MACAU PROPERTY
OPPORTUNITIES FUND

A Continuing Journey

ANNUAL REPORT & ACCOUNTS FOR
THE PERIOD ENDED 30 JUNE 2014

Traders traversing the Old Barrier Gate, from a stereoview entitled "The Porta de Cero, boundary mark of Portuguese China and the Chinese Empire. Macao, China". Originally published in 1902 by C. H. Graves & Universal Photo Art Co.

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MACAU PROPERTY OPPORTUNITIES FUND

Listed on the London Stock Exchange, Macau Property Opportunities Fund is the only quoted property fund dedicated to investing in Macau, the world's largest gaming market and one of its fastest-growing economies.

Managed by Asian property investment manager Sniper Capital Limited, MPO's portfolio is now valued at over half a billion US dollars.

Cover image:
Street in 1870, presumably Rua da Alfândega, near Largo do Senado (Senado Square). Photograph by John Thomson.

KEY HIGHLIGHTS

A landmark year

MPO added
to FTSE All-Share and
FTSE SmallCap indices

Record increase in Total Return (including distributions)

40%

year-on-year

Portfolio valuation

US$535.8M

+37.7% year-on-year

Share buybacks

£17.3M

MPO's life extended to end-2016

Continuation vote passed overwhelmingly

Shareholders rewarded following sale of Zhuhai properties

US$0.35 (21p) per share distributed

Adjusted NAV per share [1]

US$4.89

286p [2]

1 Figures incorporated adjustments for deferred tax provisions as discussed in Note 1.

2 Based on a Dollar/Sterling exchange rate of 1.710 as at 30 June 2014.

FINANCIAL CALENDAR

2014

05		
06	30 JUN	2014 Financial Year End
07		
08		
09	SEP	Announcement of annual results for the year ended 30 June 2014
10	OCT	Annual Report and Accounts 2014 published Q3 2014 Investor Update
11	NOV	Annual General Meeting Interim Management Statement and Net Asset Value Update
12	31 DEC	2015 Financial Half-Year End

2015

01	JAN	Q4 2014 Investor Update
02	FEB	Announcement of half-yearly financial results for the year ended 31 December 2014
03	MAR	Interim Report and Accounts 2015 published
04	APR	Q1 2015 Investor Update
05	MAY	Interim Management Statement and Net Asset Value Update
06	30 JUN	2015 Financial Year End

Your Company produced a record set of results in its eighth year of operation. Total return for the year, including distributions, was 40%.

It was another very active year. We successfully divested our Zhuhai assets, returned cash to shareholders and extended the life of the Company. Share buybacks continued, resulting in a significant improvement in our discount to Adjusted NAV. And, for the first time, MPO was included in the FTSE All-Share and FTSE SmallCap indices.

David Hinde, Chairman of the Board, Macau Property Opportunities Fund Limited.

RESULTS

I have consistently highlighted your Board's commitment to expediting the creation of value for shareholders. Our value enhancing strategies are having a meaningful effect.

Over the year to 30 June 2014, the Company's Adjusted NAV increased by US$61 million to US$397.8 million, translating to an Adjusted NAV per share of US$4.89 (286p*) net of a performance fee earned by our Manager, and a deferred tax charge reflecting a new and very recent interpretation of an international accounting standard. IFRS NAV increased 3.8% to US$222.9 million, with an IFRS NAV per share of US$2.74 (160p*).

The Board is of the opinion that deferred tax will not be paid considering the intention of the Company to sell the shares of the special purpose vehicles holding the investment property. However to comply with the IFRIC's recent clarification of the requirements of IAS 12 Income Taxes, the Group has recognised the potential deferred tax liability in the 2014 annual accounts and adjusted the 2013 and 2012 comparative numbers. Without this change, and the consequential effect on performance fees, the net assets would be US$19,621,499 higher.

The bulk of the increase in Adjusted NAV can be attributed to the solid performance across the Company's portfolio. The portfolio value rose 37.7% year-on-year to US$535.8 million, boosted by your Manager's asset management initiatives and the shortage of housing supply in Macau.

Our share price has once again performed well, rising 80.9% over the year on a capital distribution adjusted basis and comfortably outperforming the FTSE All-Share.

The Company's debt has also been restructured on more favourable terms, with the loan-to-value ratio remaining conservative. Our strong financing capacity, along with the portfolio's high-quality assets, should further position MPO well for the future.

KEY PORTFOLIO UPDATES

The Company's strategically focused portfolio continues to offer investors exposure to what we believe are the key property segments in Macau – luxury residential and prime retail. The city's accelerating transformation into a premier gaming and leisure destination, with the accompanying rise in GDP per capita and visitor numbers, should bring many more benefits to these sectors.

The positioning, location and service quality of our core asset, *The Waterside*, a luxury leased residential property, remains unequalled. While occupancy has declined to about 80% on the back of a rogue junket operator's disappearance and our drive for higher rental growth, we are not overly concerned. Our overriding focus remains on increasing rental values; some slippage is to be expected as the market adjusts to new, higher rental levels.

* Based on a Dollar/Sterling exchange rate of 1.710 as at 30 June 2014.

Adjusted NAV per share

US$4.89

(includes a provision for return of cash to shareholders)

Value of share buybacks

£17.3M

over the year

At our low-density luxury residential development, *The Fountainside*, sales are progressing, albeit slower than expected, as prevailing property cooling measures impact transaction volumes across Macau. Our 70,000 square feet retail development, *Senado Square*, remains in the approval stage; construction is now expected to commence in 2015. Meanwhile, *The Green House*, our luxury private residence, has undergone further enhancements.

Our ongoing commitment to share repurchases continues to reward shareholders. MPO's share price discount to Adjusted NAV narrowed substantially from 40% to 11% over the year as buybacks, worth a total of £17.3 million, were undertaken. 8,585,000 shares, representing 9.5% of the outstanding issued shares, were repurchased at an average price of 201.89p (US$3.45*) per share and cancelled. Shareholders can rest assured that our buyback strategy will continue so long as the shares can be bought back at attractive levels.

CONTINUATION VOTE

Shareholders supported the Board's stance of maximising shareholder value and voted overwhelmingly in favour of the extension of the Company's life to 2016 at the EGM on 7 April 2014. The next continuation vote will take place by the end of 2016.

RETURN OF CASH AND SHARE BUYBACKS

Your Board proposed a special distribution of 21p (US$0.35) per share following the disposal of the Company's assets in Zhuhai, China, which was also approved by shareholders at the April EGM.

OUTLOOK

Macau's immediate prospects have recently been adversely impacted by several items of bearish news. Chief among these is the deterioration in gaming revenue growth, largely because the month-long World Cup distracted gamers. A smoking ban on casino floors and steps to tackle the illegal use of payment cards in casinos also raised concerns.

While risks are being closely monitored, your Board shares the Manager's view that these

* Based on a Dollar/Sterling exchange rate of 1.710 as at 30 June 2014.

"OUR VALUE ENHANCING STRATEGIES ARE HAVING A MEANINGFUL EFFECT."

concerns are overstated. Looking beyond the market's short-term reaction, Macau still has many factors in its favour. The economy has made great strides over the past decade and is expected to be Asia's fastest-growing economy this year and next. Underlying fundamentals remain sturdy, too, with low unemployment and a record fiscal surplus.

The slowdown in the property market, which I mentioned earlier, is not wholly unexpected; policymakers have been trying to restrain house prices, which have more than tripled since 2009. However, as we have often cited in the past, we believe Macau's property prices have further upside potential.

The territory's housing inventory is limited,as is land supply. Yet housing demand is strong. This is partly the result of growing affluence following years of brisk growth. According to the World Bank, Macau is the world's fourth richest territory per person, trailing only Luxembourg, Norway and Qatar.

Housing demand is also likely to be fuelled by the inflow of foreign workers as new mega-casinos on the Cotai Strip open over the next four years; imported workers, who already make up a quarter of the population, are expected to remain the driving factor behind the city's population increase.

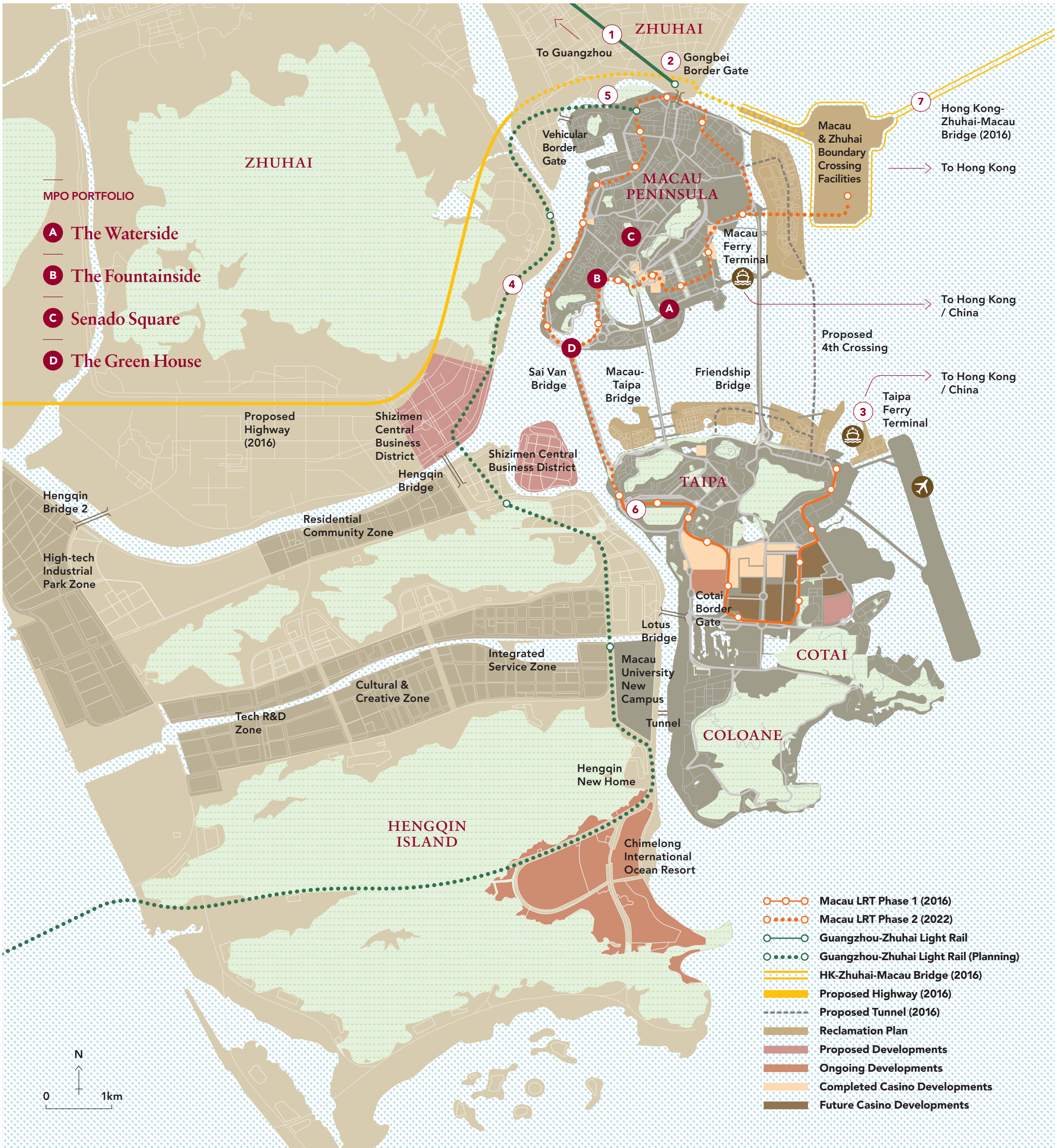
Overall, therefore, despite the near-term uncertainties, the medium to long-term outlook for Macau remains encouraging. I am confident that your Company, with its well-placed portfolio, will continue to deliver good results.

DAVID HINDE

Chairman of the Board
Macau Property Opportunities Fund Limited

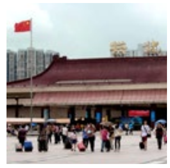
19 September 2014

Key Developments & Infrastructure Projects



Alignments and locations are indicative only. Source: Sniper Capital Research.

An infrastructure boom

PROJECTS	COMPLETED / COMPLETION	IMPROVEMENT	
1 Guangzhou-Zhuhai Intercity Railway	2012	Travel time between Guangzhou and Zhuhai reduced from two hours to approximately 45 minutes.	
2 Expansion of Gongbei Border Gate	June 2013	Capacity increased from 255,000 people per day to 350,000 people per day; there are plans to lift capacity to 500,000 people per day.	
3 Taipa Ferry Terminal	End 2014*	Once operational, the terminal will have 19 berths, versus the current three, and be able to handle 40 ferries per hour.	
4 Guangzhou-Zhuhai Intercity Railway Extension Line	Phase I: 2018*	Phase I: from Zhuhai Station/ Gongbei Gate to Hengqin Chimelong Ocean Park; other plans include an extension between Zhuhai airport and Chimelong Ocean Park, and linking the Extension Line to Macau Light Rail.	
5 New Border Gate between Zhuhai and Macau	2016*	Dedicated to passengers only, this border crossing will connect the current Zhuhai light rail station to a wholesale market northwest of Macau.	
6 Macau Light Rail System	Taipa: 2016* Peninsula: 2022*	A high-frequency public transportation system connecting Macau Peninsula, Taipa and Cotai via 21 stations, with a capacity of 8,000 passengers per direction per hour.	
7 Hong Kong-Zhuhai-Macau Bridge	End 2016*	With a capacity of up to 14,000 vehicles daily, the bridge will allow travellers from Hong Kong and Zhuhai to reach Macau in 20 minutes and 45 minutes respectively.	

* Estimated

PORTFOLIO
OVERVIEW

Summary

AS AT 30 JUNE 2014

RESIDENTIAL PROJECTS

RETAIL PROJECTS

PROPERTY	SECTOR	TYPE
The Waterside[1] One Central[2]	Luxury residential	Investment
The Fountainside	Low-density residential	Redevelopment
Senado Square	Prime retail	Redevelopment
The Green House	Luxury private home	Investment
Smaller Property	Residential	Investment

1 Tower Six of One Central Residences; please refer to the disclaimer on page 80.

2 Individual units at One Central Residences.

3 Including acquisition and (where appropriate) project development costs.

4 Based on independent valuations of Savills (Macau) Limited as at 30 June 2014.

5 Assuming a full drawdown of its committed loan facilities and based on MPO's portfolio value as at 30 June 2014.

Portfolio Valuation Uplift

37.7%

Year-on-year

Loan-to-Value[5]

22.2%

Versus 20.1% as at 30 June 2013

CURRENT STATUS	COMMITMENT[3] (US$ MILLION)	COMPOSITION BY PROJECT (BASED ON MARKET VALUE)	UPLIFT (YEAR-ON-YEAR)	MARKET VALUATION[4] (US$ MILLION)
Leasing and asset management	99.0 10.0	57.2% 3.6%	38.6% 45.7%	306.6 19.2
Final sales phase	23.0	14.4%	18.3%	77.0
Advanced planning	37.0	21.2%	54.8%	113.5
Hold	4.0	3.6%	18.5%	19.1
Hold	N/A	N/A	N/A	0.4
	TOTAL 173.0			TOTAL 535.8

PORTFOLIO OVERVIEW

The Waterside

LUXURY RESIDENTIAL

Overlooking Macau's waterfront and city landscape, *The Waterside*, our centrally located rental apartments housed in an enbloc-owned tower at One Central Residences, remains the ultimate in luxury living. The property comprises 59 tailored units, ranging from standard units to a special collection of premium high-floor units as well as top-notch simplex and duplex apartments.

All apartments are designed to exceptional standards, exquisitely furnished and include an array of upscale amenities. Residents enjoy special privileges as *The Waterside Club* members such as personalised services as well as exclusive offers at Macau's finest dining, entertainment and leisure establishments.

The Waterside enjoys an occupancy rate of c.80%. Rental renewal rates had risen to as high as HK$24.71 per square foot per month for standard units as at the year-end, an increase of 16.0% year-on-year.

EXIT STRATEGY

We will continue to maximise the asset's value through a combination of rental growth and healthy occupancy levels.

Property Details

PROPERTY TYPE
Investment

CURRENT STATUS
Leasing and asset management

GROSS FLOOR AREA
148,000 square feet

TOTAL COMMITMENT
US$99 million

Acquisition cost:
US$88 million

Asset enhancement cost:
US$11 million

VALUATION
US$306.6 million
+39% year-on-year
+249% since acquisition

PORTFOLIO
OVERVIEW

The Fountainside

LOW-DENSITY RESIDENTIAL

Located in Macau's heritage-rich and exclusive residential enclave of Penha Hill, *The Fountainside* is a niche, low-density housing development consisting of 38 apartments and four villas. The project's name was inspired by the historic Lilau Square's fountain, the main source of natural spring water in the old colonial days.

The freehold residence offers an enchanting blend of historic elegance and contemporary living. Modern utilities such as private garages, landscaped gardens and an eco-friendly roof have been incorporated, while the building's original Macanese façade has been beautifully preserved.

The project is now in the final sales stage. A total of 27 standard units have been sold to date. The remaining nine standard units, two duplexes and four villas are being targeted at high-net-worth individuals and homeowners looking for higher-quality properties within the prestigious neighbourhood.

EXIT STRATEGY

We are aiming to maximise exit values on the remaining units and have raised our sales targets accordingly.

Property Details

PROPERTY TYPE
Redevelopment

CURRENT STATUS
Final sales phase

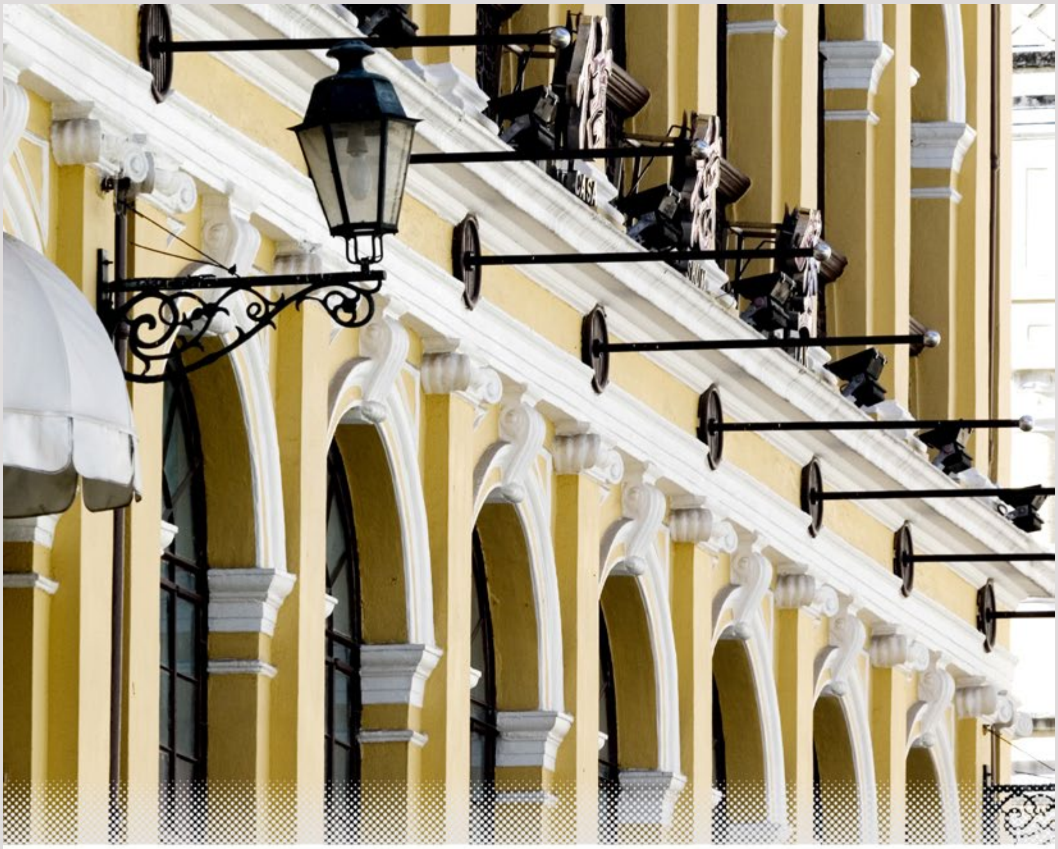
GROSS FLOOR AREA
80,000 square feet

TOTAL COMMITMENT
US$23 million

Acquisition cost:
US$8 million

Project development cost:
US$15 million

VALUATION
US$77.0 million
+18% year-on-year
+853% since acquisition




de Turismo de Negócios de Macau 澳門商務旅遊中心 Macau Business Tourism Centre

PORTFOLIO OVERVIEW

Senado Square

PRIME RETAIL

Senado Square, MPO's flagship retail development, occupies a prominent location in the centre of Macau's busy shopping and tourist district. Designed by internationally renowned architecture firm Arquitectonica, the seven-storey, 70,000 square feet project is expected to attract a diversified mix of high-profile international retailers as well as food and beverage brands seeking to extend their reach in Macau.

