Macau Property Opportunities Fund

Annual Report for the year ended 30 June 2020

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$275.6 million as at 30 June 2020.

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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Corporate Introduction

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

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

The Company is managed with the objective of realising the value of all remaining assets in its portfolio, individually, in aggregate or in any other combination of disposals or transaction structures, in a prudent manner. The overriding aim is to deliver cost-effective and timely divestment of the remaining properties, to enable further returns of capital to the shareholders. The Company has ceased to make any new investments and will not undertake additional borrowings other than to refinance existing loans or for short-term working capital purposes.

The Board provides a diversity of fund and real estate experience and geographical perspective, coupled with an essential understanding of the unique features of Macau, its property market and the portfolio. The Board has assessed that it has the capacity to fulfil its obligations in the context of the latest corporate governance guidelines, taking full account of the late phase divestment stage that the Company is in and its clearly defined business objectives.

Pursuant to resolutions passed at MPO's Annual General Meeting (AGM) in 2016, the Company will be subject to annual continuation votes. The first and second Continuation Resolutions were passed at General Meetings held on 5 July 2018 and 29 November 2019, respectively. The next Continuation Resolution will be put to shareholders no later than 30 November 2020. **The Board will be recommending the continuation of the Company at the AGM.**

Currently 100% of Macau Property Opportunities Fund's investment portfolio is allocated to residential property investments in Macau.

Key Facts

Exchange
London Stock Exchange
Main Market

Symbol
MPO

Lookup
Reuters — MPO.L
Bloomberg — MPO:LN

Domicile
Guernsey

Shares In Issue
61,835,733

Shares Held in Treasury
Nil

Share Denomination
Pound Sterling,
Reporting currency US Dollars

Fee Structure
A realisation focussed fee structure which incentivises the Manager to realise assets

Inception Date
5 June 2006

ADVISERS & SERVICE PROVIDERS

Company Secretary and Administrator
Ocorian Administration (Guernsey) Limited

Corporate Broker
Liberum Capital Limited

Auditor
Ernst & Young LLP

Chairman's Message

Introduction

During the last financial year, the Company initially experienced a continued sluggish high-end residential market, followed by a more encouraging period in the final quarter of 2019 as trade tensions eased and optimism grew ahead of the appointment of a new Chief Executive in Macau. What then developed was an emerging issue described in our Interim Accounts, which grew into a situation replicated across the globe as the effects of the COVID-19 pandemic took hold.

The pipeline of prospects that had been building around the turn of the calendar year was largely put on hold as Macau's government took decisive action to close its borders and casinos to protect its population. The consequence was that potential buyers and tenants from overseas were sidelined, not only by restrictions on travel, but also the uncertainty of an unfolding and ongoing global economic crisis. It is a global downturn whose outcome is difficult to predict, unique because it was created by the actions of governments rather than cycles in the global or regional economies. Against this gloomy backdrop, the Board and the Manager have kept their focus on what can be delivered and positioned the Company accordingly.

Positive developments to report are that a combination of sales and debt restructuring has been achieved, which provides a further measure of stability and lower debt levels. The Company has also benefitted from a reduced cost base, with more favourable borrowing costs and a change to management fees and administration costs during the period.

These more positive aspects have positioned the Company to manage the current situation and continue delivering the divestment programme we had previously set out. The programme will inevitably take longer, although an improved cashflow will sustain it through this consequence of the COVID-19-related downturn. Whilst there are encouraging signs as the territory tentatively opens its borders, the road may have twists and turns before we arrive at where we want to be.

Macau — More Decisive Government

The appointment Mr Ho Iat Seng as Macau's new Chief Executive, sworn in by Chinese President Xi Jinping in December, marked a turning point, and the new administration has reacted swiftly and decisively to COVID-19. Closing the territory's borders has severely impacted its economy and the gaming revenues that drive it have all but dried up. Macau has, however, set an enviable record in terms of safeguarding its population, with just 46 recorded cases and no deaths attributed to the virus.

Support measures to stabilise the economy are directed towards the local population and businesses. There is also a strong commitment to restoring external-facing activities and to restarting the wider economy. This has been reinforced by further infrastructure projects including a new border crossing and expansion of the Light Rail system. Macau is in a strong position relative to other small jurisdictions, with deep reserves to support and stimulate various growth initiatives. If the positive, proactive approach seen during the current crisis can translate into the future development of Macau over the medium to longer term, optimism will return. Optimistic sentiment is a key component to support the Company's divestment plan.

The renewal of gaming licences is an uncertain factor that will overhang the market. The major players seem willing to press on with expansion plans, which is encouraging, although timeframes are being extended due to current market conditions.

China and the Greater Bay Area Initiative

Statistics are hard to interpret accurately when it comes to China. Lower growth and the continued adverse effects of US-China trade tensions, coupled with Chinese capital controls on overseas investment, are external factors that will work against the near-term prospects for property-related activity in Macau in the sector to which we are exposed. However, the Greater Bay Area (GBA) initiative is a cornerstone of President Xi Jinping's plans for China, of which Macau remains a core component. It is a realistic expectation that the larger cities within the GBA will be the property markets to benefit before Macau, but interest in Macau will return once a favourable environment is in evidence. Rapid changes in sentiment have been seen in the past. We have been focused on being able to respond in an agile and determined manner as such opportunities develop.

Investment Objective and Financial Performance

Our investment objective of a well-timed orderly disposal of our remaining assets remains unchanged. This objective can be delivered by either the sale of individual assets or disposals en bloc.

Sales of units at *The Fountainside*, as well as of the strata apartments at One Central, during the financial year, with further sales including the remaining individual One Central unit post the financial year-end, have been achieved. The Manager and the sales team successfully maintained momentum with Macau-based prospects against a very difficult market backdrop to convert sales. These achievements have had the positive effect of reducing our debt and supporting our cash cushion to ride out the unexpected effects of the COVID-19 crisis.

It has been a disappointing year in terms of financial performance, primarily because the externally appraised values of our properties fell by 10.0% year on year and Adjusted Net Asset Value (NAV) fell by a corresponding 21.9%, from US$174.9 million to US$136.5 million. Our cash reserves at the year's end were US$20.5 million, with borrowings of US$146.9 million, translating into a loan-to-value ratio of 49.6%.

Equally disappointing has been the material discount in the share price compared to NAV, which was affected by the combination of a market re-rating of real-estate shares and selling pressure from investors that allocate only to constituents of the FTSE 250 All-Share Index. The Chairman purchased 200,000 shares during the period and the Manager indirectly remains the Company's largest shareholder. Their interests are firmly aligned towards the delivery of our objective.

Asset Management

Estrada da Penha

The timing of planned maintenance and cosmetic upgrades largely coincided with the imposition of COVID-19 restrictions, positioning the property for a resumption of sales activity as access for potential buyers located in mainland China is eased.

The Waterside

A decline in the occupancy rate to 36% by the end of the financial year, from 55% a year ago, was largely a disappointing consequence of overseas tenants being unable to return to Macau due to travel restrictions. Tenants had to forgo three months' deposit, which softened the near-term impact of tenancy terminations. The leasing team is working hard to rebuild tenancy levels.

Cost-effective refurbishment and maintenance works have been conducted, and essential modernisation has also been undertaken to maintain the tower's status as a premier location. This is a key aspect of the divestment plan.

The Fountainside

The primary focus has been sales of available units and, as separately noted, some success has been achieved in this regard.

The approach to the disposal of remaining units remains under consideration, with variable factors including whether government-imposed mortgage limits are relaxed and market sentiment changes. The Manager is evaluating a more modest reconfiguration of the remaining units as one option.

Going Concern

The Board, in conjunction with the Manager, has given considerable focus to this aspect of our operations to determine the likely effects of the severe economic contraction brought about by measures to contain COVID-19.

The Manager has renegotiated a number of our debt obligations, including the significant post-financial-year-end restructuring of *The Waterside* debt, mitigating some of the LTV downside pressures. The fall between the property valuations at the end of March 2020 and the year end in June 2020 was a comparatively modest 0.6%. A degree of COVID-19 related uncertainty remains in any valuations where transaction volumes are limited. However it is acknowledged by the Board that there is a material uncertainty in relation to the ongoing impact of COVID-19.

The Company has been positioned such that the Board has cash flow visibility for three years, subject to shareholders agreeing to a further extension of its life, which will maximise the opportunity to deliver well-timed disposals and continue the limited but important success achieved in the last financial year.

Governance

Board-Manager dialogue has increased since the outbreak of COVID-19 via video conferencing, which has ensured that our focus was maintained, notwithstanding the difficult circumstances that affected our functions and operations.

Set out in this Report and Accounts is our report on Environment, Social and Governance issues. We have, to a sensible extent, summarised the position this year, as our situation is largely unchanged with each area having been carefully reviewed by the Board in November 2019.

We have also considered carefully the board's composition and the various requirements of the Association of Investment Companies Code, which we follow. It is perhaps important that I state that governance code have moved and where practical have been fully adhered to. There are elements of governance code which present genuine practical challenges for a company in the late stage of its life, with a clearly defined but narrow strategic objective, and which invests in a jurisdiction its board cannot currently visit. We now are and have been in compliance, although aspects which do not apply to these circumstances are considered and applied accordingly.

It is the intention to maintain majority board independence within the meaning of the AIC Code. We will commence the process of board succession in 2021 to achieve this, with a view to changes taking place on or before the 2021 AGM. The Company has benefitted greatly from the knowledge, expertise and skills mix of the Board as we continue to navigate the current situation.

There are no concerns about either stale behaviour or a lack of vigour when it comes to delivering the Company's strategy, which requires a sound understanding of the market in Macau and broader experience of the real estate market; indeed, the Board and Manager's dynamics have been most constructive and measured in the face of unprecedented challenges.

Costs and Expenses

Expenses have remained under close scrutiny and control. The Company benefitted from a combination of lower management and administration fees, periods of favourable exchange rates and borrowing costs. The Board and the Manager are in discussion on a variation and extension of the fees paid to the Manager. This followed an approach to recognise the financial impact on the Manager as a consequence of the extended timeframe and involvement brought about by COVID-19 related restrictions and market impact. Any changes to the agreement reached last year will be set out in a communication which will accompany the formal Notice of the Annual General meeting. Any such costs will not exceed the current reduced fee levels which have been in place from 1 January 2020.

Conclusion

This report sets out the Company's performance in the last financial year — the areas where progress has been achieved and those aspects of our strategy which have been frustrated by the extraordinary events brought about by the COVID-19 pandemic.

Our divestment timetable has been correspondingly adversely impacted by these mainly external events, yet the progress that has been made in both sales and viability allow it to be achieved, albeit over a longer timeframe as some form of normality returns.

The Company has a vote to extend its life, which will be presented to shareholders at the AGM, to be held on 30 November 2020. The Board recommends a vote to continue the life of the Company to enable the orderly divestment of the remaining assets. We respectfully seek shareholders' support for this proposal to allow for the continued orderly disposal of the remaining portfolio.

The uncertainty that the COVID-19 outbreak produced during the first half of 2020 has affected all aspects of life and business sentiment, and wider world markets will remain challenged. Against this backdrop, we are seeing encouraging signs of market stability both in Macau and in mainland China. This is supported by the resumption of tourist visa issuance for Chinese visitors to Macau, which has had a positive impact on business conditions. With continued strong leadership, there is good reason to be optimistic, although the timeframe for a gradual return to the vibrancy to which we look forward is harder to predict.

MARK HUNTLEY

CHAIRMAN

MACAU PROPERTY OPPORTUNITIES FUND LIMITED

7 October 2020

Board of Directors

MARK HUNTLEY

Chairman

Mark Huntley has over 40 years' experience in the fund and fiduciary sectors. His involvement in the fund and private asset sectors has spanned real estate, private equity and emerging markets investments. He has served on boards of listed and private investment funds and management/general partner entities. He holds board appointments at ICG-Longbow Senior Secured UK Property Debt Investments Limited (from which he will step down on 25 September), Stirling Mortimer No.8 Fund UK Limited and Stirling Mortimer No.9 Fund UK Limited. Mr Huntley is a resident of Guernsey.

ALAN CLIFTON

Non-executive Director

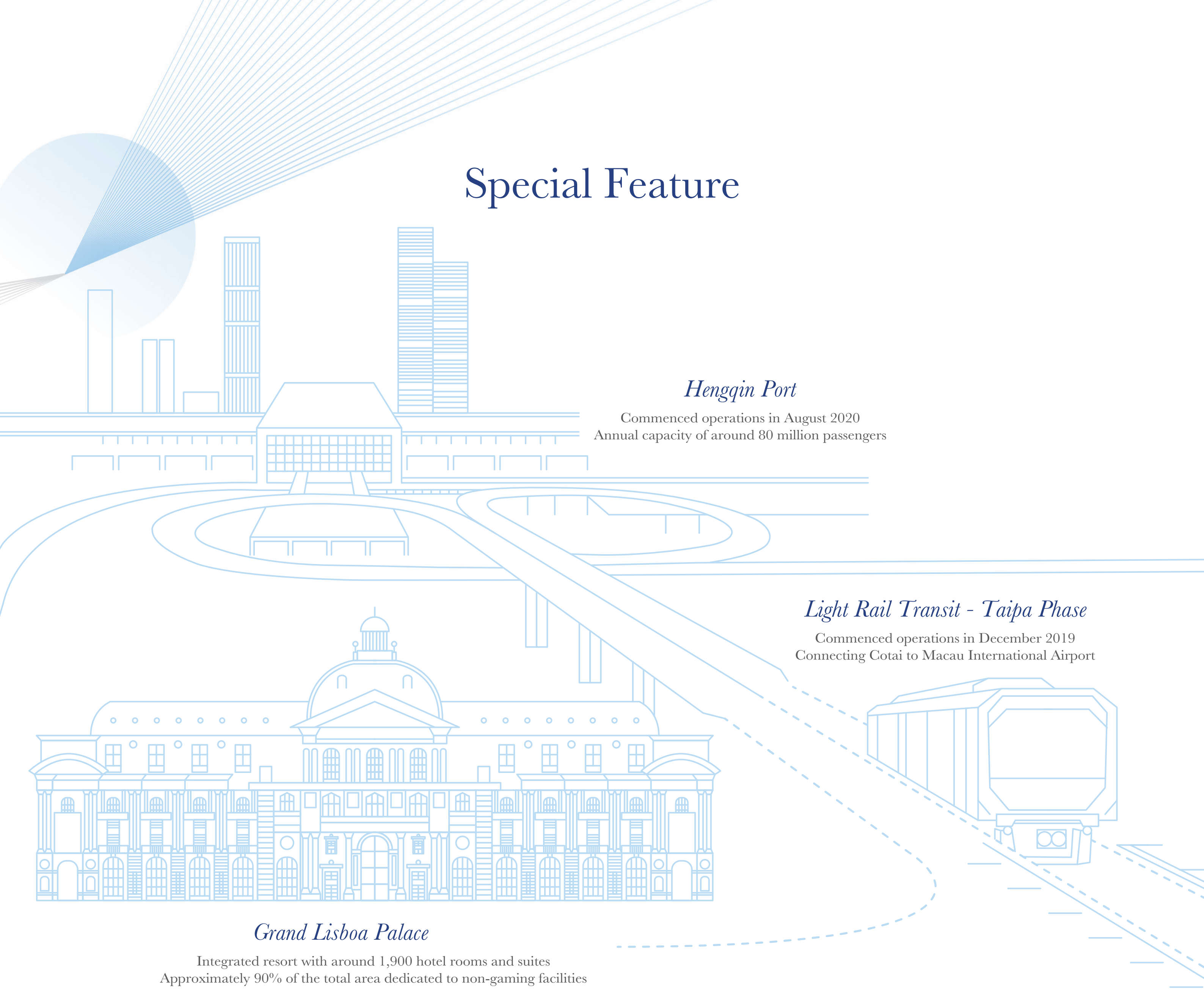
Alan Clifton began his career at stockbroker Kitcat & Aitken, first as an analyst, thereafter becoming a Partner and then a Managing Partner, prior to the firm's acquisition by The Royal Bank of Canada. He was subsequently invited to take up the role of Managing Director of the asset management arm of Aviva plc, the UK's largest insurance group. He is currently a Director of Invesco Select Trust and several other investment companies. Mr Clifton is a UK resident.

WILFRED WOO

Non-executive Director

Wilfred Woo is a qualified chartered accountant who joined Coopers & Lybrand as an auditor in 1982, before becoming Chief Financial Officer in 1990 at Abbey Woods Development Limited, a real estate company listed on the Toronto Stock Exchange. He has since spent more than 30 years with the Kuok Group, notably with Kerry Properties Limited and Shangri-La Asia Limited. He currently holds senior management and board positions at Shangri-La-linked companies as well as a Kerry Properties-linked company listed on the Philippine Stock Exchange. Mr Woo is a Canadian citizen and a resident of Hong Kong.

