisons to 31 December 2019 due to property sales during the period.

The Waterside

The Waterside is MPO's landmark development in downtown Macau, comprising 59 luxury residential apartments for lease.

Despite the challenging environment, *The Waterside*'s occupancy level improved from 55% to 58% over the six-month period. The improved occupancy rate was the result of the Manager's engagement with new and existing tenants, and attractive incentives to secure leases. The average rental rate remained stable at HK$21.65 (US$2.78) per square foot per month.

The divestment of *The Waterside* remains a key focus. The Manager is continuing to work towards an en-bloc divestment of the asset, and held discussions with a wide range of parties during 2019. Discussions are being carried forward into 2020 through the Manager's local and international network. Meanwhile, our asset management team continues to maintain and improve the appeal of the development through targeted works to ensure that it is well positioned for both sale and ongoing leasing.

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.

Sales of *The Fountainside*'s units remained subdued as a consequence of the Macau government's introduction of stricter mortgage policies to curb speculation.

Nevertheless, in H2 2019, the Company closed sales transactions collectively worth HK$17 million (US$2.2 million), involving one residential unit, two car-parking spaces and five motorcycle-parking spaces. At the end of 2019, 11 residential units and one car-parking space remained available for sale.

As current market demand favours smaller, more affordable units, the Company applied to Macau's authorities to reconfigure *The Fountainside*'s six largest units into 12 smaller apartments. A full submission was made in September, and the Company expects to receive a response in Q2 2020, after those authorities resume work. Once approval is obtained, and before construction work commences, the Company will reassess its position to determine the best approach to deliver the optimal return to shareholders.

In the meantime, further apartment sales remain the Company's highest priority.

The Fountainside

Estrada da Penha

E*strada da Penha* is a prestigious, colonial-style villa with a gross floor area of approximately 12,000 square feet atop the exclusive residential enclave of Penha Hill.

Economic policies announced recently by Beijing to boost Macau's position in the Greater Bay Area may enhance the attractiveness of Macau properties, including trophy homes such as *Estrada da Penha*. The Manager is working closely with its local and international network to market the villa.

Further renovation work on the villa's interior and exterior has been carried out, enhancing its appeal, and the Company has received several inquiries following its marketing efforts.

A US$10 million bank loan against the property that was due to mature in December 2019 has been extended until June 2021 to coincide with the maturity date of the other term loan against the property.

The key terms of the facility remain unchanged.

Estrada da Penha

Macroeconomic Outlook

Optimism Hit Since End of 2019

The recent coronavirus outbreak has had a rapid and significant negative impact on Macau, affecting the tourism, gaming, hotel, retail and food & beverage sectors. This follows an already challenging 2019, with Macau's GDP forecast to shrink by 2.5% in real terms year on year (YoY), led by a larger decline in exports of services.

The trade war has dragged down growth in China, which has affected tourist spending in Macau. It has also created a climate of uncertainty, leading investors to adopt a "wait-and-see" attitude to big-ticket investments. Although there was optimism that Macau's economy would return to a growth trajectory following the Phase 1 US-China trade deal, this has been dampened by worries over the impact of the coronavirus outbreak, especially on the city's tourism and GGR as the number of visitors from mainland China has slowed significantly.

Nevertheless, China's central bank and financial sector regulators have reacted quickly to alleviate liquidity issues and to reassure the markets. In addition to lower lending rates, credit support and other measures have been announced to assist companies suffering business disruptions due to the virus outbreak.

Mainland China and Macau's governments have reacted swiftly in order to confine the virus outbreak and implemented various measures, including cancellations of package tours, suspensions of individual travel permits for mainland Chinese visiting the territory, and the temporary closure of casinos for 15 days. Despite the severe short-term impact on the tourism industry and the local economy, these measures seem to have been effective when it comes to controlling the virus outbreak locally, with no new infections having been recorded since 5 February.

Macau's government has also announced measures to mitigate the impact of the outbreak on the local economy, including a waiver of rents on government-owned properties for three months, effective from 1 February 2020, and earlier distributions of cash to individual Macau residents.

20th Anniversary of Handover Sees New Chief Executive Advocate Closer Integration with China

On 20 December 2019, Macau celebrated the 20th anniversary of its handover to mainland China and the swearing in of Mr Ho Iat Seng as the territory's new Chief Executive by Chinese President Xi Jinping.

President Xi reiterated China's vision for Macau's participation in the Belt and Road and Greater Bay Area initiatives, paving the way for its economic diversification. Mr Ho echoed his remarks, highlighting Macau's need to reduce its reliance on gaming and to pursue broader integration with the Greater Bay Area for long-term sustainability.

As a follow up, China announced a raft of new policies to spur Macau's integration with the Greater Bay Area, including support for efforts by Macau banks to set up branches on the Chinese mainland, and allowing mainland insurance funds to invest in Macau. These measures are all but certain to boost Macau's economy over the longer term.

