Macau Property Opportunities Fund

Interim Report for the six-month period ended 31 December 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$267.5 million as at 31 December 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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Note:
US Dollar/Sterling exchange rate used in this report is 1.364 based on the rate as at 31 December 2020.

Chairman's Message

A little over 12 months ago, the COVID-19 virus dramatically impacted Macau, prompting an almost complete cessation of cross-border travel and the effective close down of the externally driven components of the territory's economy — gaming and entertainment — for much of calendar 2020.

Looking back on the Macau government's swift reaction to the COVID outbreak — which at the time may have appeared severe and harmful to the economy, alongside events unfolding in China — it is clear that Macau's performance during the pandemic has been commendable relative to the actions taken in other small territories and indeed some major countries. For a jurisdiction sharing three borders with mainland China, Macau has handled the pandemic deftly, with low case numbers and a COVID-19 death rate of zero, demonstrating the effectiveness of strong, decisive leadership backed by substantial financial reserves. Equally impressive are measures taken by Macau's government to secure vaccine doses in quantities sufficient to ensure that all of the territory's population can be protected from the virus — a move critical to the recovery of any small jurisdiction that is so densely populated and in which GDP is so heavily reliant on inbound tourism.

In the fourth quarter of calendar 2020, there were encouraging signs of recovery in Macau, against a backdrop of the return of economic growth in China and significant increases in visitor numbers to the territory, albeit from devastatingly low levels. There has been a corresponding improvement in Macau's gaming sector and indications that people are spending more time in the territory when they visit. There are also signs that mainland Chinese are focusing their leisure travel closer to home, which should benefit Macau's recovery, alongside initiatives by its government and China's renewed focus on the development of the Greater Bay Area. However, any route to recovery will include some unexpected bumps in the road, as we have seen elsewhere in the world — including neighbouring Hong Kong — with virus-related developments quickly able to derail prospects of recovery in the near term. Various uncertainties remain, including potential winter surges of COVID-19 in Macau and mainland China, recent calls by the Chinese central government for residents to curb travel during the Lunar New Year holiday season, the persistence of Beijing's capital controls, and how new US President Joe Biden will handle the US-China relationship going forward.

Despite those cautionary observations, and without understating the negative impact of the economic downturn on the Company, there have been a number of positive developments. Sales of the individual units at One Central Residences and further sales of smaller individual units at *The Fountainside* are a credit to the Manager's persistence through adverse and unexpected circumstances. With proceeds from the divested assets applied to the reduction of the Company's debt, no distribution of capital has yet been achieved, but both the Board and the Manager have remained steadfast in their focused delivery of a divestment strategy.

Coordinating property enhancements to coincide with required maintenance during a hiatus in luxury real estate market activity has maximised potential sales opportunities amid the emerging recovery, a commercial posture that lies at the heart of our divestment plans.

Improvements to our ultra-luxury villa *Penha Heights (Estrada da Penha)* have yielded impressive results, making the property significantly more appealing to prospective purchasers. Similarly, cost-effective repairs and upgrades to vacant apartments at *The Waterside* have been aimed at restoring rental levels and maintaining the tower as a standout asset that is attractive to potential buyers. With most of *The Fountainside* already sold, creative solutions and strategies are being implemented to complete sales of the development's remaining units.

The Company's financial performance during the first half of the current financial year reflects stable property valuations following earlier dramatic declines, with sales prices modestly exceeding current market valuations. Against this, the Company's operating costs, including financing charges, saw a reduction in its Adjusted Net Asset Value.

The Company's share price discount to Adjusted Net Asset Value remains a closely monitored metric, and its current level is disappointing, although it serves as an additional incentive to deliver returns for shareholders. The Board remains very mindful of the working capital operating needs of the Company when considering buying back its shares in the market.

The Manager continued to achieve favourable debt restructuring through proactive engagement with lenders, which has supported cashflows and reduced expenditure. A loan facility of HK$540 million (US$69.7 million) was executed in September 2020 for the Company's properties in One Central Residences, followed by another facility of HK$250 million (US$32.2 million), which was executed after the period end, significantly improving the Company's cash position. Active monitoring and a focus on loan covenants continued through the changing circumstances of the past year. The Company retained strong working capital and liquidity to see it through these extremely challenging developments and to enable the exit outcomes that we are working hard to deliver.

Operationally, we appointed Deloitte LLP as the Company's new auditor, following a tender process. We also continued to maintain the governance and operational focus on the ESG practices previously explained in the context of the Company's specific circumstances.

The effects of the COVID-related downturn and the stagnation of sales activity in the luxury property sector have already been explained in our 2020 Annual Report and Accounts, and the subsequent update that accompanied the Notice of Annual General Meeting set out changes to the fees paid to the Manager. The key elements are that no further fees will be paid to the Manager from the beginning of 2022, with a Management Fee of US$100,000 per month payable for calendar 2021, which may be offset against Realisation Fees previously agreed such that the overall fees payable will not exceed the maximum levels negotiated in 2019.

We greatly appreciate the confidence of shareholders in approving the Company's strategy and supporting the extension of its life for a further year. We will permit no complacency nor let-up in the task of divestment, and detailed, well thought-out plans are in the process of being implemented in response to prevailing market circumstances. It is fair to say that results may be seen later this year, subject to developments related to COVID-19. With Macau's recovery at an early stage, it remains premature to offer anything beyond cautious optimism, tempered by a realistic recognition that events beyond our control may yet hamper our progress towards the ultimate achievement of our objectives. Patience will be at a premium.

MARK HUNTLEY
CHAIRMAN
MACAU PROPERTY OPPORTUNITIES FUND LIMITED
17 February 2021

Manager's Report

FINANCIAL OVERVIEW

	31 December 2020	30 June 2020
NAV (IFRS) (US$ million)	**100.3**	100.6
NAV per share (IFRS) (US$)	**1.62**	1.63
Adjusted NAV (US$ million)	**132.2**	136.5
Adjusted NAV per share (US$)	**2.14**	2.21
Adjusted NAV per share (pence)[1]	**157**	179
Share price (pence)	**69.25**	61.75
Share price discount to Adjusted NAV per share (%)	**56%**	66%
Portfolio valuation (US$ million)	**267.5**	275.6
Loan-to-value ratio (%)	**49.0%**	49.6%

1 Based on the following US Dollar/Sterling exchange rates 1.364 on 31 December 2020 and 1.231 on 30 June 2020.

Financial Review

Towards the end of 2020, there was some cautious optimism in Macau that the worst of the COVID-19 pandemic may be over. The total number of confirmed cases remains low at 48, despite the easing of travel restrictions and the return of mainland Chinese visitors, albeit in vastly reduced numbers. There was also cheer with local vaccination having commenced in February 2021. The government's economic relief package and consumption subsidies have also boosted local sentiment, particularly among small and medium-sized enterprises.

