The Future in Focus
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, the current value of MPOF’s portfolio is close to US$400 million.
The Waterside
Occupancy at above 40%
On the back of proactive leasing initiatives

The Fountainside
15 units available for sale
Marketing campaign continues

Estrada da Penha
Embarked on a divestment strategy
Focus on achieving an optimal sale price

Senado Square
Urban Condition Plan granted
Preparation works in progress for the next phase

MPOF marks its 10th year of fund life

Portfolio Valuation
US$393.7 million
-15% over the year

Share Price as at 30 June 2016
105 pence
-49.8% over the year

Financial Calendar (subject to changes without prior notice)

SEP 16
Announcement of full year results ended 30 June 2016
Annual Investor Roadshow

OCT 16
Annual Report and Accounts 2016 published

NOV 16
Annual General Meeting
Net Asset Value Update (30 Sep 2016)

DEC 16
2017 Financial Half-Year

JAN 17
Bi-annual Investor Update

FEB 17
Net Asset Value Update (31 Dec 2016)
Announcement of half-yearly results ending 31 Dec 2016

MAR 17
Interim Report and Accounts 2017 published

MAY 17
Net Asset Value Update (31 Mar 2017)

JUN 17
2017 Financial Year End

JUL 17
Bi-annual Investor Update

AUG 17
Net Asset Value Update (30 Jun 2017)

SEP 17
Announcement of full year results ending 30 Jun 2017

Key Highlights

Adjusted NAV Per Share
US$2.96 (223 pence)
-25.1% over the year

Financial Calendar

Key Highlights & Financial Calendar
### 2006

**JUN**
- Listed on AIM of London Stock Exchange.

**OCT**
- Maiden land acquisition. Residential site planned for *The Fountainside*.

**NOV**
- Acquired Tower 6 (*The Waterside*) of One Central Residences.
- Acquired residential redevelopment site at Rua do Laboratório.

### 2007

**OCT**
- Acquired Senado Square site, for redevelopment into a retail mall.
- Acquired several high-end residential units in One Central Residences.

**DEC**
- Acquired *The Green House* located in Penha Hill district.

### 2008

**AUG**
- Acquired a residential property worth US$3.5 million.

**SEP**
- Maiden investment into the logistic sector.
- Acquired APAC Logistics Centre and *Cove Residence* in Zhuhai.

### 2009

**SEP**
- Took ownership of *The Waterside*.

### 2010

**JUN**
- Listed on the Main Market of London Stock Exchange.

**SEP**
- Ground-breaking for *The Fountainside*.

### 2011

**FEB**
- Divested Rua do Laboratório site, achieved IRR of 15%.
- Sold 40% of the units in *The Fountainside* during pre-launch.

**MAY**
- First opportunistic share buyback worth US$2 million.

**JUL**
- Dividend paid out of US$0.27 (6.76p) per share.

**DEC**
- US$1.4 million worth of shares repurchased during the year.

### 2012

**APR**
- Acquired *Sky House*, a penthouse in One Central Residences.

**DEC**
- US$13.2 million worth of shares repurchased during the year.

### 2013

**MAR**
- Divested *Sky House*, achieved IRR of 96%.

**AUG**
- Divested APAC Logistics Centre and *Cove Residence*, achieved IRR of 23%.

**DEC**
- US$10.9 million worth of shares repurchased during the year.

### 2014

**APR**
- Dividend paid out of US$0.35 (21.1p) per share.

**JUN**
- Inclusion into FTSE All-Share and FTSE SmallCap indices.

**JUL**
- Share price surged c. 80% to reach 269p.

**OCT**
- Acquired the villa adjoining *The Green House*.

**DEC**
- US$19.7 million worth of shares repurchased during the year.

### 2015

**MAR**
- Divested *Sky House* with the adjoining villa to become Estrada da Penha.

**OCT**
- A carpark lot at *The Fountainside* sold for a record price of US$801,000.

**DEC**
- US$4.1 million worth of shares repurchased during the year.

### 2016

**MAY**
- Senado Square project granted Urban Condition Plan.
June 2016 marked the 10th anniversary of your Company’s IPO. On behalf of the Board, I wish to extend our gratitude to all shareholders for your continued confidence and support.

MPOF’s portfolio has registered a drop in value for the second consecutive year – a consequence of the continued decline in Macau’s gaming revenue and its slowing economy, largely attributable to China’s anti-corruption campaign.

However, the Fund posted its first quarter-on-quarter Adjusted NAV growth, of 0.3% in Q2 2016, after almost 2 years of declines.