Revised building plans have been submitted and we are cautiously optimistic that construction can commence by the middle of next year. The project's market value remains well supported by strong demand for shop space thanks to robust visitor numbers, healthy retail sales and very limited supply of quality retail properties.

EXIT STRATEGY

Once project development is completed and a high-quality tenant mix is secured, we will market *Senado Square* for sale as a prime retail investment asset with stable cash flow.

Property Details

PROPERTY TYPE
Redevelopment

CURRENT STATUS
Advanced planning

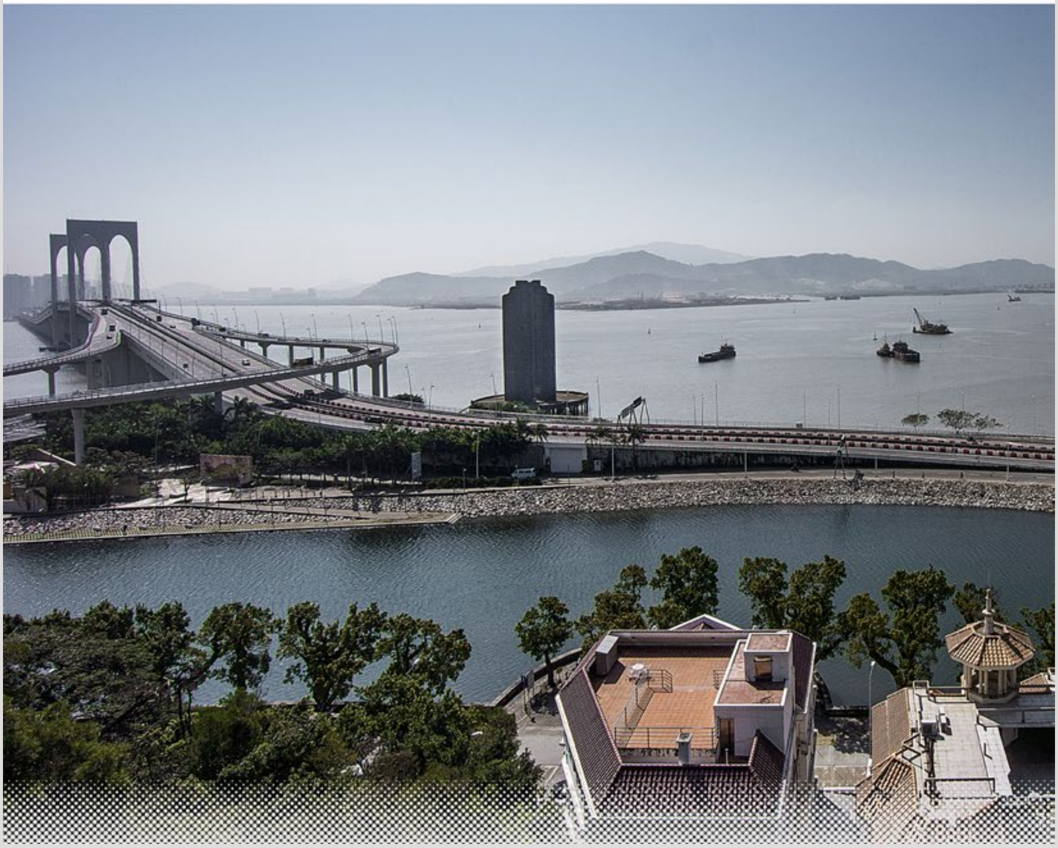
GROSS FLOOR AREA
70,000 square feet

TOTAL COMMITMENT
US$37 million

Acquisition cost:
US$16 million

Project development cost:
US$21 million

VALUATION
US$113.5 million
+55% year-on-year
+605% since acquisition



PORTFOLIO
OVERVIEW

The Green House

LUXURY PRIVATE HOME

A one-of-a-kind private house in the upscale Penha Hill neighbourhood, *The Green House* offers far-reaching views over Macau and Hengqin Island in Zhuhai, China. The expansive 5,200 square feet mansion allows not only for tranquil living amid beautiful surroundings but also the convenience of being just a short drive from the city centre.

The Green House has been undergoing asset enhancement works to keep it in prime condition and continues to draw strong interest from potential buyers. This exceptional standalone property is part of MPO's complementary strategy of acquiring well-located and attractively-priced smaller property assets in key locations across Macau.

EXIT STRATEGY

Given the rarity of private homes in Macau, we will continue to target a premium exit price for this valuable asset.

Property Details

PROPERTY TYPE
Investment

CURRENT STATUS
Hold

GROSS FLOOR AREA
5,200 square feet

ACQUISITION COST
US$4 million

VALUATION
US$19.1 million
+19% year-on-year
+441% since acquisition

Overview

This marks the third consecutive year of double-digit growth for MPO's portfolio value. While Macau's rapid progress has brought its fair share of challenges, we continue to believe that the region's unparalleled positioning will provide significant opportunities.

PERFORMANCE

Over the course of the year, the portfolio registered a 37.7% increase in its market value to US$535.8 million, reflecting the effects of proactive asset management, the quality of MPO's assets and a resilient property market.

Adjusted NAV per share gained 30.7% to US$4.89, and was 286p in Sterling terms, based on a Dollar/Sterling exchange rate of 1.710 as at 30 June 2014, taking into account a performance fee and a deferred tax charge which reflects a new interpretation of an international accounting standard. The IFRS NAV per share rose 14.6% to US$2.74, or 160p.

As noted by the Chairman, the Board is of the opinion that deferred tax will not be paid considering the intention of the Company to sell the shares of the special purpose vehicles holding the investment property. However to comply with the IFRIC's recent clarification of the requirements of IAS 12 Income Taxes, the Group has recognised the potential deferred tax liability in the 2014 annual accounts and adjusted the 2013 and 2012 comparative numbers. Without this change, and the consequential effect on performance fees, the net assets would be US$19,621,499 higher.

The share price discount, meanwhile, narrowed to 11.2% over the year, even with the strong growth in Adjusted NAV as the portfolio's share price appreciated to 254p. Despite this marked improvement, we believe the current share price remains undervalued. We are in full agreement with the Board to continue to optimise value for shareholders via ongoing share repurchases.

CAPITAL MANAGEMENT

MPO's enhanced debt structure following the successful completion of loan refinancing will improve its financial flexibility. Overall debt increased to US$129.0 million as at 30 June 2014. Since the end of the fiscal year, total debt has been further increased to US$141.9 million following the refinancing of the One Central loan facilities. Loan tenures have been extended with more favourable covenant and repayment terms.

Assuming a full drawdown of its committed loan facilities and based on the portfolio's value at the period-end, the loan-to-value (LTV) is now 22%, from 20% a year earlier. We will continue our financial management approach of prudent increases in the LTV ratio and freeing up cash balances – a strategy that has served the portfolio well over the years.

MPO Five-Year Financial Summary (2010–2014)

	2010	2011	2012	2013	2014
NAV (IFRS) (US$ million)[1]	196.2	206.8	211.7	214.8	**222.9**
NAV per share (IFRS) (US$)[1]	1.87	2.01	2.07	2.39	**2.74**
Adjusted NAV (US$ million)[1]	255.5	269.9	296.5	336.4	**397.8**
Adjusted NAV per share (US$)[1]	2.43	2.63	2.91	3.74	**4.89**
Adjusted NAV per share (pence)[2]	161	163	185	246	**286**
Distributions (US$ million)	-	17.9	-	-	**29.0**
Total return (%)	11.0	16.0	6.7	28.6	**40.1**
Share price as at 30 June (pence)	129.5	135.1	105.0	153.5	**254.0**
Portfolio valuation (US$ million)	316.7	333.7	374.8	452.9	**535.8**
Loan-to-value ratio (%)	27	24	27	20	**22**

1 Figures incorporated adjustments for deferred tax provisions as discussed in Note 1.

2 Based on the following US$/GBP exchange rates on 30 June: 2010: 1.507; 2011: 1.607; 2012: 1.571; 2013: 1.521; 2014: 1.710.
Figures incorporated adjustments for deferred tax provisions as discussed in Note 1.

As at 30 June 2014, the Company had total assets of US$414.9 million, total liabilities of U$192.1 million and a cash balance of US$46.2 million, of which US$2.7 million was pledged as collateral for banking facilities.

Portfolio valuation

US$535.8M

+37.7% year-on-year

STRATEGY

As we pointed out last year, the ever-increasing demand for Macau real estate has made it hard to find new property investment opportunities that offer good value.

Our strategy in this environment has been to continue to focus on building and increasing shareholder value through the redevelopment of existing projects, asset enhancement initiatives and careful financial management.

We are confident that MPO's portfolio of prime assets remains well-positioned to deliver good results for our shareholders in the years ahead.

Share price

254p

+80.9% year-on-year on a distribution adjusted basis

Portfolio Updates

MPO owns a diversified portfolio of quality residential and retail assets in prime locations in Macau – all with strong growth potential for rents and capital values. The Fund's portfolio properties are very well-positioned to take advantage of Macau's many exciting growth prospects in the years ahead.

APAC LOGISTICS CENTRE AND COVE RESIDENCE

Having entered into a formal sale and purchase agreement for the divestment of both projects in China's fast-growing Zhuhai last August, the transaction was officially completed in February this year.

The combined sales price of RMB392 million (US$64.7 million) represented a sizeable premium to their end-June 2013 valuation of US$45.4 million. It was also 92% higher than the total acquisition price and associated project costs.

A total of RMB352 million (US$58.3 million), or 90% of the sales price, was received in February, while the remaining 10%, or RMB39.2 million (US$6.4 million) held in escrow was released in August.

The net profit from the sale was paid out to shareholders in the form of a special distribution of 21p per share, underlining the Company's focus on maximising shareholder returns.

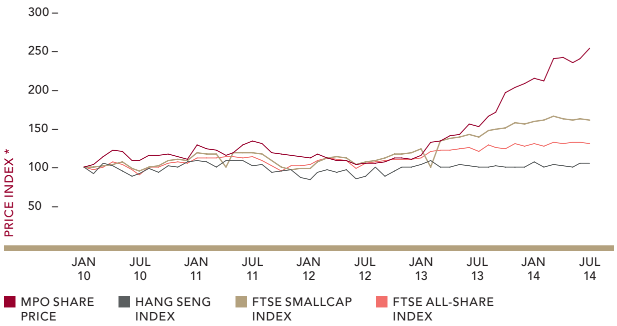
THE FOUNTAINSIDE

Subsequent to the receipt of the sales permit, the final sales campaign for *The Fountainside*, a 42-unit niche luxury residential development in a prestigious district, is underway.

Having pre-sold 22 units, the remaining 20 units in the final sales phase, comprising 14 standard units, two duplexes and four villas, are being targeted at high-net-worth individuals and homeowners looking to upgrade to better-quality properties within the exclusive neighbourhood.

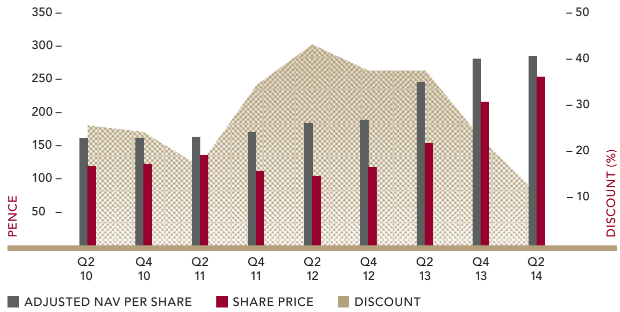
To date, five standard units have been sold, securing an average price of HK$8,885 (US$1,146) per square foot. Our sales outlook for the remaining 15 units is conservative given that residential transactions have been tempered by existing property curbs and could remain modest in the near term.

MPO Share Price vs. Hang Seng, FTSE SmallCap & FTSE All-Share indices



* Rebased to MPO share price. Source: Bloomberg, Sniper Capital Research.

Share Price Discount to Adjusted NAV



Adjusted NAV per share was calculated and announced on a quarterly basis following the admission to the Main Market in 2010.

Although further sales may take a while, we are still confident in the appeal and potential of the development and have raised our sales targets slightly from a year ago. Prices are now established at up to HK$10,000 (US$1,290) per square foot for standard units and above HK$11,000 (US$1,419) per square foot for duplexes and villas.

THE WATERSIDE

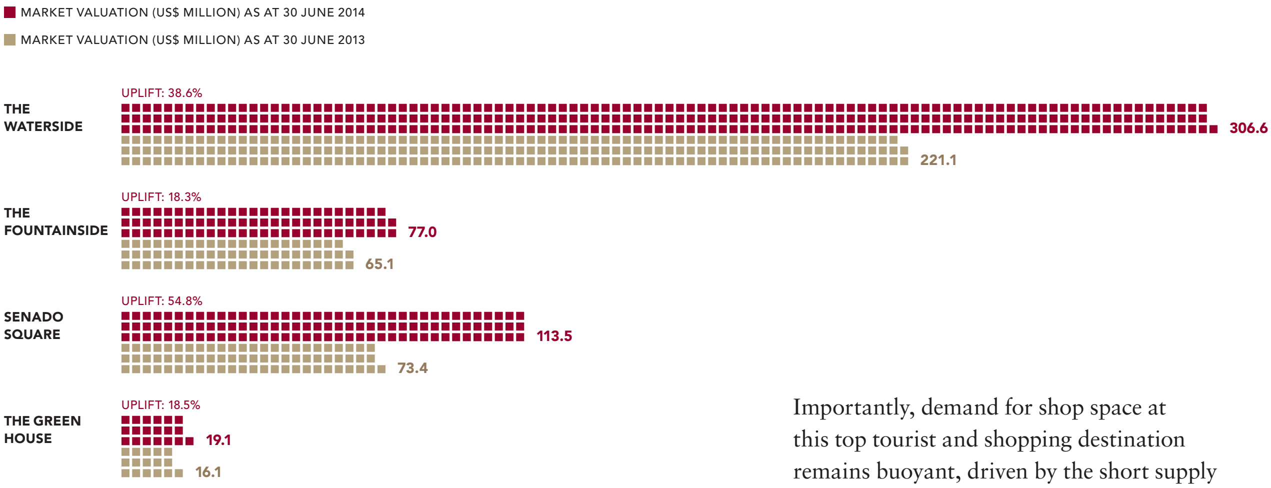
Offering panoramic views of Macau, *The Waterside*, our centrally located upmarket rental apartments occupying the entire Tower 6 at One Central Residences, remains the ultimate in luxury living. Our fundamental objective is still the maximisation of rental values. And there have been encouraging signs.

As at the year-end, rental renewal rates had risen to as high as HK$24.71 per square foot per month for standard units, an increase of 16.0% over the previous year. Notably, the Sapphire Suites and the Emerald Suites, two special collections of luxurious high-floor units, have been popular, with a total of 7 out of 13 units leased at an average rental premium of 13.3% to standard units.

Occupancy levels have eased to 80%, from last year's 94%, following a rogue junket promoter's disappearance which, according to some property agents, has hit a number of VIP room operators and the high-end rental market.

We think this will be no more than a passing phase. The city's transformation over the next few years will require a large expatriate population – and this should continue to lend support to the luxury residential leasing market.

Diversified portfolio assets with strong growth potential



OTHER UNITS AT ONE CENTRAL RESIDENCES

A total of six units were strategically divested for a combined US$24.6 million over the year. The sales, at an average price of HK$13,935 (US$1,798) per square foot, represented premiums of between 12.9% and 30.0% over the units' latest valuations.

Of the original 25 units purchased, we have now disposed of 21. The four remaining units, valued at a combined US$19.2 million, are the most prime and sought after; we believe they will command attractive prices when we are ready to sell.

SENADO SQUARE

Designed by internationally renowned architecture firm Arquitectonica, *Senado Square*, the portfolio's flagship retail development project has, regrettably, faced a number of delays over the securing of necessary government approvals.

Nevertheless, revised building plans were recently submitted and we are cautiously optimistic that construction can commence by the middle of next year.

Importantly, demand for shop space at this top tourist and shopping destination remains buoyant, driven by the short supply of quality retail properties and robust retail sales. Increasingly, too, the area is seeing more mid to high-end retail stores.

All this bodes well for our seven-storey development, which we expect will attract a good tenant mix of international retail and food and beverage brands. The market value of the project should continue to exhibit robust growth. As it is, the valuation has already moved vastly higher to US$113.5 million, a tremendous 605% increase since acquisition in 2007.

THE GREEN HOUSE

Offering unobstructed views of the new Hengqin skyline, which promises to be spectacular, this luxury standalone property has been drawing strong interest from potential buyers; it has seen a fivefold rise in market value since we bought it in 2007.

Asset enhancement works to keep the property in prime condition are ongoing. We will continue to hold out for a premium sale price, given the rarity of such private homes in Macau.

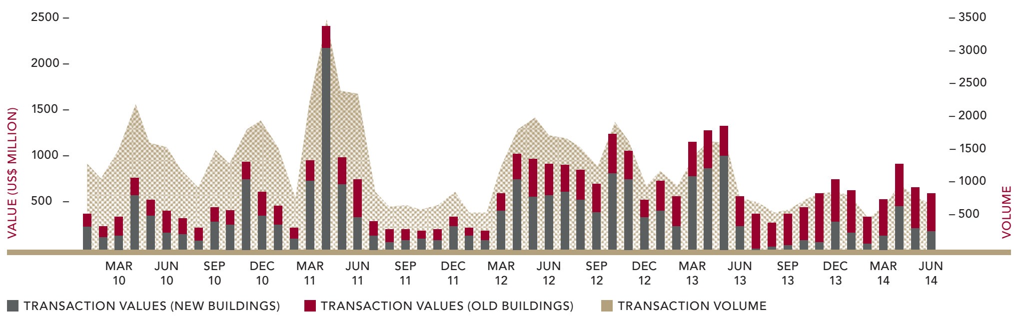
MANAGER'S
REPORT

Property Market Outlook

Macau's property sector is taking a pause after years of rapid growth. The government's market-cooling policies are largely responsible. Keen to tame fast-rising prices and curtail speculative activity, the authorities had imposed additional stamp duties and tightened mortgage lending, amongst other measures.

This soft spell, in our view, is temporary. It is true that market transaction volumes have slowed, but prices have held up as housing demand continues to outstrip supply. The leasing market has been similarly resilient, underpinned by the increase in expatriate workers. According to Jones Lang LaSalle, high-end residential rents rose 7% in the first half of 2014 and are expected to maintain their uptrend in the second half of the year.

Macau residential transaction value & volume



Source: Macau Statistics and Census Service (DSEC).