MPO's portfolio valuation appears to have stabilised during the period as the pandemic has been brought under control in the territory. With some relaxation of travel restrictions, the Manager has been able to resume its efforts to divest MPO's remaining portfolio properties. The extension of the Company's lifespan for a further year until the end of 2021, together with the revised fee structure, establishes a framework that will, it is hoped, facilitate the completion of the divestments while providing appropriate incentives to the Manager to secure the best outcomes for shareholders. However, the recent lockdowns in Hong Kong and some other mainland cities, together with the emergence of new virus strains may lead to more cautious sentiment, affecting the divestment plans.

Half-Year Financial Results

The value of MPO's portfolio, which now comprises just three main assets, was US$267.5 million as at 31 December 2020. On a like-for-like comparison, the valuation is broadly unchanged over the six-month period.

Adjusted Net Asset Value (NAV) was US$132.2 million, which translates to US$2.14 (157 pence) per share, a decline of 3.2% over the period. IFRS NAV was US$100.3 million as of the period's end, equating to US$1.62 (119 pence) per share, a drop of just 0.3%.

As at 31 December 2020, MPO's share price was 69.25 pence, representing a 56% discount to its Adjusted NAV per share.

Capital Management

As at 31 December 2020, MPO had total assets worth US$251.4 million, offsetting combined liabilities of US$151.1 million. The Fund's consolidated cash balance was US$15.3 million, of which US$6.9 million was pledged as collateral for credit facilities. Gross borrowing stood at US$138.4 million, equating to a loan-to-value ratio of 49.0%.

As the Company endeavours to execute its divestment plan, focus remains on capital management to maintain a healthy balance sheet and operating cash flow. We continue to focus on containing costs, with debt facilities reviewed and refinanced where appropriate to obtain the most cost-efficient terms.

Company Life Extended, Fee Structure Changed

At the Company's Annual General Meeting for the financial year ending 30 June 2019, shareholders passed a resolution to extend the life of the Company for a further year to facilitate the orderly divestment of the portfolio. In parallel, the Board also agreed a change to the management fee structure, reducing the fee from 2% to 1% of adjusted NAV from 1 January 2020, with the fees dropping to zero from 1 January 2021. The Board also agreed to a tiered structure of fees and incentives for the Manager if realised values exceed pre-set thresholds and are concluded within specified timeframes.

However, in 2020, COVID-19 travel restrictions severely curtailed the Manager's efforts to divest the portfolio properties. At the Company's Annual General Meeting in November, shareholders agreed in the circumstances to a further extension of the Company's life until 31 December 2021.

In addition, the Board adjusted the fees payable to the Manager to enable the Manager to continue its work in 2021 while ensuring that the divestment of the portfolio remains the primary focus. For the calendar year 2021, the management fee is fixed at the reduced rate of US$100,000 per month, totalling US$1,200,000. The 2020 realisation fee arrangements are extended into 2021, and the overall fees payable will not exceed the threshold limits agreed in 2019. There will be no fees rolled forward to 2022 under this arrangement, keeping the Manager focused on realising all assets in 2021. Overall the total realisation fees payable will not exceed the cap agreed in 2019.

The Company thanks all shareholders for their continued support in this regard.

Portfolio Updates

PORTFOLIO OVERVIEW AS AT 31 DECEMBER 2020

	Sector	No. of Units	Costs (US$ million)	Market Valuation (US$ million)	Changes in Market Value Since 30 June 2020	Composition (Based on market value)
The Waterside *Tower Six of One Central Residences**	Luxury residential	59	101.4	200.0	0.0%	74.8%
The Fountainside**	Low-density residential	7	6.9	22.9	+0.1%	8.5%
Penha Heights	Luxury residential	1	28.7	44.6	0.0%	16.7%
Total			**137.0**	**267.5**	**0.0%**	**100%**

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

** Calculation is based on adjusted figures made to 30 June 2020 to reflect like-for-like comparisons to 31 December 2020 due to property sales during the period.

The Waterside

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

Macau's COVID-19 prevention and control measures severely impacted the city's economy in H1, leading to a subdued leasing environment at *The Waterside*. After visa and travel restrictions between mainland China and Macau were relaxed, potential tenants began making enquiries, but they remained significantly more cautious about committing to long-term leases than before COVID. As of the end of the year, 31% of *The Waterside's* apartments were occupied and the average rent stood at US$2.47 per square foot per month. The Manager will continue to offer flexible terms to stabilise and improve the occupancy rate. On the asset management front, we have utilised the relatively quiet period to conduct further maintenance and enhancement works at the property, upgrading furniture and installing more energy-efficient electrical appliances.

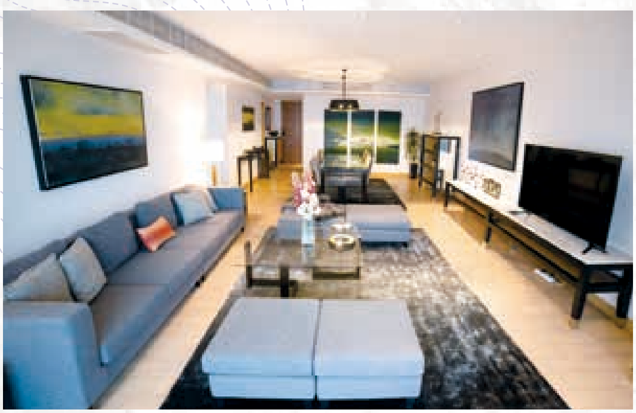
The divestment of *The Waterside* will be a key focus for the Manager, and discussions with a number of interested parties for an en-bloc sale are ongoing. The property remains a prime asset for investors seeking exposure to Macau and the next phase of growth in the Greater Bay Area.

Strata Unit at One Central Residences

At One Central Residences, the final remaining unit has been sold for approximately HK$25 million (US$3.2 million), a 4% premium to its latest valuation. The transaction was completed in November. Most of the sale proceeds were used to pay down *The Waterside's* bank loan.

A loan facility of HK$540 million (US$69.7 million) was arranged in September 2020 to refinance repayments of previous loan tranches on improved terms. Subsequent to the period end, in February 2021, a further tranche of the facility was successfully arranged to refinance the repayment obligations of the original tranche, which will become due for settlement up to and including March 2022 for a total sum of HK$250 million (US$32.2 million). These refinancing initiatives significantly improve the Company's liquidity, which is particularly critical during the current period of market uncertainty, to help secure optimal value for Shareholders.

The Waterside



▪ *Contemporary unit* ▪

▪ *Duplex unit* ▪

The Fountainside

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

Despite the dampening effects of the pandemic, the Manager secured sales of three residential units for a combined total of HK$36 million (US$4.7 million). The sales were transacted at prices representing a 2% premium to the properties' respective latest valuations. Among the three sales, two were completed in October and one is expected to be complete by end of February. This leaves only one standard unit for sale.