GGR Recovery Prospects Impacted by Coronavirus

Macau's GGR fell 3.4% YoY in 2019. VIP gaming revenue contracted 19% YoY to account for 46% of total GGR, and was overtaken by mass-market gaming, which grew 15% YoY.

For 2020, analysts had expected GGR to grow, albeit in a modest, single-digit percentage range, amid improved economic conditions, a recovery in Asian travel, and the opening of new resorts. Dampeners such as competing VIP gaming markets and tightening regulatory measures targeting VIP gaming are not expected to adversely affect the industry in 2020. Nevertheless, the coronavirus outbreak is likely to dash hopes of a recovery in the short term, with forecasts for February indicating an 80% YoY decline in GGR. Macau's government instructed all casino operators to suspend operations for 15 days from 5 February. As there have been no new confirmed cases since the temporary casino closure, the government has announced that casinos can reopen on 20 February, unless they apply for a grace period.

Gaming Operators Intentions

Despite the uncertainties surrounding the expiry of their concessions in 2022, gaming operators proceeded with expansion plans, albeit at a slower pace, during calendar 2019. They have anticipated a shift towards non-gaming revenues to support the government's ambition to diversify Macau's economy.

Upcoming highlights this year include the openings of the Grand Lisboa Palace, SJM's new US$5 billion integrated resort, and Sands China's 370 suites in the St Regis Tower, both due to commence operations in H2 2020. However, these launches may be affected by the coronavirus outbreak, which has had a rapid and severe negative impact on the tourism industry and the economy.

Macau as a World-class Tourism and Leisure Hub

In 2019, visitor arrivals to Macau hit another record of 39.4 million, a 10.1% YoY increase. The average length of stay among all visitors remained stable at 1.2 days.

A jump in same-day visitors and those arriving by land has been largely attributed to the Hong Kong-Zhuhai-Macau Bridge, which has made it very convenient for residents of Guangdong Province to take day-trips to Macau.

A total of 123 hotels and guesthouses were operating in Macau at the end of December 2019 and the average occupancy rate remained stable at circa 90%.

Macau has made good progress towards long-term growth and sustainability in its tourism industry, and we expect this to be a positive factor in implementing a recovery from the coronavirus crisis.

Improved Connectivity to and around Macau

Infrastructure projects connecting Macau externally and internally are potential game-changers for the economy that appear set to boost mass-market GGR and to drive growth in non-gaming revenues in sectors such as MICE, retail and food & beverage. They are also expected to accelerate the integration of the Greater Bay Area, which may boost demand for high-end residential properties.

In December, Macau's much anticipated LRT began operating its Taipa phase. The LRT extension carried 69,000 passengers during its first three days of operations.

Developments on the island of Hengqin are also pivotal for Macau. Construction of the new Hengqin Port is complete, and the facility is expected to open in Q1 2020. The checkpoint has the capacity to handle 222,000 daily crossings.

The Hong Kong-Zhuhai-Macau Bridge completed its first year of operations in October 2019. It was crossed by 1.5 million vehicles carrying 14 million people, and usage has been increasing steadily. The bridge has made travel between Hong Kong International Airport and Macau so convenient that Hong Kong's airport is regarded as Macau's second "local" airport.

Macau International Airport handled a record 9.6 million passengers in 2019, a 16% increase YoY.

Risks and Uncertainties

Macau's economic vulnerability to external factors means potential headwinds could continue to affect the economy.

The outbreak of the coronavirus has raised fresh worries over China's economic growth. This has been compounded by the World Health Organisation's declaration of a global health emergency. The Chinese government is acting aggressively to contain the virus through quarantines and lock-downs of the worst-affected cities, but the full impact on the country's economy will not be known for some time.

Measures directly affecting Macau include cancellations of package tours and the suspension of individual travel visas for Chinese citizens to visit the territory, which will significantly reduce visitor numbers in the near term. In addition, Macau's government instructed all casino operators to suspend operations for 15 days until 20 February.

China's GDP grew just 6.1% in 2019, its lowest level since the country began opening up its economy. Although China has lowered its 2020 GDP target to 6%, some analysts believe that the actual number may now be much lower, given the impact of the coronavirus and the uncertain time frame for its control. Macau will also be affected as China's slowing growth and a weaker yuan will dampen spending by mainland tourists.

Although the escalation of the US-China trade war appears to have halted, with the Phase 1 agreement addressing some of the trade tensions between the two countries, tensions over China's subsidies to state-owned enterprises and other critical issues remain unresolved and may yet disrupt the fragile truce.

China's ongoing anti-corruption campaign and stringent capital controls continue to affect VIP gaming, and the current lack of clarity over the renewal of gaming concessions is another potential risk.