Special Feature



Hengqin Port

Commenced operations in August 2020
Annual capacity of around 80 million passengers

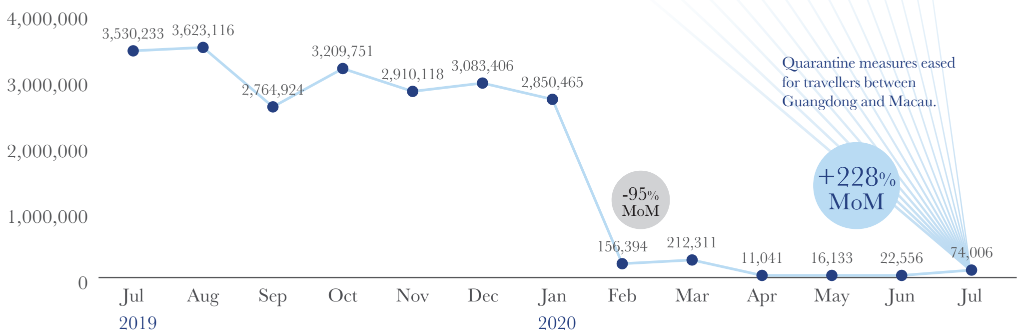
Light Rail Transit - Taipa Phase

Commenced operations in December 2019
Connecting Cotai to Macau International Airport

Grand Lisboa Palace

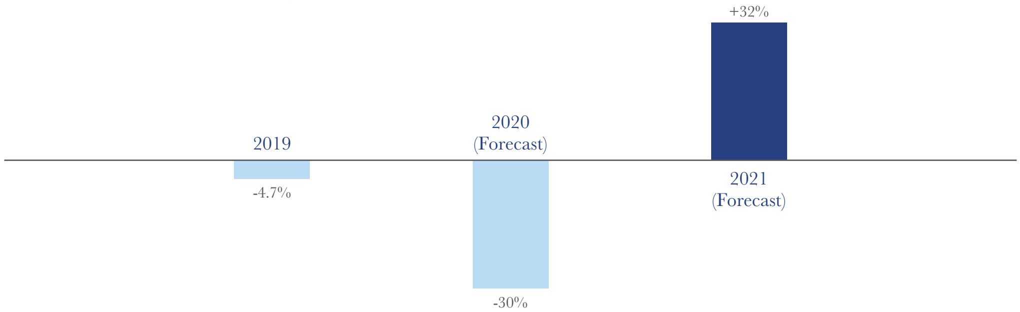
Integrated resort with around 1,900 hotel rooms and suites
Approximately 90% of the total area dedicated to non-gaming facilities

Visitor Arrivals



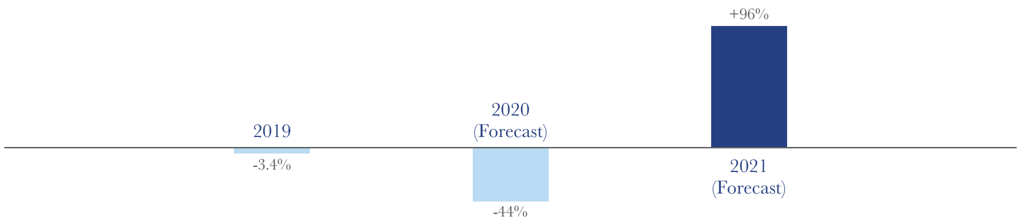
Source: DSEC

Gross Domestic Product, YoY



Source: DSEC, IMF

Gross Gaming Revenue, YoY



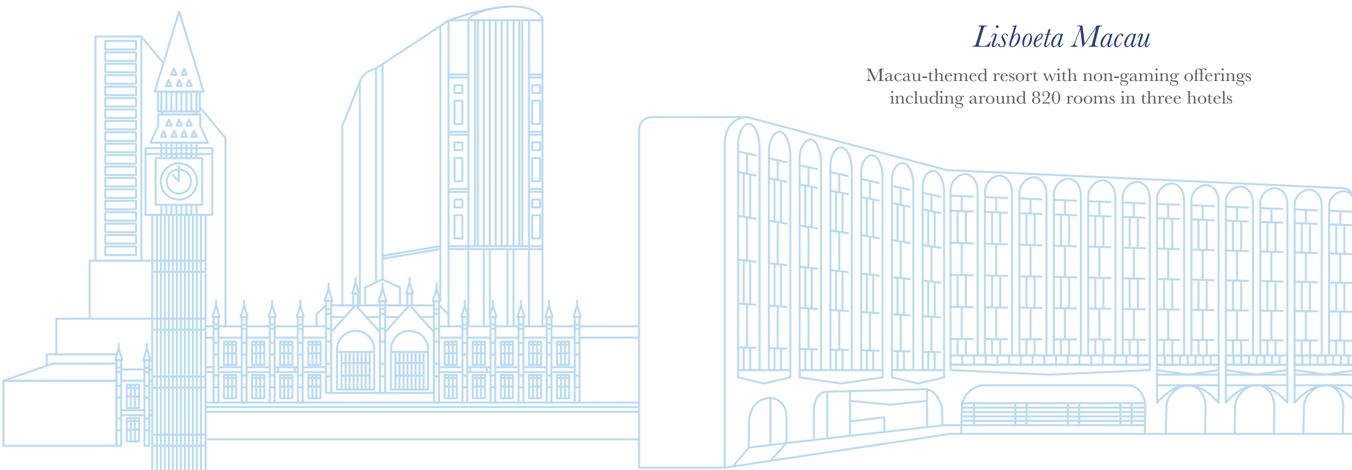
Source: DICJ, Sanford C. Bernstein

The Londoner Hotel

London-themed hotel with around 600 suites

Lisboeta Macau

Macau-themed resort with non-gaming offerings including around 820 rooms in three hotels



Financial Review

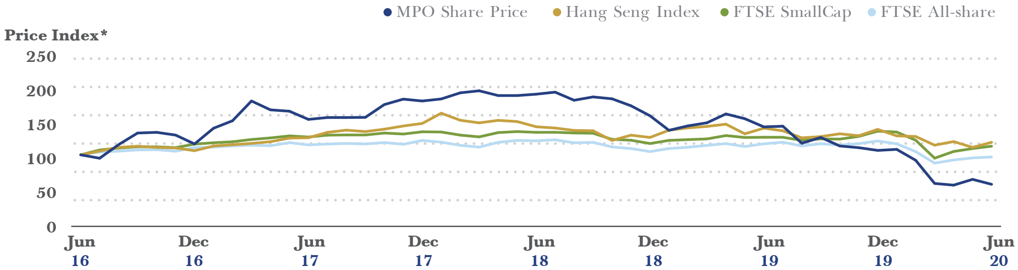
	2016	2017	2018	2019	2020
NAV (IFRS) (US$ million)	106.6	128.8	212.8	131.1	**100.6**
NAV per share (IFRS) (US$)	1.40	1.69	2.78	2.12	**1.63**
Adjusted NAV (US$ million) [a]	226.3	249.3	260.6	174.9	**136.5**
Adjusted NAV per share (US$) [a]	2.96	3.26	3.41	2.83	**2.21**
Adjusted NAV per share (pence)[1, a]	223	250	258	223	**179**
Share price (pence)	105.0	157.0	194.0	146.0	**61.75**
Portfolio valuation (US$ million) [b]	393.7	425.7	338.4	311.1	**275.6**
Loan-to-value ratio (%)	40.3	39.4	34.7	43.5	**49.6**

[1] Based on the following US Dollar/Sterling exchange rates on 30 June – 2016: 1.326; 2017: 1.303; 2018: 1.321; 2019: 1.270; 2020: 1.231

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

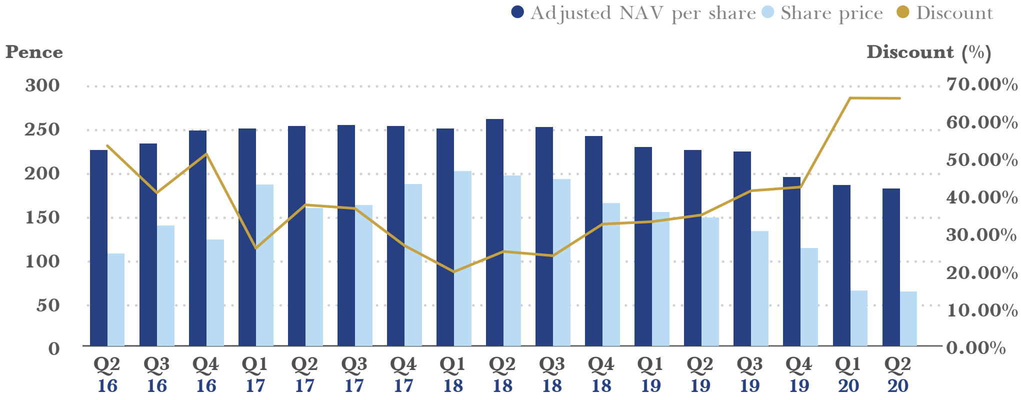
[b] Refer to Notes 6 & 7 for independent valuations of the Group's portfolio including investment property and inventories

MPO Share price Vs. Hang Seng, FTSE SmallCap & FTSE All-share Indices



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

Share Price Discount to Adjusted NAV



Macau's economy faced headwinds from slowing growth in China and escalating US-China trade tensions in 2019. The arrival of COVID-19 dealt the territory a further setback by seizing up its economic engines — tourism and gaming — for most of H1 2020. Measures imposed to curb the spread of the pandemic also dealt a blow to transactions in the luxury residential property market as potential buyers in Macau remained cautiously on the sidelines and those prospective purchasers outside the territory were unable to attend viewings. The recent easing of border controls and quarantine restrictions between Guangdong Province and Macau has helped sentiment and business conditions, and represents the first step towards restoring regular movement within the Greater Bay Area, which is crucial for Macau's economic recovery. Despite the challenging environment, the Company has made progress on the disposal of assets, with total divestments achieved since mid-2019 valued at around HK$100 million (c.US$13 million).

Financial Results

The unfavourable economic conditions negatively impacted by the COVID-19 outbreak, together with the strict capital controls and lending restrictions, have had an adverse impact on the Company's financial results. MPO's portfolio, comprising three main assets, was valued at US$275.6 million as at 30 June 2020, reflecting a 10.0% year-on-year (YoY) decline.

MPO's Adjusted Net Asset Value was US$136.5 million, which translates to US$2.21 (179 pence) per share, a 21.9% decrease YoY. IFRS NAV was US$100.6 million, or US$1.63 (132 pence) per share, a 23.1% drop over the one-year period.

Capital Management

As at 30 June 2020, MPO's balance sheet held assets worth a total of US$260.6 million, against combined liabilities of US$160.0 million.

The Company ended the financial year with a consolidated cash balance (including deposits with lenders) of US$20.5 million. During the year, the Company successfully refinanced its banking facilities for *Estrada da Penha* and *The Fountainside* on improved terms. As at 30 June 2020, gross borrowing stood at US$146.9 million, which translates to a loan-to-value ratio of 49.6%.

Extension of Company Life and Fee Revision

At the Annual General Meeting in November 2019, shareholders passed a resolution to extend the Company's life by one year until the next continuation vote in late 2020 to permit the 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 the calendar year 2020. 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 (see Note 20 on page 108).

Portfolio Overview

Property	Sector	Type	Current status	No. of units	Commitment *(US$ million)*
The Waterside Tower Six of One Central Residences*	Luxury residential	Investment	Divestment phase	59	101.3
One Central Residences Strata unit	Luxury residential	Investment	Divestment phase	1	2.5
The Fountainside**	Low-density residential	Redevelopment	Sales phase	11	8.5
Estrada da Penha	Luxury residential	Investment	Divestment phase	N.A.	28.6
Total					140.9

*
One Central is a trademark registered in Macau Special Administrative Region (SAR) under the name of Basecity Investments Limited. Sniper Capital Limited, Macau Property Opportunities Fund Limited, MPOF Macau (Site 5) Limited, Bela Vista Property Services Limited and *The Waterside* are not associated with Basecity Investments Limited, Shun Tak Holdings Limited or Hongkong Land Holdings Limited.

**
Information listed refers to the remaining units and parking spaces available for sale.

Gross floor area *(Square feet)*	Acquisition cost *(US$ million)*	Project development cost *(US$ million)*	Market valuation *(US$ million)*	Changes *(based on market value)*		Project composition *(based on market value)*
				Over the year	Since acquisition	
148,000	87.8	13.5	200.0	-11.5%	128%	72.6%
2,288	2.5	N.A.	3.1	-11.4%	24%	1.1%
28,799	3.0	5.5	27.9	-9.1%	823%	10.1%
12,030	27.1	1.5	44.6	-3.4%	65%	16.2%
191,117	120.4	20.5	275.6	-10.0%	129%	100%

The Waterside

The Fountainside

Estrada da Penha

Portfolio Updates

The Waterside

The Waterside, accommodating 59 ultra-luxury residential apartments, is MPO's landmark development in the prime area of the Macau Peninsula.

As at 30 June 2020, the occupancy level at *The Waterside* was 36%, declining from 55% a year earlier, while the average rental was US$2.49 per square foot per month versus US$2.81 a year ago. Although occupancy had improved to 58% at the end of 2019, in 1H 2020 some tenants were unable to return to Macau due to COVID-19 travel restrictions. As a result, security deposits equivalent to three months' rent were forfeited and the apartments were remarketed.

The Waterside remains a unique and attractive asset for investors seeking exposure to Macau and the Greater Bay Area's next phase of growth. The recent lifting of quarantine requirements on visitors travelling between mainland China and Macau, coupled with the phased resumption of tourist visa issuance for mainland Chinese travelling to Macau is a positive step towards the restarting of Macau's economy. As this occurs, the Company will proactively start to reach out to the pool of prospective buyers and resume its pursuit of an en-bloc divestment of *The Waterside*. In the meantime, the leasing team continues to focus on restoring the occupancy level and achieving a more diverse tenant profile.

Strata Units at One Central Residences

Despite the challenging market, in April, the Company completed the disposal of an individual unit at One Central Residences for a total consideration of HK$19 million (c.US$2.4 million), or HK$10,288 per square foot (c.US$1,327 per square foot). Since the year end, the Company has entered into a provisional sales and purchase agreement to sell the remaining unit at a price of HK$25 million (c.US$3.2 million), or HK$10,800 per square foot (c.US$1,393 per square foot). The transaction is expected to complete by the end of November 2020.

The Waterside

The Fountainside

The Fountainside is a low-density, freehold residential development comprising 42 residential units and 30 car-parking spaces in Macau's sought-after Penha Hill district.

Demand for high-end residential properties such as *The Fountainside* remained subdued during the financial year. The anti-speculation mortgage policies introduced in 2018 by Macau's government resulted in some potential buyers being unable to raise sufficient financing. The COVID-19 outbreak and associated measures further dampened the market sentiment, with entry restrictions having narrowed the buyer pool primarily to locals and disrupted viewings by non local potential buyers.

Against this backdrop, the Company has entered into sales transactions worth a combined HK$32.6 million (c.US$4.2 million) involving two residential units, three car-parking spaces and five motorcycle-parking spaces. These transactions have been completed. Since the year end, two additional residential units were sold in July for HK$13 million (c.US$1.7 million) and HK$11 million (c.US$1.4 million), or at HK$5,950 and HK$6,030 per square foot, respectively. These transactions are expected to complete by the end of 2020.

Moving forward, with only eight units remaining, which include four larger villas, the Company will continue to pursue creative disposal strategies to complete sales of all units in a timely manner.

The Fountainside

Estrada da Penha

Estrada da Penha is a prestigious, colonial-style villa nestled among lush greenery atop Penha Hill — an exclusive and highly desirable residential enclave. With sweeping bay views, this magnificent villa has a gross floor area of more than 12,000 square feet spread across five storeys.

The luxury segment of Macau's property sector has remained quiet. During the financial year, economic woes globally and in the region, combined with the US-China trade war, has seen potential buyers stay on the sidelines and remain unwilling to make major commitments. In addition, the COVID-19 pandemic prompted investors to hold off any purchases while awaiting greater clarity on market conditions. Yet the Macau government's decisive and prudent management of the COVID-19 outbreak may in due course further boost confidence and the appeal of high-end properties in the territory.

To improve the attractiveness of the property, further enhancement works have been undertaken during this quiet period, giving it a refreshed look in preparation for a re-launch of the sales and marketing effort. Although the Company has received enquiries, most are from prospective purchasers located outside Macau and hence subject to COVID-19 travel restrictions.

Estrada da Penha

Macroeconomic Outlook

COVID-19 and other defining events

Macau's economy in H2 2019 was negatively affected by slowing growth in China and the escalating trade war between Washington and Beijing. In mid-December 2019, when the US and China announced they had reached Phase 1 of a trade pact, cautious optimism about an economic recovery in Macau began to emerge. However, that was short-lived. As the New Year began, the twin drivers of Macau's economy — tourism and gaming — were about to suffer a hammer blow as the government put in place measures to deal with the looming threat of COVID-19.

On 20 April, in his first policy address, Macau Chief Executive Ho Iat Seng described the COVID-19 situation in the territory as "basically under control". The total number of infections currently stands at 46, and all coronavirus patients have recovered. Macau has suffered no deaths related to COVID-19 to date.

With the outbreak having been reined in, a "travel bubble" set up by the Guangdong and Macau authorities in July 2020 has eased quarantine measures for travellers between the two places. Macau lifted all restrictions previously imposed on visitors from COVID-19 hotspots in mainland China in mid-July, following which all travellers from the mainland, with the exception of visitors from areas with COVID-19 outbreaks including Hong Kong, would not have to undergo quarantine when visiting Macau.

Travel restrictions between Macau and the Chinese mainland were eased further in August as the COVID-19 situation has remained stable following a relaxation of quarantine measures in July. Zhuhai authorities resumed the issuance of Individual Visit Scheme (IVS) and group tourist visas to Macau from mid-August. According to mainland Chinese authorities, tourist visas for travel to Macau will be reintroduced for residents of all mainland provinces from late September, in time for China's Golden Week holiday in October. This is viewed as a milestone in the reopening of Macau's tourism and gaming sectors.

The authorities will continue to act with caution, adjusting policy in accordance with developments related to the pandemic. According to Macau authorities, the city has admitted an average of around 10,000 visitors a day following the partial resumption of tourist visa issuance. This is far below the daily average of around 108,000 visitors in 2019, and government officials have suggested that a recovery to pre-COVID-19 visitor levels may be a long way off.

Clearly any further wave of infection and controls would have a detrimental effect on any nascent recovery.

Given Macau's proximity to Hong Kong and mainland China, both of which have recently seen new COVID-19 clusters, the territory's government is on high alert for a new wave of infections.

Nevertheless, China's management of the pandemic is proving to be more effective than that of other countries and Macau deserves much credit for their approach. Taking a longer term view, Macau has strong reserves and continues to build for the future.

Economic contraction

Macau's economy continued to contract in H2 2019, in tandem with slowing growth in mainland China. The escalating US-China trade war and volatility in global markets added downward pressure on the territory's economy. Macau's gross domestic product declined 4.7% in 2019.

By the end of Q1 2020, COVID-19 containment measures imposed by the government had taken a toll on the economy, as gaming and tourism were all but shut down. Macau's economic performance plummeted 49% YoY and 68% YoY in Q1 and Q2 2020, respectively. For full-year 2020 GDP, the International Monetary Fund, the Economist Intelligence Unit and Fitch Ratings have predicted contractions ranging between 24% and 70% YoY.

GDP forecasts for 2021 vary considerably, from a prediction of 12.6% growth by Fitch Ratings to bullish expansions of around 32% by the Economist Intelligence Unit and International Monetary Fund.

Gross gaming revenue decimated

In 2019, gross gaming revenue (GGR) contracted 3.4% YoY. VIP gaming revenue fell by 19% YoY, offset by an expansion in mass-market GGR of 15%. The VIP segment accounted for 46% of Macau's total GGR, down from 55% in 2018 and marking the first year that it was surpassed by the mass-market segment.

In H1 2020, with the gaming sector severely hit by Macau's travel restrictions and the unprecedented 15-day closure of casinos in February, GGR was dealt a crushing blow, falling 77.4% YoY. For the months of May and June alone, GGR slumped 93.2% and 97.0% YoY respectively, marking nine consecutive months of declines. Mass gaming revenue continued to outpace that of the VIP segment during the period but was also negatively impacted.

On the issue of uncertainties surrounding the renewal of gaming concessions, which are expiring in mid-2022, the government has provided little insight into the criteria and conditions for renewal. The Macau chief executive's policy address in April outlined the government's plan to hold a public consultation on the territory's gaming laws in H2 2020. After obtaining public feedback, legislation will be revised and a fresh public tender for gaming rights will be held.

Despite the uncertainties, Sands China and Galaxy Entertainment Group have indicated that they are proceeding with previously announced expansion plans. In rebranding its Cotai Central, Sands began trial operations at The Grand Suites at Four Seasons, and its new Londoner Macau is on schedule to be ready for launch this year. Galaxy has announced that work on phases 3 and 4 of its flagship Galaxy Macau, in Cotai, is continuing.

In light of the challenges the sector faces, Sanford C. Bernstein, a US brokerage, estimates a GGR contraction of 44% for full-year 2020. However, its forecast for 2021 is far more optimistic, with an expected rebound in GGR by 96% YoY.

A rollercoaster ride for tourism

At the end of 2019, Macau's visitor arrival numbers had hit yet another record high of 39.4 million, a 10.1% YoY increase. Those numbers plunged in H1 2020, however, due to strict COVID-19 containment measures, with the Q2 2020 performance being particularly poor, decreasing by 99.5% YoY to 49,730.

Although reviving Macau's flagging economy is important, the territory's government emphasised that the health, safety and wellbeing of its residents is the top priority. With the COVID-19 situation in Macau as essentially under control, the government has set out to rebuild tourism.

In addition to the agreement with Guangdong Province on reciprocal green lanes, a framework for a broader Greater Bay Area travel bubble that would include Hong Kong was also in its final stages. However, the inclusion of Hong Kong had to be postponed amid increasing recent cases of locally transmitted COVID-19. Nonetheless, the authorities have stated their intention to include the entire Greater Bay Area in the arrangement at an appropriate time.