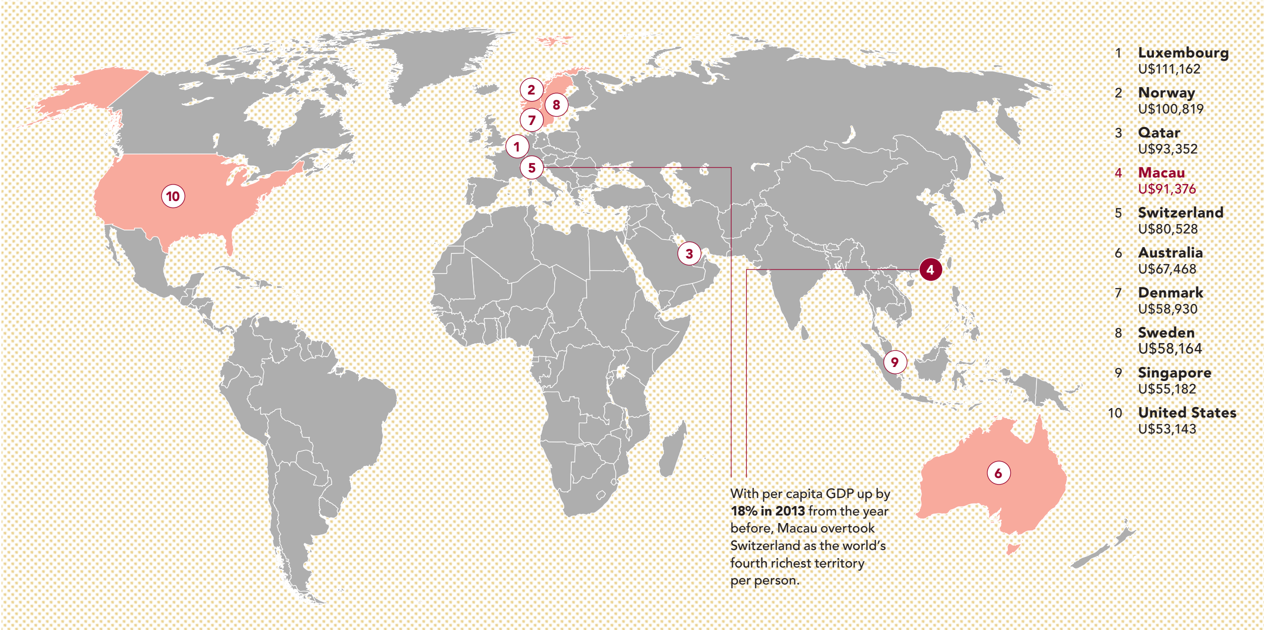
A GROWING POOL OF HOMEBUYERS AND TENANTS

The influx of foreign workers has been accelerating on the back of a strong economy and a tight labour market. A year ago, non-resident workers made up roughly 18% of Macau's population. By May this year, the figure had swelled to 28%. And it could climb even higher over the next four years.

More expatriates are expected to flood into the job market ahead of the opening of the new casino resorts in Cotai between 2015 and 2018. Morgan Stanley notes that the mega-resorts could require over 30,000 gaming and hotel staff.

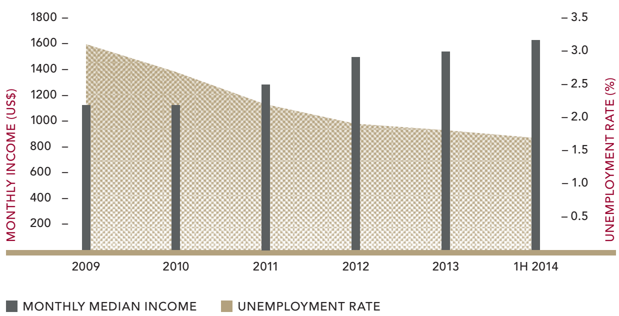
The anticipated completion of the Hong Kong-Zhuhai-Macau Bridge in 2016 is also expected to see more firms set up shop in Macau, further boosting demand for foreign labour. The upshot is an ever-growing pool of homebuyers and tenants, which will help prop up housing demand in the coming years.

Top 10 GDP per capita rankings (2013)



Source: World Bank.

Monthly income and unemployment rate



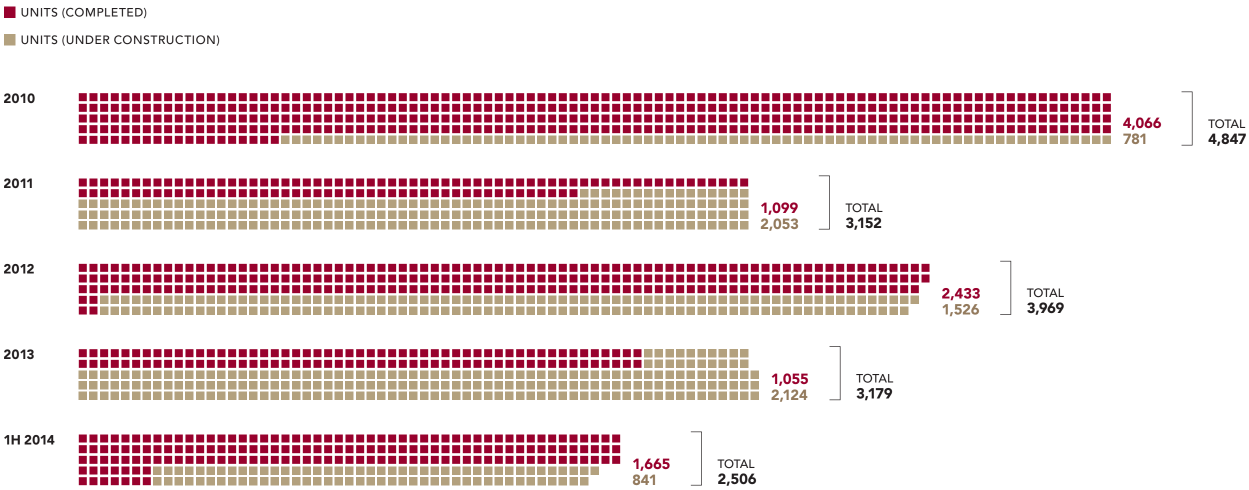
Source: DSEC.

AN UPWARD TREND IN LOCAL SPENDING POWER

An increasingly affluent population is another crucial factor supporting a market that remains predominantly driven by local demand. Macau made headlines recently when it overtook Switzerland to become the fourth richest territory per person in the world; only Luxembourg, Norway and Qatar are wealthier on a GDP per capita basis, according to the World Bank.

The local people have benefited greatly from the dramatic expansion of the economy since the liberalisation of the gaming industry in 2002. Median monthly earnings have soared over 150% since. They have continued their impressive momentum, rising more than 50% over the past five years.

Completion and construction of private residential units



Source: DSEC.

A PERSISTENT LACK OF SUPPLY

On the other hand, Macau's housing stock remains in short supply. That is unlikely to change in the immediate future; the low rates of housing starts and completions suggest that new housing supply will remain tight this year and next.

And, unlike their counterparts in Hong Kong, Macau's policymakers do not have the avenue to increase land supply via tenders and options, though the government recently announced its intention to build more public housing on reclaimed land by 2023.

Against such a backdrop, prices should stay stable even as market activity slows. During the January-June period this year, for example, the average home price was about 21% higher than a year ago, though the number of home transactions fell 40% year-on-year.

There is one caveat. Public discontent over housing affordability has been growing of late. Thousands of people took to the streets in May – an unprecedented event in Macau, where the political culture is far less confrontational than in Hong Kong. Although the focus was on a contentious government retirement bill, domestic concerns including high property prices were also in the spotlight.

The government, which already has a fairly aggressive public housing programme, is said to be considering new action to ensure a healthy and sustainable market. That is no bad thing. But it will prove a tall order, for the reasons outlined above. And that is why we are convinced that despite light trading, property prices and values still have room to grow.

Macroeconomic Outlook

Macau remains a unique secular growth story. Despite already being the world's largest gaming market, revenues are forecast to grow even more and could top US$100 billion by 2020. The territory has a debt-free government with a hefty fiscal surplus, and is set to be the fastest-expanding economy in Asia this year and next.

A CONFLUENCE OF BAD PRESS

In the past few months, Macau has had a disproportionate share of negative news, ranging from a crackdown on illegal swipe card machines, transit visa restrictions to a full smoking ban on all mass market gaming floors from October. We believe the pessimism is overdone.

First, the alleged illegal portion of transactions, according to industry sources, is estimated at only about 3-4% of Macau's gross gaming revenue. Secondly, mainland Chinese tourists on transit visas are now allowed to stay a maximum of five days instead of seven but the average visitor does not stay beyond two days anyway. Thirdly, the smoking ban will prove an inconvenience, but it hardly spells disaster.

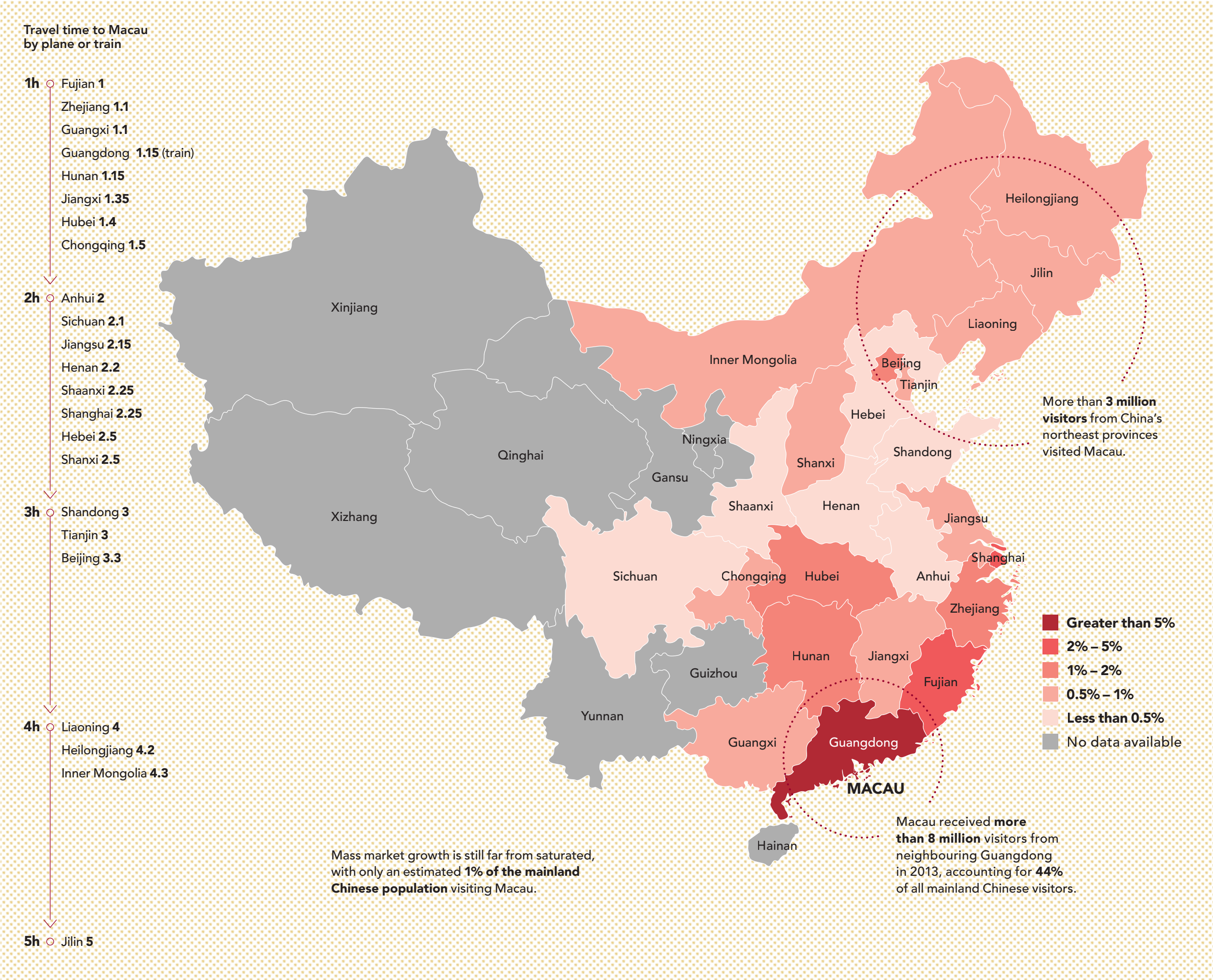
STILL BETTING ON GROWTH

Nonetheless, sentiment has dipped, particularly after gross gaming revenue in June registered the first year-on-year decline since 2009; a flurry of downward revisions to gaming revenue forecasts ensued. It is believed that betting on the World Cup lured gamblers away from casinos. The impact of this once-in-every-four-year event is transitory, however, and does not alter our positive long-term view.

As we have written previously, there is no shortage of catalysts to drive further growth in the gaming sector. Most importantly, we remain sanguine about the mass and premium mass segments, which should grow alongside China's expanding economy and as visitor numbers continue to rise. Mass market growth is still far from saturated, with only an estimated 1% of the Chinese population visiting Macau last year; mainlanders account for two-thirds of all tourists. A couple of encouraging developments are helping to support this growth momentum.

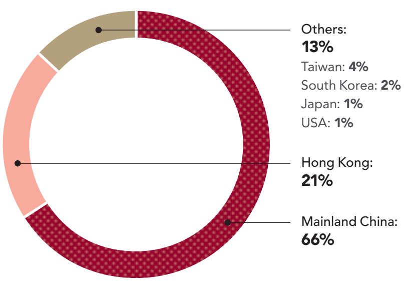
Better connectivity on the back of infrastructure improvements has allowed greater numbers of Chinese from the outer provinces to visit the territory. The completion of the Hong Kong-Zhuhai-Macau Bridge in 2016 will further improve penetration. In addition, new casino openings over the next four years – and with it a fresh supply of hotel rooms and gaming tables – will help maintain the high pace of mass market growth.

Travel time to Macau and mainland China visitation (penetration rate) by province



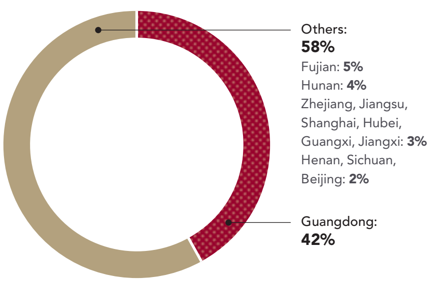
Penetration rates assume that each visitor going to Macau from mainland China is unique. The rate is calculated as visitation to Macau from the province in the last 12 months till June 2014 over the population of the province. Source: DSEC, Citi Research, South China Morning Post.

Mainlanders account for two-thirds of all tourists (June 2014)



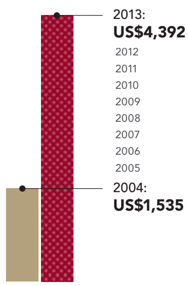
Source: DSEC.

Visitor arrivals to Macau by Chinese province (June 2014)



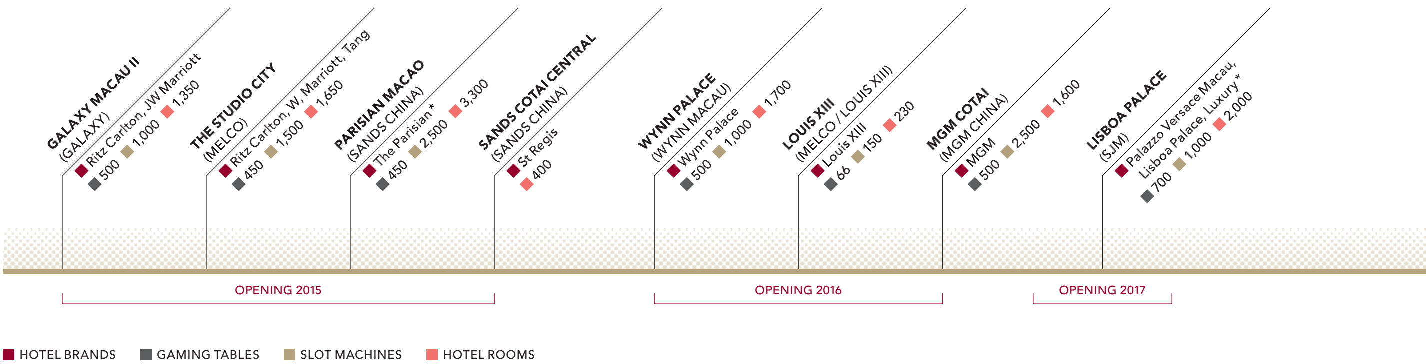
Source: DSEC.

China's urban disposable income (per capita)



Source: CEIC Data, Credit Suisse.

Future mega-resort openings



* To be confirmed. Source: DSEC, company data, Barclays Research estimates.

SET FOR A NEW BOOM

The current shortage of hotel rooms is a significant bottleneck. The city has seen a rapid increase in the number of hotel rooms from below 10,000 a decade ago to 28,000 today. Yet this still compares poorly with the 169,000 hotel rooms in Las Vegas, 120,000 in Orlando, and 72,000 in Hong Kong. The host of big casino resorts, scheduled to open between 2015 and 2018 in Cotai, should change that.

The projected addition of some 19,000 hotel rooms and over 4,000 gaming tables is expected to loosen capacity constraints and potentially double gross gaming revenue, according to industry observers. The new properties, with their diverse entertainment offerings, should also draw more tourists to Macau – and encourage longer stays.

ALL EYES ON HENGQIN

Further developments on Hengqin offer another reason to be upbeat. The island, linked to Cotai via a bridge, is three times the size of Macau and has been earmarked for tourism, industrial and technological innovation, healthcare and education purposes. To this end, five square kilometres of land have been reserved for the Guangdong-Macau Cooperation Industrial Park. There are further plans to set aside another 10 square kilometres of land to build a park for Macau businesses.

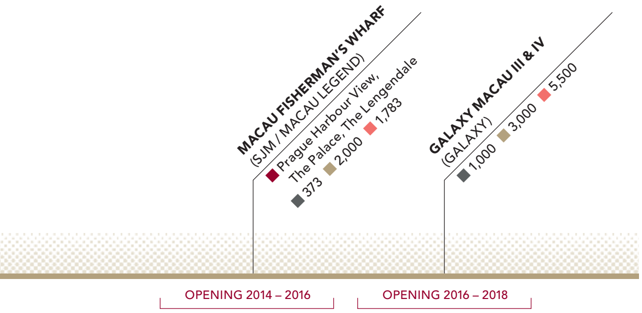
There is a broad consensus that Hengqin is the perfect complement to Macau. The island relieves both Macau's strained infrastructure and physical space limitations, and supports its growth in mass tourism. Visitors to Hengqin are expected to spill over to Macau, and vice versa.

The pace of construction on the island is being stepped up. The Guinness World record-breaking Chimelong Ocean Kingdom and marine-themed Chimelong Hengqin Bay Hotel, both part of the Chimelong International Ocean Tourist Resort, opened over the year; visitor numbers are expected to hit 20 million each year when developments are complete. Plans for the island's first-ever video game stadium in 2017 have also been firmed up.

OPTIMISM REQUIRES CAUTION

Overall economic growth, meanwhile, is still looking strong. The Economist Intelligence Unit has forecast GDP growth of 11.3% this year and 10.6% in 2015. This is three times faster than the global economy and twice that of emerging economies.

But as we alluded to at the outset, Macau's development will not be all smooth sailing. Casino revenues are expected to grow at a more sedate pace this year compared to previous years, largely owing to a lacklustre high-roller segment. The economic slowdown



and a high-profile anti-graft campaign in China are contributing factors, but this also reflects a conscious decision to shift gaming tables from the VIP to the high-margin mass market segments.

Furthermore, there is talk that Macau's dominance is being eroded by regional competitors, from Japan and South Korea to Singapore and the Philippines. But Macau's key advantage over these rivals is geographical. It is easily accessible from China, its most important market.

Other risks that we are watching closely include potential infrastructure delays and a labour shortage. The latter presents a particular staffing challenge for the forthcoming casino openings, given the tight labour market and the government's restrictions on foreign labour – only locals can work as dealers for example. The resulting upward pressure on wages could weigh on the gaming industry as well as local small and medium enterprises.

"MACAU'S MOST EXCITING PERIOD LIES AHEAD."

CONCLUSION

Macau's growth over the years has been nothing short of phenomenal. The gaming sector may be taking a short breather but it must be reiterated that the City's medium to long-term potential remains undeniable.

We are confident that our portfolio is well positioned to benefit strongly from the next wave of development.

MANAGER
& ADVISER

Group Structure

Sniper Capital

- **Sniper Capital Limited** — MANAGER
- **Sniper Capital (Macau) Limited** — INVESTMENT ADVISER

ACQUISITIONS & RESEARCH

- Macro & micro analysis
- Forecasting & modelling
- Sourcing
- Due diligence

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") portfolio rests with Sniper Capital Limited.

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

Sniper Capital is focused on 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'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[1], Sniper Capital 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.

With its 30 June 2014 holding of 10.1 million shares or 12.4% of the Company's issued share capital, Sniper Investments Limited – an investment vehicle associated with Sniper Capital[2] – is now the third largest shareholder in MPOF, which bears witness to Sniper Capital's belief in the Fund's long-term prospects.

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 investment opportunities whilst providing the Board with property investment and management advisory services in relation to the Company's investments.

For more information, please visit **www.snipercapital.com**.

1 Headland Developments Limited is part owned by Thomas Ashworth and Martin Tacon, Directors of Sniper Capital, and therefore constitutes a related party of the Company.

2 Thomas Ashworth and Martin Tacon, Directors of Sniper Capital, have a beneficial interest in Sniper Investments Limited and Thomas Ashworth is also a Non-Executive Director of the Company.

INVESTMENT POLICY

The Company's investment objective is to provide shareholders with an attractive total return, which is intended to comprise primarily capital growth but with the potential for distributions over the medium to long term.