The Manager continues to pursue creative strategies to drive sales of the four villas, and has engaged selected agents to position the remaining units as investment properties. As purchasers currently prefer smaller, more affordable properties, the Manager is pursuing a plan to reconfigure the two large duplexes into smaller apartments. A submission has been made to the authorities for approval to carry out this work, and we expect the reconfiguration to complete by the end of this year. The Manager is currently working on a variety of divestment options.

The Fountainside

Penha Heights *(Estrada da Penha)*

Estrada da Penha is a prestigious, colonial-style villa with a gross floor area of approximately 12,000 sq ft perched above the exclusive residential enclave of Penha Hill and surrounded by lush greenery.

The Manager has completed further essential maintenance and carefully considered enhancement works at the property, taking advantage of the lull ushered in by COVID to position the property for a renewed sales process.

Since travel restrictions for visitors from mainland China to Macau were eased in H2 2020, sales and marketing efforts have been stepped up to tap the pool of potential buyers. *Estrada da Penha* has been name branded as *Penha Heights*, reflecting the prestigious positioning of the property. The Manager has also engaged selected property agents specialising in the luxury segment to explore potential divestment opportunities.

Penha Heights

Macroeconomic Outlook

COVID-19 situation remains under control

In contrast with the COVID challenges faced globally, the pandemic remains well under control in Macau. The total number of confirmed cases stands at 48 with no related deaths. The containment of the disease is encouraging, especially given the government's announcement that Macau has procured 1.5 million doses of COVID vaccines, sufficient for the entire population. The territory's vaccination programme commenced in February 2021.

Although Macau and mainland China have been vigilant about managing COVID-19 outbreaks, public health officials continue to walk a tightrope until herd immunity is achieved through widespread vaccination. The fragility of the situation has been borne out by winter surges affecting almost every Asian country.

Neighbouring Hong Kong, in sharp contrast to Macau, is suffering a fourth COVID wave which started in November. Despite the easing of quarantine measures for Hong Kong residents returning from Macau and Guangdong from late November onwards, a proposed travel bubble involving mainland China, Macau and Hong Kong has been postponed, due primarily to the pre-requisite that Hong Kong brings the pandemic under control before it can be launched.

Economy began a nascent recovery

Macau's economy was severely disrupted by efforts to curb the spread of COVID-19. In particular, border control measures meant that Macau's twin economic engines — tourism and gaming –almost ground to a halt, particularly in Q2 2020, causing gross domestic product to plummet 68% year on year (YoY).

Macau's government has been commended for its swift action in mobilising its reserves to soften the impact of the pandemic on the economy. A package of economic relief measures was rolled out rapidly to boost local spending and reduce the financial burden on local businesses, particularly SMEs, including consumption subsidies, rent waivers, job-training opportunities, tax deductions, interest-free loans and other incentives. Public infrastructure investments, including the Light Rail Transit link between Cotai and Hengqin Island, were also announced.

One of the relief measures was an innovative consumer subsidy plan that provided each Macau resident with US$1,000 worth of e-vouchers totalling c.US$730 million and aimed at boosting the SME sector. A further tranche is being considered, depending on developments related to the pandemic and its continued economic impact.

After travel restrictions with China were lifted and the issuance of visas was resumed to allow mainland Chinese visitors to travel to Macau, the economy began a nascent recovery. In Q3, the GDP contraction narrowed to 64% YoY. For the first three quarters of the year, GDP was down 60% YoY. The International Monetary Fund forecasts that Macau's GDP will have contracted by 52% in 2020 and that it will return to positive growth of 24% in 2021.

Policy Address to strengthen Macau's foundations

In November, Macau Chief Executive Ho lat Seng delivered his 2021 Policy Address, a strategic plan focused on epidemic control, revitalising and diversifying the economy, social welfare, administrative reform and closer integration with mainland China's development plans.

Among the highlights were plans for economic recovery and sustainable development. These include investments in public infrastructure to enhance cross-border connectivity and to improve local transportation. A host of economic focus areas also featured, including the development of a financial services industry and the establishment of a bond market, the promotion of industrialisation of traditional Chinese medicine, facilitation of the development of the convention and exhibition industry, and enhanced support for the SME sector.

On the keenly-anticipated issue of Macau's new gaming concessions, the policy address delivered very few details. In 2021, the government will focus on preparatory and preliminary work for the new concessions, with the goal of promoting the stable and healthy development of the gaming industry. This will entail a review of existing laws, including a public consultation, culminating in the submission of a draft bill to the Legislative Assembly by the end of the year.

Gross gaming revenue recovers

Gross gaming revenue (GGR) for full-year 2020 stood at around US$7.6 billion, a drop of 79% YoY. By October, with the return of some Chinese tourists to Macau, the GGR data was more encouraging, albeit from a low base. GGR for October surged 229% month on month (MoM) to around US$910 million, and reached US$980 million in December, the highest since February.

Increased optimism has also been reflected in new hotel openings previously put on the back burner amid the pandemic. After witnessing the return of mainland Chinese tourists to Macau, Sands China opened its new all-suite tower, The Grand Suites at Four Seasons, in October and launched its first phase of its British-themed resort, The Londoner Macao, in early February 2021.

Although the forecasts for 2021 are much higher than 2020's lows, GGR will not recover to 2019 levels as yet. Morgan Stanley has recently predicted that 2021's GGR will reach around 65% of 2019's total while official Macau government numbers are projecting 44.5% of 2019. VIP gaming which has been outpaced by the growing mass market segment in recent years will continue to face pressures in 2021. In particular, China's new law combatting overseas gaming, which will come into force in March 2021, is likely to affect Macau's VIP segment.

Despite continued uncertainties over the award of new gaming concessions, Morgan Stanley predicts that Macau's government is likely to extend the six existing casino concessions for three years until 2025.

Tourism began to recover following the relaxation in travel and visa restrictions for mainland Chinese

Following a dismal period for tourism in the first three quarters of the year, there were signs of a revival from late September onwards, when a travel bubble between Macau and mainland China was launched. The issuance of tourist visas for mainland Chinese to travel to Macau resumed in tandem with easing travel restrictions in time for the Golden Week holiday. In October, November and December, visitor arrivals rose steadily MoM, by 30%, 9% and 4%, respectively. Macau welcomed more than 30,000 visitors on New Year's Eve, the highest daily number over the past 11 months. In Q4, visitor arrivals increased by 150% QoQ to around 1.9 million, although this represented a decline of 80% YoY. For the full-year 2020, Macau welcomed a total of around 5.9 million visitors, down 85% YoY, marking the first year since 2015 in which tourist numbers have declined.