Property Market Overview

Macau's residential property market slumped in H1 2019, with the total number of transactions plunging 42% YoY. However, it improved in H2 2019, with transactions increasing by 0.8% YoY to 3,825. For full-year 2019, volume was down 27% YoY, with 7,745 transactions concluded. The average transaction price fell by approximately 2% YoY to HK$9,838 per square foot (US$1,266 per square foot).

In the first 11 months of 2019, the average transacted property value was US$0.76 million (MOP6.1 million), indicating buyers' preference for more affordable real estate. Purchases by first-time buyers continued to account for more than 80% of all residential property transactions in 2019, with the balance comprising second-time or above home buyers. According to the Monetary Authority of Macao, from January to November, new approvals of residential mortgage loans totalled US$5.2 billion (MOP41.6 billion), down 28% YoY, with local residents accounting for nearly 98% of the total.

Luxury Residential Segment Remains Subdued

In the luxury residential property segment, sentiment is still muted. According to real estate agency JLL, the capital values of high-end residential properties declined by 5.3% during the year, and those of mass-market to mid-range residential properties declined by 3.6% during the same period.

The Company's portfolio falls into the price category of above MOP8 million (US$1 million), in which property investors face anti-speculation measures such as higher stamp duties for second and third properties, alongside strict mortgage policies. Buyers are therefore adopting a cautious stance when it comes to making high value investments.

Neighbouring Property Markets

In Zhuhai, residential property sales were active in 2019, buoyed by recent developments such as improved connectivity within the Greater Bay Area and an easing of residential property purchase policies. In Hengqin, the new port will further boost connectivity in the Greater Bay Area, and rules governing residential property purchases there have been relaxed to attract Hong Kong and Macau residents. Since January 2020, the residential property market has been muted following the holiday season and the coronavirus outbreak, with real estate agents forecasting a lull in transactions until the outbreak is brought under control.

Hong Kong's economy fell into recession in 2019 amid ongoing political unrest. The city's residential property market was also affected, with the number of transactions falling for five straight months from June to October, although residential sales returned to growth after receiving a boost in October 2019, when the government relaxed its mortgage policies. Analysts at JLL predict that the policy relaxation could result in a change in buyer preferences towards bigger units involving larger lump sum. However, new property launches are expected to be pushed back due to the virus outbreak, and sentiment is expected to be affected by the uncertainty.

Looking ahead

The coronavirus outbreak has significantly impacted the more encouraging expectations for 2020. Because its severity, the extent of its spread and its likely duration remain largely unknown, its impact on China's economy and the spillover effects on Macau are at present uncertain. The immediate impact on Macau was a circa 80% YoY fall in visitor arrivals over the peak Chinese New Year holiday. As a result, GGR declined 11.3% YoY in January. It is reasonable to expect a more substantial shortfall for February.

The outlook for tourism, however, remains positive over the longer term. The Economist Intelligence Unit expects Macau's mass tourism to increase thanks to rising average incomes in China, despite an expected slowdown in the Chinese economy in 2020–21. Analysts at research firm Bernstein expect a sharp recovery in Macau visitor arrivals and in its gaming market once the current situation stabilises.

Despite the current challenges being faced, we believe that Macau's economic fundamentals remain intact. Nevertheless, amid uncertainties as to how long, severe and widespread the virus outbreak will be, as well as how quickly vaccines can be successfully developed, it is likely that the territory's economy and property market will remain sluggish during the first half of 2020.

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

19 February 2020

Interim Condensed Consolidated Statement of Financial Position (Unaudited)

As at 31 December 2019

	Note	Unaudited 31 Dec 2019 US$'000	Unaudited 31 Dec 2018 US$'000	Audited 30 Jun 2019 US$'000
ASSETS				
Non-current assets				
Investment property	3	**212,415**	233,527	225,885
Deposits with lenders	4	**1,885**	1,597	1,608
Trade and other receivables		**112**	110	110
		214,412	235,234	227,603
Current assets				
Inventories	5	**41,091**	41,558	41,453
Trade and other receivables		**326**	183	192
Deposits with lenders	4	**-**	212	235
Cash and cash equivalents		**20,364**	31,446	26,980
		61,781	73,399	68,860
Total assets		**276,193**	308,633	296,463
EQUITY				
Capital and reserves attributable to the Company's equity holders				
Share capital	12	**618**	618	618
Retained earnings		**99,169**	127,693	115,438
Distributable reserves		**15,791**	15,791	15,791
Foreign currency translation reserve		**(351)**	(1,013)	(788)
Total equity		**115,227**	143,089	131,059
LIABILITIES				
Non-current liabilities				
Deferred taxation provision	11	**13,398**	16,053	15,083
Taxation provision	11	**419**	647	804
Interest-bearing loans	6	**73,875**	126,498	123,855
		87,692	143,198	139,742
Current liabilities				
Trade and other payables		**1,458**	1,475	2,286
Interest-bearing loans	6	**71,816**	20,871	23,376
		73,274	22,346	25,662
Total liabilities		**160,966**	165,544	165,404
Total equity and liabilities		**276,193**	308,633	296,463
Net Asset Value per share (US$)	8	**1.86**	2.31	2.12
Adjusted Net Asset Value per share (US$)	8	**2.52**	3.04	2.83

The interim condensed consolidated financial statements were approved by the Board of Directors and authorised for issue on 19 February 2020.