ASSET ALLOCATION

The Company aims to achieve its investment objective by investing in property markets in Macau. The Company's portfolio may comprise a mixture of asset classes which include residential, retail, leisure, industrial and office properties.

The Company targets types of developments which are often overlooked by large developers and which, in the opinion of the Manager and the Investment Adviser, offer opportunities to achieve an attractive total return through their location, sector or 'value-added' potential.

The Company looks to add value through redevelopment, development, refurbishment, change of use and repositioning. In particular, it seeks to acquire undervalued sites in attractive locations where it believes there is a sustainable end-user demand. The Company seeks to maximise the total return on its portfolio, either through selling the properties after development or redevelopment or by generating rental income.

DIVERSIFICATION

The Company, as an active investor, will consider concentration risk from both a sector as well as an asset perspective. However, if assets are realised and not replaced then concentration risk will inevitably increase. The Company may wholly own its investments (directly or indirectly) or it may invest through a joint venture arrangement if the terms of the arrangement are deemed suitable. There is no limit on the number of projects in which the Company may invest and there is no minimum or maximum limit on the length of time that any investment may be held.

No single investment in a development will represent more than 40% of the Gross Asset Value of the Company at the time of investment.

GEARING

The Group has the ability to borrow, both at Company level and, if Special Purpose Vehicles ("SPVs") are used in relation to particular investments, at SPV level as well. The Group, either directly or through its SPVs, may not borrow amounts in relation to any single investment that exceed 75% of that investment's market value. When the Company is fully invested, the maximum amount of net borrowings that the Group may have as a whole (i.e. all principal amounts borrowed by the Group less the Group's cash balances) will not exceed 60% of the aggregate value of all of the Group's investments at the time that any new borrowings are made. The Group may be required to use its investments as security for the borrowings it puts in place.

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

BOARD OF DIRECTORS

DAVID HINDE

Chairman

David Hinde qualified and practised as a solicitor for five years before moving into investment banking. Much of his career has been connected with Asia. From 1977 to 1982, he worked in Hong Kong for Wardley Limited, part of the HSBC Group, and then returned to London for 12 years to run the international corporate finance arm of Samuel Montagu & Co. Limited. From 1994 to 1998, he was an Executive Director of Dah Sing Financial Holdings Limited, the Hong Kong-based banking and financial services group. Thereafter he was a Non-Executive Director of that group until 2011. From 2005 to 2013 he was the Chairman of Invesco Asia Trust plc. David Hinde is a UK resident.

TOM ASHWORTH

Non-Executive Director

Tom Ashworth has more than 25 years' business experience, the majority of which have been in Asia. He commenced his career at HSBC in London and Hong Kong, followed by Morgan Stanley Asia, before establishing a number of entrepreneurial ventures from 2000. Compelled by Macau's significant long-term growth potential and deeply undervalued real estate market, he identified numerous early-stage property investment opportunities in the territory. This culminated in him co-founding Sniper Capital, MPO's Investment Manager, with his business partner, Martin Tacon, in 2004. He is a British national and permanent resident of Macau.

ALAN CLIFTON

Non-Executive Director

Alan Clifton began his City career at stockbrokers Kitcat & Aitken, first as an analyst, later 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 be the Managing Director of Morley Fund Management, the asset management arm of Aviva plc, the UK's largest insurance group. He is currently Chairman of JP Morgan Japanese Smaller Companies Trust plc and of Schroder UK Growth Fund plc and a Director of several other investment companies. Alan Clifton is a UK resident.

CHRIS RUSSELL

Non-Executive Director

Chris Russell is Chairman of F&C Commercial Property Trust Ltd, Deputy Chairman of the Association of Investment Companies and a Non-Executive Director of a number of investment and financial companies. Mr Russell was previously an Executive Director of Gartmore Investment Management plc, where he headed its overseas businesses in the US and Japan. Prior to Gartmore, he was a holding board director of the Jardine Fleming Group in Hong Kong. Chris Russell is a Chartered Accountant and a Fellow of the UK Society of Investment Professionals. He is a resident in Guernsey.

WILFRED WOO

Non-Executive Director

Wilfred Woo is a qualified chartered accountant who joined Coopers and Lybrand as an auditor in 1982 before becoming the Chief Financial Officer of Abbey Woods Development in 1990, a real estate company listed on the Toronto Stock Exchange. He has since spent over 20 years with the Kuok Group, notably with Kerry Properties Limited and Shangri-La Asia Limited. He currently holds senior management and board positions on a Shangri-La-linked company listed on the Philippine Stock Exchange. He is a Canadian citizen.

Directors' Report

The Directors present their report and audited financial statements of the Group for the year ended 30 June 2014. This Directors' report should be read together with the Corporate Governance Report on pages 39 to 42.

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 London Stock Exchange 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. 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 7 and in the Manager's Report on pages 20 to 31.

GOING CONCERN

The Group's business activities, together with the factors likely to affect its future development, performance and position, are set out in the Manager's Report. The financial position of the Group, its cash flows and its liquidity position are described in the Capital Management section of the Manager's Report.

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.

The Group continues to meet its capital requirements and day-to-day liquidity needs through the Group's cash resources. The Group had cash of US$43,528,000 and net current assets excluding inventory of US$16,301,000 as at 30 June 2014. As part of their assessment of the going concern of the Group, the Directors have reviewed comprehensive cash flow forecasts prepared by management which make assumptions based upon current and expected future market conditions.

At the Extraordinary General Meeting held on 7 April 2014 the shareholders voted in favour of amending the Company's Articles of Incorporation so that the next continuation vote would take place no later than 31 December 2016. This will allow a suitable timeframe for the maximisation of the value of the Company's portfolio during a period of expected property market growth in Macau.

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 and the Directors' assessment of the Group's committed banking facilities and expected continuing compliance with related covenants.

SHARE CAPITAL

Ordinary Shares

The Company has one class of Ordinary Shares, which carry 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 about 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 51 to 54.

A return of capital of US$29 million was proposed by the Directors and was approved by shareholders at the Extraordinary General Meeting of the Company held on 7 April 2014. Details of the return of capital are discussed in Note 11 of the financial statements (2013: US$ nil).

To comply with IAS 12 Income Taxes and the IFRS Committee determination, the Group has recognised the potential deferred tax liability in the 2014 annual accounts and adjusted the 2013 and 2012 comparative numbers. Without this change the net assets would be US$19,621,499 higher.

AUTHORITY TO PURCHASE OWN SHARES

Following the authority first granted in the Extraordinary General Meeting of 28 June 2010 and renewed at each Annual General Meeting since, a resolution to provide the Company with authority to purchase its own shares will be tabled at the Annual General Meeting on 12 November 2014. The Board has publicly stated its commitment to undertake share buy-backs at attractive levels of discount of the share price to Adjusted NAV. The Board intends to renew this authority at the 2014 Annual General Meeting.

During the year, the Company repurchased 8,585,000 (2013: 12,000,000) Ordinary Shares or 8.18% (2013: 11.43%) of the originally issued Ordinary Shares, at an average share price of 201.89p (2013: 121.58p). All shares repurchased pursuant to the buy-back programme were cancelled.

Directors' Report (Continued)

SIGNIFICANT SHAREHOLDINGS

As at 30 June 2014, a total of six shareholders held more than 3% each of the issued Ordinary Shares of the Company, accounting for a total of 50,027,552 shares (2013: 63,119,666) or 61.4% (2013: 70.1%) of the issued share capital. Significant shareholdings as at 31 August 2014 are detailed below:

NAME OF SHAREHOLDER	NO. OF SHARES	%
Lazard Asset Management LLC	15,725,435	19.32
Universities Superannuation Scheme	10,500,000	12.90
Sniper Investments Limited	10,100,000	12.41
Invesco Asset Management	9,196,694	11.30
Rathbones	2,766,817	3.40
Apollo Multi Asset Management	2,747,315	3.37
Subtotal	51,036,261	62.70
Other	28,793,739	37.30
Total	**79,830,000**	**100.00**

DIRECTORS

Biographies of the Directors who served during the year are detailed on pages 34 to 35.

NAME	FUNCTION	DATE OF APPOINTMENT
David Hinde	Chairman, Chairman of Management Engagement Committee	18 May 2006
Thomas Ashworth	Director	18 May 2006
Alan Clifton	Director, Chairman of the Audit Committee and Nomination and Remuneration Committee	18 May 2006
Wilfred Woo	Director	3 January 2012
Chris Russell	Director	8 May 2012

DIRECTORS' INTERESTS

Directors who held office during the year and had interests in the shares of the Company as at 30 June 2014 were:

NAME	ORDINARY SHARES OF US$0.01 HELD AT 30-JUN-14	HELD AT 30-JUN-13
David Hinde	**60,000**	60,000
Thomas Ashworth	-*	-*
Alan Clifton	**100,000**	100,000
Wilfred Woo	-	-
Chris Russell	**252,548**	252,548

* Thomas Ashworth has a beneficial interest in Sniper Investments Limited, which as at the year-end held 10,100,000 shares (2013: 6,809,500).

There have been no changes to the aforementioned interests since 30 June 2014.

NON-MAINSTREAM POOLED INVESTMENTS

The Board notes the changes to the FCA 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 were 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 IFAs should therefore be able to recommend ordinary shares in the Company to retail investors in accordance with the FCA's rules 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 became effective in the United Kingdom on 22 July 2013 with the transitional period ending 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 are 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:

NAME	2014 US$	2013 US$
David Hinde	**79,848**	73,999
Thomas Ashworth*	-	-
Alan Clifton	**59,497**	55,696
Timothy Henderson#	-	19,239
Wilfred Woo	**49,905**	46,249
Chris Russell	**49,905**	46,393
Total	**239,155**	241,576

* as disclosed in Note 18 to the consolidated financial statements, Thomas Ashworth is a shareholder and Director of Sniper Capital Limited, Headland Developments Limited and Adept Capital Partners Services Limited, all of which received fees from the Group during the year.

Timothy Henderson retired from the Board on 8 November 2012. He is a Director of certain SPVs and received US$8,235 of Directors' fees during the year.

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 at 3pm on 12 November 2014 at Lefebvre Place, Lefebvre Street, St Peter Port, Guernsey. The details of the business to be conducted are contained in the Notice of Annual General Meeting on pages 78 to 79 of this report.

INDEPENDENT AUDITORS

The audit committee reviews the appointment of the external auditor, its effectiveness and its relationship with the Group, which includes monitoring our use of the Auditor for non-audit services and the balance of audit and non-audit fees paid. Following a review of the independence and effectiveness of our external auditor, a resolution will be proposed at the 2014 Annual General Meeting to reappoint Ernst & Young LLP. 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 26.

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 pages 39 to 42.

On behalf of the Board

DAVID HINDE

Chairman of the Board
19 September 2014

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 Corporate Governance Code (the "Code") issued by the Financial Reporting Council (the "FRC"). The Company is a member of the Association of Investment Companies (the "AIC") and has considered the principles and recommendations of the AIC's Code of Corporate Governance ("AIC Code") and the AIC Corporate Governance Guide for Investment Companies (the "AIC Guide"). The Board considers that reporting against the principles and recommendations of the AIC Code, and the AIC Guide will provide better information to shareholders. The FRC have provided the AIC with an endorsement letter to cover the latest edition of the AIC Code. The endorsement confirms that by following the AIC Guide, investment company boards should fully meet their obligations in relation to the UK Code and paragraph 9.8.6 of the UK Listing Rules.

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

The Code includes provisions relating to: the role of the chief executive; executive Directors' remuneration; and the need for an internal audit function which are not considered by the Board to be relevant to the Company, being an externally managed investment Company. The Company has therefore not reported further in respect of these provisions.

The Guernsey Financial Services Commission ("GFSC") Finance Sector Code of Corporate Governance ("GFSC Code") came into force in Guernsey on 1 January 2012. The Company is deemed to satisfy the GFSC Code provided that it continues to conduct its governance in accordance with the requirements of the UK 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 five Non-Executive Directors, four of whom, including the Chairman, David Hinde, are independent of the Company's Manager and Investment Adviser. Thomas Ashworth is a shareholder and 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 in Note 18.

Directors' details are listed on pages 34 and 35 which set out the range of investment, financial and business skills and experience represented. Principle 1 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 the Chairman and three other Directors are each similarly independent and Non-Executive, considers it unnecessary to appoint such a senior independent Director.

The Company's Articles of Incorporation specify that one third by number of the Directors are subject to annual re-election at the Annual General Meeting of the Company. The Board has agreed that a minimum of two Directors should be offered for re-election each year and that each Director shall retire every two years by rotation following an alphabetical format. Mr Ashworth will retire annually pursuant to the listing rules of the Financial Conduct Authority ("Listing Rules"). Wilfred Woo and Chris Russell will offer themselves for re-election at the forthcoming Annual General Meeting. 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 Board has considered the need for a policy regarding tenure of office; 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 composition and have a balance of skills, experience, age and length of service bearing in mind the further continuation vote due by the end of 2016.

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.

To fulfil the recommendation of AIC Code Principle 14, to give sufficient attention to strategy, the Board discusses strategy at each of its regular scheduled meetings but additionally 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 Principle 7 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 Committee, the Nomination and Remuneration Committee, the Management Engagement 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.

During the year, a formal Board performance appraisal was carried out. The results have been collated and reviewed whereby it was noted that overall performance of the Board during the year had been satisfactory and that the Board is confident in its ability to continue

Corporate Governance Report (Continued)

effectively to lead the Company and oversee its affairs. The Board believes that the current mix of skills, experience, knowledge and age of the Directors is appropriate to the requirements of the Company.

New Directors receive an induction from the Manager as part of the vetting process of candidates. 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 43 of this Annual Report.

Management Engagement Committee

The Management Engagement Committee Report is on page 44 of this Annual Report.

Audit Committee

The Audit Committee Report is on pages 45 to 47 of this Annual Report.

Meeting Attendance

NAME	SCHEDULED BOARD MEETING (MAX 4)	OTHER BOARD MEETING (MAX 3)	AUDIT COMMITTEE (MAX 4)	NOMINATION & REMUNERATION COMMITTEE (MAX 1)	MANAGEMENT ENGAGEMENT COMMITTEE (MAX 1)
David Hinde*	4	3	N/A	1	1
Thomas Ashworth**	4	3	N/A	-	N/A
Alan Clifton	4	2	4	1	1
Wilfred Woo	4	3	4	1	1
Chris Russell	4	3	4	1	1

* Mr Hinde is not a member of the Audit Committee

** Mr Ashworth is not a member of the Audit 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 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.

Corporate Governance Report (Continued)

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. Further, at each Board meeting, the Board receives reports from the Company Secretary and Administrator in respect of compliance matters and duties performed by it 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 Heritage International Fund Managers 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, their 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 Chairman and other Directors are also available to meet with shareholders if required.

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. In addition, the Company maintains a website 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 commercial and residential property investments in Macau. Its principal risks are therefore related to the commercial and residential property market in general, but also the particular circumstance of the properties in which it is 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 of 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 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.

Corporate Governance Report (Continued)

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

- 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.

- 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;
  - 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 disputes, 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.

There is an on-going process for identifying, evaluating and managing the significant risks faced by the Group. This process (which accords with the Turnbull guidance) 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 significant 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 including tax specialists, lawyers and planning advisors are employed to gather information and provide advice.

To mitigate the interest rate risks on the Group's borrowing, the Group entered into interest rate derivative instruments. 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 to 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 pages 40 to 41.

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

On behalf of the Board

DAVID HINDE

Chairman of the Board
19 September 2014

Nomination and Remuneration Committee Report

SUMMARY OF THE ROLE OF THE NOMINATION AND REMUNERATION COMMITTEE

The Nomination and Remuneration Committee regularly review 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 Board remuneration. The Board monitors the developments in corporate governance to ensure the Board remains aligned with best practice especially with respect to the increased focus on diversity. The Board acknowledges the importance of diversity of experience, approach and gender, for the effective functioning of the Board and commits to supporting diversity in the boardroom. It is the Board's on-going objective to have an appropriately diversified representation. 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 Board balance, diversity and gender when making new appointments. When appointing Board members, its priority is based on merit, but will be influenced by the strong desire to maintain board diversity, including gender. 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.

COMPOSITION OF THE NOMINATION AND REMUNERATION COMMITTEE

The members of the Nomination and Remuneration Committee are listed on page 80.

MEETINGS

The Committee shall meet at least once a year and otherwise as required. Meetings of the 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 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 Committee members and to other attendees as appropriate, at the same time. Any Non-Executive Directors who are not considered independent will not take part in the Committee's deliberations regarding remuneration levels.

CONSIDERATION OF DIRECTORS FOR RE-ELECTION

Following discussion and having noted the schedule of Directors re-elected in each year since 2007, it was recommended by the Nomination and Remuneration Committee that Mr. Ashworth, Mr. Woo and Mr. Russell should be submitted for re-election at the Annual General Meeting to be held on 12 November 2014.

There were no new Directors appointed during the period under review. The Nomination and Remuneration Committee will consider the use of external consultants to assist with the appointment for future Directors.

OVERVIEW

The Nomination and Remuneration Committee met once in the year ended 30 June 2014. Matters considered at these meetings 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 Committee and the need to periodically refresh membership;
- to note guidance set out in the AIC Code;
- to consider key outcomes from the Board evaluation process;
- to consider Board tenure and succession planning; and
- consideration of Directors for re-election.

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
19 September 2014

Management Engagement Committee Report

SUMMARY OF THE ROLE OF THE MANAGEMENT ENGAGEMENT COMMITTEE

The Management Engagement Committee annually review the terms of the Investment Management Agreement between the Company and Manager and 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 80.

MEETINGS

The Committee meets at least once a year and otherwise as required. Meetings of the 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 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 Committee members 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 2014 was highly 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 2014 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

DAVID HINDE

Chairman of the Management Engagement Committee
19 September 2014

Audit Committee Report

SUMMARY OF THE ROLE OF THE AUDIT COMMITTEE

The audit committee is appointed by the Board from the Non-Executive Directors of the Company, excluding the Chairman. The audit committee's terms of reference include all matters indicated by Disclosure and Transparency Rule 7.1 and the UK Corporate Governance Code. The terms of reference are considered annually by the audit committee and are then referred to the Board for approval and are available on the Company's website.

The audit committee is responsible for:

- reviewing and monitoring the integrity of the Annual Report and Audited Financial 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 account policies and practices;
- advising the Board on whether the audit committee believes 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 control and risk management systems;
- 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 making 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 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, the AIC Guidance on audit committees and the Stewardship Code.

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

The audit 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 committee should have recent and relevant financial experience and is satisfied that the audit committee is properly constituted in that respect, with all members being highly experienced and in particular, its members having backgrounds as chartered accountants.

The audit committee reviews the information contained in the other sections of the Annual report including the Directors' Report, Chairman's Statement and the Investment Adviser's Report. The 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.

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

COMPOSITION OF THE AUDIT COMMITTEE

The members of the audit committee are:

Alan Clifton (Chairman)
Wilfred Woo
Chris Russell

FINANCIAL REPORTING

The primary role of the audit committee in relation to the financial reporting is to review with the Administrator, Investment Adviser and the Auditor the appropriateness of the Annual Report and Audited Consolidated Financial Statements and Interim Condensed Consolidated Financial Statements, concentrating on, amongst 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 judgements 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 committee considers reports from the Administrator and Investment Adviser and also reports from the Auditor on the outcomes of their half-year review and annual audit. The audit committee supports Ernst and Young LLP in displaying the necessary professional scepticism their role requires.

Audit Committee Report (Continued)

SIGNIFICANT ISSUES CONSIDERED IN RELATION TO THE FINANCIAL STATEMENTS

The audit committee has had regular contact with management and the auditor during the interim and year-end audit process. The audit committee's discussions have been broad ranging; including the consideration of the Company's going concern status and key areas of judgement.

The audit 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 2014, the audit committee considered the following significant issues:

- Valuation of inventories and investment
- Ownership and existence of investments properties and inventories
- Accounting treatment for taxes incurred in multiple jurisdictions
- Provision for performance fees

The risks relating to the valuation of investment properties and inventories are mitigated through use of a professionally qualified valuer to conduct the valuations in accordance with current Royal Institute of Chartered Surveyors Appraisal and Valuations 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 and interim review processes. These valuations are reviewed, challenged and ultimately agreed by the Board, who possess a knowledge and understanding of the markets where the properties are situated. The Board and the auditors meet 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 risk 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. However to comply with the IFRIC's recent clarification of the requirements of IAS 12 Income Taxes, the Group has recognised the potential deferred tax liability in the 2014 annual accounts and adjusted the 2013 and 2012 comparative numbers. Without this change, and the consequential effect on performance fees, the net assets would be US$19,621,499 higher. The factors that affect the Group's taxation position are further discussed in Notes 3 and 9.