Mainland China is the main source market of Macau's tourist arrivals, so the Macau government has set up a pipeline of promotions to boost visitor arrivals and increase tourist spending. To heighten awareness that Macau is "open for business", a MOP290 million (US$36 million) campaign ran from September to December with attractive offers for mainland Chinese visitors involving accommodation and shopping vouchers. For 2021, the government is already rolling out further promotions targeting mainland Chinese.

Property Market Overview

Following a subdued H1 2020, Macau's residential property market picked up slightly in H2 as the pandemic remained well under control in the territory, with the total number of transactions increasing by 10% over the six-month period to 3,354, though still a 12% decline YoY. In Q4, developers' new launches in October were well received by local purchasers, primarily end-users looking to upgrade from their current homes. For the full year, a total of 6,394 transactions were recorded, down 17% YoY, and the average transaction price was c.US$1,190 per square foot, down 6% YoY. Purchases by first-time buyers continued to account for over 80% of all residential property transactions.

Luxury residential segment remains subdued

In the luxury residential property segment, sentiment is still muted. Property agents expect investor confidence and appetite for the luxury segment to recover, with Macau seen as a safe haven that has COVID-19 under control and a vaccination programme being successfully rolled out.

Properties in the Company's portfolio fall into the over-MOP8 million (US$1 million) price category, meaning that property investors face anti-speculation measures such as higher stamp duties for second and third properties, alongside strict mortgage policies. Buyers have therefore remained cautious when it comes to making high-value investments. Recent trends in Macau show that residential homes priced below MOP8 million (US$1 million) remain the most sought-after properties.

Looking ahead

Although Macau has delivered a measure of cautious optimism about an economic recovery in 2021, the territory's growth trajectory hangs in the balance and depends on a stable COVID situation both internally and in mainland China. Despite vigilance among the authorities, any resurgence of the virus could dampen tourism and gaming, impacting Macau's recovery.

With restrictions gradually being eased, investors may feel that the worst is over and begin to refocus on potential property investment. Macau remains well positioned for such interest, offering a strong value propositions for investors. The government's goals, as stated in the Chief Executive's Policy Address, are designed to lay the foundations for more sustainable growth in the future. Initiatives to diversify the economy to focus on non-gaming tourism and integrate more closely with the Greater Bay Area are sound policies that will enable Macau to tap mainland China's growth.

It is expected that China's economy will be the only major economy in the world to have grown in 2020, with GDP remarkably having increased by 2.3% YoY. For 2021, China is expected to register GDP growth of c.8%, according to forecast by the IMF. The strengthening of the RMB against the US dollar will also likely rekindle mainland Chinese investors' appetite for offshore real-estate purchases, potentially having a positive impact on Macau's property market and the Company's divestment efforts.

The Company continues to work actively towards timely divestments of the remaining assets in 2021, although any adverse developments related to the pandemic may continue to affect our disposal timeline.

Directors' Statement of Responsibilities

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

The Directors confirm that to the best of their knowledge:

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

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

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

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

On behalf of the Board

Mark Huntley
Chairman
17 February 2021

Interim Condensed Consolidated Statement of Financial Position (Unaudited)

As at 31 December 2020

	Note	**Unaudited 31 Dec 2020 US$'000**	Unaudited 31 Dec 2019 US$'000	Audited 30 Jun 2020 US$'000
ASSETS				
Non-current assets				
Investment property	3	**199,944**	212,415	199,988
Deposits with lenders	4	**6,668**	1,885	4,278
Trade and other receivables		**111**	112	111
		206,723	214,412	204,377
Current assets				
Inventories	5	**35,592**	41,091	39,631
Trade and other receivables		**454**	326	366
Deposits with lenders	4	**175**	-	175
Cash and cash equivalents		**8,409**	20,364	16,078
		44,630	61,781	56,250
Total assets		**251,353**	276,193	260,627
EQUITY				
Capital and reserves attributable to the Company's equity holders				
Share capital	12	**618**	618	618
Retained earnings		**83,636**	99,169	83,916
Distributable reserves		**15,791**	15,791	15,791
Foreign currency translation reserve		**222**	(351)	251
Total equity		**100,267**	115,227	100,576
LIABILITIES				
Non-current liabilities				
Deferred taxation provision	11	**11,819**	13,398	11,837
Taxation provision	11	**578**	419	533
Interest-bearing loans	6	**97,404**	73,875	47,102
		109,801	87,692	59,472
Current liabilities				
Trade and other payables		**1,335**	1,458	1,285
Interest-bearing loans	6	**39,950**	71,816	99,294
		41,285	73,274	100,579
Total liabilities		**151,086**	160,966	160,051
Total equity and liabilities		**251,353**	276,193	260,627
Net Asset Value per share (US$)	8	**1.62**	1.86	1.63
Adjusted Net Asset Value per share (US$)	8	**2.14**	2.52	2.21

The interim condensed consolidated financial statements were approved by the Board of Directors and authorised for issue on 17 February 2021.

The notes on pages 32 to 43 form part of these interim condensed consolidated financial statements.

Interim Condensed Consolidated Statement of Comprehensive Income (Unaudited)

For the six-month period from 1 July 2020 to 31 December 2020

	Note	**Unaudited 6 months 1 Jul 2020 - 31 Dec 2020 US$'000**	Unaudited 6 months 1 Jul 2019 - 31 Dec 2019 US$'000	Audited 12 months 1 Jul 2019 - 30 Jun 2020 US$'000
Income				
Income on sale of inventories	5	**8,241**	2,180	4,620
Rental income		**670**	1,435	2,606
		8,911	3,615	7,226
Expenses				
Net loss from fair value adjustment on investment property	3	**122**	14,410	27,924
Cost of sales of inventories	5	**4,160**	755	2,692
Management fee	10	**736**	1,863	2,668
Realisation fee	10	**217**	-	-
Non-executive directors' fees	10	**94**	89	177
Auditors' remuneration: audit fees		**58**	26	100
Auditors' remuneration: non-audit fees		**-**	-	8
Property operating expenses		**766**	544	1,388
Sales and marketing expenses		**607**	389	517
General and administration expenses		**296**	386	681
(Gain)/Loss on foreign currency translation		**(8)**	68	159
		(7,048)	(18,530)	(36,314)
Operating profit/(loss) for the period/year		**1,863**	(14,915)	(29,088)
Finance income and expenses				
Bank loan interest	6	**(1,737)**	(3,100)	(5,690)
Other financing costs		**(169)**	(162)	(328)
Bank and other interest		**-**	24	26
		(1,906)	(3,238)	(5,992)
Loss for the period/year before tax		**(43)**	(18,153)	(35,080)
Taxation	11	**(237)**	1,884	3,558
Loss for the period/year after tax		**(280)**	(16,269)	(31,522)
Items that may be reclassified subsequently to profit or loss				
Exchange difference on translating foreign operations		**(29)**	437	1,039
Total comprehensive loss for the period/year		**(309)**	(15,832)	(30,483)
Loss attributable to:				
Equity holders of the Company		**(280)**	(16,269)	(31,522)
Total comprehensive loss attributable to:				
Equity holders of the Company		**(309)**	(15,832)	(30,483)

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

For the six-month period from 1 July 2020 to 31 December 2020

		Unaudited 6 months 1 Jul 2020 - 31 Dec 2020 US$	Unaudited 6 months 1 Jul 2019 - 31 Dec 2019 US$	Audited 12 months 1 Jul 2019 - 30 Jun 2020 US$
Basic and diluted loss per Ordinary Share attributable to the equity holders of the Company during the period/year	7	**(0.0045)**	(0.2631)	(0.5098)

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

The notes on pages 32 to 43 form part of these interim condensed consolidated financial statements.