The notes on pages 39 to 50 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 2019 to 31 December 2019

	Note	Unaudited 6 months 1 Jul 2019 - 31 Dec 2019 US$'000	Unaudited 6 months 1 Jul 2018 - 31 Dec 2018 US$'000	Audited 12 months 1 Jul 2018 - 30 Jun 2019 US$'000
Income				
Income on sale of inventories	5	**2,180**	558	1,183
Rental income		**1,435**	1,502	2,770
Other income		**-**	5	5
		3,615	2,065	3,958
Expenses				
Net loss from fair value adjustment on investment property	3	**14,410**	15,993	24,357
Cost of sales of inventories	5	**755**	341	542
Management fee	10	**1,863**	2,480	4,491
Non-executive directors' fees	10	**89**	100	189
Auditors' remuneration: audit fees		**26**	32	108
Property operating expenses		**544**	644	1,297
Sales and marketing expenses		**389**	105	168
General and administration expenses		**386**	453	832
Loss on foreign currency translation		**68**	111	49
		(18,530)	(20,259)	(32,033)
Operating loss for the period/year		**(14,915)**	(18,194)	(28,075)
Finance income and expenses				
Bank loan interest	6	**(3,100)**	(3,252)	(6,514)
Other financing costs		**(162)**	(163)	(324)
Bank and other interest		**24**	12	29
		(3,238)	(3,403)	(6,809)
Loss for the period/year before tax		**(18,153)**	(21,597)	(34,884)
Taxation	11	**1,884**	1,981	3,013
Loss for the period/year after tax		**(16,269)**	(19,616)	(31,871)
Items that may be reclassified subsequently to profit or loss				
Exchange difference on translating foreign operations		**437**	494	719
Total comprehensive loss for the period/year		**(15,832)**	(19,122)	(31,152)
Loss attributable to:				
Equity holders of the Company		**(16,269)**	(19,616)	(31,871)
Total comprehensive loss attributable to:				
Equity holders of the Company		**(15,832)**	(19,122)	(31,152)

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

For the six-month period from 1 July 2019 to 31 December 2019

	Note	**Unaudited 6 months 1 Jul 2019 - 31 Dec 2019 US$**	Unaudited 6 months 1 Jul 2018 - 31 Dec 2018 US$	Audited 12 months 1 Jul 2018 - 30 Jun 2019 US$
Basic and diluted loss per Ordinary Share attributable to the equity holders of the Company during the period/year	7	**(0.2631)**	(0.3136)	(0.5124)

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

The notes on pages 39 to 50 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 2019 to 31 December 2019 (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 2019	618	115,438	15,791	(788)	131,059
Loss for the period	-	(16,269)	-	-	(16,269)
Items that may be reclassified subsequently to profit or loss					
Exchange difference on translating foreign operations	-	-	-	437	437
Total comprehensive loss for the period	-	(16,269)	-	437	(15,832)
Balance carried forward at 31 December 2019	618	99,169	15,791	(351)	115,227

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 year from 1 July 2018 to 30 June 2019 (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 2018	764	147,309	66,208	(1,507)	212,774
Loss for the year	-	(31,871)	-	-	(31,871)
Items that may be reclassified subsequently to profit or loss					
Exchange difference on translating foreign operations	-	-	-	719	719
Total comprehensive loss for the year	-	(31,871)	-	719	(31,152)
Share buy back	(146)	-	(50,417)	-	(50,563)
Balance carried forward at 30 June 2019	618	115,438	15,791	(788)	131,059

The notes on pages 39 to 50 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 2019 to 31 December 2019