The recent announcement on the gradual resumption of tourist visa issuance for mainland visitors to Macau is a positive development, although it remains to be seen how quickly tourists will return to the territory.

Macau's Chief Executive sworn in

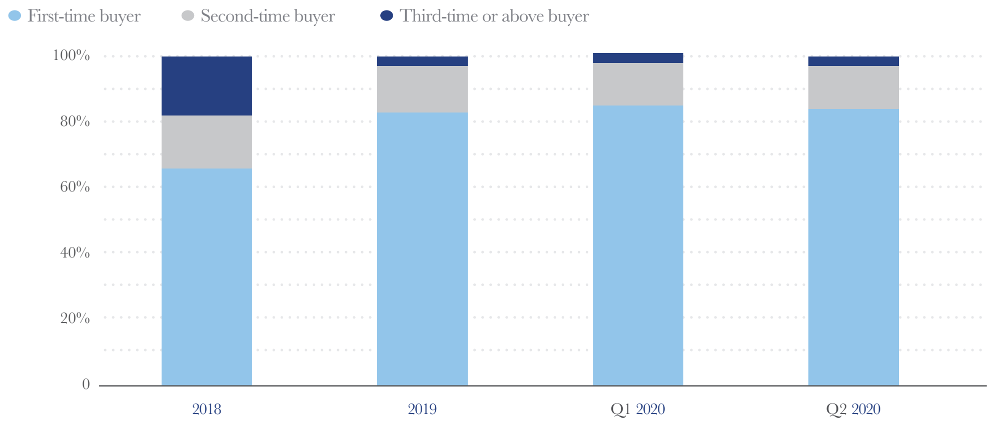
Ho Iat Seng, a businessman and former president of Macau's Legislative Assembly, was sworn in by Chinese President Xi Jinping in December 2019 at a ceremony that also marked the 20th anniversary of the Macau Special Administrative Region of China.

In his first policy address on 20 April, Mr Ho reiterated the government's focus on protecting the safety and health of Macau's residents and of stabilising and revitalising the city's economy. The territorial government's stated focus on social welfare, job creation and institutional reform was demonstrated in its swift reaction to the economic impact of COVID-19. A US$6 billion package of economic relief measures was rolled out to boost local spending and reduce the financial burden on Macau based businesses, particularly small and medium-sized enterprises, including consumption subsidies, rental waivers, job-training opportunities, tax deductions, interest-free loans and other business incentives.

Mr Ho also repeated his aim to diversify Macau's economy and reduce its overdependence on gaming revenues to prepare for a more sustainable future. Boosting Macau's participation in the development of the Greater Bay Area was identified as a key enabler in this respect. Recent related measures include extending Macau's jurisdiction to the passenger clearance building of the new Hengqin Port to streamline border processes at the new state-of-the-art facility, which boasts an annual capacity of around 80 million people — greater than Heathrow Airport. The new border crossing began operations on 18 August. Macau has also stated its intention to kick-start the next phase of the Light Rail Transit (LRT) project to connect Cotai with Hengqin Island this year.

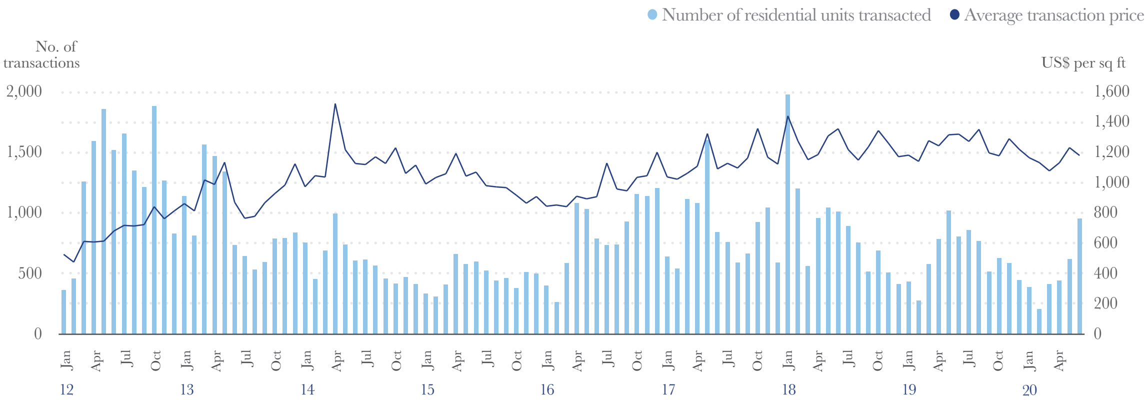
Property Market Overview

Residential Property Transactions by Buyer Type



Source: DSF

Residential Property Transactions and Prices



Source: DSF

Affordable homes shrugging off COVID-19 effect

After a poor showing in H1 2019, Macau's residential property market had regained some ground in H2 2019, with the number of transactions increasing marginally by 0.8% YoY to 3,825. However, activity was concentrated in the more affordable segment of the market, in which first-time buyers accounted for the bulk of transactions. For full-year 2019, market volume was down 27% YoY to 7,745, and the average transaction price fell by 2%.

During the first half of 2020, residential property sales remained subdued in Q1 2020, with the number of transactions totalling 1,016, down 22% YoY, while average transaction prices declined 8% YoY to US$1,130 per square foot. In Q2 2020, market sentiment improved with the stabilisation of the COVID-19 situation as potential local buyers began arranging property viewings. On the supply side, property developers have launched a number of new units since mid-April, tempting buyers to take advantage of low interest rates with incentives such as flexible payment methods.

As a result, June transaction volumes picked up by 53% month on month (MoM) and 18% YoY. In the first half of 2020, a total of 3,040 residential units were transacted, down 22% YoY. The average transaction price in June was around US$1,180 per square foot, down 11% YoY. Home purchases by first-time buyers continued to dominate, accounting for more than 84% of all transactions during the period.

Luxury residential segment still quiet

According to real estate agent Centaline Macau, residential properties priced under MOP8 million (US$1 million) remain the most sought-after in the market. At the luxury end of the spectrum, at which MPO operates, the secondary market for high-end properties has remained quiet.

The effects of capital controls imposed by Beijing, which have restricted outflows of yuan from mainland China, continued to weigh on luxury property purchases by mainland Chinese investors in Macau. Anti-speculation measures introduced by Macau's government have also made mortgage terms restrictive and driven up property purchase costs for investors. Coupled with broader economic uncertainties caused by COVID-19 and travel restrictions, there has been a distinct reluctance among potential buyers to make new commitments involving large sums.

The property market could, however, regain some momentum now travel restrictions are beginning to be relaxed and travel permits for individual mainland Chinese to travel to Macau are reintroduced.

Looking ahead

The economic outlook for Macau's luxury property segment remains both challenging and uncertain. Mainland China's economy has been impacted both by COVID-19 as well as Western nations efforts to curtail China's growing influence. This has been exacerbated by the West's response to the recent security law implementation in Hong Kong. These factors may all have a negative impact on Macau's economy and the luxury residential property market, representing a substantial setback for the Company and delays the asset disposal timetable.

Yet encouraging signs are visible.

Macau's government took a swift and decisive, yet cautious and measured, response to the COVID-19 pandemic that successfully contained the spread of the virus. This was followed by an efficiently implemented economic stimulus and financial aid package helping to revive the economy.

With the return of a degree of normalcy in travel between mainland China and Macau, there is optimism that Macau's economic engines will resume firing on all cylinders. Although the travel bubble currently excludes Hong Kong, which is dealing with a local re-emergence of COVID-19, official announcements from all parties indicate that the groundwork has been completed for the Greater Bay Area travel bubble to come into effect as soon as prevailing health conditions permit.

Despite the current challenges and uncertainties, gaming operators are proceeding with major expansion plans, demonstrating their confidence in the long-term strength of the territory's economy. In addition, the Chief Executive's pursuit of closer integration of Macau within the Greater Bay Area will help secure and sustain its economic future.

As travel restrictions are relaxed, the Company will recalibrate and implement its asset divestment strategy to the maximum benefit of investors.

Manager:
Sniper Capital Limited
7 October 2020

Environmental, Social and Governance Report

1 About This Report

This Environmental, Social and Governance Report (the "ESG Report") has been prepared with reference to The Ten Principles of United Nations Global Compact (UNGC). The ESG Report elaborates the environmental and social responsibility measures and performances of Macau Property Opportunities Fund Limited and subsidiaries (the "Group") from 1 July 2019 to 30 June 2020. For details on corporate governance, please refer to the Corporate Governance Report on page 53.

1.1 Core Business of the Group

During the year under review, the Group invests in residential properties in Macau.

1.2 Report Boundary

The ESG Report focuses on the environmental and social responsibility performances of the core business during the year under review. The reported results cover the properties in Macau during the year under review, which are listed below:

- *The Waterside*
- *The individual unit at One Central Residences*
- *The Fountainside*
- *Estrada da Penha*

1.3 Overall ESG Approach

The Board understands the significance of ESG and has incorporated ESG-related risks into the Group's risk management. The overall ESG approach is aimed at creating profit for shareholders in a responsible manner while taking into consideration the environment, social responsibility and supply chain management.

The ESG Approach is developed based on The Ten Principles of UNGC. UNGC is a voluntary multi stakeholder platform which requires multinational companies to align against The Ten Principles covering human rights, labour, environment and anti-corruption standards. The Board is committed to reflect the basic concepts of fairness, honesty and respect for people and the environment in the business actions.

The Ten Principles are:

Human Rights

1. Businesses should support and respect the protection of internationally proclaimed human rights; and
2. Businesses must make sure that they are not complicit in human rights abuses.

Labour

3. Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;
4. Businesses should support the elimination of all forms of forced and compulsory labour;
5. Businesses should support the effective abolition of child labour; and
6. Businesses should support the elimination of discrimination in respect of employment and occupation;

Environment

7. Businesses should support a precautionary approach to environmental challenges;
8. Businesses should undertake initiatives to promote greater environmental responsibility; and
9. Businesses should encourage the development and diffusion of environmentally friendly technologies;

Anti-Corruption

10. Businesses should work against corruption in all its forms, including extortion and bribery.

2 Environment

2.1 Commitment Principle

The Group strives to adopt environmental-friendly practices during the business operations so as to minimise the negative impacts on the environment and natural resources. The Group strictly complies with all the applicable environmental laws and regulations. Different environmental protection measures are implemented at the key stages of property development, along with the incorporation of green building designs and implementation of responsible construction practices in the work sites. The Group also upholds the principles of recycle and reuse at the properties.

2.2 Initiatives and Performances

Property Design

The environmental impact of a building can be traced back to as early as its design phase. The Group acknowledges this impact and aim to reduce the buildings' future consumption of water and electricity by referencing green building designs when it is applicable and practicable. The Group follows local green building requirements, which take into consideration green design elements like building materials, indoor air quality, site selection and energy considerations. Examples of green building designs and features are provided as follows:

- Preserve and retain the cultural heritage façade of the historical building;
- Incorporation of passive building designs to improve ventilation and optimise sunlight exposure;
- Use of water-efficient fixtures;
- Greening of rooftops; and
- Use of renewable energy features such as solar energy.

The Group improves indoor air quality through introducing the air purifying equipment. The Group also implements measures capable of monitoring temperature and humidity in residential units and thus enhance the living conditions for residents.

Construction Sites

The construction process has a direct impact on the environment due to the generation of air emissions, wastewater discharge and construction waste. The Group strictly follows local government requirements to properly reduce and manage the environmental impact of the construction sites, and continued to focus on the following key construction site management aspects:

– Regularly communicate with construction contractors to ensure they are updated on local environmental laws and regulations and comply with these laws and regulations;
– Properly manage the dust and air emission at the construction sites as per local regulatory requirements;
– Properly dispose of construction wastes and recycle construction wastes as practicable;
– Use qualified vendors for the proper disposal of hazardous wastes;
– Treat wastewater at the work sites prior to discharge; and
– Regularly visit construction contractors to see if they have conducted adequate environmental, safety and health inspections.

Property Management

Various green measures have been adopted in the properties to improve the overall environmental performance. For example,

– Energy efficiency: The Group has been able to reduce the energy consumption by (i) replacing lighting fixtures with LEDs, (ii) reducing the amount of lighting used in common areas; and (iii) installing air-conditioning systems with energy efficiency labelling in accordance with local requirements.
– Tenants' engagement: tenants are encouraged to minimise their resource consumption (electricity, water and material use) and are provided with recycling facilities to reduce waste.
– Rechargeable battery recycling: The Group has placed public collection points for rechargeable battery recycling. Certain materials in rechargeable batteries, such as cadmium, are hazardous to human health and the environment. The Group encourages the residents to recycle them rather than risk them seeping into the environment.

An effective environmental management system has been implemented in practices. Some of the main environmental objectives regarding property management are as follows:

- Use of pesticides and cleansing agents in accordance with relevant regulations, aiming for zero incidents regarding their use and storage; and
- Manage community wastewater, material waste and noise according to local standards.

Regulatory Compliance

During the year under review, the Group was not aware of any non-compliance with environmental regulatory requirements that may significantly impact the Group's business.

3 Social Responsibility and Supply Chain Management

The Group strongly believes that quality property is a gateway to quality living. The Group strives to provide quality property through innovation and delicacy, as well as operates with sincerity to provide customers with a tasteful lifestyle. Through such efforts, the Group aims to improve the living quality of the tenants.

3.1 Supply Chain Management

During the process of property construction, the Group carefully appointed external contractors by taking into consideration various factors such as human rights protection, non-discrimination of employment and occupation, environmental protection, construction safety and product safety. While selecting contractors for property construction, the Group searched for those who are familiar with the environmental, social and safety requirements and in line with the Group's concerns over abolition of child labour and anti-corruption. The Group established close contacts with the contractors on all constructions and sourcing affairs. The Group organised regular meetings to facilitate two-way communications. In addition, the Group performed regular assessment of contractors based on environmental and social risks.

3.2 Quality Services

To ensure the consistently high quality in property management services, the Group appointed a property management company to:

- Maintain quality properties that embrace innovation and enhance the neighbourhood;
- Provide sincere service and constantly improve the property management;
- Strive for high standards of property management services, and achieve customer satisfaction; and
- Provide a tasteful living to the residents.

3.3 Protection of Privacy

To ensure the well-being of the tenants, the Group regularly communicates with them through satisfaction surveys in order to identify potential areas for improvement. The Group keeps customers' information confidential, and access to information is restricted. During the year under review, there were no reported non-compliances regarding privacy and data protection.

Regulatory Compliance

During the year under review, the Group was not aware of any non-compliance by supply chain management that may significantly impact the Group's business.

Glossary of Sources

IMF	**INTERNATIONAL MONETARY FUND**
DSEC	**THE STATISTICS AND CENSUS SERVICE (MACAU)**
DICJ	**THE GAMING INSPECTION AND COORDINATION BUREAU**
DSF	**FINANCIAL SERVICES BUREAU (MACAU)**

Manager and Adviser

Sniper Capital

Manager
Sniper Capital Limited

Investment Adviser
Sniper Capital (Macau) Limited

Research & Transaction
- Macro & micro analysis
- Forecasting & modelling
- Sourcing
- Due diligence
- Divestment

Project Development
- Consultant appointment & coordination
- Project monitoring & reporting
- Project delivery & handover

Asset Management
- Property & estate management
- Sales & leasing
- Facilities management
- Asset value enhancement

Corporate Communications
- Investor & media relations
- Marketing & product positioning
- Statutory & regulatory communication

Finance & Administration
- Administration & accounting
- Compliance & reporting
- Cash management & treasury

Manager

The day-to-day responsibility for the management of the Macau Property Opportunities Fund's ("MPOF", "Company" or "Group") portfolio rests with Sniper Capital Limited[1].

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

Sniper Capital Limited is focused on the identification, acquisition and development of properties chosen for their location, current and potential value, or for the sustainable demand for the accommodation or facilities they offer.

Sniper Capital Limited's team of over 30 professionals covers all the required investment and development disciplines, including research, site acquisition, project development, asset management, investor relations and finance.

Working closely with Headland Developments Limited[2] and Bela Vista Property Services Limited[3], Sniper Capital Limited ensures that all necessary project management skills and services are provided in a way that will deliver each MPOF project to the right standards and on budget.

For more information, please visit www.snipercapital.com

1 Thomas Ashworth and Martin Tacon, Directors of Sniper Capital Limited, have a beneficial interest in Sniper Investments Limited and Thomas Ashworth was a Non-Executive Director of the Company until retiring on 29 November 2019.
2 Headland Developments Limited is part owned by Thomas Ashworth and Martin Tacon, Directors of Sniper Capital Limited, and therefore constitutes a related party of the Company.
3 Thomas Ashworth and Martin Tacon, Directors of Sniper Capital Limited, are Directors and have a beneficial interest in Bela Vista Property Services Limited which therefore constitutes a related party of the Company.

Manager and Adviser *(continued)*

With its 25 August 2020 holding of 11.46 million shares or 18.54% of the Company's issued share capital, Sniper Investments Limited — an investment vehicle associated with Sniper Capital Limited — is the largest shareholder in MPOF, which bears witness to Sniper Capital Limited's belief in the Company.

Adviser

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

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

Investment Policy

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

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

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

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

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

Annual Report *(continued)*

Audit Opinion

Financial Statements

General Information

Cautionary Statement

Directors' Report

The Directors present their report and audited financial statements of the Group for the year ended 30 June 2020. This Directors' report should be read together with Corporate Governance Report on pages 53 to 58.

Principal activities

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

The Company is an authorised entity under the Authorised Closed-Ended Investment Schemes Rules 2008 and is regulated by the Guernsey Financial Services Commission ("GFSC"). During the year, the principal activities of the Company and its subsidiaries as listed in Note 4 to the consolidated financial statements (together referred to as the "Group") were property development and investment in Macau.

Business review

A review of the business during the year, together with likely future developments, is contained in the Chairman's Message on pages 4 to 9 and in the Manager's Report on pages 14 to 35.

Going Concern

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

A fundamental principle of the preparation of financial statements in accordance with IFRS, the Directors have assessed as to whether the Company will continue in existence as a going concern for a period of at least 12 months from signing of the financial statements, which contemplates continuity of operations and the realisation of assets and settlement of liabilities occurring in the ordinary course of business.

The financial statements have been prepared on a going concern basis for the reasons set out below and as the Directors, with recommendation from the Audit and Risk Committee, have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future.

In reaching its conclusion, the Board have considered the risks that could impact the Group's liquidity over the period to 31 October 2021. This period represents the required period of 12 months from the date of signing of the Annual Report.

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

1. Whether the Group can refinance its loan facilities to discharge its liabilities over the period to 31 October 2021

2. COVID-19 impact on valuation of the Group's investment portfolio and related loan covenants

3. Extension of life of the Company

1. Whether, the Group can refinance its loan facilities to discharge its liabilities over the period to 31 October 2021

The Group has several major debt obligations to settle during the going concern period being:

i) instalment to repay principal of the loan facility with Hang Seng Bank of approximately US$10 million due for settlement on 19 March 2021;

ii) full repayment of the loan facilities with Banco Tai Fung and ICBC Macau of approximately US$19 million due for settlement in June 2021; and

iii) instalment to repay principal of the loan facility with Hang Seng Bank of approximately US$10 million due for settlement on 19 September 2021.

An instalment to repay principal of the loan facility with Hang Seng Bank of approximately US$70 million was due for settlement on 19 September 2020. This was refinanced on 21 September 2020 and will mature in September 2025. It is anticipated that the Group will be able to refinance the remaining loan facilities that are due for settlement over the going concern period. The settlement of these loan facilities is not dependent on the realisation of the Group's underlying assets.