The performance fees, if applicable, which are accrued throughout the year and only become due when the year-end audited financial statements have been agreed and signed. The risks relating to the calculation of the performance fee are mitigated through the calculation of the Adjusted NAV based on the latest IFRS standards and the use of professionally qualified valuers who conduct the property portfolio valuation in accordance with the current Royal Institution of Chartered Surveyors (RICS) Appraisal and Valuation Standards. The calculation is reviewed, challenged and ultimately approved by the Board and reviewed by the auditor. Note 19 further describes the basis of the calculation of the performance fee.

MEETINGS

The audit committee meets not less than twice a year and at such other times as the audit committee Chairman shall require. Any member of the audit 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 committee to attend meetings as and when appropriate.

ANNUAL GENERAL MEETING

The audit committee Chairman, or other members of the audit committee appointed for the purpose, shall attend each Annual General Meeting of the Company, prepared to respond to any shareholder questions on the audit committee's activities.

RISK MANAGEMENT

The Company's risk assessment process and the way in which significant business risks are managed are key areas of focus for the audit committee. The work of the audit committee was driven primarily by the Company's assessment of its principal risks and uncertainties as set out on pages 41 to 42 of the Corporate Governance Report. The audit committee receives reports from the Investment Adviser and Administrator on the Company's risk evaluation process and reviews changes to significant risks identified.

INTERNAL AUDIT

The audit committee considers at least once a year whether or not there is a need for an internal audit function. Currently, the audit 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.

EXTERNAL AUDIT

During the year the committee considered at length the re-appointment of the external auditors and decided not to put the provision of the external audit out to tender at this time. In doing so, they reviewed the effectiveness and independence of the external auditors and remained satisfied that the auditors provide effective independent challenge to the Board and to the Investment Adviser. The audit committee will continue to monitor the performance of the external auditors on an

Audit Committee Report (Continued)

annual basis and will consider their independence and objectivity, taking account of appropriate guidelines.

The external auditors are required to rotate the audit partner responsible for the Group audit every five years. The current lead audit partner has been in place for four years and will rotate after the completion of the 2015 year-end audit. Ernst & Young LLP has been the external auditors since 2010. There are no contractual obligations restricting the choice of external auditor and the Company will put the audit services contract out to tender at least every ten years. In line with the FRC's suggestions on audit tendering, this will be considered further when the audit partner rotates every five years. Under Companies Law the re-appointment of the external auditors is subject to shareholder approval at the Annual General Meeting. The audit committee has provided the Board with its recommendation to the shareholders on the re-appointment of Ernst & Young LLP as external auditor for the year ending 30 June 2015. Accordingly a resolution proposing the reappointment of Ernst & Young LLP as our auditor will be put to shareholders at the 2014 Annual General Meeting.

During the year the audit committee discussed the planning, conduct and conclusions of the external audit as it proceeded. At the June 2014 audit committee meeting, the audit committee discussed and approved the auditor's Group audit plan in which they identified the Group's valuation and ownership of the investment property and inventory, and current and deferred tax exposures within the Group, as the key areas of risk of misstatement in the Group's financial statements. Performance fees was subsequently added as one of the key risk areas in view of the overall performance of the Group.

The audit committee discussed these issues at the June 2014 meeting to ensure that the key risk areas identified by the auditors are consistent with the risks identified by the Board and that appropriate arrangements are in place to mitigate these risks.

To fulfil its responsibility regarding the independence of the external auditor, the audit committee will consider:

- 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 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 further safeguard the objectivity and independence of the external auditor from becoming compromised, the audit 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 are best placed to provide the non-audit service for example, the interim review service. Please see Note 23 for details of services provided by Ernst & Young LLP.

OVERVIEW

The audit committee met four times in the year ended 30 June 2014. Matters considered at these meetings included but were not limited to:

- consideration and agreement of the terms of reference of the audit committee for approval by the Board;
- review of the accounting policies and format of the financial statements;
- review of the 2013 Annual Report and Audited Consolidated Financial Statements for the year ended 30 June 2013;
- review of the 2013 Interim Report and Interim Condensed Consolidated Financial Statements for the six months ended 31 December 2013;
- review of the Interim Management Statements released in November 2013 and May 2014;
- review of the new Corporate Governance Code 2012;
- review of the audit plan and timetable for the preparation of the 2014 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 significant risks and internal controls.

As a result of its work during the year, the audit 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 committee has recommended to the Board that the external auditor is re-appointed.

On behalf of the audit committee

ALAN CLIFTON

Chairman of the audit committee
19 September 2014

Statement of Directors' Responsibilities

The Directors are responsible for preparing the Annual Report and Accounts in accordance with applicable laws and regulations. Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors are required to prepare the Group financial statements in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union. 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 financial statements, the Directors are required to:

- select suitable accounting policies in accordance with IAS 8: Accounting Policies, Changes in Accounting Estimates and Errors 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 as adopted by the European Union 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 as adopted by European Union, subject to any material departures disclosed and explained in the Group financial statements; and
- prepare the Group 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 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 and the United Kingdom 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 Corporate Governance Code (the "UK Code") in their annual report and accounts.

Each of the Directors, whose names are set out on pages 34 and 35 of the Annual Report, confirm that, to the best of their knowledge and belief:

Directors' Statement under the Disclosure and Transparency Rules

- The Group financial statements, prepared in accordance with IFRS as adopted by the European Union, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group.

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

- The Annual Report and Accounts includes information required by the UK Listing Authority and for ensuring that the Company complies with the provisions of the Listing Rules and the Disclosure Rules and Transparency Rules of the UK Listing Authority, with regard to corporate governance, require the Company to disclose how it has applied the principles, and complied with the provisions of the corporate governance code applicable to the Company.

Directors' statement under the UK Corporate Governance Code

- The Directors are responsible for preparing the Annual Report and Group financial statements in accordance with applicable law and regulations. Having taken advice from the Audit Committee, the Directors consider the Annual Report and Group 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

DAVID HINDE

Chairman of the Board
19 September 2014

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

OPINION ON FINANCIAL STATEMENTS

In our opinion the financial statements:

- give a true and fair view of the state of the Group's affairs as at 30 June 2014 and of its profit for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies (Guernsey) Law, 2008.

WHAT WE HAVE AUDITED

We have audited the consolidated financial statements of Macau Property Opportunities Fund (the "Company") and its Subsidiaries, (together, the "Group") for the year ended 30 June 2014 which comprise 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 26. 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.

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.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITOR

As explained more fully in the Statement of Directors' Responsibilities set out on page 48, the directors are responsible for the preparation of the consolidated financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

SCOPE OF THE AUDIT OF THE FINANCIAL STATEMENTS

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Group's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the consolidated financial statements.

In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

OUR ASSESSMENT OF RISKS OF MATERIAL MISSTATEMENT

We identified the following risks of material misstatement that we believed would have the greatest impact on our overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team:

- valuation of the Group's investment properties, because valuations require significant judgement and estimation;
- ownership of investment properties and inventories, because failure to obtain good title exposes the Group to significant risk of loss;
- calculation of performance fees because performance fee calculations depend on the valuation of inventory as well as investment property; and
- accounting for taxes incurred in multiple jurisdictions because the interpretation of tax requirements can require significant judgement.

OUR APPLICATION OF MATERIALITY

We apply the concept of materiality to the individual account or balance level through our determination of performance materiality, which is set to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality.

We determined materiality for the Company to be US$4.5m (2013: US$4.7m), which is 2% of NAV. This provided a basis for determining the nature, timing and extent of risk assessment procedures, identifying and assessing the risk of material misstatement and determining the nature, timing and extent of further audit procedures.

On the basis of our risk assessments, together with our assessment of the Company'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 75% of materiality, amounting to US$3.3m (2013: US$3.5m). Our objective in adopting this approach was to ensure that total uncorrected and undetected audit differences in all accounts did not exceed our materiality level.

We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of US$0.22m (2013: US$0.23m), as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds.

Independent Auditor's Report to the Members of Macau Property Opportunities Fund (Continued)

AN OVERVIEW OF THE SCOPE OF OUR AUDIT

We adopted a risk-based approach in determining our audit strategy. This approach focuses audit effort towards higher risk areas, such as management judgments and estimates.

We operate as an integrated audit team across relevant jurisdictions and we performed audit procedures and responded to the risks identified as described below:

We addressed the risk of misstatement in the valuation of the Group's investment properties by:

- identifying and performing walkthrough tests on the overall controls over the investment valuation process operated by the Group;
- evaluating the third party valuation of 100% of the Group's investment property to assess any changes in the valuation approaches, significant inputs and reported fair values;
- agreeing 100% of fair values to the Group's books and records;
- assessing the expertise, independence and qualifications of the third party valuation experts; and
- engaging our own internal valuation experts to challenge the valuation of 100% of investment property by assessing the reasonableness of the valuation methodologies used and the key inputs and assumptions by reference to published market data and comparable transaction evidence. Our internal valuation experts also calculated a range of possible values and we ensured that the Group's valuation was consistent with that range.

We addressed the risk that the Group does not hold good title to investment property and inventory by:

- obtaining independent evidence that corroborates legal title to 100% of investment property and inventory.

We addressed the risk that the provision for performance fees is incorrectly calculated by:

- examining the basis for calculation of performance fees by reference to agreements and reperforming calculations; and
- vouching calculation inputs to source data, including the fair value of the group's inventory as calculated by the Group's third party valuation experts. Our valuation experts assessed 83% of the fair value of the Group's inventory. That assessment was done on the same basis as the assessment for investment property.

1. The maintenance and integrity of the Macau Property Opportunities Fund Limited web site is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the web site.

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

We addressed the risk of improper accounting treatment for taxes incurred in multiple jurisdictions by:

- engaging EY tax specialists in each relevant jurisdiction to test local tax computations and to evaluate management's assessment of the tax exposures in those jurisdictions; and
- assessing the Group's interpretation of the International Financial Reporting Standards Interpretations Committee's clarification of IAS 12 "Income Taxes" as it relates to providing for deferred tax on unrealised valuation gains in single asset entities.

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

We have nothing to report in respect of the following:

Under the ISAs (UK and Ireland), we are required to report to you if, in our opinion, information in the annual report is:

- materially inconsistent with the information in the audited financial statements; or
- apparently materially incorrect based on, or materially inconsistent with, our knowledge of the Company acquired in the course of performing our audit; or
- is otherwise misleading.

In particular we are required to consider whether we have identified any inconsistencies between our knowledge acquired during the audit and the directors' statement that they consider the annual report is fair, balanced and understandable and whether the annual report appropriately discloses those matters that we communicated to the audit committee which we consider should have been disclosed.

Under the Companies (Guernsey) Law, 2008 we are required to report to you if, in our opinion:

- proper accounting records have not been kept; or
- the financial statements are not in agreement with the accounting records; or
- we have not received all the information and explanations we require for our audit.

Under the Listing Rules we are required to review the part of the Corporate Governance Statement relating to the Company's compliance with the nine provisions of the UK Corporate Governance Code specified for our review.

MICHAEL BANE

For and on behalf of Ernst & Young LLP
Recognised Auditors
Guernsey, Channel Islands
Date: 19 September 2014

MACAU PROPERTY OPPORTUNITIES FUND LIMITED

Consolidated Statement of Financial Position

AS AT 30 JUNE 2014

	NOTE	AUDITED 2014 US$'000	AUDITED 2013 US$'000 (RESTATED)	AUDITED 1 JULY 2012 US$'000 (RESTATED)
ASSETS				
NON-CURRENT ASSETS				
Investment property	6	**306,575**	266,498	225,008
Deposits with lenders	21	**2,656**	4,899	6,590
Financial assets at fair value through profit or loss - interest rate swap	20	**315**	183	-
Trade and other receivables		**112**	128	-
		309,658	271,708	231,598
CURRENT ASSETS				
Inventories	7	**54,351**	64,768	64,921
Proceeds from disposal of property held in escrow	6	**6,452**	-	-
Prepayments and other receivables		**950**	820	1,210
Cash and cash equivalents		**43,528**	9,864	36,077
		105,281	75,452	102,208
TOTAL ASSETS		**414,939**	347,160	333,806
EQUITY				
CAPITAL AND RESERVES ATTRIBUTABLE TO THE COMPANY'S EQUITY HOLDERS				
Share capital	12	**814**	900	1,020
Retained earnings		**136,902**	71,827	46,458
Distributable reserves		**84,049**	141,212	163,896
Foreign currency translation reserve		**1,089**	840	299
TOTAL EQUITY		**222,854**	214,779	211,673
LIABILITIES				
NON-CURRENT LIABILITIES				
Taxation provision	9	**27,161**	18,919	10,138
Provision	25	**1,343**	-	-
Interest-bearing loans	8	**128,952**	80,962	98,664
Financial liabilities at fare value through profit or loss - interest rate swap		**-**	-	1,615
		157,456	99,881	110,417
CURRENT LIABILITIES				
Trade and other payables	10	**4,239**	2,978	2,109
Performance fee payable	19	**23,964**	10,938	-
Deferred income/deposits on property pre-sales		**5,451**	4,504	4,139
Interest-bearing loans	8	**-**	13,142	4,651
Financial liabilities at fair value through profit or loss - interest rate swap	20	**975**	938	817
		34,629	32,500	11,716
TOTAL LIABILITIES		**192,085**	132,381	122,133
TOTAL EQUITY AND LIABILITIES		**414,939**	347,160	333,806
Net Asset Value per share (US$)	17	**2.74**	2.39	2.07
Adjusted Net Asset Value per share (US$)	17	**4.89**	3.74	2.91

The accompanying notes on pages 55 to 77 are an integral part of these consolidated financial statements.

The consolidated financial statements on pages 51 to 54 were approved by the Board of Directors and authorised for issue on 19 September 2014.

CHRIS RUSSELL
DIRECTOR

Consolidated Statement of Comprehensive Income

YEAR ENDED 30 JUNE 2014

	NOTE	AUDITED 2014 US$'000	AUDITED 2013 (RESTATED) US$'000
INCOME			
Sale of inventories		24,639	6,995
Rental income		5,052	4,209
Net gain from fair value adjustment on investment property	6	83,645	48,465
Gain on disposal of investment property	6	17,251	3,606
		130,587	63,275
EXPENSES			
Cost of sales of inventories	7	14,977	6,339
Management fee	19	8,080	6,301
Performance fee	19	23,969	10,938
Non-Executive Directors' fees	18	247	242
Auditors' remuneration	23	162	115
Property operating expenses	15	1,380	1,140
Sales and marketing expenses		1,725	533
General and administration expenses	13	1,910	1,467
Loss on foreign currency translation		573	87
		(53,023)	(27,162)
OPERATING PROFIT FOR THE YEAR		77,564	36,113
FINANCE INCOME AND EXPENSES			
Net gain on valuation of interest rate swap	20	95	1,677
Bank loan interest	8	(2,774)	(2,491)
Interest expense on interest rate swap	20	(1,031)	(866)
Other financing costs	14	(542)	(322)
Bank and other interest		5	39
		(4,247)	(1,963)
PROFIT FOR THE YEAR BEFORE TAX		73,317	34,150
Taxation	25	(8,242)	(8,781)
PROFIT FOR THE YEAR AFTER TAX		65,075	25,369
ITEMS THAT MAY BE RECLASSIFIED SUBSEQUENTLY TO PROFIT OR LOSS			
Exchange difference on translating foreign operations		249	541
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		65,324	25,910
PROFIT ATTRIBUTABLE TO:			
Equity holders of the Company		65,075	25,369
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:			
Equity holders of the Company		65,324	25,910

		2014 US$	2013 US$
BASIC AND DILUTED PROFIT PER ORDINARY SHARE ATTRIBUTABLE TO THE EQUITY HOLDERS OF THE COMPANY DURING THE YEAR	17	0.7609	0.2645

The accompanying notes on pages 55 to 77 are an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

YEAR ENDED 30 JUNE 2014

	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 2013		**900**	**71,827**	**141,212**	**840**	**214,779**
Profit for the period		-	65,075	-	-	65,075
Items that may be reclassified subsequently to profit or loss						
Exchange difference on translating foreign operations		-	-	-	249	249
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		-	**65,075**	-	**249**	**65,324**
Return of Capital		-	-	(29,000)	-	(29,000)
Share buy back	12	(86)	-	(28,163)	-	(28,249)
BALANCE CARRIED FORWARD AT 30 JUNE 2014		**814**	**136,902**	**84,049**	**1,089**	**222,854**

	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 2012 – as previously reported		1,020	56,596	163,896	299	221,811
Prior year adjustments		-	(10,138)	-	-	(10,138)
Balance brought forward at 1 July 2012 – as restated		1,020	46,458	163,896	299	211,673
Profit for the year		-	25,369	-	-	25,369
Items that may be reclassified subsequently to profit or loss						
Exchange difference on translating foreign operations		-	-	-	541	541
Total comprehensive income for the year		-	25,369	-	541	25,910
Share buy back	12	(120)	-	(22,684)	-	(22,804)
Balance carried forward at 30 June 2013		900	71,827	141,212	840	214,779

The accompanying notes on pages 55 to 77 are an integral part of these consolidated financial statements.

Consolidated Statement of Cash Flows

YEAR ENDED 30 JUNE 2014

	NOTE	2014 US$'000	2013 US$'000
NET CASH GENERATED FROM/(USED IN) OPERATING ACTIVITIES	16	3,859	(3,060)
CASH FLOWS FROM INVESTING ACTIVITIES			
Capital expenditure on investment properties	6	(3,604)	(8,452)
Proceeds from disposal of investment property	6	58,199	19,081
NET CASH FROM INVESTING ACTIVITIES		54,595	10,629
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from bank borrowings		111,563	3,579
Repayment of bank borrowings		(76,716)	(12,790)
Decrease in pledged bank balances		2,243	1,691
Share buy back	12	(28,249)	(22,804)
Return of Capital	11	(29,000)	-
Interest and bank charges paid		(4,283)	(3,434)
NET CASH USED IN FINANCING ACTIVITIES		(24,442)	(33,758)
NET MOVEMENT IN CASH AND CASH EQUIVALENTS		34,012	(26,189)
Cash and cash equivalents at beginning of year		9,864	36,077
Effect of foreign exchange rate changes		(348)	(24)
CASH AND CASH EQUIVALENTS AT END OF YEAR		43,528	9,864

The accompanying notes on pages 55 to 77 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 Guernsey Financial Services Commission. The address of the registered office is given on page 80.

The consolidated financial statements for the year ended 30 June 2014 comprise the financial statements of the Company and its subsidiaries (together referred to as the "Group"). The Group invests in residential and commercial property and property-related ventures primarily in Macau.

These consolidated financial statements have been approved for issue by the Board of Directors on 19 September 2014.

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.

Basis of preparation

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

The preparation of financial statements in conformity with IFRS as adopted by the European Union 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 USD and all values are rounded to the nearest thousand ($'000), except where otherwise indicated.

Going concern

The Group's business activities, together with the factors likely to affect its future development, performance and position, are set out in the Manager's Report. The financial position of the Group, its cash flows and its liquidity position are described in the Capital Management section of the Manager's Report.

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.

The Group continues to meet its capital requirements and day-to-day liquidity needs through the Group's cash resources. The Group had cash of US$43,528,000 and net current assets excluding inventory of US$16,301,000 as at 30 June 2014. As part of their assessment of the going concern of the Group, the Directors have reviewed comprehensive cash flow forecasts prepared by management which make assumptions based upon current and expected future market conditions.

At the Extraordinary General Meeting held on 7 April 2014 the shareholders voted in favour of amending the Company's Articles of Incorporation so that the next continuation vote would take place no later than 31 December 2016. This will allow a suitable timeframe for the maximisation of the value of the Company's portfolio during a period of expected property market growth in Macau.

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 and the Directors' assessment of the Group's committed banking facilities and expected continuing compliance with related covenants.