	Note	**Unaudited 6 months 1 Jul 2019 - 31 Dec 2019 US$'000**	Unaudited 6 months 1 Jul 2018 - 31 Dec 2018 US$'000	Audited 12 months 1 Jul 2018 - 30 Jun 2019 US$'000
Net cash used in operating activities	9	**(327)**	(472)	(1,965)
Cash flows from investing activities				
Capital expenditure on investment property	3	**(228)**	(299)	(502)
Movement in pledged bank balances		**(42)**	5,110	5,076
Net cash (used in)/generated from investing activities		**(270)**	4,811	4,574
Cash flows from financing activities				
Proceeds from bank borrowings		**-**	10,214	10,239
Repayment of bank borrowings		**(2,191)**	(10,407)	(11,059)
Share buy back		**-**	(50,563)	(50,563)
Interest and bank charges paid		**(3,900)**	(3,203)	(5,738)
Net cash used in financing activities		**(6,091)**	(53,959)	(57,121)
Net movement in cash and cash equivalents		**(6,688)**	(49,620)	(54,512)
Cash and cash equivalents at beginning of period/year		**26,980**	81,290	81,290
Effect of foreign exchange rate changes		**72**	(224)	202
Cash and cash equivalents at end of period/year		**20,364**	31,446	26,980

The notes on pages 39 to 50 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 2019 to 31 December 2019

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 51.

The interim condensed consolidated financial statements for the six months ended 31 December 2019 comprise the interim financial statements of the Company and its subsidiaries (together referred to as the "Group"). The Group invests in residential property in Macau.

There have been changes to the Group's principal and operating risks and uncertainties in the six-month period to 31 December 2019 due to the impact of the outbreak of coronavirus in mainland China and beyond. Principal risks and uncertainties are further discussed in the Manager's Report on page 10.

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 19 February 2020.

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 basis, except for financial assets and liabilities held at fair value through profit or loss ("FVPL") and investment properties that have been measured at fair value. The accounting policies and valuation principles adopted are consistent with those of the previous financial year.

The interim condensed consolidated financial statements have been prepared in accordance with International Accounting Standard ("IAS") 34, Interim Financial Reporting. The same accounting policies and methods of computation are followed in the interim financial statements as compared with the annual financial statements. The interim condensed consolidated financial statements do not include all information and disclosures required in the annual financial statements and should be read in conjunction with the Group's annual financial statements as of 30 June 2019.

New and amended standards and interpretations applied

The following amendments to existing standards and interpretations are effective for the year ended 30 June 2020 and therefore were applied in the current period but did not have a material impact on the Group:

- IFRS 16 Leases

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 2019, the Directors have reviewed the comprehensive cash flow forecasts prepared by management which make assumptions based upon current and expected future market conditions, including predicted future sales of properties taking into consideration current market circumstances. It is the Directors' belief that, based upon these forecasts and their assessment of the Group's committed banking facilities, it is appropriate to prepare the financial statements of the Group on a going concern basis.

The Directors, after the continuation resolution was passed at the Annual General Meeting of the Company on 29 November 2019 extending the Fund's life until 30 November 2020, assessed whether the continuation vote before the end of 2020 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 have received continuation support from major shareholders and over 50% of shareholder support is required in November 2020 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 2020 agreed at the Annual General Meeting on 29 November 2019 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 2019 to 31 December 2019

3. *Investment property*

	Unaudited 1 Jul 2019 - 31 Dec 2019 US$'000	Unaudited 1 Jul 2018 - 31 Dec 2018 US$'000	Audited 1 Jul 2018 - 30 Jun 2019 US$'000
At beginning of the period/year	**225,885**	248,763	248,763
Capital expenditure on property	**228**	299	502
Fair value adjustment	**(14,410)**	(15,993)	(24,357)
Exchange difference	**712**	458	977
Balance at end of the period/year	**212,415**	233,527	225,885

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 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 2019 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 independently determined by Savills, using recognised valuation techniques. The technique deployed was the income capitalisation method. The determination of the fair value of investment property requires the use of estimates such as future cash flows from assets (such as lettings, tenants' profiles, future revenue streams, capital values of fixtures and fittings, plant and machinery, any environmental matters and the overall repair and condition of the property) and discount rates applicable to those assets. These estimates are based on local market conditions existing at the reporting date.

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

Capital expenditure in the period relates to *The Waterside*.

Rental income arising from *The Waterside* of US$1,435,000 (6 months ended 31 December 2018: US$1,502,000, 12 months ended 30 June 2019: US$2,770,000) was received during the period. Direct operating expenses of US$459,000 (6 months ended 31 December 2018: US$459,000, 12 months ended 30 June 2019: US$1,070,000) 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$115,000 (6 months ended 31 December 2018: US$120,000, 12 months ended 30 June 2019: US$257,000).

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 2019: US$'000	Valuation technique	Input	Unobservable and observable inputs used in determination of fair values	Other key information
Name	*The Waterside*	212,415	Term and Reversion Analysis	Term rent (inclusive of management fee and furniture)	HK$21.6 psf (30 June 2019: HK$21.5 psf)	Age of building
Type	Residential/ Completed apartments			Term yield (exclusive of management fee and furniture)	1.4% – 2.2% (30 June 2019: 1.4% – 2.2%)	Remaining useful life of building
Location	One Central Tower 6 Macau			Reversionary rent (exclusive of management fee and furniture)	HK$16.6 psf (30 June 2019: HK$17.8 psf)	
				Reversionary yield	1.7 % (30 June 2019: 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$11 million (6 months ended 31 December 2018: US$12 million, 12 months ended 30 June 2019: US$11 million) or decrease by US$11 million (6 months ended 31 December 2018: US$12 million, 12 months ended 30 June 2019: US$11 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$10 million (6 months ended 31 December 2018: US$11 million, 12 months ended 30 June 2019: US$11 million) or increase by US$11 million (6 months ended 31 December 2018: US$12 million, 12 months ended 30 June 2019: US$12 million).