The Manager is responsible for the relationship with the Group's lenders, monitor compliance with loan terms and covenants and report to the Board on matters arising. Throughout the year ended 30 June 2020, the Group has continued to be in compliance with covenant terms and made all scheduled interest payments on time.

2. **COVID-19 impact on valuation of the Group's investment portfolio and related loan covenants**
The COVID-19 outbreak has severely impacted economic and business activities across the globe, and significantly delayed the Group's divestment schedule. In Macau for the first quarter, residential sales were at their lowest levels in more than a decade, and commercial property sales hit a record low. It is without doubt that the real estate industry in other countries is experiencing the same issues, if not worse.

The pandemic has unfortunately created an environment where the completion of corporate transactions has predominantly stalled. Therefore, the Group have had to consider the effect on liquidity. The Board have concluded that they have a reasonable expectation that delays in scheduled realisations will be short-lived and completed as financial markets return to a level of normality.

Future valuation losses may impact compliance with covenants placed on the Group's loan facilities. The Group's loan facilities have loan-to-value covenants ranging between 55% to 60% on loans with Hang Seng Bank and ICBC Macau. The Company's current loan-to-value ratio of each of the properties are below the covenants per the respective facility agreements while the Company's net borrowing level of 50% is below the overall Company level borrowing restriction of 60%.

The Manager is responsible for the relationship with the Group's lenders, monitor compliance with loan terms and covenants and report to the Board on matters arising. Throughout the year ended 30 June 2020, the Group has continued to be in compliance with covenant terms and made all scheduled interest payments on time. The Board do however note that as at 30 June 2020, the loan-to-value ratio for the Company's properties in One Central Residences and *The Fountainside* were 57% and 41%, respectively. A 15% fall in the valuation of *The Waterside* and a 51% fall in the valuation of *The Fountainside* from the 30 June 2020 valuation would trigger breaches of the respective LTV covenants. The Group has repaid HK$2.25 million (US$0.29 million) subsequent to year end and intended to apply proceeds from disposal of the two individual One Central Residences units to pay down loan balance of the One Central facility to reduce the gearing. In addition the refinancing arrangement for One Central loan facility executed on 21 September 2020 included cross guarantee provision with the loan facility of *The Fountainside*, which could reduce the aggregated LTV ratio to mitigate risk of non-compliance with the loan covenant in light of the uncertainties caused by COVID-19 over post year end valuations.

The overall uncertainty brought about by COVID-19 and its impact on the valuation of the Group's investment portfolio is being monitored closely by the Board.

3. **Extension of life of the Company**
The Directors, after the Ordinary Resolution was passed at the Annual General Meeting of the Company on 29 November 2019 to extend the Company's life until November 2020, assessed whether the continuation vote before the end of 2020 gives rise to a material uncertainty that might cast significant doubt about the Company's ability to continue as a going concern. The Directors have also considered the going concern assumption outside the primary going concern horizon. The Directors expect to receive continuation support from major shareholders and note that 50% of shareholder support is required to ensure continuation. It is likely that returns from the sale of properties would be significantly lower if the Company was forced to sell as a result of a failed continuation vote and it is therefore commercially sensible for the Company to continue in business.

Going Concern Conclusion
After careful consideration and based on the reasons outlined above, the Board are satisfied, as of today's date, that it is appropriate to adopt the going concern basis in preparing the financial statements and they have a reasonable expectation that the Company will continue in existence as a going concern for 12 months from the date of signing of the Annual Report.

The future impact of COVID-19 on the valuation of the Group's investment portfolio and related loan covenants is not known at this time which means that there is a material uncertainty that unforeseen consequences of COVID-19 could create significant doubt over the ability of the Company to remain as a going concern. The financial statements do not include any adjustments that might result from the unknown and unquantifiable uncertainty that exists.

Viability Statement
The Board has a robust assessment process of the principal risks facing the Company, including those that would threaten its business model, future performance, solvency and liquidity. The Directors consider each of the Company's principal risks and uncertainties, detailed on pages 56 to 57, during the quarterly Board meetings. The Directors also considered the Company's policy for monitoring, managing and mitigating its exposure to these risks. This assessment involved an evaluation of the potential impact on the Company of these risks occurring. Where appropriate, the Company's financial model was subject to a sensitivity analysis involving flexing a number of key assumptions in the underlying financial forecasts in order to analyse the effect on the Company's net cash flows and other key financial ratios. Tranches of *The Waterside* loan facility which totalled HK$540 million were due for settlement on 19 September 2020. They were successfully refinanced and are now due to mature in September 2025. The Board expects the other loan facilities which mature within the next 12 months will be re-financed, that COVID-19 will not result in the LTV's breaching loan covenants and that the Company's life will be further extended at the 2020 Annual General Meeting. The Board assumes that the LTV covenants will not be breached as the 30 June 2020 market valuations already reflect the impact of COVID-19 and it is not anticipated to further reduce to the extent that the covenants will be impacted.

Directors' Report *(continued)*

In accordance with provision 31 of the 2018 revision of the UK Code, the Directors have assessed the prospects of the Company over a longer period than the 12 months required by the going concern provision. The Board has conducted this review for a period covering the next three years including review of a comprehensive 3 years cash flow projection together with adverse scenario to stress test the cash positions of the Company. The Board considers three years to be an appropriate time horizon for its divestment plan, being the period over which most of the Company's properties should have been disposed of. This has remained the same timeframe as the prior year due to the delay in divestment as a result of the COVID-19 pandemic. Based on an assessment of the principal risks facing the Company and the stress testing based assessment of the Company's prospects, the Directors have a reasonable expectation that the Company will be able to continue in operation (subject to continuation vote) and meet its liabilities as they fall due over the three-year period of their assessment.

Share capital

Ordinary Shares

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

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

Results and dividends

The results for the year are set out in the consolidated financial statements on pages 77 to 111. There are no dividends proposed or declared for the current year end (2019: US$nil).

Authority to purchase own shares

Following the authority first granted in the Extraordinary General Meeting on 28 June 2010 and subsequently renewed at each Annual General Meeting, the Board has publicly stated its commitment to undertake share buybacks at attractive levels of discount of the share price to Adjusted NAV. The Board intends to renew this authority at the 2020 Annual General Meeting.

Significant shareholdings

As at 30 June 2020, a total of 8 shareholders each held more than 3% of the issued ordinary shares of the Company, accounting for a total of 44,128,169 shares (2019: 44,062,142) or 71.36% (2019: 71.26%) of the issued share capital. Significant shareholdings as at 30 June 2020 are detailed below:

Name of shareholder	No. of shares	%
Sniper Investments Limited	11,463,312	18.54
Lazard Asset Management LLC	10,153,489	16.42
Universities Superannuation Scheme	8,494,683	13.74
Apollo Multi Asset Management	3,881,312	6.28
Premier Miton Investors	3,225,000	5.21
Fidelity International	2,329,001	3.76
Ironsides Partners	2,292,887	3.71
Banque de Luxembourg	2,288,485	3.70
Subtotal	**44,128,169**	**71.36**
Others	17,707,564	28.64
Total	**61,835,733**	**100.00**

Significant shareholdings as at 25 August 2020, which is the most up to date available, are detailed below:

Name of shareholder	No. of shares	%
Sniper Investments Limited	11,463,312	18.54%
Lazard Asset Management LLC	10,087,670	16.31%
Universities Superannuation Scheme	8,494,683	13.74%
Apollo Multi Asset Management	3,881,312	6.28%
Premier Miton Investors	3,134,000	5.07%
Fidelity International	2,475,245	4.00%
Ironsides Partners	2,292,887	3.71%
Banque de Luxembourg	2,288,485	3.70%
Subtotal	**44,117,594**	**71.35%**
Other	17,718,139	28.65%
Total	**61,835,733**	**100.00%**

Directors' Report *(continued)*

Directors

Biographies of the Directors who served during the year are detailed on pages 10—11.

Name	Function	Date of appointment	Date of resignation
Mark Huntley	Chairman, Chairman of the Management Engagement Committee and the Chairman of the Disclosure and Communications Committee	3 October 2018	–
Alan Clifton	Director, Chairman of the Audit and Risk Committee and the Nomination and Remuneration Committee	18 May 2006	–
Wilfred Woo	Director	3 January 2012	–
Thomas Ashworth	Director	18 May 2006	29 November 2019

Directors' interests

Directors who held office during the year and had interests in the shares of the Company as at 30 June 2020 were:

	Ordinary Shares of US$0.01	
	Held at 30 June 2020	Held at 30 June 2019
Thomas Ashworth*	**N/A**	–
Alan Clifton	**80,902**	80,902
Wilfred Woo	**–**	–
Mark Huntley	**200,000**	–

* Thomas Ashworth has a beneficial interest in Sniper Investments Limited, which as at the prior year held 11,341,960 shares. Thomas Ashworth was no longer a Director as at 30 June 2020.

There have been no changes to the aforementioned interests since 30 June 2020.

Non-mainstream pooled investments

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

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

AIFM directive

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

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

Directors' Report *(continued)*

Directors' remuneration

Directors of the Company are all non-executive and, by way of remuneration, receive an annual fee. During the year, the Directors received the following emoluments in the form of Directors' fees from the Company:

	2020 US$	2019 US$
Mark Huntley*	**72,092**	49,007
Alan Clifton	**53,812**	56,130
Wilfred Woo	**45,057**	46,494
Thomas Ashworth**	**–**	–
Chris Russell***	**–**	30,492
Total	**170,961**	**182,123**

* Mark Huntley appointed to Board on 3 October 2018 and appointed as Chairman on 12 November 2018.

** As disclosed in Note 19 to the consolidated financial statements, Thomas Ashworth is a shareholder and Director of Adept Capital Partners Services Limited, and he has a beneficial interest in and is a Director of Sniper Capital Limited and Bela Vista Property Services Limited, all of which received fees from the Group during the year. Thomas Ashworth has waived his Director's fees from the Company. Thomas Ashworth retired on 29 November 2019.

*** Chris Russell retired on 12 November 2018.

Directors' Responsibilities to Stakeholders

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

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

Stakeholder Group	Methods of Engagement	Benefits of Engagements
Shareholders The major investors in the Company's shares are set out on page 48. Continued shareholder support is vital to the Company's divestment objectives, and therefore, in line with its objectives, the Company seeks to maintain shareholder satisfaction through: – Net asset value preservation – Divestment of remaining properties, and – Operating cost reduction	The Company engages with its shareholders through the issue of regular portfolio updates in the form of RNS announcements and half yearly updates. The Company provides in depth commentary on the investment portfolio, corporate governance and corporate outlook in its semi-annual financial statements. In addition, the Company, through its Manager undertake regular roadshows to meet with existing and prospective investors to solicit their feedback and understand any areas of concern. The Manager and Board have achieved a substantial operating cost reduction. The Corporate Broker has held discussions with the five largest shareholders who have all indicated a willingness to vote in favour of a continuation of the Company.	In the financial year the Company issued: – 4 NAV updates by way of RNS – 2 half yearly updates. The Company, through the Manager, meets major shareholders.

Directors' Report *(continued)*

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

Directors' Report *(continued)*

Change of control

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

Annual General Meeting

The Annual General Meeting of the Company will be held on November 2020 either at Floor 2, Trafalgar Court, Les Banques, St Peter Port, Guernsey or virtually.

Independent auditors

The Audit and Risk Committee reviews the appointment of the external auditor, its effectiveness and its relationship with the Group, which includes monitoring the use of the Auditor for non-audit services and the balance of audit and non-audit fees paid. In accordance with the FRC guidance applicable to UK Incorporated London Stock Exchange Listed companies, the audit of the Company will be put out to tender for the year ended 30 June 2021 following the tenth year of Ernst & Young LLP's tenure as external auditor. Each Director believes that there is no relevant information of which the Auditor is unaware. Each has taken all steps necessary, as a director, to be aware of any relevant audit information and to establish that Ernst & Young LLP is made aware of any pertinent information. This confirmation is given and should be interpreted in accordance with the provisions of Section 249 of the Companies (Guernsey) Law, 2008.

Subsequent events

Significant subsequent events have been disclosed in Note 25.

Financial risk management policies and objectives

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

Principal risks and uncertainties

Principal risks and uncertainties are discussed in the Corporate Governance Report on page 56.

On behalf of the Board

Mark Huntley
Chairman of the Board
7 October 2020

Corporate Governance Report

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

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

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

The UK Code includes provisions relating to:

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

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

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

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

The Board

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

Directors' details are listed on pages 10 and 11 which set out the range of investment, financial and business skills and experience represented. Provision 14 of the AIC Code states that a Board should consider appointing one independent non-executive director to be the senior independent director. The Board, having taken into account its small size and that all directors are each similarly independent and non-executive, considers it unnecessary to appoint a senior independent director.

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

Corporate Governance Report *(continued)*

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

The Company has benefitted greatly from the knowledge, expertise and skill mix of the Board as we have had to navigate through the difficulties of the current situation. We believe it is important to maintain the current composition. There are no concerns about either stale behaviour or lack of vigour to deliver the Company's strategy which require a sound understanding of the market in Macau as well as broader experience of the real estate market: to the contrary, the Board and Manager dynamics have been most constructive and measured in the face of an unprecedented challenges.

It is the intention to maintain the majority board independence within the meaning of the AIC Code. We will commence the process of board succession in 2021 to achieve this with a view to changes taking place on or before the 2021 AGM.

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

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

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

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

Performance and evaluation

Pursuant to Provision 26 of the AIC Code which requires a formal and rigorous annual evaluation of its performance, the Board formally reviews its performance annually through an internal process. Internal evaluation of the Board, the Audit and Risk Committee, the Nomination and Remuneration Committee, the Management Engagement Committee, the Disclosure and Communications Committee and individual Directors has taken the form of self-appraisal questionnaires and discussions to determine effectiveness and performance in various areas, as well as the Directors' continued independence. Given the stage of life of the Company, the Board considered it sufficient to undertake its own evaluation rather than appointing at cost an external facilitator.

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

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

Duties and responsibilities

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

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

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

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

Committees of the Board

Nomination and Remuneration Committee

The Nomination and Remuneration Committee Report is on page 59.

Management Engagement Committee

The Management Engagement Committee Report is on page 61.

Audit and Risk Committee

The Audit and Risk Committee Report is on page 62.

Meeting Attendance

Name	Scheduled Board Meeting (max 4)	Other Board Meeting (max 7)	Audit and Risk Committee Meeting (max 3)	Nomination and Remuneration Committee Meeting (max 1)	Management Engagement Committee Meeting (max 2)
Mark Huntley	4	7	3	1	2
Thomas Ashworth* (retired 29 November 2019)	2	1	N/A	–	N/A
Alan Clifton	4	5	3	1	2
Wilfred Woo	4	5	3	1	2

* Thomas Ashworth was not a member of the Audit and Risk Committee or the Management Engagement Committee.

Internal control and financial reporting

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

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

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

The Board considers that an internal audit function specific to the Group is unnecessary and that the systems and procedures employed by the Administrator and Manager, including their own audit functions, provide sufficient assurance that a sound system of internal control, which safeguards the Group's assets, is maintained. Investment advisory services are provided to the Group by Sniper Capital (Macau) Limited. The Board is responsible for setting the overall investment policy and monitors the action of the Manager at regular board meetings. The Board has also delegated administration and company secretarial services to Ocorian Administration (Guernsey) Limited (formerly Estera International Fund Managers (Guernsey) Limited) but retains accountability for all functions it delegates.

Management agreement

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

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

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

Relations with shareholders

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

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

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

Principal risks and uncertainties

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

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

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

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

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

- The global COVID-19 pandemic and the resulting uncertainty is having on Macau's real estate market, the valuation of the underlying assets and whether this could prevent the Group from being able to realise its assets.

- There can be no guarantee that Macau will remain the only centre in China where gambling is legal. Changes in policies of the government or changes in laws and regulations may result in the legalisation of gambling in other parts of China. This, in turn, may have an adverse effect on Macau's economy and property market and the favourable treatment of gambling in Macau. This is an inherent risk of investing in the Macau region and therefore cannot be mitigated or managed by the Board.

- The Group's loan refinancing may not be available in the future due to reduced lending appetite from banks and a change in market sentiment.

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

- Macau law governs the majority of the Group's agreements which relate to property investments, property ownership rights and securities. It cannot be guaranteed that the Group will be able to enforce any such agreements or that remedies will be available outside of Macau.

- The Group's return on its investments and prospects are subject to economic, legal, political and social developments in Macau and China, and the Asia Pacific region in general. In particular, the Group's return on its investments may be adversely affected by:

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

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

  - changes in foreign exchange rates or regulations;

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

  - changes in the rate or method of taxation;

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

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

Emerging risks

Emerging risks have been identified by the Board through a process of evaluating which of the principal risks or any previously unidentified risks have increased materially through the year and/or are expected to significantly grow and such evaluation is completed at regular Board meetings. Any such emerging risks are likely to cause disruption to the Group's business. If ignored, there could be significant impact on the Group's financial performance and future performance but, if recognised, they could provide opportunities for transformation. In the current year, the following two significant emerging risks have been identified:

- The Group's strategic objectives, linked to a widening of the discount and the continuation vote in the Annual General Meeting in November 2020; and

- Economic changes particularly associated with the COVID-19 pandemic and the political demonstrations against the government in Hong Kong and the resultant impact upon the Macanese economy and the resultant impact on the Macanese property market.

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

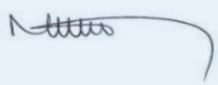
The above principal and emerging risks are mitigated and managed by the Board through continual review, policy setting and annual updating of the Group's risk matrix to ensure that procedures are in place with the intention of minimising the impact of the above mentioned risks. The Board relies on reports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

Corporate Governance Report *(continued)*

The Board relies on the Manager's close relationship with legal professionals in Macau, Hong Kong and China to keep abreast of any potential changes to the law and any possible impact on the Group. The Board also regularly monitors the investment environment and the management of the Group's property portfolio, and applies the principles detailed in the internal control guidance issued by the FRC. Details of the Group's internal controls are described in more detail on page 55.

The Group's financial risks and uncertainties are further discussed in Note 2 to the consolidated financial statements.

On behalf of the Board



Mark Huntley
Chairman of the Board
7 October 2020

Nomination and Remuneration Committee Report

Summary of the role of the Nomination and Remuneration Committee

The Nomination and Remuneration Committee regularly reviews the structure, size and composition (including the skills, knowledge, gender, experience and diversity) of the Board and makes recommendations to the Board with regard to any changes and also considers the appropriate levels of the Board's remuneration. The Board monitors the developments in corporate governance to ensure the Board remains aligned with best practice. The Board acknowledges the importance of diversity of experience, approach and gender, for the effective functioning of a board and commits to supporting diversity in the boardroom. The Board also values diversity of business skills and experience because directors with diverse skills sets, capabilities and experience gained from different geographical backgrounds enhance the Board by bringing a wide range of perspectives to the Company. The Board is satisfied with the current composition and functioning of its members. It is the Company's policy to give careful consideration to issues of the Board's balance and diversity when appointing board members, but its priority is to appoint based on merit, notwithstanding a strong desire to maintain the Board's diversity. The terms of reference are considered annually by the Nomination and Remuneration Committee and are then referred to the Board for approval and are available on the Company's website. The Board believes a succession plan is not presently needed given that the Company is in the final phase of its life.

Composition of the Nomination and Remuneration Committee

The members of the Nomination and Remuneration Committee are listed on page 112.