New and amended standards and interpretations adopted by the Group

The following amendments to existing standards and interpretations were effective for the year, but either they were not applicable to or did not have a material impact on the Group:

		EFFECTIVE DATES
IFRS 7	Financial instruments: disclosures – offsetting financial assets and financial liabilities	1 January 2013
Annual Improvements to IFRSs 2009–2011 Cycle		1 January 2013

The following new and amendments to existing standards and interpretations, effective from 1 January 2013, which have had an impact on the Group's financial statements, are outlined below:

IFRS 13: Fair Value Measurement – IFRS 13 establishes a single source of guidance under IFRS for all fair value measurements. IFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under IFRS when fair value is required or permitted. IFRS 13 defines fair value as an exit price. As a result of the guidance in IFRS 13, the Group reassessed its policies for measuring fair values – in particular its valuation inputs such as non-performance risk for fair value measurement of liabilities. IFRS 13 also requires additional disclosures. Accordingly, the financial statements will contain, as well as other disclosures:

- an analysis of the fair value hierarchy for investment property (as well as for financial instruments);
- information about the sensitivity of fair value measurements to changes in unobservable estimation inputs; and
- a detailed commentary on the Group's valuations, methods and procedures.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Application of IFRS 13 has not materially impacted the fair value measurements of the Group. Additional disclosures where required, are provided in the individual notes relating to the assets and liabilities whose fair values were determined.

New and amended standards and interpretations not applied

The following new and amended standards and interpretations in issue are not yet effective and have not been adopted by the Group:

		EFFECTIVE DATES
IFRS 9	Financial instruments	no earlier than 1 January 2018
IFRS 10	Consolidated financial statement	1 January 2014
IFRS 11	Joint arrangements	1 January 2014
IFRS 12	Disclosure of interests in other entities	1 January 2014
IAS 27	Separate financial statements	1 January 2014
IAS 28	Investments in associates and joint ventures	1 January 2014
IAS 32	Financial instruments: presentation – offsetting financial assets and financial liabilities	1 January 2014
IAS 36	Impairment of assets - recoverable amount disclosures for non-financial assets	1 January 2014
IAS 39	Financial instruments: recognition and measurement – novation of derivatives and continuation of hedge accounting Investment Entities (Amendments to IFRS 10, IFRS 12 and IAS 27)	1 January 2014
IFRIC 21	Levies	1 January 2014

The Directors anticipate that with the exception of IFRS 9 (the impact of which will be assessed closer to the effective date), the adoption of these standards and interpretations in future periods will not have a material impact on the financial statements of the Group.

Consolidation

The consolidated financial statements incorporate the financial statements of the Company and all special-purpose vehicles controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of a special-purpose vehicle so as to obtain benefits from its activities, generally accompanying a shareholding of more than half of the voting rights. The financial statements of subsidiaries are included in the consolidated financial statements from the date control commences until the date control ceases.

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

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 that are 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 that are 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 and commercial property and property-related ventures primarily in Macau. Please refer to Note 5 for segment reporting.

Foreign currency translation

a) Presentation currency
Items included in the financial statements of each of the Group entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in US Dollars which is the Group's presentation currency.

b) Transactions and balances
Foreign currency transactions are translated into 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.

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

On consolidation, exchange differences arising from the translation of the net investment in foreign entities are taken to shareholders' other comprehensive income.

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.

Borrowing costs incurred for the purpose of acquiring, constructing or producing a qualifying investment property 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.

Notes to the Consolidated Financial Statements (Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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. Also, fair values of financial instruments measured at amortised cost are disclosed in the financial statements.

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

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.

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.

Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. 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 who hold recognised and relevant professional qualifications and have recent experience in the location and category of the investment property 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.

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.

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. Net realisable value 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.

Sale of completed property

A property is regarded as sold when the significant risks and returns have been transferred to the buyer, which is normally on unconditional exchange of contracts. For conditional exchanges, sales are recognised only when all the significant conditions are satisfied.

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.

Impairment

FINANCIAL ASSETS

A financial asset is carried at fair value through profit or loss if it falls within the scope of IAS 39. A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

Losses are recognised in the consolidated statement of comprehensive income. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through the consolidated statement of comprehensive income.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

Trade receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the Group will not collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the consolidated statement of comprehensive income. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited in the consolidated statement of comprehensive income.

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.

Fair value of interest rate swaps

The Group's derivative financial instruments are financial assets and liabilities at fair value through profit and loss.

Financial instruments classified at fair value through profit or loss are recognised on trade date, which is the date on which the Group commits to purchase the asset or assume the liability and are carried at fair value and presented as financial assets or liabilities at fair value through profit or loss. Related realised and unrealised gains and losses are included in net gains/(losses) on financial assets/liabilities at fair value through profit or loss.

Fair value is calculated through the use of discounted cash flows based on the contracted interest rates.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and includes rental income and income from property trading.

Rental income from operating leases is recognised in 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.

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 statement of financial position.

Expenses

Expenses are recognised in the consolidated statement of comprehensive income in the period in which they are incurred (on an accrual basis).

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 consist of share premium and are part of the Group's reserve account that may be legally paid out in the form of a dividend. Payments to shareholders from reserves can be seen as a distribution of capital, rather than accumulated profit.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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 bases 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 decision 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 difference relating to the investment property carried at fair value in its 2014 annual accounts and adjusted the 2013 and 2012 comparative numbers. Please see Note 9 for the related discussion on prior period adjustments.

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, price risk and 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 as disclosed in the Group's prospectus which is available on the Group's website. The Group's overall market positions are 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 rate 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 below summarise the Group's exposure to foreign currency risk as at 30 June 2014 and 30 June 2013. The Group's financial assets and liabilities are included in the table, categorised by their currency at their carrying amount in US$'000. In the current economic climate, management's assessment of a reasonable possible change in foreign exchange rates would be up to a 1% increase/decrease for HK$/US$, due to the HK$ being pegged to the US$, and up to a 10% increase/decrease for all other currencies.

Notes to the Consolidated Financial Statements (Continued)

2. FINANCIAL RISK MANAGEMENT, POLICIES AND OBJECTIVES (CONTINUED)

Market risk (continued)

AS AT 30 JUNE 2014	US$'000	£'000	HK$'000	OTHER CURRENCIES '000	TOTAL US$'000
Trade and other receivables (excluding prepayments)	-	-	6,459	112	6,571
Cash and cash equivalents	2	86	42,889	551	43,528
Deposits with lenders	-	-	2,656	-	2,656
Financial assets at fair value through profit or loss	-	-	315	-	315
TOTAL FINANCIAL ASSETS	**2**	**86**	**52,319**	**663**	**53,070**
Trade and other payables	506	-	45	3,688	4,239
Interest-bearing loans	-	-	128,952	-	128,952
Financial liabilities at fair value through profit or loss	-	-	975	-	975
Deposits on property presales	-	-	5,451	-	5,451
Performance fee payable	23,964	-	-	-	23,964
TOTAL FINANCIAL LIABILITIES	**24,470**	**-**	**135,423**	**3,688**	**163,581**
NET FINANCIAL POSITION	**(24,468)**	**86**	**(83,104)**	**(3,025)**	**(110,511)**

AS AT 30 JUNE 2013	US$'000	£'000	HK$'000	OTHER CURRENCIES '000	TOTAL US$'000
Trade and other receivables (excluding prepayments)	-	-	71	145	216
Cash and cash equivalents	76	167	9,024	597	9,864
Deposits with lenders	-	-	4,899	-	4,899
Financial assets at fair value through profit or loss	-	-	183	-	183
TOTAL FINANCIAL ASSETS	76	167	14,177	742	15,162
Trade and other payables	348	-	872	1,758	2,978
Interest-bearing loans	-	-	94,104	-	94,104
Financial liabilities at fair value through profit or loss	-	-	938	-	938
Deposits on property presales	-	-	-	4,504	4,504
Performance fee payable	10,938	-	-	-	10,938
TOTAL FINANCIAL LIABILITIES	11,286	-	95,914	6,262	113,462
NET FINANCIAL POSITION	(11,210)	167	(81,737)	(5,520)	(98,300)

The table above presents financial assets and liabilities denominated in foreign currencies held by the Group as at 30 June 2014 and 30 June 2013 and can be used to monitor foreign currency risk as at that date.

Notes to the Consolidated Financial Statements (Continued)

2. FINANCIAL RISK MANAGEMENT, POLICIES AND OBJECTIVES (CONTINUED)

Market risk (continued)

A) FOREIGN EXCHANGE RISK (CONTINUED)

At 30 June 2014, if Sterling weakened/strengthened by 10% against the US Dollar with all other variables held constant, the post-tax profit for the year and movement in foreign currency translation reserve would have been US$8,581 lower/higher (2013: US$16,700 lower/higher). Any movement would have no other effect on the remaining equity components of the Group. The HK Dollar is pegged to the US Dollar 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. If the HK Dollar weakened/strengthened by 1% against the US Dollar with all other variables held constant, the post-tax profit for the year and movement in foreign currency translation reserve would have been US$831,040 higher/lower (2013: US$817,370 higher/lower). Any movement would have no other effect on the remaining equity components of the Group.

The Macanese Patacas is fixed to the HK Dollar 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.

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

B) CASH FLOW AND FAIR VALUE INTEREST RATE RISK

The Group is exposed to fair value interest rate risk with regards to its interest rate swaps through the variability of the valuation of the interest rate swaps caused by changes in the market expectations about future interest rates and other variables.

Under the terms of the swap contracts, if the swap rates were to increase/decrease by 1% with all other variables held constant, this would result in the post tax profit being US$2,124,000 higher/US$1,747,000 lower (2013: US$2,796,000 higher/US$2,607,000 lower). Any movement would have no other effect on the remaining equity components of the Group.

Unexpected volatility or illiquidity in the markets in which the Group holds positions can impair the Group's ability to conduct its business or cause it to incur losses.

The Group's interest rate risk is managed by the Manager in accordance with policies and procedures in place and mitigated through the use of interest rate swaps (see Note 20). 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 and all other variables were held constant, the Group's profit for the year would have decreased by US$763,000 (2013:US$793,000) (based on the interest bearing net financial liability per the table below). Any movement would have no other effect on the remaining equity components of the Group. This is mainly due to the Group's exposure to interest-bearing loans. The majority of loans are hedged, see details below.

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

AS AT 30 JUNE 2014	INTEREST BEARING US$'000	NON-INTEREST BEARING US$'000	TOTAL US$'000
Trade and other receivables (excluding prepayments)	6,452	119	6,571
Cash and cash equivalents	43,528	-	43,528
Deposits with lenders	2,656	-	2,656
Financial assets at fair value through profit or loss	-	315	315
TOTAL FINANCIAL ASSETS	**52,636**	**434**	**53,070**
Trade and other payables	-	4,239	4,239
Interest-bearing loans	128,952	-	128,952
Financial liabilities at fair value through profit or loss	-	975	975
Deposits on property pre-sales	-	5,451	5,451
Performance fee payable	-	23,964	23,964
TOTAL FINANCIAL LIABILITIES	**128,952**	**34,629**	**163,581**

2. FINANCIAL RISK MANAGEMENT, POLICIES AND OBJECTIVES (CONTINUED)

Market risk (continued)

B) CASH FLOW AND FAIR VALUE INTEREST RATE RISK (CONTINUED)

AS AT 30 JUNE 2013	INTEREST BEARING US$'000	NON-INTEREST BEARING US$'000	TOTAL US$'000
Trade and other receivables (excluding prepayments)	-	216	216
Cash and cash equivalents	9,864	-	9,864
Deposits with lenders	4,899	-	4,899
Financial assets at fair value through profit or loss	-	183	183
TOTAL FINANCIAL ASSETS	14,763	399	15,162
Trade and other payables	-	2,978	2,978
Interest-bearing loans	94,104	-	94,104
Financial liabilities at fair value through profit or loss	-	938	938
Deposits on property pre-sales	-	4,504	4,504
Performance fee payable	-	10,938	10,938
TOTAL FINANCIAL LIABILITIES	94,104	19,358	113,462

THE GROUP HAS ENTERED INTO VARIOUS INTEREST RATE SWAPS AS DISCLOSED IN NOTE 20.

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

The Group's deposits, including deposits with lenders, are split by banks with the following ratings from Fitch and Moody's Ratings:

Credit Rating	2014 US$'000	2013 US$'000
AA	-	4,432
AA-	2,707	3,230
A+	22,232	-
A	14,550	3,892
A-	3,610	3,158
BBB+	3,085	51
	46,184	14,763

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.

Liquidity risk

The Group adopts a prudent approach to liquidity management and maintains sufficient cash reserves and borrowings to meet its obligations. The Group maintains sufficient cash and obtains funding through credit facilities to meet its current liabilities and property development expenditure.

Of the Group's total exposure to banks of US$46,184,000 (2013: US$14,763,000), deposits amounting to US$2,656,000 (2013: US$4,899,000) have been pledged to secure 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.

The Group has term loan facilities with Hang Seng Bank, Banco Weng Hang, S.A., and Banco Tai Fung for its investments in *The Waterside*, individual units in One Central Residences, *The Green House*, and development for *The Fountainside*. The Group's liquidity position is monitored by the Manager and is reviewed quarterly by the Board of Directors. Please refer to Note 8 for details of the facilities.

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. Balances due within 12 months equal their carrying balances as the impact of discounting is not deemed to be significant.

2. FINANCIAL RISK MANAGEMENT, POLICIES AND OBJECTIVES (CONTINUED)

Liquidity risk (continued)

AS AT 30 JUNE 2014	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)	-	6,452	7	112	-	-	6,571
Cash and cash equivalents	43,528	-	-	-	-	-	43,528
Deposits with lenders	-	-	-	-	2,656	-	2,656
Financial assets at fair value through profit or loss	-	-	-	-	315	-	315
TOTAL FINANCIAL ASSETS	43,528	6,452	7	112	2,971	-	53,070
Trade and other payables	-	512	3,727	-	-	-	4,239
Interest-bearing loans	-	781	2,651	33,359	49,164	57,241	143,196
Financial liabilities at fair value through profit or loss	-	-	975	-	-	-	975
Deposits on property pre-sales	-	-	5,451	-	-	-	5,451
Performance fee payable	-	23,964	-	-	-	-	23,964
TOTAL FINANCIAL LIABILITIES	-	25,257	12,804	33,359	49,164	57,241	177,825
NET FINANCIAL POSITION	**43,528**	**(18,805)**	**(12,797)**	**(33,247)**	**(46,193)**	**(57,241)**	**(124,755)**

AS AT 30 JUNE 2013	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)	-	88	-	128	-	-	216
Cash and cash equivalents	9,864	-	-	-	-	-	9,864
Deposits with lenders	-	-	-	-	4,899	-	4,899
Financial assets at fair value through profit or loss	-	-	-	-	183	-	183
TOTAL FINANCIAL ASSETS	9,864	88	-	128	5,082	-	15,162
Trade and other payables	-	356	2,622	-	-	-	2,978
Interest-bearing loans	-	-	15,454	10,424	73,220	-	99,098
Financial liabilities at fair value through profit or loss	-	-	938	-	-	-	938
Deposits on property pre-sales	-	-	4,504	-	-	-	4,504
Performance fee payable	-	10,938	-	-	-	-	10,938
TOTAL FINANCIAL LIABILITIES	-	11,294	23,518	10,424	73,220	-	118,456
NET FINANCIAL POSITION	9,864	(11,206)	(23,518)	(10,296)	(68,138)	-	(103,294)

Notes to the Consolidated Financial Statements (Continued)

2. FINANCIAL RISK MANAGEMENT, POLICIES AND OBJECTIVES (CONTINUED)

Fair value hierarchy

FINANCIAL INVESTMENTS MEASURED AT FAIR VALUE

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

The Group's interest rate swaps have been classified within level 2 which makes use of a model with inputs that are directly or indirectly observable market data. The following table presents the fair values carried on the consolidated statement of financial position as at 30 June 2014:

	AS AT 30 JUNE 2014 US$'000	AS AT 30 JUNE 2013 US$'000
Current assets	315	183
Current liabilities	(975)	(938)
TOTAL INTEREST RATE SWAP LIABILITIES	(660)	(755)

The fair value of the interest rate swaps is determined from proprietary models based upon recognised financial principles and reasonable estimates about relevant future market conditions. The inputs used in fair valuing the interest rate swaps are swap rates, date convention, calculation periods, transactional costs and other costs. There have been no changes in the valuation technique during the year. The interest rate swaps have been fair valued at each reporting period. There have been no transfers between levels.

As stated above, movements in the significant unobservable inputs upon which the fair value is calculated, would have an effect on the overall fair market value of the interest rate swaps. The Board believes that a reasonable sensitivity range expected in each input would be a flat movement of +/- 1%.

The carrying value of other financial assets and liabilities approximates 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.

During the year ended 30 June 2014, there were no borrowings other than the Group loan facilities in place which are classified as interest bearing loans in the consolidated statement of financial position.

Discount management policy

The Board's intention is to apply an active discount management policy, buying back shares if there is a significant discount of share price to Adjusted Net Asset Value ("Adjusted NAV") for a sustained period of time. During the year, the Company has purchased 8,585,000 (2013: 12,000,000) Ordinary Shares at a weighted average price of 201.89p (2013: 121.58p) as per Note 12. All of the shares bought back were cancelled.

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.

3. CRITICAL ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGEMENTS

Management makes 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, net realisable value and adjusted net asset value are based on the current market valuation provided by Savills (Macau) Limited, an independent valuer. Savills are required to make assumptions on establishing the current market valuation. The most significant assumptions (as described further in Note 6), relate to estimating costs to complete property under development, 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.

b) Inventory is stated at the lower of cost and net realisable value ("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 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.

c) The performance fees, if applicable, which are accrued throughout the year and only become due when the year-end audited financial statements have been agreed and signed. Note 19 further describes the basis of the calculation of the performance fee.

d) The Group is subject to income and capital gains taxes in numerous jurisdictions. Significant judgement is required to determine the total provision for current and deferred taxes. There are many transactions and calculations for which the ultimate tax determination and timing of payment is uncertain. Fair value adjustments to investment properties give rise to temporary differences between the carrying value of the properties and their tax basis. To comply with the IFRIC's recent clarification of the requirements of IAS 12 Income Taxes, the Group has recognised the deferred tax liability in the 2014 annual accounts and adjusted the 2013 and 2012 comparative numbers (see Note 9). Without this change, and the consequential effect on performance fees, the net assets would be US$19,621,499 higher.

The Group did not make any critical accounting judgements, other than as described above, in the year ended 30 June 2014 or the year ended 30 June 2013.

Notes to the Consolidated Financial Statements (Continued)

4. SUBSIDIARIES

All special-purpose vehicles (SPVs) are owned 100% by the Company. The following subsidiaries have a year-end of 31 December to coincide with the Macanese tax year:

Macau (Site 1) Limited	MPOF Macau (Site 2) Limited
Macau (Site 4) Limited	MPOF Macau (Site 5) Limited
MPOF Macau (Site 6) Limited	Macau (Site 7) Limited
Macau (Site 8) Limited	Macau (Site 9) Limited
Macau (Site 10) Limited	The Fountainside Company Limited
The Waterside Company Limited	Castelo Branco Companhia Limitada
Braga Companhia Limitada	Vila Real Companhia Limitada
Portalegre Companhia Limitada	

During the current year, Sailing Logistics (Zhuhai Free Trade Zone) Co. Ltd. and Capital Full Limited were disposed of as part of the sale of *APAC Logistics Centre* and *Cove Residence*. Please refer to Note 6 for details of the disposal. During the current year the following Hong Kong companies: China Crown Properties Limited; Newton Properties Limited; Maxland Properties Limited; Queensland Properties Limited; Orient Land Properties Limited; Union Century Properties Limited; Gold Century Properties Limited; Golden City Properties Limited; Victory Star Properties Limited; Platinum Properties Limited; Sky Century Properties Limited and Top Faith Properties Limited were liquidated. The following BVI companies: Championway International Ltd.; Talent Empire International Ltd.; Phoenixville Holdings Ltd.; Tycoon Villa International Ltd.; Richsville Investment Ltd.; Prominent Group Ltd.; Yield Return Ltd.; Go Gain International Ltd.; See Lucky Enterprises Ltd.; Aim Top Enterprises Ltd.; Lucan Investments Ltd. and Honeypot International Ltd. were liquidated after their underlying properties were disposed of. Please refer to Note 7 for further details of inventories disposed of during the year.