The same valuation method was deployed in June 2019 and December 2019.

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 granted to the Group. Deposits amounting to US$1.9 million (31 December 2018: US$1.6 million, 30 June 2019: US$1.6 million) have been pledged to secure long-term banking facilities and are, therefore, classified as non-current assets. There are no other significant terms and conditions associated with these pledged bank balances.

	Unaudited 31 Dec 2019 US$'000	Unaudited 31 Dec 2018 US$'000	Audited 30 Jun 2019 US$'000
Non-current	**1,885**	1,597	1,608
Current	**-**	212	235
	1,885	1,809	1,843

5. Inventories

	Unaudited 1 Jul 2019 - 31 Dec 2019 US$'000	Unaudited 1 Jul 2018 - 31 Dec 2018 US$'000	Audited 1 Jul 2018 - 30 Jun 2019 US$'000
Cost			
Balance brought forward	**41,453**	41,897	41,897
Additions	**254**	42	42
Disposals	**(759)**	(459)	(664)
Exchange difference	**143**	78	178
Balance carried forward	**41,091**	41,558	41,453
Adjustment to net realisable value			
Balance brought forward	**-**	(120)	(120)
Write-back to net realisable value	**-**	120	120
Balance carried forward	**-**	-	-
Carrying amounts	**41,091**	41,558	41,453

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 2019 amounts to US$41,091,000 (6 months ended 31 December 2018: US$41,558,000, 12 months ended 30 June 2019: US$41,453,000). Net realisable value as at 31 December 2019 as determined by independent, professionally-qualified valuer, Savills, was US$81,006,000 (6 months ended 31 December 2018: US$85,815,000, 12 months ended 30 June 2019: US$84,404,000).

During the period ended 31 December 2019, one residential unit, two car parking spaces and five motorcycle spaces of *The Fountainside* were sold for a total consideration of US$2.2 million (HK$17.1 million) against a total cost of US$0.8 million (HK$5.9 million) which resulted in a net proceed of US$1.4 million (HK$11.2 million).

5. *Inventories (continued)*

During the year ended 30 June 2019, three car parking spaces and six motorcycle spaces at *The Fountainside* and the Smaller Property were sold for a total consideration of US$1.2 million (HK$9.3 million) against a total cost of US$0.6 million (HK$4.3 million) which resulted in a net profit of US$0.6 million (HK$5.0 million) after all associated fees and transaction costs.

During the period ended 31 December 2018, one 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.

6. *Interest-bearing loans*

	Unaudited 31 Dec 2019 US$'000	Unaudited 31 Dec 2018 US$'000	Audited 30 Jun 2019 US$'000
Bank loans - Secured			
- Current portion	**71,816**	20,871	23,376
- Non-current portion	**73,875**	126,498	123,855
	145,691	147,369	147,231

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 2019, four tranches remained outstanding. Tranche 3 had an outstanding balance of HK$300 million (US$38.4 million) (31 December 2018: HK$300 million (US$38.3 million), 30 June 2019: HK$300 million (US$38.5 million)); Tranche 4 had an outstanding balance of HK$40 million (US$5.1 million) (31 December 2018: HK$40 million (US$5.1 million), 30 June 2019: HK$40 million (US$5.1 million)); Tranche 5 had an outstanding balance of HK$132 million (US$17.0 million) (31 December 2018: HK$132 million (US$16.9 million), 30 June 2019: HK$132 million (US$16.9 million)); and Tranche 6 had an outstanding balance of HK$428 million (US$55.0 million) (31 December 2018: HK$428 million (US$54.6 million), 30 June 2019: HK$428 million (US$54.8 million)).

The interest rates applicable to Tranche 3, Tranche 4, Tranche 5 and Tranche 6 of the term loan were revised from 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 to 1.90% per annum over the 1-week, 1-, 2- or 3-month HIBOR for all tranches in September 2019. 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 2019, the loan-to-value ratio for the Hang Seng One Central facility was 52.98%. 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 has a loan facility for *The Fountainside*.