Meetings

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

Consideration of Directors for re-election

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

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

Nomination and Remuneration Committee Report *(continued)*

Overview

The Nomination and Remuneration Committee met twice in the year ended 30 June 2020. Matters considered at the meeting included but were not limited to:

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

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

On behalf of the Nomination and Remuneration Committee

Alan Clifton
Chairman of the Nomination and Remuneration Committee
7 October 2020

Management Engagement Committee Report

Summary of the role of the Management Engagement Committee

The Management Engagement Committee annually reviews the terms of the Investment Management Agreement between the Company and the Manager and review the performance and terms of engagement of any other key service providers to the Company, as detailed in Appendix 1 of the Terms of Reference of the Committee. The terms of reference are considered annually by the Management Engagement Committee and are then referred to the Board for approval and are available on the Company's website.

Composition of the Management Engagement Committee

The members of the Management Engagement Committee are listed on page 112.

Meetings

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

Performance of the Manager

Following discussion, it is the opinion of the Management Engagement Committee that the performance of the Manager for the year ended 30 June 2020 was satisfactory and the continuing appointment of the Manager on the terms agreed is in the interests of the shareholders as a whole.

Performance of key service providers

Following discussion, it is the opinion of the Management Engagement Committee that the performance of key service providers (as detailed in Appendix 1 of the Terms of Reference of the Committee) for the year ended 30 June 2020 was satisfactory.

Overview

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

On behalf of the Management Engagement Committee

Mark Huntley
Chairman of the Management Engagement Committee
7 October 2020

Audit and Risk Committee Report

Summary of the role of the Audit and Risk Committee

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

The Audit and Risk Committee is responsible for:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The Audit and Risk Committee reviews the information contained in the other sections of the Annual Report including the Directors' Report, Chairman's Message and the Manager's Report. The independent auditor reports by exception if the information in the other sections of the Annual Report is materially inconsistent with the information in the audited financial statements.

Audit and Risk Committee Report *(continued)*

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

Composition of the Audit and Risk Committee

The members of the Audit and Risk Committee are:

	Date of appointment	Date of resignation
Alan Clifton (Chairman)	23 May 2006	–
Wilfred Woo	27 February 2012	–
Mark Huntley	12 November 2018	–

Appointments to the Audit and Risk Committee will be for a period of up to three years, which is extendable, depending upon members continuing to be independent. Alan Clifton has been a member of the Audit and Risk Committee for 14 years. However, the Board and Audit and Risk Committee have satisfied themselves that Alan Clifton continues to remain independent. The Board are satisfied that Alan Clifton remains completely independent of the Investment Manager and provides consistency and continuity in the current realisation phase of the Company, so have previously resolved to extend his appointment to the Audit and Risk Committee for a further year. It is the intention to maintain the majority board independence within the meaning of the AIC Code. We will commence the process of board succession in 2021 to achieve this with a view to changes taking place on or before the 2021 AGM.

Financial Reporting

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

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

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

Significant issues considered in relation to the financial statements

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

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

During its review of the Group's financial statements for the year ended 30 June 2020, the Audit and Risk Committee considered the following significant issues:

- material uncertainty surrounding the impact of the COVID-19 pandemic;
- going concern and viability in relation to the continuation vote in November 2020 and availability of loan refinancing;
- valuation of investment properties and inventories;

Audit and Risk Committee Report *(continued)*

- ownership and existence of investments properties and inventories; and
- accounting treatment for taxes incurred in multiple jurisdictions.

The risk relating to going concern and viability is mitigated through communications with major shareholders, ongoing management of cash resources, regular monitoring of compliance with loan covenants and re-negotiation with lender banks prior to loan maturities.

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

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

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

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

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

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

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

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

Audit and Risk Committee Report *(continued)*

During the year, the Audit and Risk Committee discussed the planning, conduct and conclusions of the external audit as it proceeded. At the June 2020 Audit and Risk Committee meeting, the Committee discussed and approved the auditor's Group plan in which they identified the Group's going concern assumption, valuation of the investment property, carrying value of inventories and revenue recognition as the key areas of risk of misstatement in the Group's financial statements.

The Audit and Risk Committee discussed these issues at the June 2020 meeting to ensure that appropriate arrangements are in place to mitigate these risks.

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

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

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

- the external auditor's fulfilment of the agreed audit plan and variations from it;
- discussions or reports highlighting the major issues that arose during the course of the audit; and
- feedback from other service providers evaluating the performance of the audit team.

Non-audit services

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

Audit and Risk Committee Report *(continued)*

Overview

The Audit and Risk Committee met three times in the year ended 30 June 2020. Matters considered at these meetings included but were not limited to:

- consideration and agreement of the terms of reference of the Audit and Risk Committee for approval by the Board;
- review of the accounting policies and format of the financial statements;
- review of the 2019 Annual Report and Audited Consolidated Financial Statements for the year ended 30 June 2019;
- review of the 2019 Interim Report and Interim Condensed Consolidated Financial Statements for the 6 months ended 31 December 2019;
- review of the quarterly results announcement issued in May 2020;
- review of the audit plan and timetable for the preparation of the 2020 Annual Report and Audited Consolidated Financial Statements;
- discussions and approval of the fee for the external audit;
- assessment of the effectiveness of the external audit process as described above; and
- review of the Company's principal risks, emerging risks and internal controls.

As a result of its work during the year, the Audit and Risk Committee has concluded that it has acted in accordance with its terms of reference and has ensured the independence and objectivity of the external auditor. The Audit and Risk Committee has recommended to the Board that the Annual Report and Financial Statements are considered to be fair, balanced and understandable. The Audit and Risk Committee has recommended to the Board that the external audit is put to tender in accordance with the FCA guidance applicable to UK Incorporated London Stock Exchange listed companies and the Board's recommendation will be contained in the AGM Notice.

On behalf of the Audit and Risk Committee

Alan Clifton

Alan Clifton
Chairman of the Audit and Risk Committee
7 October 2020

Statement of Directors' Responsibilities

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

- select suitable accounting policies and then apply them consistently;
- make judgements that are reasonable and prudent;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRS are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Group's financial position and financial performance;
- state that the Group has complied with IFRS, subject to any material departures disclosed and explained in the Group's financial statements; and
- prepare the Group's financial statements on a going concern basis unless it is inappropriate to presume that the Group will continue in business.

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

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

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

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

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

Statement of Directors' Responsibilities *(continued)*

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

Each of the Directors, whose names are set out on pages 10 and 11 of the Annual Report, confirms that, to the best of their knowledge and belief that:

Directors' statement under the Disclosure and Transparency Rules

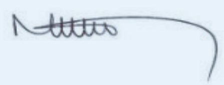
- The Group's financial statements, prepared in accordance with IFRS, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole.

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

Directors' statement under the UK Corporate Governance Code

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

On behalf of the Board



Mark Huntley
Chairman of the Board
7 October 2020

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

Opinion

We have audited the Financial Statements of Macau Property Opportunities Fund Limited (the "Company") and its subsidiaries (together the "Group") for the year ended 30 June 2020 which comprise of the Consolidated Statement of Financial Position, the Consolidated Statement of Comprehensive Income, the Consolidated Statement of Changes in Equity, the Consolidated Statement of Cash Flows and the related notes 1 to 25, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards as adopted by the European Union.

In our opinion, the financial statements:

- give a true and fair view of the state of the Group's affairs as at 30 June 2020 and of its loss for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by European Union; and
- have been properly prepared in accordance with the requirements of the Companies (Guernsey) Law, 2008.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under those standards are further described in the "Auditor's responsibilities for the audit of the Financial Statements" section of our report below. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the Financial Statements in the UK, including the FRC's Ethical Standard as applied to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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

Material uncertainty related to Going Concern

We draw your attention to Note 1 in the Financial Statements, which states that there is a material uncertainty which casts significant doubt over the ability of the Group to continue as a going concern in relation to the ongoing impact of COVID-19 on the valuation of the Group's investment portfolio and hence its compliance with the related loan covenants. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

We describe below how our audit responded to the risk relating to going concern:

1. The audit engagement partner increased his time directing and supervising the audit procedures on going concern;
2. We have assessed the determination made by the Board of Directors that the Group is a going concern and challenged the key assumptions and checked arithmetical accuracy in the cash flow forecasts checking the details against the supporting documents (e.g. loan agreements, minutes of meeting) obtained from our audit work;
3. We have discussed with management their meetings with the principal shareholders and obtained supporting documentation regarding their intention to vote in the forth-coming continuation vote;
4. We engaged our own internal valuation specialists from Hong Kong and London to corroborate the disclosed fair values of investment property and inventory properties and confirmed that the valuations are within the acceptable range;
5. We have obtained and read loan agreements, checked the calculation of the covenant compliance for the loans, including the adherence to minimum Loan-to-Value ratio. We also have obtained and read the re-financing loan agreements made subsequent to year-end for the extension of loans classified as current liabilities at year-end;
6. We have read the board minutes with a view of identifying any matters which may impact on the going concern assessment; and
7. We assessed the disclosures in the Annual Report and Financial Statements relating to going concern, including the material uncertainty, to ensure they were fair, balanced and understandable and in compliance with IAS 1.

We draw attention to the viability statement in the Annual Report on page 47, which indicates that the key assumptions to the statement of viability are that the Board assumes that the LTV covenants will not be breached as the 30 June 2020 market valuations already reflects the impact of COVID-19 and it is not anticipated to further reduce to the extent that the covenants will be impacted. The Directors consider that the material uncertainty referred to in respect of going concern may cast significant doubt over the future viability of the Company should these not be correct.

Our opinion is not modified in respect of this matter.

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

Conclusions relating to principal risks, going concern and viability statement

Aside from the impact of the matters disclosed in the material uncertainties related to going concern section, we have nothing to report in respect of the following information in the Annual Report, in relation to which the ISAs (UK) require us to report to you whether we have anything material to add or draw attention to:

- the disclosures in the Annual Report set out on pages 56 to 57 that describe the principal risks and explain how they are being managed or mitigated;
- the Directors' confirmation set out on page 47 in the Annual Report that they have carried out a robust assessment of the principal risks facing the entity, including those that would threaten its business model, future performance, solvency or liquidity;
- whether the Directors' statement set out on pages 46 to 47 in the Annual Report in relation to going concern and their assessment of the prospects of the Company required under the Listing Rules is materially inconsistent with our knowledge obtained in the audit; or
- the Directors' explanation set out on page 47 in the Annual Report as to how they have assessed the prospects of the entity, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the entity will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

Overview of our audit approach

Key audit matters	• Fair valuation of investment property • Carrying value of inventories • Recognition of rental income and income on sale of inventories
Audit scope	• We performed an audit of the complete financial information of the Group.
Materiality	• Overall Group materiality of $1.03m (2019: $1.3m) which represents 1% (2019: 1%) of Net Asset Value ("NAV").
What has changed	• Our scope of work remained the same as compared to the previous year and as communicated during our planning meeting.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the Financial Statements of the current year. In addition to the matters described in the "Material Uncertainty Related to Going Concern" section, we have determined the matters described below to be the key audit matters to be communicated in our report. These matters were addressed in the context of our audit of the Financial Statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the Financial Statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the Financial Statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying Financial Statements.

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

Key audit matters (continued)

Risk	Our response to the risk	Key observations communicated to the Audit Committee
Fair valuation of investment property ($200.0m; 2019: 225.9m) *Refer to the Audit and Risk Committee Report (pages 62 to 66); Accounting policies (page 81 to 89) and Note 6 of the Consolidated Financial Statements (pages 98 to 100)* The valuation of investment property is the key driver of the Group's net asset value and total return. Valuation of the investment property requires specialist expertise and the use of significant estimates and judgements giving rise to a higher risk of misstatement.	We performed full scope audit procedures over the valuation of the investment property. Audit procedures performed by component audit team are based on instructions issued by the Group audit team. Those procedures are described below: • We documented our understanding of the processes and performed walkthrough tests to confirm our understanding of the systems and controls implemented; • We agreed the valuations recorded in the consolidated financial statements to the value reported by the management's independent specialists (the "Specialists"); • We agreed the significant inputs in the valuation that were sourced from tenancy agreements to a sample of individual tenancy agreements and agreed the other significant inputs from the Specialist market research data; • We tested the calculation of the loss on revaluation for the year and verified that the recording and reporting of these amounts was in compliance with IFRS as adopted by the EU; • We engaged our own internal valuation specialists (from Hong Kong and London) to: • verify whether the valuation methodology used was consistent with valuation market practice and appropriate under the circumstances by ensuring that the recorded fair value is within the acceptable range of values calculated by our real estate specialists; • use their knowledge of the market to compare and corroborate the market related judgements and valuation inputs (including discount rates, exit yields and sales values) used by the Specialists; and • assist us in determining whether the Specialists were appropriately qualified and independent.	We confirmed that there were no material matters arising from our audit work on the inputs used and the judgments made by Specialists that we wished to bring to the attention of the Audit Committee. We confirmed that valuation of the investment property is within the acceptable range and not materially misstated.

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

Key audit matters (continued)

Risk	Our response to the risk	Key observations communicated to the Audit Committee
Carrying value of inventory properties ($39.6m; 2019: $41.5m) *Refer to the Audit Committee Report (pages 62 to 66); Accounting policies (pages 81 to 89); and Note 7 of the Consolidated Financial Statements (page 100)* Inventory properties are stated at lower of cost and net realisable value. The valuation of inventory properties is the key driver to determine the net realisable value of properties. Valuation of property requires specialist expertise and the use of significant estimates and judgements giving rise to a higher risk of misstatement.	We performed full scope audit procedures over the valuation of inventory properties. Audit procedures performed by component audit team are based on instructions issued by the Group audit team. Those procedures are described below: • We documented our understanding of the processes for valuing inventory properties and performed walkthrough tests to confirm our understanding of the systems and controls implemented; • We agreed a sample of the significant inputs used by the Specialists to value the properties; • We have agreed additions and disposals of inventories to the general ledger and tested individual items above our testing threshold; • We checked fair value was greater than cost. We have not identified any inventory properties that have a risk of impairment; and • We engaged our own internal valuation specialists from Hong Kong and London to corroborate the disclosed fair values of inventory properties by: • using their knowledge of the market to compare and corroborate the market related judgements and valuation inputs (including discount rates, exit yields and sales values) used by the Specialists; and • assisting us in determining whether the Specialists were appropriately qualified and independent.	We confirmed that there were no material matters arising from our audit work on the inputs used and the judgments made by the Specialists that we wished to bring to the attention of the Audit Committee. We confirmed that the valuation of the inventory properties are within the acceptable range and carrying value of inventory properties is not materially misstated.

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

Key audit matters (continued)

Risk	Our response to the risk	Key observations communicated to the Audit Committee
Recognition of rental income ($2.6m; 2019: $2.8m)/Income on sale of inventories ($4.6m; 2019: $1.2m) *Refer to the Audit Committee Report (pages 62 to 66); Accounting policies (pages 81 to 89); and Note 6 and 7 of the Consolidated Financial Statements (pages 98 to 100)* Management may seek to overstate revenue generated from rental income by changing the timing of revenue recognition and on disposal of inventory properties by overstating the selling price or lowering the cost of sales as it is a significant metric and indicator of the Group's return giving rise to a higher risk of misstatement.	**Rental income** • We have agreed a sample of tenancy agreements selected based on our testing threshold to amounts recorded as rental income in the general ledger and from the general ledger to tenancy agreements; • Performed analytical procedures on rental income to identify any inconsistencies in rental income patterns or rent holiday periods; and • Determined that the accounting policy for rental income was in compliance with IFRS as adopted by the EU. **Income on sale of inventories** • We have re-performed calculations of the realised gain on disposal of properties by taking the selling price from final sales and purchase agreements and cost of properties sold from allocation schedule and underlying supporting documents and checked that the resulting gain/(loss) on sale of properties agrees to the recorded gain/(loss) in the general ledger. We also vouched the proceeds to the bank statements.	We confirmed that there were no matters identified during our audit work on revenue recognition that we wished to bring to the attention of the Audit Committee. We confirmed that revenue from rental income and on disposal of properties was recognised in accordance with IFRS as adopted in the EU.

In current year, there are no changes in key audit matters reported in prior year except for material uncertainty related to going concern.

An overview of the scope of our audit

Tailoring the scope

Our assessment of audit risk, our evaluation of materiality and our allocation of performance materiality determine our audit scope for each entity within the Group. This enables us to form an opinion on the Financial Statements. In assessing the risk of material misstatement to the Group financial statements, and to ensure we had adequate quantitative coverage of significant accounts in the financial statements, we performed an audit of the complete financial information of all components covering entities within Macau, Hong Kong, BVI and the Channel Islands which represent all business units of the Group.

The audit team comprised individuals from the Channel Islands ("Group audit team") and Hong Kong ("Component audit team") and we operated as an integrated team across both jurisdictions. We performed the audit procedures and responded to the risks identified as described below.

Changes from the prior year

There has been no change in scope of our audit from prior year.

Team structure

The overall audit strategy is determined by the audit partner who is based in the Channel Islands. Since the Group's operations are principally located in Hong Kong/Macau, the audit team includes EY team members from Hong Kong.

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

Involvement with component team

We identified the risks of material misstatement described above as those that had the greatest effect on our overall audit strategy, the allocation of resources in the audit and the direction of the efforts of the audit team. In addressing these risks, we have performed the procedures above which were designed in the context of the financial statements as a whole and, consequently, we do not express any opinion on these individual areas.

In establishing our overall approach to the Group audit, we determined the type of work that needed to be undertaken at each of the components by the Group audit team, or by the component audit team from other EY global network firms operating under our instruction. We determined the appropriate level of involvement to enable us to determine that sufficient audit evidence had been obtained as a basis for our opinion on the Group as a whole.

The Group audit team, assisted by our real estate specialists in Hong Kong and London, performed procedures on the valuations of the Group's investment property and inventories.

The Group audit team interacted regularly with the component team in Hong Kong where appropriate during various stages of the audit, reviewed key working papers and were responsible for the scope and direction of the audit process. This, together with the additional procedures performed at the Group level, gave us appropriate audit evidence for our opinion on the Group financial statements.

Our application of materiality

We apply the concept of materiality in planning and performing the audit, in evaluating the effect of identified misstatements on the audit and in forming our audit opinion.

Materiality

"Materiality" is the magnitude of omissions or misstatements that, individually or in aggregate, could reasonably be expected to influence the economic decisions of the users of the financial statements. Materiality provides a basis for determining the nature and extent of our audit procedures.

We determined planning materiality for the Company to be $1.03 million (2019: $1.3 million), which is 1% (2019: 1%) of NAV. We believe that NAV provides us with an appropriate basis for audit materiality as it is a key published performance measure and is a key metric used by management in assessing and reporting on overall performance.

It was considered appropriate to determine materiality based on the Group's NAV as this is the primary performance measures of the Group for internal and external reporting.

Performance materiality

"Performance materiality" is the application of materiality at the individual account or balance level. It is set at an amount to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality.

Based on our risk assessment, together with our assessment of the Group's overall control environment, our judgement was that overall performance materiality (i.e. our tolerance for misstatement in an individual account or balance) for the Group should be 50% of materiality, namely $0.5 million (2019: 75% of materiality, namely $1.0 million). There is a change in percentage from prior year as a result of higher engagement risk.

Reporting threshold

"Reporting threshold" is an amount below which identified misstatements are considered as being clearly trivial.

We agreed with the Audit Committee that we would report to them all uncorrected audit differences in excess of $51,000 (2019: $66,000) which is set at 5% of planning materiality, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds.

We evaluated any uncorrected misstatements against both the quantitative measures of materiality discussed above and considering other relevant qualitative considerations in forming our opinion.