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

	OWNERSHIP	INCORPORATION
Macau (Site 1) Limited	100%	Macau
MPOF Macau (Site 2) Limited	100%	Macau
Macau (Site 4) Limited	100%	Macau
MPOF Macau (Site 5) Limited	100%	Macau
MPOF Macau (Site 6) Limited	100%	Macau
Macau (Site 7) Limited	100%	Macau
Macau (Site 8) Limited	100%	Macau
Macau (Site 9) Limited	100%	Macau
Macau (Site 10) Limited	100%	Macau
The Waterside Company Limited	100%	Macau
Braga Companhia Limitada	100%	Macau
Portalegre Companhia Limitada	100%	Macau
The Fountainside Company Limited	100%	Macau
Castelo Branco Companhia Limitada	100%	Macau
Vila Real Companhia Limitada	100%	Macau
MPOF (Penha) Limited	100%	Guernsey
MPOF (Taipa) Limited	100%	Guernsey
MPOF (Jose) Limited	100%	Guernsey
MPOF (Sun) Limited	100%	Guernsey
MPOF (Monte) Limited	100%	Guernsey
MPOF (Paulo) Limited	100%	Guernsey
MPOF (Guia) Limited	100%	Guernsey
MPOF (Antonio) Limited	100%	Guernsey
MPOF (6A) Limited	100%	Guernsey
MPOF (6B) Limited	100%	Guernsey
MPOF (7A) Limited	100%	Guernsey
MPOF (7B) Limited	100%	Guernsey
MPOF (8A) Limited	100%	Guernsey
MPOF (8B) Limited	100%	Guernsey
MPOF (9A) Limited	100%	Guernsey
MPOF (9B) Limited	100%	Guernsey
MPOF (10A) Limited	100%	Guernsey
MPOF (10B) Limited	100%	Guernsey
MPOF Mainland Company 1 Limited	100%	Barbados
Bream Limited	100%	Guernsey
Cannonball Limited	100%	Guernsey
Civet Limited	100%	Guernsey
Gainsun Investments Limited	100%	BVI
Gorey Hills International Limited	100%	BVI
Hillsleigh Holdings Limited	100%	BVI
Jin Mei International Limited	100%	BVI
Lucky Go International Limited	100%	BVI
Magic Bright International Limited	100%	BVI
Mega League Investments Limited	100%	BVI
Multi Gold International Limited	100%	BVI
Poly Advance Management Limited	100%	BVI
Right Year International Limited	100%	BVI
Smooth Run Group Limited	100%	BVI
Swift Link Limited	100%	BVI
Worthy Way Limited	100%	BVI
China City Properties Limited	100%	Hong Kong
East Base Properties Limited	100%	Hong Kong
Eastway Properties Limited	100%	Hong Kong
Elite Gain Limited	100%	Hong Kong
Excelsior Properties Limited	100%	Hong Kong
Glory Properties Limited	100%	Hong Kong
Goldex Properties Limited	100%	Hong Kong
Honway Properties Limited	100%	Hong Kong
New Perfect Properties Limited	100%	Hong Kong
Pacific Asia Properties Limited	100%	Hong Kong
Top Century Properties Limited	100%	Hong Kong
Weltex Properties Limited	100%	Hong Kong
Windex Properties Limited	100%	Hong Kong
World Pacific Properties Limited	100%	Hong Kong

5. 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. Further, foreign exchange and political risk is identified, as these also determine where resources are allocated.

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

This segment includes residential, commercial and mixed-use properties. Furthermore, there are multiple individual properties that are held within each property type. However, the CODM considers on a regular basis the operating results and resource allocation of the aggregated position of all property types as a whole as part of their on-going performance review, this is supported by a further breakdown of individual property groups only to help support their review and investment appraisal objectives.

Information about major customers

The Group does not have any customers or rental agreements which each represent more than 10% of Group revenues. Revenues represented by rental income were US$5,051,953 for the year ended 30 June 2014 (2013: US$4,209,158).

6. INVESTMENT PROPERTY

	2014 US$'000	2013 US$'000
AT THE BEGINNING OF THE YEAR	266,498	225,008
Capital expenditure on property*	3,604	8,452
Proceeds from disposals	(64,651)	(19,081)
Gain on disposal of investment property	17,251	3,606
Fair value adjustment	83,645	48,465
Exchange difference	228	48
BALANCE AT END OF THE YEAR	306,575	266,498

* Stamp duty expenditure relating to the purchase of *The Waterside* has been capitalised during the year. See Note 25 for further information.

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

The valuation process is initiated by the Investment Adviser 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 review the latest valuation based on their knowledge of the property market and compare these to previous valuations.

The Group's investment properties were revalued at 30 June 2014 by independent, professionally-qualified valuers Savills (Macau) Limited. The valuation has been carried out in accordance with the current Royal Institution of Chartered Surveyors (RICS) Appraisal and Valuation Standards to calculate the market value of the investment properties in their existing state and physical condition, with the assumptions that:

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

The fair value of investment property is determined by Savills (Macau) Limited using recognised valuation techniques. The technique deployed was the Income Capitalisation Method.

The determination of the fair value of investment property requires the use of estimates such as future cash flows from assets (such as lettings, tenants' profiles, future revenue streams, capital values of fixtures and fittings, plant and machinery, any environmental matters and the overall repair and condition of the property) and discount rates applicable to those assets. These estimates are based on local market conditions existing at the reporting date.

See Note 9 in relation to deferred tax liabilities on investment property.

Capital expenditure on property during the year relate to fit out costs for *The Waterside* and the planning, design and development costs for the *APAC Logistics Centre* and *Cove Residence*.

Rental income arising from *The Waterside* of US$4,957,123 (2013: US$4,041,133) was received during the year. Direct operating expenses of US$939,355 (2013: US$712,124) arising from *The Waterside* that generated rental income were incurred during the year. Direct operating expenses during the year arising from vacant units totalled US$57,630 (2013: US$45,817).

In February 2014, the Group disposed of *APAC Logistics Centre* and *Cove Residence* properties in Zhuhai, China, for a total consideration of RMB392 million (US$64.7 million). HKD$50 million (US$6,452,000) of the consideration is held in an escrow account which was released to the Group in mid August 2014. Up to the date of disposal the *APAC Logistics Centre* and *Cove Residence* generated rental income of US$94,830 (2013: US$168,025). Direct operating expenses of US$47,110 (2013: US$91,125) arising from *APAC Logistics Centre* and *Cove Residence* that generated rental income were incurred during the period up to the date of disposal.

The sale generated a net profit of US$29 million (HK$224.9 million) over the investment in this property. Agent commission associated with the sale amounted to US$969,000 (HK$7.5 million). The net profit was distributed to shareholders by way of a return of capital in April 2014.

Trade and other receivables mainly consist of rent receivable. Debtors past due have not been impaired, but the effect of which is immaterial to the Group.

Notes to the Consolidated Financial Statements (Continued)

6. INVESTMENT PROPERTY (CONTINUED)

The following table shows the assumptions 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 2014 US$'000	VALUATION TECHNIQUE	INPUT	UNOBSERVABLE AND OBSERVABLE INPUTS USED IN DETERMINATION OF FAIR VALUES	OTHER KEY INFORMATION
NAME	*The Waterside*	306,575	Term and Reversion Analysis	Term rent	HK$25.0 psf	Age of building
TYPE	Residential/ Completed apartments			Term yield (exclusive of management fee and furniture)	1.80%	Remaining useful life of building
LOCATION	One Central Tower 6 Macau			Reversionary rent	HK$28.2 psf	
				Reversionary yield (exclusive of management fee and furniture)	2.00%	
				Discount Rate	2.00%	

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$15 million or decrease by US$16 million.

If the term, revisionary yield or discount rate increased/decreased by 5%, (and all other assumptions remained the same) the fair value of *The Waterside* would decrease by US$15 million or increase by US$16 million.

The Waterside is currently valued at their 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 last period.

Notes to the Consolidated Financial Statements (Continued)

7. INVENTORIES

	2014 US$'000	2013 US$'000
COST		
BALANCE BROUGHT FORWARD	64,768	64,921
Additions	4,520	6,171
Disposals	(14,977)	(6,339)
Exchange difference	40	15
BALANCE CARRIED FORWARD	54,351	64,768

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

Interest costs of US$374,000 (2013: US$183,000) relating to *The Fountainside* loan facility were capitalised during the year.

Under IFRS, inventories are valued at the lower of cost and net realisable value. The carrying amounts for inventories as at 30 June 2014 amounts to US$54,351,000 (2013: US$64,768,000). Net Realisable Value as at 30 June 2014 as determined by independent, professionally-qualified valuer, Savills (Macau) Limited, was US$226,966,000 (2013: US$184,538,000).

Six of the individual apartments in One Central Residences were sold during the year for a total consideration of US$24,639,000 (HK$191.1 million) against a total cost of US$14,977,000 (HK$116.2 million) which resulted in a net profit of US$9,662,000 (HK$74.9 million) after all associated fees and transaction costs. These disposals were completed on various dates during the current year.

8. INTEREST-BEARING LOANS

	2014 US$'000	2013 US$'000
Bank loans - Secured		
- Current portion	-	13,142
- Non-current portion	128,952	80,962
	128,952	94,104

The Group has a term loan facility with Hang Seng Bank for *The Waterside* and the individual One Central Residences units. On 17 September 2013 the loan facility was renegotiated. The facility amount has been increased to HK$828 million (US$106.8 million). A new tranche (tranche 3) of HK$750 million (US$96.7 million) of the facility was drawn down and used to fully repay HK$157.7 million (US$20.3 million) of tranche 2 of the previous loan and to repay HK$390.9 million (US$50.4 million) of tranche 1.

This new tranche has a tenor of 7 years until 19 September 2020 and is subject to interest at 2.25% per annum over the one, two or three month HIBOR rate; the choice of rate is at the Group's discretion. The principal is to be repaid in half-yearly instalments commencing two years after the drawdown date. The loan-to-value covenant is 60%. The facility is secured by means of a first registered legal mortgage over *The Waterside* and the individual residential units owned by the Group at One Central Residences as well as a pledge of all income from the units. The Group 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 30 June 2014, tranche 1 has an outstanding balance of HK$79.4 million (US$10.2 million) (2013: HK$470 million (US$60.6 million)); while tranche 2 was repaid in full during the year (2013: HK$158 million (US$20.3 million)). Tranche 3 has an outstanding balance of HK$750 million (US$96.7 million) (2013: HK$ Nil (US$ Nil)). Interest is paid quarterly on this loan facility. As at 30 June 2014, the loan-to-value ratio for the Hang Seng One Central facility was 32.85%.

The Group has a credit facility with Banco Weng Hang S.A. to finance *The Fountainside* redevelopment which was secured by a first legal mortgage over the property as well as a pledge of all income from *The Fountainside* units. The facility was renegotiated in July 2013 for up to HK$100 million (US$12.9 million) until 20 September 2015, with interest charged at 2.6% per annum over the three-month HIBOR rate. The bank also released HK$21 million (US$2.7 million) of the charged deposits to the Group to fund future development projects. During the year HK$44 million (US$5.7 million) was drawndown. As at 30 June 2014, HK$100 million (US$12.9 million) (2013: HK$56 million (US$7.2 million)) of the facility had been drawdown. The loan-to-value covenant is 60%. This facility is non-recourse to the Group. As at 30 June 2014, proceeds of US$1.3 million (2013: US$2.7 million) received from the pre-sale of *The Fountainside* units were pledged with the lender. Interest is paid monthly on this loan facility. As at 30 June 2014, the loan-to-value ratio for this facility was 16.75%.

On 9 June 2014 the Group approved the repayment of the Wing Lung Bank loan facility for *The Green House* and arranged a new loan facility with Banco Tai Fung to finance this project. The term of the new loan is 3 years and the facility amount has been increased to HK$70 million. Interest is charged at 3.2% per annum over the six-month HIBOR rate and repayment is due in full at maturity. As at 30 June 2014, the facility had an outstanding balance of HK$70 million (US$9 million) (2013: Nil). This facility is secured by a first legal mortgage over the property as well as a pledge of all income from the property. The Group is the guarantor for this term loan. Interest is paid monthly on this loan facility. As at 30 June 2014, the loan-to-value ratio for this facility was 47.30%.

Bank loan interest paid during the year was US$3,148,000 (2013: US$2,674,000), including US$374,000 (2013: US$183,000) capitalised during the year (see Note 7).

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 2014, the fair value of the interest-bearing loans was US$26,930 higher than the carrying value of the financial liabilities (2013: the fair value of the financial liabilities was US$1.6 million lower than the carrying value of the financial liabilities).

8. INTEREST-BEARING LOANS (CONTINUED)

The Company'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.

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

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 £600 (US$942).

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 it is;
(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 believe that no such tax exposure exists at the end of the reporting year (2013: US$ nil).

The Group is not subject to any income, withholding or capital gains taxes in the British Virgin Islands ("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 10% (2013: 10%) of any rent received or 6% (2013: 6%) of the official ratable rentable value. Newly built residential buildings or commercial buildings are exempt 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 structure.

The Group also has exposure to People's Republic of China taxation for its business operation in the People's Republic of China. The Board considers that the Group's exposure to People's Republic of China tax has been properly reflected in the Group's consolidated financial statements.

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

	2014 US$'000	2013 US$'000 (RESTATED)	2012 US$'000 (RESTATED)
People's Republic of China tax authorities provision	**2,323**	-	-
Deferred taxation	**24,838**	18,919	10,138
	27,161	18,919	10,138

PEOPLE'S REPUBLIC OF CHINA TAX AUTHORITIES PROVISION

As at 30 June 2014 due to the disposal of the APAC Logistics Centre and Cove Residences in Zhuhai, China, the Group is in the process of submitting a tax return to the People's Republic of China tax authorities. The provision has arisen due to the profit on the disposal. The Group has received taxation advice as to the potential charge that may be imposed by the People's Republic of China tax authorities. As the outcome is uncertain as to the charge, the Group has taken the approach of taking the mean of the highest and lowest potential charge estimated. The provision relating to the estimated tax is expected to be settled within one to two years. The Group is unlikely to be reimbursed for this provision.

DEFERRED TAXATION AND PRIOR PERIOD ADJUSTMENTS

In its July 2014 meeting, the IFRS Interpretations Committee (the "IFRS Committee") discussed IAS 12 Income Taxes ('IAS 12')—recognition of deferred tax for a single asset in a corporate wrapper (i.e. 'single asset' entity). The IFRS Committee noted that the current IAS 12 requires the parent entity to recognise deferred tax in its consolidated financial statements on both the asset within, and the shares of, the single asset entity, if:

- tax law attributes separate tax bases to the asset inside and to the shares;
- in the case of deferred tax assets, the related deductible temporary differences can be utilised under IAS 12; and
- no specific exemptions in IAS 12 apply.

Conversely, while there is currently diversity in practice, when determining the expected manner of recovery of the asset held by a single asset entity for the purposes of IAS 12, it was confirmed that the parent entity should have regard to the asset itself.

9. TAXATION (CONTINUED)

Accordingly, the Group has recognised the deferred tax liability for the taxable temporary difference relating to the investment property carried at fair value in its 2014 annual accounts and adjusted the 2013 and 2012 comparative numbers. Without this change the net assets would be US$19,621,499 higher.

The provision for deferred tax has had the following impact on the comparative financial statements:

CONSOLIDATED STATEMENT OF FINANCIAL POSITION	BALANCE AS PREVIOUSLY REPORTED US$ '000	ADJUSTMENT US$ '000	BALANCE AS RESTATED US$ '000
2012			
LIABILITIES			
Taxation provision	-	10,138	10,138
Non-current liabilities	100,279	10,138	110,417
Total liabilities	111,995	10,138	122,133
EQUITY			
Retained earnings	56,596	(10,138)	46,458
Total Equity	221,811	(10,138)	211,673
IFRS NAV PER SHARE 2012 (US$)	2.17	(0.10)	2.07
ADJUSTED NAV PER SHARE 2012 (US$)	3.01	(0.10)	2.91
2013			
LIABILITIES			
Taxation provision	-	18,919	18,919
Non-current liabilities	80,962	18,919	99,881
Total liabilities	113,462	18,919	132,381
EQUITY			
Retained earnings	90,746	(18,919)	71,827
Total Equity	233,698	(18,919)	214,779
IFRS NAV PER SHARE 2013 (US$)	2.60	(0.21)	2.39
ADJUSTED NAV PER SHARE 2013 (US$)	3.95	(0.21)	3.74

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME	BALANCE AS PREVIOUSLY REPORTED US$ '000	ADJUSTMENT US$ '000	BALANCE AS RESTATED US$ '000
2012			
Taxation	-	(10,138)	(10,138)
Profit for the year after tax	6,025	(10,138)	(4,113)
Total comprehensive income for the year	6,350	(10,138)	(3,788)
BASIC AND DILUTED PROFIT/(LOSS) PER ORDINARY SHARE (US$)	0.0588	(0.0989)	(0.0401)
2013			
Taxation	-	(8,781)	(8,781)
Profit for the year after tax	34,150	(8,781)	25,369
Total comprehensive income for the year	34,691	(8,781)	25,910
BASIC AND DILUTED PROFIT PER ORDINARY SHARE (US$)	0.3560	(0.0915)	0.2645

TAX RECONCILIATION

No tax reconciliation has been presented because the Company is exempt from taxation in Guernsey (except as described above). The tax charge for the year relates solely to the deferred tax on the valuation gains on investment property and capital gains tax on the disposal of the Zhuhai properties.

10. TRADE AND OTHER PAYABLES

Current liabilities	2014 US$'000	2013 US$'000
Accruals	**511**	355
Other Payables	**3,728**	2,623
	4,239	2,978

Other payables principally comprise amounts outstanding for operating expenses.

Notes to the Consolidated Financial Statements (Continued)

11. RETURN OF CAPITAL TO SHAREHOLDERS

The Board, mindful of the fact that it has a range of institutional, corporate and individual shareholders, proposed a flexible mechanism for returning the capital. Shareholders (other than certain overseas shareholders) were offered a choice of the following alternatives in relation to the B Shares received. During the year the Company issued 82,740,000 B Shares to Ordinary shareholders, on the basis of one B Share for every Ordinary Share held.

Alternative 1: (B Share Redemption)

72,240,477 of the total B Shares of 82,740,000 chose this alternative. US shareholders were not eligible for Alternative 1. These were redeemed on 15 April 2014.

Alternative 2: (B Share Dividend)

10,499,523 of the total B Shares of 82,740,000 chose this alternative. The deferred shares were not listed and carried extremely limited rights. The Company redeemed all of these deferred shares on 30 April 2014 for an aggregate consideration of £0.01. In view of the negligible amount involved, this £0.01 was not distributed to individual shareholders.

The final Sterling amount of the Return of Capital was £17.5 million; equal to US$29 million converted into Sterling based on the Bloomberg Cross Rate as at the close of business on 4 April 2014. This sum was divided by the number of B Shares issued by the Company to give the B Share Dividend and B Share Redemption Sum.

The proceeds for the B Share Redemption and the B Share Dividend were paid by the Company on 29 April 2014.

12. SHARE CAPITAL

Ordinary Shares

	2014 US$'000	2013 US$'000
Authorised:		
300 million Ordinary Shares of US$0.01 each	**3,000**	3,000
Issued and fully paid:		
81.4 million (2013: 90 million) Ordinary Shares of US$0.01 each	**814**	900

The Company has one class of Ordinary Shares which carry no right to fixed income.

Ordinary Shares repurchases

During the year, under the authority first granted in the Extraordinary General Meeting of 28 June 2010 and renewed at each Annual General Meetings held since, the Company repurchased 8,585,000 (2013: 12,000,000) Ordinary Shares or 8.18% (2013: 11.43%) of the originally issued shares, totalling US$28,249,000 (2013: US$22,804,000) at an average share price of 201.89p (2013: 121.58p). All shares bought back under the buy-back programme were at market value and were cancelled.

The following table summarises all shares repurchased by the Company as at 30 June 2014:

	NUMBER OF SHARES	REPURCHASE PRICE PER SHARE *
05 May 2011	925,000	131.00 **
06 May 2011	750,000	131.00 **
17 May 2011	525,000	133.21 **
SUB-TOTAL/AVERAGE	**2,200,000**	**131.53**
08 July 2011	300,000	135.33 **
22 May 2012	100,000	103.00 ***
28 May 2012	50,000	103.00 ***
06 June 2012	150,000	103.00 ***
12 June 2012	65,000	103.00 ***
29 June 2012	135,000	105.00 ***
SUB-TOTAL/AVERAGE	**800,000**	**115.46**
12 July 2012	2,000,000	100.00 ***
07 August 2012	47,300	105.50 ***
10 August 2012	22,950	105.50 ***
03 December 2012	4,404,483	110.50 ***
04 December 2012	595,517	112.00 ***
14 December 2012	25,000	111.00 ***
21 December 2012	125,000	117.00 ***
28 March 2013	1,000,000	140.00 ***
09 April 2013	2,000,000	142.00 ***
10 April 2013	1,250,000	144.00 ***
11 April 2013	529,750	145.00 ***
SUB-TOTAL/AVERAGE	**12,000,000**	**121.58**
29 August 2013	1,500,000	168.50 ***
12 December 2013	5,000,000	202.50 ***
30 January 2014	760,000	206.09 ***
15 May 2014	1,325,000	235.00
SUB-TOTAL/AVERAGE	**8,585,000**	**201.89**
Total/Average	23,585,000	151.54

* Price in pence Sterling.