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

For the six-month period from 1 July 2019 to 31 December 2019

6. *Interest-bearing loans (continued)*

ICBC Macau

As at 31 December 2019, the facility had an outstanding balance of HK$89.0 million (US$11.4 million) (31 December 2018: HK$110.9 million (US$14.2 million), 30 June 2019: HK$106.0 million (US$13.6 million)). Sales proceeds of US$nil (31 December 2018: US$nil, 30 June 2019: US$5,000) were pledged with the lender.

The Group has a HK$220 million (US$28.3 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 2019, the loan-to-value ratio for *The Fountainside* facility was 38.51%. 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.

The Group has two loan facilities for *Estrada da Penha*:

Banco Tai Fung

The loan facility with Banco Tai Fung originally had a term of two years and the facility amount was HK$70 million which expired in June 2019 and was subsequently renewed for another term of two years. Interest was charged at 2.3% per annum over the 3-month HIBOR rate and was revised to Prime Rate minus 1.375% per annum in June 2019. Repayment is due in full at maturity in June 2021. As at 31 December 2019, the facility had an outstanding balance of HK$70 million (US$9.0 million) (31 December 2018: HK$70 million (US$9.0 million), 30 June 2019: 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 2019, the loan-to-value ratio for this facility was 42.42%. There is no loan-to-value covenant for this loan.

ICBC Macau

The loan facility with Industrial and Commercial Bank of China (Macau) Limited originally had a term of two years. Interest was 2.3% per annum over the 3-month HIBOR rate and repayment was due in full at maturity in December 2019. It was subsequently renewed for another term until June 2021 at the same interest rate. As at 31 December 2019, the facility had an outstanding balance of HK$79 million (US$10.1 million) (31 December 2018: HK$79 million (US$10.1 million), 30 June 2019: 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 2019, the loan-to-value ratio for this facility was 40.31%.

Bank Loan Interest

Bank loan interest paid during the period was US$3,100,000 (6 months ended 31 December 2018: US$3,252,000, 12 months ended 30 June 2019: US$6,514,000). As at 31 December 2019, the carrying amount of interest-bearing loans included unamortised prepaid loan arrangement fee of US$484,000 (31 December 2018: US$762,000, 30 June 2019: US$621,000).

6. *Interest-bearing loans (continued)*

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 2019, the fair value of the financial liabilities was US$401,000 higher than the carrying value of the financial liabilities (31 December 2018: US$194,000 higher than the carrying value of the financial liabilities, 30 June 2019: US$101,000 higher than the carrying value of the financial liabilities).

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

7. *Basic and diluted loss per Ordinary Share*

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

	Unaudited 6 months 1 Jul 2019 - 31 Dec 2019	Unaudited 6 months 1 Jul 2018 - 31 Dec 2018	Audited 12 months 1 Jul 2018 - 30 Jun 2019
Loss for the period/year (US$'000)	**(16,269)**	(19,616)	(31,871)
Weighted average number of Ordinary Shares ('000)	**61,836**	62,550	62,196
Basic and diluted loss per share (US$)	**(0.2631)**	(0.3136)	(0.5124)

8. *Net asset value reconciliation*

	Unaudited 31 Dec 2019 US$'000	Unaudited 31 Dec 2018 US$'000	Audited 30 Jun 2019 US$'000
Net assets attributable to ordinary shareholders	**115,227**	143,089	131,059
Uplift of inventories held at cost to market value	**40,733**	45,124	43,803
Adjusted Net Asset Value	**155,960**	188,213	174,862
Number of Ordinary Shares Outstanding ('000)	**61,836**	61,836	61,836
NAV per share (IFRS) (US$)	**1.86**	2.31	2.12
Adjusted NAV per share (US$)	**2.52**	3.04	2.83
Adjusted NAV per share (£)*	**1.92**	2.39	2.23

* US$:GBP rates as at relevant period end

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

For the six-month period from 1 July 2019 to 31 December 2019

8. *Net asset value reconciliation (continued)*

The NAV per share is arrived at by dividing the net assets as at the date of the consolidated statement of financial position, by the number of Ordinary Shares in issue at that date.

Under IFRS, inventories are carried at the lower of cost and net realisable value. The Adjusted NAV includes the uplift of inventories to their market values before any tax consequences or adjustments.

The Adjusted NAV per share is derived by dividing the Adjusted 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.