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

Other information
The other information comprises the information included in the Annual Report on page 1 to 68, including the Manager's Report set out on pages 14 to 35, Directors' Report set out on pages 46 to 52 and Corporate Governance Report on pages 53 to 58, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

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

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

We have nothing to report in this regard.

In this context, we also have nothing to report regarding our responsibility to specifically address the following items in the other information and to report as uncorrected material misstatements of the other information where we conclude that those items meet the following conditions:

- Fair, balanced and understandable set out on page 68 — the statement given by the Directors that they consider the Annual Report and financial statements taken as a whole is fair, balanced and understandable and provides the information necessary for Shareholders to assess the Company's performance, business model and strategy, is materially inconsistent with our knowledge obtained in the audit; or

- Audit committee reporting set out on pages 62 to 66 — the section describing the work of the audit committee does not appropriately address matters communicated by us to the audit committee; or

- Directors' statement of compliance with the UK Corporate Governance Code set out on page 68 — the parts of the Directors' statement required under the Listing Rules relating to the Company's compliance with the UK Corporate Governance Code containing provisions specified for review by the auditor in accordance with Listing Rule 9.8.10R (2) do not properly disclose a departure from a relevant provision of the UK Corporate Governance Code.

Matters on which we are required to report by exception
We have nothing to report in respect of the following matters in relation to which the Companies (Guernsey) Law, 2008 requires us to report to you if, in our opinion:

- proper accounting records have not been kept by the Company; or

- the financial statements are not in agreement with the Company's accounting records and returns; or

- we have not received all the information and explanations we require for our audit.

Responsibilities of directors
As explained more fully in the Directors' Responsibilities Statement set out on pages 67 to 68, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

Use of our report

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

Andrew Jonathan Dann, FCA
for and on behalf of Ernst & Young LLP
Guernsey, Channel Islands
7 October 2020

Notes:

1. The maintenance and integrity of the Company's website is the sole responsibility of the Directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditor accepts no responsibility for any changes that may have occurred to the Financial Statements since they were initially presented on the website.

2. Legislation in Guernsey governing the preparation and dissemination of Financial Statements may differ from legislation in other jurisdictions.

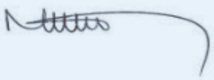
Consolidated Statement of Financial Position

As at 30 June 2020

	Note	2020 US$'000	2019 US$'000
ASSETS			
Non-current assets			
Investment property	6	**199,988**	225,885
Deposits with lenders	21	**4,278**	1,608
Trade and other receivables		**111**	110
		204,377	227,603
Current assets			
Inventories	7	**39,631**	41,453
Trade and other receivables	10	**366**	192
Deposits with lenders	21	**175**	235
Cash and cash equivalents		**16,078**	26,980
		56,250	68,860
Total assets		**260,627**	296,463
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Share capital	12	**618**	618
Retained earnings		**83,916**	115,438
Distributable reserves		**15,791**	15,791
Foreign currency translation reserve		**251**	(788)
Total equity		**100,576**	131,059
LIABILITIES			
Non-current liabilities			
Deferred taxation provision	9	**11,837**	15,083
Taxation provision	9	**533**	804
Interest-bearing loans	8	**47,102**	123,855
		59,472	139,742
Current liabilities			
Trade and other payables	11	**1,285**	2,286
Interest-bearing loans	8	**99,294**	23,376
		100,579	25,662
Total liabilities		**160,051**	165,404
Total equity and liabilities		**260,627**	296,463
Net Asset Value per share (US$)	18	**1.63**	2.12
Adjusted Net Asset Value per share (US$)	18	**2.21**	2.83

The accompanying notes on pages 81 to 111 are an integral part of these consolidated financial statements.

The consolidated financial statements on pages 77 to 111 were approved by the Board of Directors and authorised for issue on 7 October 2020.



Director

Director

Consolidated Statement of Comprehensive Income

Year ended 30 June 2020

	Note	2020 US$'000	2019 US$'000
Income			
Income on sale of inventories	7	**4,620**	1,183
Rental income		**2,606**	2,770
Other income		–	5
		7,226	3,958
Expenses			
Net loss from fair value adjustment on investment property	6	**27,924**	24,357
Cost of sales of inventories	7	**2,692**	542
Management fee	20	**2,668**	4,491
Non-Executive Directors' fees	19	**177**	189
Auditors' remuneration: audit fees	23	**100**	108
Auditors' remuneration: non-audit fees	23	**8**	–
Property operating expenses	15	**1,388**	1,297
Sales and marketing expenses	16	**517**	168
General and administration expenses	13	**681**	832
Loss on foreign currency translation		**159**	49
		(36,314)	(32,033)
Operating loss for the year		**(29,088)**	(28,075)
Finance income and expenses			
Bank loan interest		**(5,690)**	(6,514)
Other financing costs	14	**(328)**	(324)
Bank and other interest		**26**	29
		(5,992)	(6,809)
Loss for the year before tax		**(35,080)**	(34,884)
Taxation	9	**3,558**	3,013
Loss for the year after tax		**(31,522)**	(31,871)
Items that may be reclassified subsequently to profit or loss			
Exchange difference on translating foreign operations		**1,039**	719
Total comprehensive loss for the year		**(30,483)**	(31,152)
Loss attributable to:			
Equity holders of the Company		**(31,522)**	(31,871)
Total comprehensive loss attributable to:			
Equity holders of the Company		**(30,483)**	(31,152)

	Note	2020 US$	2019 US$
Basic and diluted loss per ordinary share attributable to the equity holders of the Company during the year	18	**(0.5098)**	(0.5124)

The accompanying notes on pages 81 to 111 are an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

Year ended 30 June 2020

	Note	Share capital US$'000	Retained earnings US$'000	Distributable reserves US$'000	Foreign currency translation reserve US$'000	Total US$'000
Balance brought forward at 1 July 2019	12	**618**	**115,438**	**15,791**	**(788)**	**131,059**
Loss for the year		**–**	**(31,522)**	**–**	**–**	**(31,522)**
Items that may be reclassified subsequently to profit or loss						
Exchange difference on translating foreign operations		**–**	**–**	**–**	**1,039**	**1,039**
Total comprehensive loss for the year		**–**	**(31,522)**	**–**	**1,039**	**(30,483)**
Balance carried forward at 30 June 2020	12	**618**	**83,916**	**15,791**	**251**	**100,576**

	Note	Share capital US$'000	Retained earnings US$'000	Distributable reserves US$'000	Foreign currency translation reserve US$'000	Total US$'000
Balance brought forward at 1 July 2018	12	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	12	(146)	–	(50,417)	–	(50,563)
Balance carried forward at 30 June 2019	12	618	115,438	15,791	(788)	131,059

The accompanying notes on pages 81 to 111 are an integral part of these consolidated financial statements.

Consolidated Statement of Cash Flows

Year ended 30 June 2020

	Note	2020 US$'000	2019 US$'000
Net cash generated from/(used in) operating activities	17	**768**	(1,965)
Cash flows from investing activities			
Capital expenditure on investment property	6	**(340)**	(502)
Movement in pledged bank balances		**(2,610)**	5,076
Net cash (used in)/generated from investing activities		**(2,950)**	4,574
Cash flows from financing activities			
Proceeds from bank borrowings		**11,478**	10,239
Repayment of bank borrowings		**(13,679)**	(11,059)
Share buy back		**–**	(50,563)
Interest and bank charges paid		**(6,686)**	(5,738)
Net cash used in financing activities		**(8,887)**	(57,121)
Net movement in cash and cash equivalents		**(11,069)**	(54,512)
Cash and cash equivalents at beginning of year		**26,980**	81,290
Effect of foreign exchange rate changes		**167**	202
Cash and cash equivalents at end of year		**16,078**	26,980

The accompanying notes on pages 81 to 111 are an integral part of these consolidated financial statements.

Notes to the Consolidated Financial Statements

General information

Macau Property Opportunities Fund Limited (the "Company") is a Company incorporated and registered in Guernsey under The Companies (Guernsey) Law, 1994. This law was replaced by the Companies (Guernsey) Law, 2008 on 1 July 2008. The Company is an authorised entity under the Authorised Closed-Ended Investment Schemes Rules 2008 and is regulated by the GFSC. The address of the registered office is given on page 112.

The consolidated financial statements for the year ended 30 June 2020 comprise the financial statements of the Company and its subsidiaries (together referred to as the "Group"). The Group has investments in residential property in Macau.

These consolidated financial statements have been approved for issue by the Board of Directors on 7 October 2020.

1 Summary of significant accounting policies

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

Statement of compliance

The financial statements have been prepared in accordance with the International Financial Reporting Standards as adopted by European Union, which comprise standards and interpretations approved by the International Accounting Standards Board, together with applicable legal and regulatory requirements of Guernsey Law and the GFSC.

Basis of preparation

The consolidated financial statements have been prepared in accordance with IFRS; applicable legal and regulatory requirements of Guernsey Law and under the historical cost basis, except for financial assets and liabilities held at fair value through profit or loss ("FVPL") and investment properties that have been measured at fair value.

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

Going Concern

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

A fundamental principle of the preparation of financial statements in accordance with IFRS, the Directors have assessed as to whether the Company will continue in existence as a going concern for a period of at least 12 months from signing of the financial statements, which contemplates continuity of operations and the realisation of assets and settlement of liabilities occurring in the ordinary course of business.

The financial statements have been prepared on a going concern basis for the reasons set out below and as the Directors, with recommendation from the Audit and Risk Committee, have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future.

In reaching its conclusion, the Board have considered the risks that could impact the Group's liquidity over the period to 31 October 2021. This period represents the required period of 12 months from the date of signing of the Annual Report.

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

1. Whether the Group can refinance its loan facilities to discharge its liabilities over the period to 31 October 2021

2. COVID-19 impact on valuation of the Group's investment portfolio and related loan covenants

3. Extension of life of the Company

1 Summary of significant accounting policies (Continued)

Going Concern (Continued)

1. *Whether, the Group can refinance its loan facilities to discharge its liabilities over the period to 31 October 2021*

The Group has several major debt obligations to settle during the going concern period being:

i) instalment to repay principal of the loan facility with Hang Seng Bank of approximately US$10 million due for settlement on 19 March 2021;

ii) full repayment of the loan facilities with Banco Tai Fung and ICBC Macau of approximately US$19 million due for settlement in June 2021; and

iii) instalment to repay principal of the loan facility with Hang Seng Bank of approximately US$10 million due for settlement on 19 September 2021.

An instalment to repay principal of the loan facility with Hang Seng Bank of approximately US$70 million was due for settlement on 19 September 2020. This was refinanced on 21 September 2020 and will mature in September 2025. It is anticipated that the Group will be able to refinance the remaining loan facilities that are due for settlement over the going concern period and that these are not dependent upon the realisation of the Group's underlying assets in order to settle these amounts.

The Manager is responsible for the relationship with the Group's lenders, monitor compliance with loan terms and covenants and report to the Board on matters arising. Throughout the year ended 30 June 2020, the Group has continued to be in compliance with covenant terms and made all scheduled interest payments on time.

2. *COVID-19 impact on valuation of the Group's investment portfolio and related loan covenants*

The COVID-19 outbreak has severely impacted economic and business activities across the globe, and significantly delayed the Group's divestment schedule. In Macau for the first quarter, residential sales were at their lowest levels in more than a decade, and commercial property sales hit a record low. It is without doubt that the real estate industry in other countries is experiencing the same issues, if not worse.

The pandemic has unfortunately created an environment where the completion of corporate transactions has predominantly stalled. Therefore, the Group have had to consider the effect on liquidity. The Board have concluded that they have a reasonable expectation that delays in scheduled realisations will be short-lived and completed as financial markets return to a level of normality.

Future valuation losses may impact compliance with covenants placed on the Group's loan facilities. The Group's loan facilities have loan-to-value covenants ranging between 55% to 60% on loans with Hang Seng Bank and ICBC Macau. The Company's current loan-to-value ratio of each of the properties are below the covenants per the respective facility agreements while the Company's net borrowing level of 50% is below the overall Company level borrowing restriction of 60%.

The Manager is responsible for the relationship with the Group's lenders, monitor compliance with loan terms and covenants and report to the Board on matters arising. Throughout the year ended 30 June 2020, the Group has continued to be in compliance with covenant terms and made all scheduled interest payments on time. The Board do however note that as at 30 June 2020, the loan-to-value ratio for the Company's properties in One Central Residences and *The Fountainside* were 57% and 41%, respectively. A 15% fall in the valuation of *The Waterside* and a 51% fall in the valuation of *The Fountainside* from the 30 June 2020 valuation would trigger breaches of the respective LTV covenants. The Group has repaid HK$2.25 million (US$0.29 million) subsequent to year end and intended to apply proceeds from disposal of the two individual One Central Residences units to pay down loan balance of the One Central facility to reduce the gearing. In addition the refinancing arrangement for One Central loan facility executed on 21 September 2020 included cross guarantee provision with the loan facility of *The Fountainside*, which could reduce the aggregated LTV ratio to mitigate risk of non-compliance with the loan covenant in light of the uncertainties caused by COVID-19 over post year end valuations.

The overall uncertainty brought about by COVID-19 and its impact on the valuation of the Group's investment portfolio is being monitored closely by the Board.

3. *Extension of life of the Company*

The Directors, after the Ordinary Resolution was passed at the Annual General Meeting of the Company on 29 November 2019 to extend the Company's life until November 2020, assessed whether the continuation vote before the end of 2020 gives rise to a material uncertainty that might cast significant doubt about the Company's ability to continue as a going concern. The Directors have also considered the going concern assumption outside the primary going concern horizon. The Directors expect to receive continuation support from major shareholders and note that 50% of shareholder support is required to ensure continuation. It is likely that returns from the sale of properties would be significantly lower if the Company was forced to sell as a result of a failed continuation vote and it is therefore commercially sensible for the Company to continue in business.

1 Summary of significant accounting policies (Continued)

Going Concern Conclusion
After careful consideration and based on the reasons outlined above, the Board are satisfied, as of today's date, that it is appropriate to adopt the going concern basis in preparing the financial statements and they have a reasonable expectation that the Company will continue in existence as a going concern for 12 months from the date of signing of the Annual Report.

The future impact of COVID-19 on the valuation of the Group's investment portfolio and related loan covenants is not known at this time which means that there is a material uncertainty that unforeseen consequences of COVID-19 could create significant doubt over the ability of the Company to remain as a going concern. The financial statements do not include any adjustments that might result from the unknown and unquantifiable uncertainty that exists.

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

– IFRS 16: Leases

IFRS 16 Leases
Transition to IFRS 16
The Group adopted IFRS 16 applying the fully retrospective approach. Lessors continue to classify all leases using the same classification principle as in IAS 17 and distinguish between two types of leases: operating leases and finance leases.

IFRS 16 also requires lessors to make additional disclosures compared to IAS 17. The Group is only a lessor of operating leases and adopting this standard has no impact other than the additional disclosure in Note 24.

There is no impact on opening comparative balance sheet and a third balance sheet has not been presented.

New and amended standard and interpretation not applied
The Group has assessed the impact of standards issued but not yet applicable, and have concluded that there are none that are expected to have a material impact on the Financial Statements.

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

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

1 Summary of significant accounting policies (continued)

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

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

Foreign currency translation

a) *Presentation currency*
The consolidated financial statements are shown in US Dollars ("US$") which is the Group's presentation currency.

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

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

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

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

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

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

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

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

1 Summary of significant accounting policies (continued)

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

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

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

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

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

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

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

- in the principal market for the asset or liability; or

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

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

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

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

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

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

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

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

1 Summary of significant accounting policies (continued)

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

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

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

Impairment
Financial assets
The majority of the Group's trade and other receivables have no significant financing component and have maturities of less than 12 months. As such, the Group has chosen to apply an approach similar to the simplified approach for Expected Credit Losses (ECL) under IFRS 9 to all its trade and other receivables. Therefore, the Group does not track changes in credit risk, but instead, recognises a loss allowance based on lifetime ECLs at each reporting date.

Deposits with lenders represent restricted cash in relation to the Group's borrowings. The liquidity of deposits with lenders follows the maturity of the borrowings. The Group applies low credit risk simplification on deposits with lenders who are considered to have low credit risk, using all reasonable and supportable information available without undue cost or effort. In making that evaluation, the Group assess the internal credit rating of the lenders.

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

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

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

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

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

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

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

1 Summary of significant accounting policies (continued)

Financial instruments

i) Classification

Financial assets

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

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

Financial assets measured at amortised cost

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

Financial liabilities

Financial liabilities measured at amortised cost

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

ii) Recognition

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

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

iii) Initial measurement

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

iv) Subsequent measurement

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

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

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

1 Summary of significant accounting policies (continued)

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

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

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

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

Revenue recognition
Revenue is measured at the fair value of the consideration received or receivable, and includes rental income and income from property trading. Revenue from sales of completed properties and properties under development is within the scope of IFRS 15.

Sale of completed property
In relation to the sale of completed property there is generally considered to be one performance obligation. Revenue from sale of completed properties is recognised when effective control of ownership of the properties is transferred to the buyer, which is on unconditional exchange of contracts and change of title on the property. The proceeds from disposal are recognised in income and net assets disposed of are recognised in cost of sales in expenses.

Sale of property under development
Where property is under development and an agreement has been reached to sell such property when construction is complete, and where the Directors determine the pre-sale to constitute the sale of a completed property, revenue is recognised when the significant risks and rewards of ownership of the real estate have been transferred to the buyer, which is on the unconditional exchange of contracts and change of title on the property. The criteria for recognising revenue over time is generally not met, therefore revenue is recognised at a point in time.

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

1 Summary of significant accounting policies (continued)

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

Borrowings are classified as current liabilities, unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the date of the consolidated statement of financial position.

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

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

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

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

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

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

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

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

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

2. Financial risk management, policies and objectives

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

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

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

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

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

a) *Foreign exchange risk*

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures. Foreign exchange risk arises from future commercial transactions, recognised monetary assets and liabilities and net investments in foreign operations. The Group's policy is not to enter into any currency hedging transactions. The tables on the next page summarise the Group's exposure to foreign currency risk as at 30 June 2020 and 30 June 2019. The Group's financial assets and liabilities are included in the table, categorised by their currency at their carrying amount in US$'000. In the current economic climate, management's assessment of a reasonable possible change in foreign exchange rates would be up to a 1% increase/decrease for Hong Kong Dollar ("HK$")/US$, due to the HK$ being pegged to the US$, and up to a 10% increase/decrease for all other currencies.

The table on the next page presents financial assets and liabilities denominated in foreign currencies held by the Group as at 30 June 2020 and 30 June 2019, and can be used to monitor foreign currency risk as at that date.

At 30 June 2020, if Sterling weakened/strengthened by 10% against US$ with all other variables held constant, the loss for the year would have been US$16,000 lower/higher (2019: US$13,000 lower/higher). The HK$ is pegged to the US$ with the Hong Kong Monetary Authority pledging to keep the exchange rate within a trading band of 5 Hong Kong cents either side of HK$7.80 per dollar. At present the rate is HK$7.75 per dollar so no downward risk. The foreign exchange risk is considered minimal and as such the Company does not actively manage against this risk. If the HK$ weakened by 1% against the US$ with all other variables held constant, the net assets and movement in foreign currency translation reserve would have been US$1,267,000 higher (2019: US$1,192,000 higher/lower). Any movement would have no other effect on the remaining equity components of the Group. There are no material transactions that would have effect on the profit/loss for the year.

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

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

Movements in other currencies would not have a significant impact on the consolidated financial statements.