** Price in pence Sterling and prior to the distribution of US$17.9 million to shareholders on 12 July 2011 equating to 10.76 pence per share.

*** Price in pence Sterling and prior to the distribution above and the distribution of US$29 million to shareholders on 30 April 2014 equating to 21.15 pence per share.

After the year-end a further 2,431,036 shares were repurchased at an average price of 247.8p and cancelled.

The Board has publicly stated its commitment to undertake share buy-backs 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 2014 Annual General Meeting.

Notes to the Consolidated Financial Statements (Continued)

13. GENERAL AND ADMINISTRATION EXPENSES

GENERAL AND ADMINISTRATION EXPENSES	2014 US$'000	2013 US$'000
Legal and professional	**625**	429
Holding Company administration	**376**	298
Guernsey SPV administration	**188**	149
British Virgin Islands, Hong Kong, & Macanese SPV administration	**101**	101
Insurance costs	**18**	18
Listing fees	**17**	7
Printing & postage	**51**	41
Other operating expenses	**534**	424
	1,910	1,467

Administration fees for the British Virgin Islands, 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

FINANCE COSTS	2014 US$'000	2013 US$'000
Bank charges	**12**	81
Loan arrangement fees	**530**	241
	542	322

As at 30 June 2014, unamortised loan arrangement fees was US$754,000 (2013: US$563,000).

15. PROPERTY OPERATING EXPENSES

PROPERTY OPERATING EXPENSES	2014 US$'000	2013 US$'000
Property management fee	**656**	673
Property taxes	**339**	139
Utilities	**27**	35
Other property expenses	**358**	293
	1,380	1,140

16. CASH FLOWS FROM OPERATING ACTIVITIES

CASH FLOWS FROM OPERATING ACTIVITIES	2014 US$'000	2013 US$'000 (RESTATED)
Profit for the year before tax	73,317	34,150
Adjustments for:		
Net gain on valuation of interest rate swap	(95)	(1,677)
Net gain from fair value adjustment on investment property	(83,645)	(48,465)
Gain on disposal of investment property	(17,251)	(3,606)
Net finance costs	4,342	3,640
Operating cash flows before movements in working capital	(23,332)	(15,958)
Effects of foreign exchange rate changes	371	515
Movement in receivables	21	21
Movement in payables	16,382	12,209
Movement in inventories	10,417	153
Net change in working capital	26,820	12,383
Net cash from/(used in) operating activities	3,859	(3,060)

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.

Notes to the Consolidated Financial Statements (Continued)

17. BASIC AND DILUTED PROFIT PER ORDINARY SHARE AND NET ASSET VALUE PER SHARE

The basic and diluted profit per equivalent Ordinary Share is based on the profit attributable to equity-holders for the year of US$65,075,000 (2013: US$25,369,000) and on the 85,525,452 (2013: 95,929,418) weighted average number of Ordinary Shares in issue during the year.

30 JUNE 14	PROFIT ATTRIBUTABLE US$'000	WEIGHTED AVERAGE NO. OF SHARES '000s	EPS US$
Basic and diluted	65,075	85,525	0.7609

30 JUNE 13 RESTATED	PROFIT ATTRIBUTABLE US$'000	WEIGHTED AVERAGE NO. OF SHARES '000s	EPS US$
Basic and diluted	25,369	95,929	0.2645

30 JUNE 2012 RESTATED	LOSS ATTRIBUTABLE US$'000	WEIGHTED AVERAGE NO. OF SHARES '000s	EPS US$
Basic and diluted	(4,113)	102,478	(0.0401)

NET ASSET VALUE RECONCILIATION	2014 US$'000	2013 US$'000 (RESTATED)	2012 US$'000 (RESTATED)
Net assets attributable to ordinary shareholders	222,854	214,779	211,673
Uplift of inventories held at cost to market value	174,909	121,634	84,844
ADJUSTED NET ASSET VALUE	397,763	336,413	296,517
Number of Ordinary Shares Outstanding ('000)	81,415	90,000	102,000
NAV PER SHARE (IFRS) (US$)	2.74	2.39	2.07
ADJUSTED NAV PER SHARE (US$)	4.89	3.74	2.91
ADJUSTED NAV PER SHARE (£)*	2.86	2.46	1.85

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

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

The Adjusted NAV per share is arrived at 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 shares in issue.

* US$:GBP rates as at 2014 year-end: 1.7103 (2013: 1.5211; 2012: 1.5706).

18. 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.

	2014 US$'000	2013 US$'000
Directors' fees	247	242

The Directors are considered to be the key management personnel (as defined under IAS 24) of the Company.

Thomas Ashworth is a shareholder and 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 19. Director's fees outstanding as at 30 June 2014 was US$63,708 (2013: US$56,663).

Thomas Ashworth is a shareholder and Director of Adept Capital Partners Services Limited. Adept Capital Partners Services Limited provides administrative services to the Macanese, Hong Kong and British Virgin Islands SPVs and received fees during the year as detailed in Note 13.

Performance fee of US$23,964,000 was accrued at year-end (30 June 2013: US$10,938,000). Performance fee of US$10,943,000 was paid during the year (30 June 2013: US$ Nil).

The Group has a Development Management Services Agreement with a development management company named Headland Developments Limited ("Headland"). Headland is part-owned by Thomas Ashworth 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 19.

All intercompany loans and related interest are eliminated on consolidation.

19. MATERIAL CONTRACTS

Management fee

Under the terms of an appointment made by the Board of Directors of Macau Property Opportunities Fund Limited on 23 May 2006, Sniper Capital Limited was appointed as Manager to the Group. The Manager is paid quarterly in advance, a fee of 2.0% of the Net Asset Value, as adjusted to reflect the Property Investment Valuation Basis. Management fees paid for the year were US$8,080,000 (2013: US$6,301,000) with US$ nil outstanding as at 30 June 2014 (2013: US$ nil).

Performance fee

In addition, the Manager is entitled to a performance fee in certain circumstances. This fee is 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 is a period of one financial year.

Payment of the performance fee is 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"); and

(ii) the achievement of a 'high watermark': 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.

If the Basic Performance Hurdle is met, and the high watermark 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 watermark (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).

In the year ended 30 June 2014, a performance fee of US$23,964,000 was accrued (2013: US$10,938,000) by the Group. In the year ended 30 June 2014, a performance fee of US$10,943,000 was paid (2013: US$ nil) by the Group. This performance fee is based on the basic performance hurdle.

At the Extraordinary General Meeting held on 7 April 2014, the shareholders agreed to amend the management agreement to remove the super performance fee as the Directors believe that the Manager is appropriately incentivised by the basic performance fee. The super performance fee would have came into affect if the Adjusted NAV per Ordinary Share was higher than the original Placing Price increased at a rate of 25% per annum on a compounding basis up to the end of the relevant performance period.

The Manager's appointment as Investment Adviser 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 3 months (or 6 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.

19. MATERIAL CONTRACTS (CONTINUED)

Development Management Services Agreement

A Development Management Services Agreement dated 1 June 2010 was entered into between the Group and Headland Developments Limited ("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$280,000 (HK$2,169,000) (2013: US$702,000 (HK$5,446,000)) were capitalised in investment property and US$465,000 (HK$3,600,000) (2013: US$760,000 (HK$5,898,000)) were capitalised in inventories. As at 30 June 2014 US$28,504 (2013: US$386,927) was outstanding.

20. INTEREST RATE SWAPS

During the year the Group paid net interest to the bank of US$1,031,000 (2013: US$866,000) as shown in financing expenses on the consolidated statement of comprehensive income.

The swaps are treated as net financial liabilities at fair value through profit or loss with a year-end value of US$660,000 (2013: US$755,000). For the year ended 30 June 2014, a fair value gain of US$95,000 (2013: US$1,677,000) arising from the net interest rate swaps has been recognised in the consolidated statement of comprehensive income.

There are no changes in the counterparty credit risk during the period.

Standard Chartered Bank

The Group has entered into five interest rate swaps with Standard Chartered Bank to mitigate risks associated with the variability of cash flows arising from interest rate fluctuations.

The total notional amount for the interest rate swaps is HK$500 million, being a notional amount of HK$100 million for each swap. The tenor of each swap is five years, with the earliest maturity date being 6 August 2015 and the latest being 20 May 2016.

Under these swaps, the Group would receive quarterly interest at variable rates of three-month HIBOR and pay quarterly interest at fixed rates ranging from 1.395% to 2.09% per annum.

The Group has placed HK$10,725,000 (US$1,384,000) (2013: HK$17,375,000 (US$2,240,000)) with Standard Chartered Bank as a pledged deposit to secure the interest rate swap facilities.

Hang Seng Bank

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

The notional amount for the interest rate swap is HK$250 million, the tenor of the swap is five years with maturity date of 19 March 2018. Under this swap, the Group receives quarterly interest at variable rates of three-month HIBOR and pays quarterly interest at fixed rate of 1% per annum.

Notes to the Consolidated Financial Statements (Continued)

21. DEPOSITS WITH LENDERS

Pledged bank balances represents deposits pledged to the banks to secure the banking facilities and interest rate swaps granted to the Group. Deposits amounting to US$2.7 million (2013: US$4.9 million) have been pledged to secure long-term banking facilities and interest rate swaps and are, therefore, classified as non-current assets. There are no other significant terms and conditions associated with these pledged bank balances.

	2014 US$'000	2013 US$'000
Pledged for loan covenants	**1,272**	2,659
Pledged for interest rate swaps	**1,384**	2,240
	2,656	4,899

22. COMMITMENTS AND CONTINGENCIES

As at 30 June 2014, the Group had agreed construction contracts with third parties and is consequently committed to future capital expenditure in respect of inventories and investment property under construction of US$1.7 million (2013: US$4.6 million).

23. AUDITORS' REMUNERATION

All fees payable to the auditors relate to audit services and interim review fees. During the current year, US$12,000 (2013: US$ nil) was paid for a Foreign Account Tax Compliance Act (FATCA) memorandum to Ernst &Young LLP.

Audit fees were broken down as follows:

	2014 US$'000	2013 US$'000
Ernst & Young LLP Group audit	**112**	74
Ernst & Young LLP Group interim review (non-audit)	**32**	22
Non Ernst & Young LLP Subsidiary auditors' remuneration	**18**	19
	162	115

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 2014 are as follows:

	2014 US$'000	2013 US$'000
RESIDENTIAL		
Within 1 year	**2,394**	2,876
After 1 year, but not more than 5 years	**98**	76
	2,492	2,952
COMMERCIAL		
Within 1 year	**-**	125
After 1 year, but not more than 5 years	**-**	266
	-	391
Total future rental income	**2,492**	3,343

The majority of leases involve tenancy agreements with a term of 12 months.

25. PROVISION

	2014 US$'000	2013 US$'000
Macau tax authorities provision	**1,343**	-
	1,343	-

As at 30 June 2014 and following initial correspondence with the Macau tax authorities during the year, a provision of US$1,343,000 (2013: US$ Nil) was made for potential additional stamp duty and related costs due in relation to *The Waterside*. The Group anticipates that this provision will be paid to the Macau tax authorities in the next two to three years. The Group is unlikely to be reimbursed for this provision (The stamp duty expenditure relating to the purchase of *The Waterside* has been capitalised during the year, see Note 6).

26. SUBSEQUENT EVENTS

On 5 September 2014, a top up loan on the One Central facility of HK$100 million (US$13 million) with Hang Seng Bank was executed. The tenor of the loan is 6 years until 19 September 2020. Interest will be charged at 2.35% per annum over the one, two or three month HIBOR rate, the choice of the rate is at the Group's discretion. In addition, early prepayment covenant for sales proceeds out of the individual One Central Residences units was removed, subject to maintaining a loan-to-value ratio of not more than 50% on the facility. As a result HK$132 million (US$17 million) of previously pledged cash was released to the Group.

After the year-end a further 2,431,036 shares were repurchased at an average price of 247.8p and cancelled.

There were no other significant events occurring after the reporting date of the Annual Report for the year ended 30 June 2014.

Notice of Annual General Meeting

NOTICE is hereby given that the Annual General Meeting of Macau Property Opportunities Fund Limited is to be held at Lefebvre Place, Lefebvre Street, St Peter Port, Guernsey, on Wednesday, 12 November 2014 at 3pm for the transaction of the following business:

Ordinary Business

The Company's Accounts, the Directors' Report and the Auditor's Report for the year ended 30 June 2014 will be laid before the meeting and the following resolutions will be proposed as ordinary resolutions:

1. To receive and adopt the audited accounts, the Directors' Report, and the Auditors' Report for the year ended 30 June 2014.

2. To approve the Directors' Remuneration Report for the year ended 30 June 2014.

3. To appoint Ernst & Young LLP, who have indicated their willingness to act, as auditors of the Company to hold office until the next Annual General Meeting.

4. To authorise the Directors to determine the remuneration of Ernst & Young LLP.

5. To re-appoint Chris Russell, who retires as a Director of the Company, in accordance with the Company's Articles of Incorporation.

6. To re-appoint Wilfred Woo, who retires as a Director of the Company, in accordance with the Company's Articles of Incorporation.

7. To re-appoint Thomas Ashworth, who retires as a Director of the Company pursuant to the UKLA Listing Rules, in accordance with the Company's Articles of Incorporation.

Special Business

The following resolutions will be proposed as special resolutions

8. THAT the Company in accordance with Section 315 of The Companies (Guernsey) Law, 2008 (as amended) (the "**Law**") be approved to make market acquisitions (as defined in Section 316 of the Law) of its own shares either for retention as treasury shares or for cancellation, provided that:

   i) the maximum number of shares authorised to be purchased is up to 14.99 percent of the shares in issue immediately following the passing of this resolution;

   ii) the minimum price which may be paid for a share is £0.01;

   iii) the maximum price which may be paid for a share is an amount equal to the higher of (a)105 percent of the average of the middle market quotations for a share as derived from the London Stock Exchange Daily Official List for the five business days immediately preceding the day on which that share is purchased and (b) either the higher of the price of the last independent trade and the highest current independent bid at the time of purchase;

   iv) subject to paragraph (v), such authority shall expire at the next Annual General Meeting of the Company unless such authority is varied, revoked or renewed prior to such date by a special resolution of the Company in general meeting;

   v) notwithstanding paragraph (iv), the Company may make a contract to purchase shares under such authority prior to its expiry which will or may be executed wholly or partly after its expiration and the Company may make a purchase of shares pursuant to any such contract.

9. THAT the Directors be and they are hereby empowered to allot Ordinary Shares wholly for cash and/or to sell Ordinary Shares from Treasury wholly for cash as if the pre-emption rights contained in Article 4.3 of the Company's Articles of Incorporation did not apply to any such allotment, provided that:

   i) this power shall be limited to the allotment or sale of up to 10% of the Company's issued share capital;

   ii) this power shall expire at the conclusion of the next Annual General Meeting of the Company; and

   iii) the Company may before such expiry make an offer which would or might require Ordinary Shares to be allotted or sold after such expiry and the Directors may allot or sell Ordinary Shares in pursuance of such offer.

HERITAGE INTERNATIONAL FUND MANAGERS LIMITED

Company Secretary
19 September 2014
Heritage Hall
Le Marchant Street
St Peter Port
Guernsey

Notice of Annual General Meeting (Continued)

NOTES TO THE NOTICE OF THE ANNUAL GENERAL MEETING:

1. A member is entitled to attend and vote at the Meeting provided that all calls due from him in respect of his shares have been paid. A member is also entitled to appoint one or more proxies to attend and, on a poll, vote instead of him. The proxy need not be a member of the Company.

2. Pursuant to article 16.7 of the Company's Articles of Incorporation, a resolution put to the vote shall be decided on a show of hands or by a poll at the option of the Chairman.

3. A form of proxy is enclosed with this notice. To be effective, the instrument appointing a proxy (together with any power of attorney or other authority under which it is executed or a duly certified copy of such power) must be sent to Capita Registrars, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU, no later than 3pm on Monday, 10 November 2014, or not less than 48 hours before the time for holding any adjourned meeting, as the case may be. A corporation may execute a proxy under its common seal or by the hand of a duly authorised officer or other agent. Completion and return of the form of proxy will not preclude shareholders from attending and voting in person at the meeting.

4. The quorum for the Meeting is at least two shareholders present in person or by proxy.

5. Resolutions 1, 2, 3, 4, 5, 6 and 7 are proposed as ordinary resolutions and will be passed by a simple majority of the votes recorded, including, where there is a poll, any votes cast by proxy. Resolutions 8 and 9 are proposed as extraordinary resolutions and will be passed by a majority of not less than three quarters of the votes recorded, including, where there is a poll, any votes cast by proxy.

6. In accordance with the Regulation 41 of the Uncertificated Securities Regulations 2001 and Article 17.5 of the Company's Articles of Incorporation, only those members entered in the Register of Members of the Company at close of business on Monday, 10 November 2014 shall be entitled to attend or vote at the Meeting in respect of the number of shares registered in their name at that time. Changes to entries on the Register of Members after that time shall be disregarded in determining the rights of any person to attend or vote at the Meeting.

7. The Register of Directors' Interests kept by the Company shall be available for inspection at the Registered Office of the Company by any member between the hours of 10.00 am and 12.00 noon on any business day for a period of 14 days before and ending 3 days after the Annual General Meeting. The Register of Directors' Interests shall be produced at the commencement of the Annual General Meeting and shall remain open and accessible during the continuance of the Annual General Meeting to any person attending such meeting.

EXPLANATORY NOTE

Directors' remuneration report – resolution 2

It is a requirement of Listing Rule 9.8.6 R (7) that all quoted companies produce a board-approved report on directors' remuneration in respect of each financial year. This report is set out in the Annual Report and Accounts. An ordinary resolution will be put to shareholders seeking approval of the remuneration report.

Authority to Buy-Back shares – resolution 8

This resolution renews the share buy-back authority that was given by shareholders at the Annual General Meeting held on 6 November 2013. Resolution 8 gives the Directors authority to make market purchases of the Company's own shares, up to 14.99 per cent of the Company's issued share capital (as at the time immediately following the passing of the resolution) and subject to minimum and maximum purchase prices. This authority will only be invoked if, after taking proper advice, the Directors consider that benefits will accrue to shareholders generally.

Dis-application of pre-emption rights – resolution 9

The passing of resolution 9 will grant the Company authority to dis-apply pre-emption rights in respect of up to 8,141,500 shares, which is equal to 10 per cent of the Company's issued share capital. This would allow the Company the flexibility to issue further shares for cash without conducting a rights issue or other pre-emptive offer. In accordance with, Listing Rule 15.4.11, the Company will not issue new shares, or sell shares from treasury, for cash on a non-pre-emptive basis at a price below NAV per share without shareholder approval.

Directors and Company Information

DIRECTORS:
David Hinde (Chairman)
Thomas Ashworth
Alan Clifton
Wilfred Woo
Chris Russell

AUDIT COMMITTEE:
Alan Clifton (Chairman)
Wilfred Woo
Chris Russell

MANAGEMENT ENGAGEMENT COMMITTEE:
David Hinde (Chairman)
Alan Clifton
Wilfred Woo
Chris Russell

NOMINATION AND REMUNERATION COMMITTEE:
Alan Clifton (Chairman)
Thomas Ashworth
Wilfred Woo
Chris Russell
David Hinde

MANAGER:
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MACAU AND HONG KONG ADMINISTRATOR:
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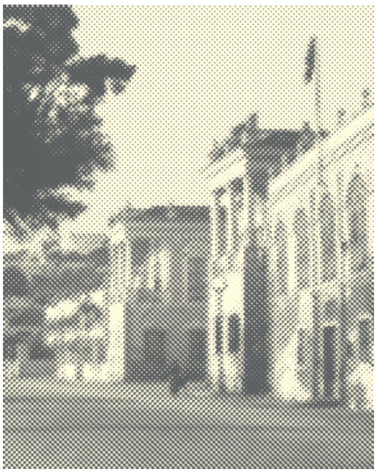
Macau Property Opportunities Fund



Built in 1849 along Avenida da Praia Grande, the Palácio do Governo (Government Palace) houses the present-day office of the Chief Executive of Macau.