Interim Condensed Consolidated Statement of Changes in Equity (Unaudited)

Movement for the six-month period from 1 July 2020 to 31 December 2020 (unaudited)

	Share capital US$'000	**Retained earnings US$'000**	**Distributable reserves US$'000**	**Foreign currency translation reserve US$'000**	**Total US$'000**
Balance brought forward at 1 July 2020	**618**	**83,916**	**15,791**	**251**	**100,576**
Loss for the period	**-**	**(280)**	**-**	**-**	**(280)**
Items that may be reclassified subsequently to profit or loss					
Exchange difference on translating foreign operations	**-**	**-**	**-**	**(29)**	**(29)**
Total comprehensive loss for the period	**-**	**(280)**	**-**	**(29)**	**(309)**
Balance carried forward at 31 December 2020	**618**	**83,636**	**15,791**	**222**	**100,267**

Movement for the six-month period from 1 July 2019 to 31 December 2019 (unaudited)

	Share capital US$'000	Retained earnings US$'000	Distributable reserves US$'000	Foreign currency translation reserve US$'000	Total US$'000
Balance brought forward at 1 July 2019	618	115,438	15,791	(788)	131,059
Loss for the period	-	(16,269)	-	-	(16,269)
Items that may be reclassified subsequently to profit or loss					
Exchange difference on translating foreign operations	-	-	-	437	437
Total comprehensive loss for the period	-	(16,269)	-	437	(15,832)
Balance carried forward at 31 December 2019	618	99,169	15,791	(351)	115,227

Movement for the year from 1 July 2019 to 30 June 2020 (audited)

	Share capital US$'000	Retained earnings US$'000	Distributable reserves US$'000	Foreign currency translation reserve US$'000	Total US$'000
Balance brought forward at 1 July 2019	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	618	83,916	15,791	251	100,576

The notes on pages 32 to 43 form part of these interim condensed consolidated financial statements.

Interim Condensed Consolidated Statement of Cash Flows (Unaudited)

For the six-month period from 1 July 2020 to 31 December 2020

	Note	**Unaudited 6 months 1 Jul 2020 - 31 Dec 2020 US$'000**	Unaudited 6 months 1 Jul 2019 - 31 Dec 2019 US$'000	Audited 12 months 1 Jul 2019 - 30 Jun 2020 US$'000
Net cash generated from/(used in) operating activities	9	**5,804**	(327)	768
Cash flows from investing activities				
Capital expenditure on investment property	3	**(122)**	(228)	(340)
Movement in pledged bank balances	4	**(2,390)**	(42)	(2,610)
Net cash used in investing activities		**(2,512)**	(270)	(2,950)
Cash flows from financing activities				
Proceeds from bank borrowings		**69,658**	-	11,478
Repayment of bank borrowings		**(78,045)**	(2,191)	(13,679)
Interest and bank charges paid		**(2,570)**	(3,900)	(6,686)
Net cash used in financing activities		**(10,957)**	(6,091)	(8,887)
Net movement in cash and cash equivalents		**(7,665)**	(6,688)	(11,069)
Cash and cash equivalents at beginning of period/year		**16,078**	26,980	26,980
Effect of foreign exchange rate changes		**(4)**	72	167
Cash and cash equivalents at end of period/year		**8,409**	20,364	16,078

The notes on pages 32 to 43 form part of these interim condensed consolidated financial statements.

Notes to the Interim Condensed Consolidated Financial Statements (Unaudited)

For the six-month period from 1 July 2020 to 31 December 2020

General information

Macau Property Opportunities Fund Limited (the "Company") is a Company incorporated and registered in Guernsey under The Companies (Guernsey) Law, 1994. This law was replaced by the Companies (Guernsey) Law, 2008 on 1 July 2008. The Company is an authorised entity under the Authorised Closed-Ended Investment Schemes Rules 2008 and is regulated by the Guernsey Financial Services Commission. The address of the registered office is given on page 44.

The interim condensed consolidated financial statements for the six months ended 31 December 2020 comprise the interim financial statements of the Company and its subsidiaries (together referred to as the "Group"). The Group invests in residential property in Macau.

There have been no changes to the Group's principal risks and uncertainties in the six-month period to 31 December 2020 and the Board of Directors does not anticipate any changes to the principal risks and uncertainties in the second half of the year. Principal risks and uncertainties are further discussed in the Manager's Report in the Group's Annual Report to 30 June 2020.

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

These interim condensed consolidated financial statements have been approved for issue by the Board of Directors on 17 February 2021.

1 Significant accounting policies

Basis of accounting

The annual consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"), as adopted by the United Kingdom; applicable legal and regulatory requirements of Guernsey Law and under the historical cost basis, except for financial assets and liabilities held at fair value through profit or loss ("FVPL") and investment properties that have been measured at fair value. The accounting policies and valuation principles adopted are consistent with those of the previous financial year.

The interim condensed consolidated financial statements have been prepared in accordance with International Accounting Standard ("IAS") 34, Interim Financial Reporting. The same accounting policies and methods of computation are followed in the interim financial statements as compared with the annual financial statements. The interim condensed consolidated financial statements do not include all information and disclosures required in the annual financial statements and should be read in conjunction with the Group's annual financial statements as of 30 June 2020.

New and amended standards and interpretations applied

The following amendments to existing standards and interpretations are effective for the year ended 30 June 2021 and therefore were applied in the current period but did not have a material impact on the Group:

- Amendments to IFRS 3 Business Combinations — Definition of a Business
- Amendments to IAS 1 and IAS 8 — Definition of Material
- Interest Rate Benchmark Reform — Amendments to IFRS 9, IAS 39 and IFRS 7

1 Significant accounting policies (continued)

Going concern

The Group continues to meet its capital requirements and day-to-day liquidity needs through the Group's cash resources. As part of their assessment of the going concern of the Group as at 31 December 2020, the Directors have reviewed the comprehensive cash flow forecasts prepared by management which make assumptions based upon current and expected future market conditions, including predicted future sales of properties taking into consideration current market circumstances. It is the Directors' belief that, based upon these forecasts and their assessment of the Group's committed banking facilities, it is appropriate to prepare the financial statements of the Group on a going concern basis.