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

Market risk (continued)

a) *Foreign exchange risk*

As at 30 June 2020	US$ US$'000	£ US$'000	HK$ US$'000	Other currencies US$'000	Total US$'000
Trade and other receivables (excluding prepayments)	–	–	2	111	113
Cash and cash equivalents	–	31	15,745	302	16,078
Deposits with lenders	–	–	4,453	–	4,453
Total financial assets	–	31	20,200	413	20,644
Trade and other payables	48	186	11	1,040	1,285
Interest-bearing loans	–	–	146,857	–	146,857
Total financial liabilities	48	186	146,868	1,040	148,142
Net financial position	(48)	(155)	(126,668)	(627)	(127,498)

As at 30 June 2019	US$ US$'000	£ US$'000	HK$ US$'000	Other currencies US$'000	Total US$'000
Trade and other receivables (excluding prepayments)	–	–	4	110	114
Cash and cash equivalents	–	38	26,856	86	26,980
Deposits with lenders	–	–	1,843	–	1,843
Total financial assets	–	38	28,703	196	28,937
Trade and other payables	104	165	16	2,001	2,286
Interest-bearing loans	–	–	147,852	–	147,852
Total financial liabilities	104	165	147,868	2,001	150,138
Net financial position	(104)	(127)	(119,165)	(1,805)	(121,201)

b) *Cash flow and fair value interest rate risk*

The Group's interest rate risk is managed by the Manager, in accordance with policies and procedures in place and can be mitigated through the use of interest rate swaps. The Group's overall positions and exposures are monitored on a quarterly basis by the Board of Directors.

If interest rates had been 1% higher/lower and all other variables were held constant, the Group's loss for the year would have increased/decreased by US$1,263,000 (2019: loss for the year increased/decreased by US$1,190,000) (based on the interest bearing net financial liability per the table below). This is mainly due to the Group's exposure to interest-bearing loans.

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

Market risk (continued)

b) Cash flow and fair value interest rate risk(continued)

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

As at 30 June 2020	Interest bearing US$'000	Non-interest bearing US$'000	Total US$'000
Trade and other receivables (excluding prepayments)	**–**	**113**	**113**
Cash and cash equivalents	**16,078**	**–**	**16,078**
Deposits with lenders	**4,453**	**–**	**4,453**
Total financial assets	**20,531**	**113**	**20,644**
Trade and other payables	**–**	**1,285**	**1,285**
Interest-bearing loans	**146,857**	**–**	**146,857**
Total financial liabilities	**146,857**	**1,285**	**148,142**

As at 30 June 2019	Interest bearing US$'000	Non-interest bearing US$'000	Total US$'000
Trade and other receivables (excluding prepayments)	–	114	114
Cash and cash equivalents	26,980	–	26,980
Deposits with lenders	1,843	–	1,843
Total financial assets	28,823	114	28,937
Trade and other payables	–	2,286	2,286
Interest-bearing loans	147,852	–	147,852
Total financial liabilities	147,852	2,286	150,138

Credit risk

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

The Group's main exposure to credit risk is its cash balances with banks. This risk is mitigated through using banks with a high credit rating.

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

Credit Rating	2020 US$'000	2019 US$'000
AA	**14,744**	25,844
AA-	**274**	207
A+	**812**	679
A-	**16**	16
BBB+	**229**	231
BBB	**3**	3
	16,078	26,980

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

Credit risk (continued)

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

Credit Rating	2020 US$'000	2019 US$'000
AA	**4,278**	1,608
A+	**175**	235
	4,453	1,843

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

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

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

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

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

Liquidity risk

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

As at 30 June 2020, the Group's current liabilities of US$100.6 million exceeded its current assets and resulted in a net liability of US$44 million. Current liabilities mainly represented principal repayments of the loan facilities that are due for settlement within 12 months from the year end date amounted to US$99 million, of which US$70 million has already been refinanced on 21 September 2020 to mature in September 2025. It is anticipated that the remaining US$29 million loan repayment obligations will also be refinanced, and that these are not dependent upon the realisation of the Group's underlying assets in order to settle such amounts.

Deposits amounting to US$4,453,000 (2019: US$1,843,000) have been pledged to secure banking facilities, of which US$4,278,000 (2019: US$1,608,000) relates to long-term banking facilities, and are, therefore, classified as non-current assets. Pledged bank balances represent deposits pledged to the banks to secure the banking facilities granted to the Group.

As at 30 June 2020, the Group has term loan facilities with Hang Seng Bank, Industrial and Commercial Bank of China (Macau) Limited, and Banco Tai Fung for its investments in *The Waterside*, individual unit in One Central Residences, *The Fountainside*, and *Estrada da Penha*. The Group's liquidity position is monitored by the Manager and is reviewed quarterly by the Board. Please refer to Note 8 for details of the facilities.

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

Liquidity risk (continued)

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

As at 30 June 2020	On demand US$'000	Less than 3 months US$'000	3 to 12 months US$'000	1 to 2 years US$'000	2 to 5 years US$'000	Over 5 years US$'000	Total US$'000
Trade and other receivables (excluding prepayments)	**–**	**2**	**–**	**111**	**–**	**–**	**113**
Cash and cash equivalents	**16,078**	**–**	**–**	**–**	**–**	**–**	**16,078**
Deposits with lenders	**–**	**–**	**175**	**–**	**4,278**	**–**	**4,453**
Total financial assets	**16,078**	**2**	**175**	**111**	**4,278**	**–**	**20,644**
Trade and other payables	**–**	**1,285**	**–**	**–**	**–**	**–**	**1,285**
Interest-bearing loans	**–**	**71,028**	**31,370**	**25,694**	**23,250**	**–**	**151,342**
Total financial liabilities	**–**	**72,313**	**31,370**	**25,694**	**23,250**	**–**	**152,627**
Net financial position	**16,078**	**(72,311)**	**(31,195)**	**(25,583)**	**(18,972)**	**–**	**(131,983)**

As at 30 June 2019	On demand US$'000	Less than 3 months US$'000	3 to 12 months US$'000	1 to 2 years US$'000	2 to 5 years US$'000	Over 5 years US$'000	Total US$'000
Trade and other receivables (excluding prepayments)	–	4	–	110	–	–	114
Cash and cash equivalents	26,980	–	–	–	–	–	26,980
Deposits with lenders	–	–	235	–	1,608	–	1,843
Total financial assets	26,980	4	235	110	1,608	–	28,937
Trade and other payables	–	1,282	1,004	–	–	–	2,286
Interest-bearing loans	–	3,297	26,958	91,856	36,947	–	159,058
Total financial liabilities	–	4,579	27,962	91,856	36,947	–	161,344
Net financial position	26,980	(4,575)	(27,727)	(91,746)	(35,339)	–	(132,407)

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

Liquidity risk (continued)

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

	1 July 2019 US$'000	Cashflows US$'000	Foreign Exchange Movement US$'000	Other US$'000	Profit and Loss US$'000	30 June 2020 US$'000
Current interest-bearing loans	**23,679**	**(13,679)**	**759**	**69,398**	**–**	**80,157**
Non-current interest-bearing loans	**124,173**	**11,478**	**447**	**(69,398)**	**–**	**66,700**
Loan arrangement fees	**(621)**	**(163)**	**–**	**–**	**323**	**(461)**
Net interest-bearing loans	**147,231**	**(2,364)**	**1,206**	**–**	**323**	**146,396**
Interest payable	**981**	**(6,523)**	**–**	**–**	**5,669**	**127**
Total	**148,212**	**(8,887)**	**1,206**	**–**	**5,992**	**146,523**

	1 July 2018 US$'000	Cashflows US$'000	Foreign Exchange Movement US$'000	Other US$'000	Profit and Loss US$'000	30 June 2019 US$'000
Current interest-bearing loans	19,006	(10,128)	104	14,697	–	23,679
Non-current interest-bearing loans	129,039	9,308	523	(14,697)	–	124,173
Loan arrangement fees	(920)	(21)	–	–	320	(621)
Net interest-bearing loans	147,125	(841)	627	–	320	147,231
Interest payable	209	(5,717)	–	–	6,489	981
Total	147,334	(6,558)	627	–	6,809	148,212

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

Fair value hierarchy

Financial investments measured at fair value

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

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

Capital risk management

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

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

The Group's objective is to provide Shareholders with an attractive total return, which is expected to comprise primarily capital growth but with the potential for dividends over the medium to long term. The timing and amount of rental or other income cannot be predicted and there can therefore be no guarantee as to the amount of any dividend payable by the Company.

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

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

Capital risk management (continued)
During the year ended 30 June 2020, there were no borrowings other than the Group's loan facilities in place which are classified as interest bearing loans in the Consolidated Statement of Financial Position.

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

During the year ended 30 June 2020, the Company did not purchase any ordinary shares under the discount management policy.

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

The Board remains committed to an active discount management policy.

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.

3. Critical accounting estimates, assumptions and judgements

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

a) Fair value of the investment property, NRV and Adjusted NAV are based on the current market valuation provided by Savills, an independent valuer. Savills is required to make assumptions on establishing the current market valuation. The most significant assumptions (as described further in Note 6), relate to future income streams and discount rates applicable to these estimates. The valuation has been made on the assumption that the owner sells the properties in the open market without a deferred term contract, leaseback, joint venture, management agreement or any similar arrangement, which could serve to affect the value of the properties. This is an accounting estimate and assumption.

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

c) Significant management judgement is required to determine the amount of deferred tax liabilities that can be recognised, based upon the likely timing and the level of future taxable temporary differences, together with future tax planning strategies. This is an accounting judgement.

d) The Directors have considered the basis for preparing the financial statements and are confident that the going concern basis is appropriate for the reasons set out in Note 1.

The Group did not make any critical accounting judgements, other than as described above, in the year ended 30 June 2020 or the year ended 30 June 2019.

Notes to the Consolidated Financial Statements (continued)

4. Subsidiaries

All SPVs are owned 100% by the Company. There are no significant restrictions on the ability to access or use the assets to settle the liabilities of the Group. The following subsidiaries, active for both the 30 June 2020 and 30 June 2019 year ends, have a year end of 31 December to coincide with the Macanese tax year and are the only subsidiaries which do not have the same year end as the Company:

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

The consolidated financial statements include the financial statements of the Company and the subsidiaries listed below:

	Ownership	Incorporation		Ownership	Incorporation
MPOF Macau (Site 2) Limited	100%	Macau	Cannonball Limited	100%	Guernsey
MPOF Macau (Site 5) Limited	100%	Macau	Civet Limited	100%	Guernsey
The Waterside Company Limited	100%	Macau	Gorey Hills International Limited	100%	BVI
The Fountainside Company Limited	100%	Macau	Hillsleigh Holdings Limited	100%	BVI
Castelo Branco Companhia Limitada	100%	Macau	Mega League Investments Limited	100%	BVI
MPOF (Jose) Limited	100%	Guernsey	Smooth Run Group Limited	100%	BVI
MPOF (Sun) Limited	100%	Guernsey	China City Properties Limited	100%	Hong Kong
MPOF (Guia) Limited	100%	Guernsey	East Base Properties Limited	100%	Hong Kong
MPOF (Antonio) Limited	100%	Guernsey	Eastway Properties Limited	100%	Hong Kong
Bream Limited	100%	Guernsey	Weltex Properties Limited	100%	Hong Kong

5. Segment reporting

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

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

This segment refers principally to residential properties. Furthermore, there are multiple individual properties that are held within each property type. However, the CODM considers, on a regular basis, the operating results and resource allocation of the aggregated position of all property types as a whole, as part of 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.

Information about major customers
The Group does not have any customers or rental agreements which represent more than 10% of Group's revenues. Revenues represented by rental income were US$2,606,000 for the year ended 30 June 2020 (2019: US$2,770,000).

Notes to the Consolidated Financial Statements *(continued)*

6. Investment property

	2020 US$'000	2019 US$'000
At the beginning of the year	**225,885**	248,763
Capital expenditure on property	**340**	502
Fair value adjustment	**(27,924)**	(24,357)
Exchange difference	**1,687**	977
Balance at end of the year	**199,988**	225,885

Valuation losses from investment property are recognised in profit and loss for the year, and are attributable to changes in unrealised losses relating to completed investment property held at the end of the reporting period.

The valuation process is initiated by the Investment Adviser who appoints a suitably qualified valuer to conduct the valuation of the investment property. The results are overseen by the Investment Adviser. Once satisfied with the valuations based on their expectations, the Investment Adviser reports the results to the Board. The Board reviews the latest valuation based on their knowledge of the property market and compares these to previous valuations. The Group's investment properties were revalued at 30 June 2020 by an independent, professionally-qualified valuer, Savills. The valuation has been carried out in accordance with the current Royal Institution of Chartered Surveyors (RICS) Appraisal and Valuation Standards to calculate the market value of the investment properties in their existing state and physical condition, with the assumptions that:

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

The fair value of investment property is determined by Savills, using recognised valuation techniques. The principal technique deployed 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 the local market conditions existing at the reporting date.

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

Rental income arising from *The Waterside* of US$2,606,000 (2019: US$2,770,000) was received during the year. Direct operating expenses of US$956,000 (2019: US$1,070,000) arising from rented units were incurred during the year. Direct operating expenses during the year arising from vacant units totalled US$255,000 (2019: US$257,000).

There are no disposals of investment property during the year.

Notes to the Consolidated Financial Statements *(continued)*

6. Investment property (continued)

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

	Property information	Carrying amount/ fair value as at 30 Jun 2020 US$'000	Valuation technique	Input	Unobservable and observable inputs used in determination of fair values	Other key information
Name	***The Waterside***	**199,988**	**Term and Reversion Analysis**	**Term rent (inclusive of management fee and furniture)**	**HK$19.2 psf**	**Age of building**
Type	**Residential/ Completed apartments**			**Term yield (exclusive of management fee and furniture)**	**1.4%—2.2%**	**Remaining useful life of building**
Location	**One Central Tower 6 Macau**			**Reversionary rent (exclusive of management fee and furniture)**	**HK$15.6 psf**	
				Reversionary yield	**1.7%**	

	Property information	Carrying amount/ fair value as at 30 Jun 2019 US$'000	Valuation technique	Input	Unobservable and observable inputs used in determination of fair values	Other key information
Name	*The Waterside*	225,885	Term and Reversion Analysis	Term rent (inclusive of management fee and furniture)	HK$21.5 psf	Age of building
Type	Residential/ Completed apartments			Term yield (exclusive of management fee and furniture)	1.4% — 2.2%	Remaining useful life of building
Location	One Central Tower 6 Macau			Reversionary rent (exclusive of management fee and furniture)	HK$17.8 psf	
				Reversionary yield	1.7%	

6. Investment property (continued)

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

If the estimated reversionary rent increased/decreased by 5% (and all other assumptions remained the same), the fair value of *The Waterside* would increase or decrease by US$10 million (2019: increase or decrease by US$11 million).

If the term or revisionary yield increased/decreased by 5% (and all other assumptions remained the same), the fair value of *The Waterside* would decrease or increase by US$10 million (2019: decrease by $11 million or increase by US$12 million).

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

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

7. Inventories

	2020 US$'000	2019 US$'000
Cost		
Balance brought forward	**41,453**	41,897
Additions	**546**	42
Disposals	**(2,707)**	(664)
Exchange difference	**339**	178
Balance carried forward	**39,631**	41,453
Adjustment to net realisable value		
Balance brought forward	**–**	(120)
Write-back to net realisable value	**–**	120
Balance carried forward	**–**	–
Carrying amounts	**39,631**	41,453

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

Under IFRS, inventories are valued at the lower of cost and NRV. The carrying amounts for inventories as at 30 June 2020 amounts to US$39,631,000 (2019: US$41,453,000). The market value as at 30 June 2020 as determined by the independent, professionally-qualified valuer, Savills, was US$75,585,000 (2019: US$85,256,000). The NRV as at 30 June 2020 was US$74,829,000 (2019: US$84,404,000).

An impairment will be recognised if the NRV falls below cost. At 30 June 2020 for one of the items in inventories, an impairment would be recognised if the NRV were to fall by 1.5%.

One residential unit, two car parking spaces and five motorcycle spaces of *The Fountainside*, and one individual unit of One Central Residences (2019: Three car parking spaces and six motorcycle parking spaces of *The Fountainside*, and the Smaller Property) were sold during the year for a total consideration of US$4.6 million (HK$36.0 million) (2019: US$1.2 million (HK$9.3 million)) against a total cost of US$2.7 million (HK$21.0 million) (2019: US$0.6 million (HK$4.3 million)) which resulted in a net profit of US$1.9 million (HK$15.0 million) (2019: US$0.6 million (HK$5.0 million)) after all associated fees and transaction costs.

8. Interest-bearing loans

	2020 US$'000	2019 US$'000
Bank loans — Secured		
— Current portion	**99,294**	23,376
— Non-current portion	**47,102**	123,855
	146,396	147,231

There are interest-bearing loans with three banks:

The Group has a loan facility for *The Waterside* and the individual unit in One Central Residences:

Hang Seng Bank

The Group has a term loan facility with Hang Seng Bank for *The Waterside* and the individual unit in One Central Residences. As at 30 June 2020, four tranches remained outstanding. Tranche 3 had an outstanding balance of HK$300 million (US$38.7 million) (2019: HK$300 million (US$38.4 million)); Tranche 4 had an outstanding balance of HK$40 million (US$5.2 million) (2019: HK$40 million (US$5.1 million)); Tranche 5 had an outstanding balance of HK$132 million (US$17.1 million) (2019: HK$132 million (US$16.9 million)); and Tranche 6 had an outstanding balance of HK$428 million (US$55.2 million) (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 1.9% per annum over the 1-, 2- or 3-month HIBOR rate for all tranches in September 2019. The choice of rate is at the Group's discretion. Tranche 3, Tranche 4 and Tranche 5 matured on 19 September 2020 and were refinanced until September 2025. 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 30 June 2020, the loan-to-value ratio for the Hang Seng One Central facility was 57.20% (2019: 49.65%). The facility is secured by means of a first registered legal mortgage over *The Waterside* and the individual residential unit 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 unit will be waived, subject to the Group maintaining a loan-to-value ratio of not more than 50% on the facility. The carrying value of the individual residential unit owned by the Group at One Central Residences as at 30 June 2020 is US$2,492,000.

The Group has a loan facility for *The Fountainside*:

During the year, the Group executed a loan facility with Hang Seng Bank to refinance the credit facility with the Industrial and Commercial Bank of China (Macau) Limited in relation to *The Fountainside*. The Facility amount is HK$96 million (US$12.4 million) divided into 3 tranches, with a tenor of 4 years to mature in March 2024. Tranche A is a facility for an amount of HK$89 million (US$11.5 million) for refinancing the loan facility with ICBC, which expired in March 2020. Tranche B is a facility for an amount of HK$7 million (US$0.9 million) for financing the alteration costs of *The Fountainside*. The facility of Tranche A was fully drawdown in March 2020 to repay the ICBC facility. The interest rates applicable to Tranche A and Tranche B are 2.8% per annum and 3.3% per annum respectively over the 1-, 2- or 3-month HIBOR rate. The choice of rate is at the Group's discretion. The principal is to be repaid in half-yearly instalments commencing in September 2021 with 27% of the principal due upon maturity. The loan-to-value covenant is 55%. The facility is secured by means of a first registered legal mortgage over all unsold units and car parking spaces of *The Fountainside* as at the loan facility date as well as a pledge of all income from the units and the car parking spaces. The Company is the guarantor for the credit facility. In addition, the Group is required to maintain a cash reserve equal to six months' interest with the lender. The carrying value of *The Fountainside* as at 30 June 2020 is US$8,531,000.