9. *Cash flows from operating activities*

	Unaudited 6 months 1 Jul 2019 - 31 Dec 2019 US$'000	Unaudited 6 months 1 Jul 2018 - 31 Dec 2018 US$'000	Audited 12 months 1 Jul 2018 - 30 Jun 2019 US$'000
Cash flows from operating activities			
Loss for the period/year before tax	**(18,153)**	(21,597)	(34,884)
Adjustments for:			
Net loss from fair value adjustment on investment property	**14,410**	15,993	24,357
Write-back of inventories to net realisable value	**-**	(120)	(120)
Net finance costs	**3,238**	3,403	6,809
Operating cash flows before movements in working capital	**(505)**	(2,321)	(3,838)
Effect of foreign exchange rate changes	**68**	494	49
Movement in trade and other receivables	**(136)**	1,243	1,234
Movement in trade and other payables	**(236)**	(69)	(25)
Movement in inventories	**505**	417	622
Net change in working capital	**133**	1,591	1,831
Taxation paid	**(23)**	(236)	(7)
Net cash used in operating activities	**(327)**	(472)	(1,965)

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

10. Related party transactions

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

	Unaudited 6 months 1 Jul 2019 - 31 Dec 2019 US$'000	Unaudited 6 months 1 Jul 2018 - 31 Dec 2018 US$'000	Audited 12 months 1 Jul 2018 - 30 Jun 2019 US$'000
Directors' fees	**89**	100	189

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 2019 were US$39,000 (31 December 2018: US$46,000, 30 June 2019: US$38,000).

Thomas Ashworth retired as a Director at the Annual General Meeting on 29 November 2019. Thomas Ashworth has a beneficial interest in and is a Director of Sniper Capital Limited, is a shareholder and Director of Adept Capital Partners Services Limited and has a beneficial interest in and is a Director of Bela Vista Property Services Limited ("Bela Vista").

No performance fee was accrued at period end (31 December 2018: US$nil, 30 June 2019: US$nil). No performance fee was paid during the period (6 months ended 31 December 2018: US$nil, 12 months ended 30 June 2019: US$nil).

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$1,863,000 (6 months ended 31 December 2018: US$2,480,000, 12 months ended 30 June 2019: US$4,491,000) at a fee of 2.0% per annum of the Net Asset Value (1.0% per annum from 1 January 2020), as adjusted to reflect the Property Investment Valuation Basis. Thomas Ashworth received no Directors' fees from the Group.

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$29,000 of which US$nil was outstanding at the period end (31 December 2018: US$34,000 of which US$nil was outstanding, 30 June 2019: US$63,000 of which US$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$3,000 (6 months ended 31 December 2018: US$5,000, 12 months ended 30 June 2019: US$5,000) were paid. As at 31 December 2019, US$nil (31 December 2018: US$nil, 30 June 2019: US$nil) was outstanding.

All intercompany loans and related interest are eliminated on consolidation.

11. Taxation provision

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

	Unaudited 31 Dec 2019 US$'000	Unaudited 31 Dec 2018 US$'000	Audited 30 Jun 2019 US$'000
Non-current liabilities			
Deferred taxation	**13,398**	16,053	15,083
Provisions for Macanese taxations	**419**	647	804
	13,817	16,700	15,887

Deferred taxation

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

Provision for Macanese taxations

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

Tax Reconciliation

	Unaudited 1 Jul 2019 - 31 Dec 2019 US$'000	Unaudited 1 Jul 2018 - 31 Dec 2018 US$'000	Audited 1 Jul 2018 - 30 Jun 2019 US$'000
Accounting loss before tax	**(18,153)**	(21,597)	(34,884)
Exempt from income tax in Guernsey	**-**	-	-
Movement in deferred tax provision	**1,729**	1,919	2,923
Movement in provision for Macanese taxations	**155**	62	90
At the effective income tax rate of (10.4%) (31 Dec 2018: (9.2%), 30 Jun 2019: (8.7%))	**1,884**	1,981	3,013

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.

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

For the six-month period from 1 July 2019 to 31 December 2019

12. Share capital

Ordinary shares

	Unaudited 31 Dec 2019 US$'000	Unaudited 31 Dec 2018 US$'000	Audited 30 Jun 2019 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 2018: 61.8 million; 30 June 2019: 61.8 million) ordinary shares of US$0.01 each	618	618	618

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

The Board has publicly stated its commitment to undertake share buybacks at attractive levels of discount of the share price to Adjusted NAV. In order to continue this strategy, the Board has renewed this authority at the 2019 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.

13. Subsequent events

There have been no significant events occurring after the reporting date of the Interim Report for the period ended 31 December 2019.

Directors and Company Information

Directors
Mark Huntley (Chairman)
Thomas Ashworth (resigned on 29 November 2019)
Alan Clifton
Wilfred Woo

Audit and Risk Committee
Alan Clifton (Chairman)
Wilfred Woo
Mark Huntley

Management Engagement Committee
Mark Huntley (Chairman)
Alan Clifton
Wilfred Woo

Nomination and Remuneration Committee
Alan Clifton (Chairman)
Thomas Ashworth (resigned on 29 November 2019)
Wilfred Woo
Mark Huntley

Disclosure and Communication Committee
Mark Huntley (Chairman)
Alan Clifton (appointed on 19 February 2020)
Thomas Ashworth (resigned on 29 November 2019)

Manager
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Company Registration Number 44813

Macau Property Opportunities Fund