The Directors, after the continuation resolution was passed at the Annual General Meeting of the Company on 30 November 2020 extending the Fund's life until 30 November 2021, assessed whether the continuation vote before the end of 2021 gives rise to a material uncertainty that might cast significant doubt on the Fund's ability to continue as a going concern. The Directors have also considered the going concern assumption outside the primary going concern horizon. The Directors currently expect to receive continuation support from major shareholders and over 50% of shareholder support is required in November 2021 to ensure continuation; it is likely that returns from the sale of properties could well be significantly lower if the Fund was forced to sell as a result of discontinuation and it is therefore commercially rational for the Fund to continue in business. Therefore, the Directors believe it is appropriate to prepare the financial statements of the Group on the going concern basis based upon existing cash resources, the forecasts described above, the extension of the life of the Company until November 2021 agreed at the Annual General Meeting on 30 November 2020 and the Directors' assessment of the Group's committed banking facilities and expected continuing compliance with related covenants.

The continuing impact of the COVID-19 pandemic has had a slight downward effect on the valuation of the Group's investment portfolio but has not prevented a number of sale transactions in the current period and has not had a significant impact on the loan covenants held by the Group. The overall uncertainty brought about by COVID-19 and its impact on the Group is continuing to be closely monitored by the Board.

Seasonal and cyclical variations

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

2. Segment reporting

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

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

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

For the six-month period from 1 July 2020 to 31 December 2020

3. Investment property

	Unaudited 1 Jul 2020 - 31 Dec 2020 US$'000	Unaudited 1 Jul 2019 - 31 Dec 2019 US$'000	Audited 1 Jul 2019 - 30 Jun 2020 US$'000
At beginning of the period/year	**199,988**	225,885	225,885
Capital expenditure on property	**122**	228	340
Fair value adjustment	**(122)**	(14,410)	(27,924)
Exchange difference	**(44)**	712	1,687
Balance at end of the period/year	**199,944**	212,415	199,988

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

The valuation process is initiated by the Investment Adviser with the Board consent and approval, who appoints a suitably qualified valuer to conduct the valuation of the investment property. The results are overseen by the Investment Adviser. Once satisfied with the valuations based on their expectations, the Investment Adviser reports the results to the Board. The Board periodically meets with the valuer and reviews the latest valuations based on their knowledge of the property market and compare these to previous valuations.

The Group's investment properties were revalued at 31 December 2020 by independent, professionally-qualified valuers: Savills (Macau) Limited ("Savills"). The valuation has been carried out in accordance with the current Royal Institution of Chartered Surveyors (RICS) Appraisal and Valuation Standards to calculate the market value of the investment properties in their existing state and physical condition, with the assumptions that:

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

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

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

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

Rental income arising from *The Waterside* of US$670,000 (6 months ended 31 December 2019: US$1,435,000, 12 months ended 30 June 2020: US$2,606,000) was received during the period. Direct operating expenses of US$481,000 (6 months ended 31 December 2019: US$459,000, 12 months ended 30 June 2020: US$956,000) arising from *The Waterside* that generated rental income were incurred during the six-month period. Direct operating expenses during the period arising from vacant units totalled US$197,000 (6 months ended 31 December 2019: US$115,000, 12 months ended 30 June 2020: US$255,000).

For the six-month period from 1 July 2020 to 31 December 2020

3. Investment property (continued)

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

	Property information	Carrying amount/fair value as at 31 December 2020: US$'000	Valuation technique	Input	Unobservable and observable inputs used in determination of fair values	Other key information
Name	*The Waterside*	199,944	Term and Reversion Analysis	Term rent (inclusive of management fee and furniture)	HK$18.8 psf (30 June 2020: HK$19.2 psf)	Age of building
Type	Residential/ Completed apartments			Term yield (exclusive of management fee and furniture)	1.4% – 2.2% (30 June 2020: 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 (30 June 2020: HK$15.6 psf)	
				Reversionary yield	1.7% (30 June 2020: 1.7%)	

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

If the estimated reversionary rent increased/decreased by 5%, (and all other assumptions remained the same), the fair value of *The Waterside* would increase by US$10 million (6 months ended 31 December 2019: US$11 million, 12 months ended 30 June 2020: US$10 million) or decrease by US$10 million (6 months ended 31 December 2019: US$11 million, 12 months ended 30 June 2020: US$10 million).

If the term and reversionary yields or discount rates increased/decreased by 5%, (and all other assumptions remained the same), the fair value of *The Waterside* would decrease by US$10 million (6 months ended 31 December 2019: US$10 million, 12 months ended 30 June 2020: US$10 million) or increase by US$11 million (6 months ended 31 December 2019: US$11 million, 12 months ended 30 June 2020: US$10 million).

The same valuation method was deployed in June 2020 and December 2020.

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

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

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

For the six-month period from 1 July 2020 to 31 December 2020

4. Deposits with lenders

Pledged bank balances represent deposits pledged to the banks to secure the banking facilities granted to the Group. Deposits amounting to US$6.7 million (31 December 2019: US$1.9 million, 30 June 2020: US$4.3 million) have been pledged to secure long-term banking facilities and are, therefore, classified as non-current assets. There are no other significant terms and conditions associated with these pledged bank balances.

	Unaudited 31 Dec 2020 US$'000	Unaudited 31 Dec 2019 US$'000	Audited 30 Jun 2020 US$'000
Non-current	**6,668**	1,885	4,278
Current	**175**	-	175
	6,843	1,885	4,453

5. Inventories

	Unaudited 1 Jul 2020 - 31 Dec 2020 US$'000	Unaudited 1 Jul 2019 - 31 Dec 2019 US$'000	Audited 1 Jul 2019 - 30 Jun 2020 US$'000
Cost			
Balance brought forward	**39,631**	41,453	41,453
Additions	**128**	254	546
Disposals	**(4,159)**	(759)	(2,707)
Exchange difference	**(8)**	143	339
Balance carried forward	**35,592**	41,091	39,631

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

Under IFRS, inventories are valued at the lower of cost and net realisable value. The carrying amounts for inventories as at 31 December 2020 amounts to US$35,592,000 (6 months ended 31 December 2019: US$41,091,000, 12 months ended 30 June 2020: US$39,631,000). Net realisable value as at 31 December 2020 as determined by independent, professionally-qualified valuer, Savills, was US$66,848,000 (6 months ended 31 December 2019: US$81,006,000, 12 months ended 30 June 2020: US$74,829,000).

During the period ended 31 December 2020, three residential units and one car parking space of *The Fountainside* and one individual unit of One Central Residences were sold for a total consideration of US$8.2 million (HK$63.9 million) against a total cost of US$4.1 million (HK$32.3 million) which resulted in a net profit of US$4.1 million (HK$31.6 million) after all associated fees and transaction costs.