As at 30 June 2020, the facility had an outstanding balance of HK$89.0 million (US$11.5 million) (2019: HK$106.0 million (US$13.6 million)). As at 30 June 2020, sales proceeds of US$nil (2019: US$5,000) were pledged with the lender and the loan-to-value ratio was 41.19% (2019: 41.25%).

The carrying value of *Estrada da Penha* as at 30 June 2020 is US$28,608,000. The Group has two loan facilities for *Estrada da Penha*:

8. Interest-bearing loans (continued)

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 30 June 2020, the facility had an outstanding balance of HK$70 million (US$9.0 million) (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. The Company is the guarantor for this term loan. Interest is paid monthly on this loan facility. As at 30 June 2020, the loan-to-value ratio was 44.30% (2019: 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 30 June 2020, the facility had an outstanding balance of HK$79 million (US$10.2 million) (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 30 June 2020, the loan-to-value ratio for this facility was 42.02% (2019: 40.31%).

Bank Loan Interest

Bank loan interest incurred during the year was US$5,690,000 (2019: US$6,514,000), including US$nil (2019: US$nil) capitalised during the year (see Note 7).

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

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 30 June 2020, the fair value of the interest-bearing loans was US$332,000 higher than the carrying value of the financial liabilities (2019: the fair value of the interest-bearing loans was 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 the last period.

9. Taxation

The Company is exempt from taxation in Guernsey under the provisions of The Income Tax (Exempt Bodies) (Guernsey) Ordinances, 1989 to 1992, and is charged an annual exemption fee of £1,200 (US$1,577) (2019: £1,200 (US$1,531)).

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

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

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

No accrual has been made for Hong Kong profits tax, as the Board believes that no such tax exposure exists at the end of the reporting year (2019: US$nil).

9. Taxation (continued)

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

The Macanese SPVs are liable to Macau property tax in respect of their ownership of Macau properties. Taxation will be charged at the higher of 8% (2019: 8%) of any rent received or 6% (2019: 6%) of the official ratable rentable value. Newly built residential buildings or commercial buildings were exempted from property tax for four years and six years, respectively (such time running from the month after the occupancy permit is issued) for properties located in Macau peninsula and outlying islands. Macau Complementary Taxes are generally levied on income and profits arising in or derived from commercial and/or industrial activities carried on in Macau. There is no distinction made between a "revenue profit" and "capital profit" under the Macau complementary tax regulations. Accordingly, all income booked by a Macau corporate taxpayer, including gains on sale of investment/immovable property, will be subject to complementary tax. In general, gains on the disposal of shares in a Macau company (such as an SPV of the Company) should not attract Macau complementary tax.

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

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

Non-current liabilities	2020 US$'000	2019 US$'000
Deferred taxation	**11,837**	15,083
Provisions for Macanese taxations	**533**	804
	12,370	15,887

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

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

Major components of income tax expense

	2020 US$'000	2019 US$'000
Movement in deferred tax charge provision	**3,351**	2,923
Movement in provision for Macanese taxations	**207**	90
At the effective income tax rate of 10.1% (2019: 8.7%)	**3,558**	3,013

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

10. Trade and other receivables

Current assets	**2020 US$'000**	**2019 US$'000**
Trade receivables	**2**	4
Prepayments	**364**	188
	366	192

11. Trade and other payables

Current liabilities	**2020 US$'000**	**2019 US$'000**
Accruals	**256**	290
Other payables	**1,029**	1,996
	1,285	2,286

Other payables principally comprise outstanding amounts for operating expenses.

12. Share capital

Ordinary shares	**2020 US$'000**	**2019 US$'000**
Authorised:		
300 million ordinary shares of US$0.01 each	**3,000**	3,000
Issued and fully paid:		
61.8 million (2019: 61.8 million) ordinary shares of US$0.01 each	**618**	618

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

The Board has publicly stated its commitment to undertake share buybacks at attractive levels of discount of the share price to Adjusted NAV. In order to continue this strategy, the Board intends to renew this authority at the 2020 Annual General Meeting.

On 24 July 2018, a compulsory redemption of 14,597,231 shares was made for US$50.5 million, pro-rated amongst shareholders as at that date, which included a compulsory redemption of 2,508,101 shares from Sniper Investments Limited for US$8,687,000. The compulsory redemption reduced the share capital by US$146,000 and the distributable reserves by US$50,417,000. No redemption of shares was made during the current year.

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

13. General and administration expenses

General and administration expenses	**2020 US$'000**	**2019 US$'000**
Legal and professional	**105**	145
Holding Company administration	**199**	263
Guernsey SPV administration	**100**	132
BVI, Hong Kong, & Macanese SPV administration	**58**	63
Insurance costs	**12**	15
Listing fees	**14**	15
Printing & postage	**19**	18
Other operating expenses	**174**	181
	681	832

Administration fees for the BVI, Hong Kong and Macanese SPVs are payable to Adept Capital Partners Services Limited in which Thomas Ashworth is a shareholder and Director.

14. Other financing costs

Financing costs	**2020 US$'000**	**2019 US$'000**
Bank charges	**5**	4
Loan arrangement fees	**323**	320
	328	324

As at 30 June 2020, unamortised loan arrangement fees were US$461,000 (2019: US$621,000). These have been netted off against the interest bearing loans and also split between current and non-current.

15. Property operating expenses

Property operating expenses	**2020 US$'000**	**2019 US$'000**
Property management fee	**902**	691
Property taxes	**306**	411
Utilities	**14**	15
Other property expenses	**166**	180
	1,388	1,297

16. Sales and marketing expenses

Sales and marketing expenses	**2020 US$'000**	**2019 US$'000**
Agent commission	**254**	159
Sales incentive	**257**	–
Marketing	**6**	9
	517	168

Notes to the Consolidated Financial Statements *(continued)*

17. Cash flows from operating activities

Cash flows from operating activities	**2020 US$'000**	**2019 US$'000**
Loss for the year before tax	**(35,080)**	(34,884)
Adjustments for:		
Net loss from fair value adjustment on investment property	**27,924**	24,357
Write-back of inventories to net realisable value	**–**	(120)
Net finance costs	**5,992**	6,809
Operating cash flows before movements in working capital	**(1,164)**	(3,838)
Effects of foreign exchange rate changes	**159**	49
Movement in trade and other receivables	**(175)**	1,234
Movement in trade and other payables	**(190)**	(25)
Movement in inventories	**2,161**	622
Net change in working capital	**1,796**	1,831
Taxation paid	**(23)**	(7)
Net cash generated from/(used in) operating activities	**768**	(1,965)

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

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

The basic and diluted loss per equivalent ordinary share is based on the loss attributable to equity holders for the year of US$31,522,000 (2019: loss of US$31,871,000) and on the 61,835,733 (2019: 62,195,665) weighted average number of ordinary shares in issue during the year.

	30 June 2020			**30 June 2019**		
	Loss Attributable US$'000	**Weighted Average No. of Shares '000s**	**Loss Per Share US$**	**Loss Attributable US$'000**	**Weighted Average No. of Shares '000s**	**Loss Per Share US$**
Basic and diluted	**(31,522)**	**61,836**	**(0.5098)**	(31,871)	62,196	(0.5124)

Net asset value reconciliation	**2020 US$'000**	**2019 US$'000**
Net assets attributable to ordinary shareholders	**100,576**	131,059
Uplift of inventories held at cost to market value	**35,954**	43,803
Adjusted NAV	**136,530**	174,862
Number of ordinary shares outstanding ('000)	**61,836**	61,836
NAV per share (IFRS) (US$)	**1.63**	2.12
Adjusted NAV per share (US$)	**2.21**	2.83
Adjusted NAV per share (£)*	**1.79**	2.23

18. Basic and diluted loss per ordinary share and net asset value per share (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 NRV. The Adjusted NAV includes the uplift of inventories to their market values before any tax consequences or adjustments.

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

There are no potentially dilutive shares in issue.

* US$:GBP rate as at 30 June 2020 is 1.231 (2019: 1.270).

19. Related party transactions

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

	2020 US$'000	2019 US$'000
Directors' fees	**177**	189

Directors' fees include fees paid to Timothy Henderson, a former Director of the Company and current Director of certain SPVs, of US$6,000 (2019: US$7,000). The Directors are considered to be the key management personnel (as defined under IAS 24) of the Company. Directors' fees outstanding as at 30 June 2020 were US$37,000 (2019: US$38,000). Thomas Ashworth retired from the Board at the Annual General Meeting on 29 November 2019 and is therefore not a related party as at 30 June 2020.

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 fees during the year, as detailed in the Consolidated Statement of Comprehensive Income and on the basis described in Note 20.

Management fees paid for the year totalled US$2,668,000 (2019: US$4,491,000) with US$nil outstanding as at 30 June 2020 (2019: US$nil) (see Note 20). Management fees of US$nil have been prepaid as at 30 June 2020 (2019: US$nil).

No performance fee was accrued at the year end (2019: US$nil). No performance fee was paid during the year (2019: US$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 BVI SPVs and received fees during the year as detailed in Note 13.

The Group has a Development Management Services Agreement with a development management company named Headland Developments Limited ("Headland"). Thomas Ashworth has a beneficial interest in and is a Director of Headland and therefore, constitutes a related party of the Group. Development Management Services fees capitalised in investment property and inventories during the year are detailed in Note 20.

The Group has an Agency Services Agreement with a property management company named Bela Vista Property Services Limited ("Bela Vista"). Thomas Ashworth has a beneficial interest in and is a Director of Bela Vista and therefore, constitutes a related party of the Group. Agency services fees paid during the year are detailed in Note 20.

20. Material contracts

Management fee

Under the terms of an appointment made by the Board of Directors of the Company on 23 May 2006, Sniper Capital Limited was appointed as Manager to the Group. The Manager is paid quarterly in advance, a fee of 1.0% of the net asset value, as adjusted to reflect the Property Investment Valuation Basis, reduced from a fee of 2.0% from the start of 2020. During the year ended 30 June 2015, an amendment was made to the Investment Management Agreement relating to the definition of net asset value on which the fee is calculated. The definition of net asset value changed to include an 'add-back' of deferred taxation to the Adjusted NAV, subject to a claw-back provision, as the Directors are of the opinion that such a liability will not be payable by the Group in the future. Management fees paid for the year totalled US$2,668,000 (2019: US$4,491,000) with US$nil outstanding as at 30 June 2020 (2019: US$nil).

Realisation fee

A realisation fee shall be payable on deals originated and secured by the Manager in 2020 which shall be linked to the sales price achieved. Where the sale price of the asset is 90 per cent. or more of the value of the relevant asset as at 30 September 2019 (the "Carrying Value") a fee of 2.5 per cent. of net proceeds (net of debt, costs and taxes) ("Net Proceeds") shall be payable; where the sale price of an asset is more than 80 per cent. but less than 90 per cent. of the Carrying Value of the relevant asset, a realisation fee of 1.5 per cent. of Net Proceeds shall be payable; and where the sale price of an asset is less than 80 per cent. of the Carrying Value, no realisation fee shall be payable. Realisation fees payable for the year totalled US$nil (2019: US$nil).

For the calendar year 2021, a realisation fee of 1.5 per cent. shall be payable on sales of assets above 80 per cent. of the Carrying Values and, as set out above, zero management fee shall be payable.

Extra Incentive fee

Additionally, in the event that divestments of all of the assets are secured by the Manager (either in one transaction or multiple transactions) prior to 31 December 2020, an extra incentive fee equal to 1 per cent. of the Net Proceeds of the assets shall be payable (the "Extra Incentive Fee"), subject to the aggregate sale price of those assets exceeding 80 per cent. of the Carrying Values of the relevant assets in aggregate. The time period for securing the realisation of all assets in order for the Manager to qualify for the Extra Incentive Fee may be extended for a further six month period subject to the satisfaction of certain conditions. In no circumstances will the 2020 Realisation fee and Incentive Fee exceed in aggregate US$5 million. The 2021 Realisation fee (together with Incentive Fee (if any) during such period) shall not exceed in aggregate US$5 million. Incentive fees payable for the year totalled US$nil (2019: US$nil).

Performance fee

Prior to 1 January 2020, the Manager was entitled to a performance fee in certain circumstances. This fee was payable by reference to the increase in Adjusted NAV per ordinary share over the course of each calculation period. The first calculation period ended on 30 June 2007; each subsequent performance period was a period of one financial year.

Payment of the performance fee was subject to:

(i) the achievement of a performance hurdle condition: Adjusted NAV per ordinary share at the end of the relevant performance period must exceed an amount equal to the US Dollar equivalent of the Placing Price increased at a rate of 10% per annum on a compounding basis up to the end of the relevant performance period (the "performance hurdle");

(ii) the achievement of a 'high water mark': Adjusted NAV per ordinary share at the end of the relevant performance period must be higher than the highest previously reported Adjusted NAV per ordinary share at the end of a performance period in relation to which a performance fee, if any, was last earned; and

(iii) the accumulated distributions per ordinary share to shareholders exceed the high water mark.

If the basic performance hurdle was met, and the high water mark exceeded, the performance fee will be an amount equal to 20% of the excess of the Adjusted NAV per ordinary share at the end of the relevant performance period over the higher of (i) the basic performance hurdle; (ii) the Adjusted NAV per ordinary share at the start of the relevant performance period; and (iii) the high water mark (in each case on a per share basis), multiplied by the time weighted average of the number of ordinary shares in issue in the performance period (or since Admission in the first performance period) (together, if applicable, with an amount equal to the VAT thereon).

20. Material contracts (continued)

Performance fee (continued)
In the year ended 30 June 2020, no performance fee was accrued (2019: US$nil) by the Group. During the year ended 30 June 2020, a performance fee of US$nil was paid (2019: US$nil) by the Group.

The Manager's appointment is terminable by the Manager or the Company on not less than 12 months' notice. The Company may terminate the Management Agreement with immediate effect, if either or both of the Principals is removed from their position of full-time employment with the Manager or ceases to be available for any reason beyond the Manager's reasonable control and the Manager fails, within three months (or six months in the case of one only) of such event, to cause to be made available the services of a competent replacement(s) of equivalent skill and experience. The Management Agreement may also be terminated with immediate effect by either the Manager or the Company if the other party has gone into liquidation, administration or receivership or has committed a material breach of the Management Agreement.

Development Management Services Agreement
A Development Management Services Agreement dated 1 June 2010 was entered into between the Group and Headland, under which Headland provides development management services to the Group in respect of the Group's properties that require development. Headland is paid a development management fee based on the hourly rates of its personnel and the actual time spent on each project for the Group. Such hourly rates will be reviewed annually by the Board. Budgeted development management fees are submitted to the Board for approval and are used to monitor against actual fees charged to the Group. Under certain circumstances, a fixed percentage fee cap based on construction value of the project may apply, should the Board deem necessary.

The Group also agrees to reimburse Headland for any reimbursable expenses reasonably incurred in the performance of its duties under the agreement. Headland agrees to exercise all the reasonable skill, care and diligence to be expected of a prudent and competent development manager experienced in the provision of development management services for projects of a similar size, scope, nature and complexity as the projects on which it will be engaged by the Group.

During the year, development management services fees of US$nil (HK$nil) (2019: US$nil (HK$nil)) were capitalised in investment property, US$nil (HK$nil) (2019: US$nil (HK$nil)) were capitalised in inventories and US$nil (HK$nil) (2019: US$nil) (HK$nil) were expensed. As at 30 June 2020, US$nil (2019: US$nil) was outstanding.

Project Management Services Agreement
The Group and Bela Vista entered into a Project Management Services Agreement, under which Bela Vista provides project management services to the Group in respect of the renovation and enhancement works at *The Waterside*. Bela Vista is paid a project management fee based on a percentage of the total renovation and enhancement costs and expenses incurred or contracted by *The Waterside*. Such percentage will be reviewed annually by the Board.

During the year, project management services fees of US$nil (HK$nil) (2019: US$nil (HK$nil)) were capitalised in investment property. As at 30 June 2020, US$nil (2019: US$nil) was outstanding.

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

During the year, agency services fees of US$20,000 (HK$157,000) (2019: US$5,000 (HK$36,000)) were paid. As at 30 June 2020, US$nil (2019: US$nil) was outstanding.

Leasing and Tenancy Management and Property Management Services Agreement
On 23 January 2020, the Group and Bela Vista entered into a Leasing and Tenancy Management and Property Management Services Agreement, under which Bela Vista provides property services to the Group in respect of asset management, tenant management and leasing at *The Waterside*. Bela Vista is paid a leasing and tenancy management fee based on a percentage of the monthly rental receivable by *The Waterside* and fixed fees for property management services and the staff costs and overhead incurred.

During the year, the leasing and tenancy management and property management services fees of US$226,000 (HK$1,751,000) were paid. As at 30 June 2020, US$nil was outstanding.

21. Deposits with lenders

Pledged bank balances represent deposits pledged to the banks to secure the banking facilities granted to the Group. Deposits amounting to US$4.3 million (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.

	2020 US$'000	2019 US$'000
Non-current	**4,278**	1,608
Current	**175**	235
Pledged for loan covenants	**4,453**	1,843

22. Commitments and contingencies

As at 30 June 2020, the Group had agreed a consultancy contract with an architectural firm and is consequently committed to future capital expenditure in respect of inventories of US$63,000 (2019: US$90,000).

23. Auditors' remuneration

All fees payable to the auditors relate to audit services except for US$8,000 that was payable to Ernst & Young Tax Services Limited for Macau tax services.

Auditors' remuneration was broken down as follows:

	2020 US$'000	2019 US$'000
Audit fees	**100**	108
Non-audit fees	**8**	–
	108	108

Notes to the Consolidated Financial Statements *(continued)*

24. Operating leases — Group as lessor

The Group has entered into leases on its property portfolio.

Future minimum rentals receivable under non-cancellable operating leases as at 30 June 2020 are as follows:

	2020 US$'000	2019 US$'000
Residential		
Within 1 year	**804**	1,618
After 1 year, but not more than 5 years	–	10
Total future rental income	**804**	1,628

The majority of leases involve tenancy agreements with a term of 12 months, accordingly there is a limited impact on the group due to changing market conditions.

As at 30 June 2020, lease incentives on which the Group was lessor amounted to US$47,000 (2019: US$39,000) with rent free liabilities of US$13,000 (2019: US$17,000).

25. Subsequent events

Subsequent to year end, the Group has entered into provisional sale and purchase agreements to sell two units at *The Fountainside* for HK$12.8 million (c.US$1.7 million) and HK$10.8 million (c.US$1.4 million). These transactions are expected to complete by the end of November 2020.

Subsequent to year end, the Group has entered into a provisional sale and purchase agreement to sell its remaining individual unit at One Central Residences at a price of HK$25 million (c.US$3.2 million). The transaction is expected to complete by the end of November 2020.

Subsequent to year end in September 2020, the Group has executed a HK$540 million (US$69.7 million) five-year term loan facility agreement with Hang Seng Bank for its properties in One Central Residences. The new loan facility serves to refinance previous tranches which were due for settlement on 19 September 2020. The loan will mature in September 2025 and interest will be charged at 1.80% per annum over 1-, 2- or 3-month HIBOR rate.

Directors and Company Information

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

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)
Wilfred Woo
Mark Huntley
Thomas Ashworth (retired at AGM on 29 November 2019)

Disclosure and Communications Committee
Mark Huntley (Chairman)
Alan Clifton (appointed on 19 February 2020)
Thomas Ashworth (retired at AGM on 29 November 2019)

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Cautionary Statement

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

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

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

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

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Macau Property Opportunities Fund

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