During the year ended 30 June 2020, one residential unit, two car parking spaces and five motorcycle spaces of *The Fountainside*, and one individual unit of One Central Residences were sold for a total consideration of US$4.6 million (HK$36.0 million) against a total cost of US$2.7 million (HK$21.0 million) which resulted in a net profit of US$1.9 million (HK$15.0 million) after all associated fees and transaction costs.

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

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

For the six-month period from 1 July 2020 to 31 December 2020

6. Interest-bearing loans

	Unaudited 31 Dec 2020 US$'000	Unaudited 31 Dec 2019 US$'000	Audited 30 Jun 2020 US$'000
Bank loans - Secured			
- Current portion	**39,950**	71,816	99,294
- Non-current portion	**97,404**	73,875	47,102
	137,354	145,691	146,396

There are interest-bearing loans with three banks:

Hang Seng Bank

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

In September 2020, the Group executed a HK$540 million (US$69.7 million) five-year term loan facility (Tranche 7) to refinance previous tranches which were due for settlement in September 2020.

As at 31 December 2020, two tranches remained outstanding. Tranche 3 had an outstanding balance of HK$nil (US$nil) (31 December 2019: HK$300 million (US$38.4 million), 30 June 2020: HK$300 million (US$38.7 million)); Tranche 4 had an outstanding balance of HK$nil (US$nil) (31 December 2019: HK$40 million (US$5.1 million), 30 June 2020: HK$40 million (US$5.2 million)); Tranche 5 had an outstanding balance of HK$nil (US$nil) (31 December 2019: HK$132 million (US$17.0 million), 30 June 2020: HK$132 million (US$17.1 million)); Tranche 6 had an outstanding balance of HK$358 million (US$46.2 million) (31 December 2019: HK$428 million (US$55.0 million), 30 June 2020: HK$428 million (US$55.2 million)); and Tranche 7 had an outstanding balance of HK$515 million (US$66.5 million) (31 December 2019: HK$nil (US$nil), 30 June 2020: HK$nil (US$nil)).

The interest rates applicable to Tranche 3, Tranche 4, Tranche 5 and Tranche 6 of the term loan are 1.9% per annum over the 1-, 2-or 3-month HIBOR rate. The interest rates applicable to Tranche 7 is 1.8% per annum over the 1-, 2-or 3-month HIBOR rate. The choice of rate is at the Group's discretion. Tranche 3, Tranche 4 and Tranche 5 have been fully repaid in September 2020. Tranche 6 matures on 19 September 2022 and the principal is to be repaid in half-yearly instalments commencing from September 2020 with 30% of the principal due upon maturity. Tranche 7 matures in September 2025 and the principal is to be repaid in nine instalments commencing from December 2020 with 60% of the principal due upon maturity. The loan-to-value covenant is 60%. As at 31 December 2020, the loan-to-value ratio for the Hang Seng One Central facility was 56.34%. The facility is secured by means of a first registered legal mortgage over *The Waterside* as well as a pledge of all income from the units. The Company is the guarantor for the credit facility. In addition, the Group is required to maintain a cash reserve equal to six months' interest with the lender.

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

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

For the six-month period from 1 July 2020 to 31 December 2020

6. Interest-bearing loans (continued)

Hang Seng Bank (continued)

The Group has 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 47% 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.

As at 31 December 2020, the facility had an outstanding balance of HK$50.9 million (US$6.6 million) (31 December 2019: HK$89.0 million (US$11.4 million), 30 June 2020: HK$89.0 million (US$11.5 million)). As at 31 December 2020, the loan-to-value ratio for this facility was 28.68%.

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

Banco Tai Fung

The loan facility with Banco Tai Fung originally had a term of two years and the facility amount was HK$70 million which expired in June 2019 and was subsequently renewed for another term of two years. Interest was charged at 2.3% per annum over the 3-month HIBOR rate and was revised to Prime Rate minus 1.375% per annum in June 2019. Repayment is due in full at maturity in June 2021. As at 31 December 2020, the facility had an outstanding balance of HK$70 million (US$9.0 million) (31 December 2019: HK$70 million (US$9.0 million), 30 June 2020: 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 31 December 2020, the loan-to-value ratio for this facility was 44.30%. There is no loan-to-value covenant for this loan.

ICBC Macau

The loan facility with Industrial and Commercial Bank of China (Macau) Limited originally had a term of two years. Interest was 2.3% per annum over the 3-month HIBOR rate and repayment was due in full at maturity in December 2019. It was subsequently renewed for another term until June 2021 at the same interest rate. As at 31 December 2020, the facility had an outstanding balance of HK$79 million (US$10.2 million) (31 December 2019: HK$79 million (US$10.1 million), 30 June 2020: HK$79 million (US$10.2 million)). This facility is secured by a first legal mortgage over the property as well as a pledge of all income from the property. The Company is the guarantor for this term loan. In addition, the Group is required to maintain a cash reserve equal to six months' interest with the lender. Interest is paid monthly on this loan facility. The loan-to-value covenant is 60%. As at 31 December 2020, the loan-to-value ratio for this facility was 42.02%.

Bank Loan Interest

Bank loan interest paid during the period was US$1,737,000 (6 months ended 31 December 2019: US$3,100,000, 12 months ended 30 June 2020: US$5,690,000). As at 31 December 2020, the carrying amount of interest-bearing loans included unamortised prepaid loan arrangement fee of US$1,084,000 (31 December 2019: US$484,000, 30 June 2020: US$461,000).

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

For the six-month period from 1 July 2020 to 31 December 2020

6. Interest-bearing loans (continued)

Fair Value

The fair value of fixed rate financial assets and liabilities carried at amortised cost are estimated by comparing market interest rates when they were first recognised with current market rates for similar financial instruments.

The estimated fair value of fixed interest bearing loans is based on discounted cash flows using prevailing market interest rates for debts with similar credit risk and maturity. As at 31 December 2020, the fair value of the financial liabilities was US$184,000 lower than the carrying value of the financial liabilities (31 December 2019: US$401,000 higher than the carrying value of the financial liabilities, 30 June 2020: US$332,000 higher than the carrying value of the financial liabilities).

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

7. Basic and diluted loss per Ordinary Share

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

	Unaudited 6 months 1 Jul 2020 - 31 Dec 2020	Unaudited 6 months 1 Jul 2019 - 31 Dec 2019	Audited 12 months 1 Jul 2019 - 30 Jun 2020
Loss for the period/year (US$'000)	**(280)**	(16,269)	(31,522)
Weighted average number of Ordinary Shares ('000)	**61,836**	61,836	61,836
Basic and diluted loss per share (US$)	**(0.0045)**	(0.2631)	(0.5098)

8. Net asset value reconciliation

	Unaudited 31 Dec 2020 US$'000	Unaudited 31 Dec 2019 US$'000	Audited 30 Jun 2020 US$'000
Net assets attributable to ordinary shareholders	**100,267**	115,227	100,576
Uplift of inventories held at cost to market value	**31,931**	40,733	35,954
Adjusted Net Asset Value	**132,198**	155,960	136,530
Number of Ordinary Shares Outstanding ('000)	**61,836**	61,836	61,836
NAV per share (IFRS) (US$)	**1.62**	1.86	1.63
Adjusted NAV per share (US$)	**2.14**	2.52	2.21
Adjusted NAV per share (£)*	**1.57**	1.92	1.79

* US$:GBP rates as at relevant period end

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

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

For the six-month period from 1 July 2020 to 31 December 2020

8. Net asset value reconciliation (continued)

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

The Adjusted NAV per share is derived by dividing the Adjusted Net Asset Value as at the date of the consolidated statement of financial position, by the number of Ordinary Shares in issue at that date.

There are no potentially dilutive instruments in issue.

9. Cash flows from operating activities

	Unaudited 6 months 1 Jul 2020 - 31 Dec 2020 US$'000	Unaudited 6 months 1 Jul 2019 - 31 Dec 2019 US$'000	Audited 12 months 1 Jul 2019 - 30 Jun 2020 US$'000
Cash flows from operating activities			
Loss for the period/year before tax	**(43)**	(18,153)	(35,080)
Adjustments for:			
Net loss from fair value adjustment on investment property	**122**	14,410	27,924
Net finance costs	**1,906**	3,238	5,992
Operating cash flows before movements in working capital	**1,985**	(505)	(1,164)
Effect of foreign exchange rate changes	**(8)**	68	159
Movement in trade and other receivables	**(88)**	(136)	(175)
Movement in trade and other payables	**(95)**	(236)	(190)
Movement in inventories	**4,031**	505	2,161
Net change in working capital	**3,848**	133	1,796
Taxation paid	**(21)**	(23)	(23)
Net cash generated from/(used in) operating activities	**5,804**	(327)	768

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

For the six-month period from 1 July 2020 to 31 December 2020

10. Related party transactions

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

	Unaudited 6 months 1 Jul 2020 - 31 Dec 2020 US$'000	Unaudited 6 months 1 Jul 2019 - 31 Dec 2019 US$'000	Audited 12 months 1 Jul 2019 - 30 Jun 2020 US$'000
Directors' fees	**94**	89	177

The Directors are considered to be the key management personnel (as defined under IAS 24) of the Company. Directors' fees outstanding as at 31 December 2020 were US$41,000 (31 December 2019: US$39,000, 30 June 2020: US$37,000).

Thomas Ashworth retired as a Director at the Annual General Meeting on 29 November 2019 and is therefore not a related party as at 31 December 2020. Thomas Ashworth has a beneficial interest in and is a Director of Sniper Capital Limited, is a shareholder and Director of Adept Capital Partners Services Limited.

Sniper Capital Limited is the Manager to the Group and received management fees during the period as detailed in the Interim Condensed Consolidated Statement of Comprehensive Income. Management fees are paid quarterly in advance and amounted to US$736,000 (6 months ended 31 December 2019: US$1,863,000, 12 months ended 30 June 2020: US$2,668,000) at a fee of 1.0% per annum of the Net Asset Value (2.0% per annum until 31 December 2019), as adjusted to reflect the Property Investment Valuation Basis. Thomas Ashworth received no Directors' fees from the Group.

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 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 for the period totalled US$217,000 (6 months ended 31 December 2019: US$nil, 12 months ended 30 June 2020: 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 a management fee of US$300,000 per quarter shall be payable.

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$5 million. Incentive fees payable for the period totalled US$nil (6 months ended 31 December 2019: US$nil, 12 months ended 30 June 2020: US$nil).

No performance fee was accrued at period end (31 December 2019: US$nil, 30 June 2020: US$nil). No performance fee was paid during the period (6 months ended 31 December 2019: US$nil, 12 months ended 30 June 2020: US$nil).

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

For the six-month period from 1 July 2020 to 31 December 2020

10. Related party transactions (continued)

Adept Capital Partners Services Limited provides administrative services to the Macanese, Hong Kong and British Virgin Islands SPVs and received fees during the period of US$29,000 of which US$nil was outstanding at the period end (31 December 2019: US$29,000 of which US$nil was outstanding, 30 June 2020: US$58,000 of which US$nil was outstanding).

All intercompany loans and related interest are eliminated on consolidation.

11. Taxation provision

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

	Unaudited 31 Dec 2020 US$'000	Unaudited 31 Dec 2019 US$'000	Audited 30 Jun 2020 US$'000
Non-current liabilities			
Deferred taxation	**11,819**	13,398	11,837
Provisions for Macanese taxations	**578**	419	533
	12,397	13,817	12,370

Deferred taxation

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

Provision for Macanese taxations

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

Tax Reconciliation

	Unaudited 1 Jul 2020 - 31 Dec 2020 US$'000	Unaudited 1 Jul 2019 - 31 Dec 2019 US$'000	Audited 1 Jul 2019 - 30 Jun 2020 US$'000
Accounting loss before tax	**(43)**	(18,153)	(35,080)
Exempt from income tax in Guernsey	**-**	-	-
Movement in deferred tax provision	**15**	1,729	3,351
Movement in provision for Macanese taxations	**(252)**	155	207
At the effective income tax rate of 551.2% (31 Dec 2019: (10.4%), 30 Jun 2020: (10.1%))	**(237)**	1,884	3,558

The differences between the taxation for the period and the movement in taxation provisions are due to the foreign exchange movements and Macanese taxation paid during the period. The effective tax rate of 551.2% has occured due to the disproportionately large increase in Macanese complimentary tax relative to the loss before tax for the period.

For the six-month period from 1 July 2020 to 31 December 2020

12. Share capital

Ordinary shares

	Unaudited 31 Dec 2020 US$'000	Unaudited 31 Dec 2019 US$'000	Audited 30 Jun 2020 US$'000
Authorised:			
300 million ordinary shares of US$0.01 each	**3,000**	3,000	3,000
Issued and fully paid:			
61.8 million (31 December 2019: 61.8 million; 30 June 2020: 61.8 million) ordinary shares of US$0.01 each	**618**	618	618

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

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

13. Subsequent events

The Group entered into a promissory sale and purchase agreement for a residential unit at *The Fountainside* in November 2020 for a consideration of HK$12,628,000 (US$1,629,000). The transaction is due to be completed in late February 2021.

Directors and Company Information

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Alan Clifton
Wilfred Woo

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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

Disclosure and Communication Committee
Mark Huntley (Chairman)
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