Investors continue to look for an end to the decline in gaming revenues and, encouragingly, Sands – the largest casino operator in the territory – has revealed that June was the first month in two years in which its mass-market gaming revenue grew.

One swallow does not make a summer, and the VIP gaming sector remains volatile. We nevertheless look to the next few months, following the recent opening of two new casino resorts, for confirmation of a change in the gaming revenue trend.

Financial Performance
For the year in review, MPOF’s portfolio of properties was valued at US$391.7 million, 15% lower than the previous year. Adjusted NAV was US$226.3 million, translating to US$2.96 (223 pence) per share.

IFRS NAV declined 30% to US$80.6 million, with an IFRS NAV per share of US$1.40 (105 pence).

Total borrowings stood at US$164.5 million, translating to a loan-to-value ratio of 40%.

MPOF’s closing share price on 30 June 2016 reflected a 53% discount to Adjusted NAV per share – a level deemed unacceptable by the Board and one which we seek to address by continuing to return funds in excess of operating needs to shareholders when opportunities arise.

Since our listing in June 2006, a total of some US$122.2 million (£75.5 million) has been utilised for share repurchases and shareholder distributions.

Optimising Shareholder Value
During this downturn, we have continued to focus on strengthening the position of our properties as distinct, desirable developments, ensuring that our assets continue to meet the increasingly sophisticated demands of buyers and tenants.
To maintain The Waterside’s position as Macau’s pre-eminent residential development for lease, we are carrying out extensive asset enhancement initiatives to the development, starting with the untenanted units. In an extremely sluggish leasing market, The Waterside achieved an occupancy rate of above 40%, relatively unchanged since the last full-year reporting period.

We embarked on numerous marketing activities to maintain awareness of The Fountainside, in anticipation of an eventual recovery in demand. Sale prices have also been adjusted to ensure that the property remains competitive but sales in the mid and high-end property segments were difficult to achieve during the period.

Since undergoing enhancement work a year ago, Estrada da Penha has attracted significant attention. We remain focused on achieving an optimal sale price for this prominent, premium property.

The Urban Condition Plan for Senado Square was finally granted in May. This is a major milestone on what has been a lengthy project, and we are continuing to work closely with the relevant authorities to achieve full planning approval.

Positive Long Term Outlook
A recovery in property market values, albeit a gradual, cautious one, may now be in sight. Lower-value property transaction volumes have recovered, with some improvement in prices. The pace of Macau’s economic slowdown is easing and the gaming industry, the driver of the city’s economy, has been showing signs of stabilising.

The completion of infrastructure projects in the next few years, including the Hong Kong-Zhuhai-Macau bridge, will integrate Macau with neighbouring cities in the Greater Pearl River Delta region.

The progressive opening of new mega-resorts in the next two years will help to support full employment and wage growth. The Macau Tourism Industry Development Master Plan aims to boost visitor arrivals to 40 million yearly by 2021 and generate non-gaming revenues to double from US$6.4 billion last year to US$12.8 billion yearly by 2025.

The pace of Macau’s economic slowdown is easing and the gaming industry, the driver of the city’s economy, has been showing signs of stabilising.

Continuation of Fund Life
An AGM and a discontinuation vote will be held in November, following presentation of the Board’s recommendations to shareholders. These will include extending the Fund’s life for another 2 years from November 2016. Thereafter, it is proposed that a 1-year extension be voted on annually, with the voting threshold reduced from 75% to 50% from 2018 onwards.

Finally, any performance fees due to the Manager of the Fund will, from this November, be payable only upon the successful disposal of assets and the return of funds to shareholders, as well as after the performance hurdle and high water mark have been exceeded.

In Conclusion
The Company has been operating in an extremely challenging market during the past couple of years. Nevertheless, we remain optimistic that Macau will overcome its current economic difficulties, given its strong underlying fundamentals.

We will continue to strive to optimise shareholder value through proactive asset management and asset enhancement initiatives and, when circumstances allow, the timely disposal of our assets.

Chris Russell
Chairman
Macau Property Opportunities Fund Limited
20 September 2016
Chris Russell
Chairman
Chris Russell is Chairman of F&C Commercial Property Trust Ltd 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, heading up its operations in the US and Japan. Before joining Gartmore, he was a holding board director at the Jardine Fleming Group in Hong Kong. Mr Russell is a Chartered Accountant and a Fellow of the UK Society of Investment Professionals. Mr Russell is a Guernsey resident.

Thomas Ashworth
Non-Executive Director
Thomas Ashworth has 30 years of experience in finance and investment management. He began his career at HSBC Group in London before relocating to Asia in 1995, where he worked for a number of global investment banks. From 2000, he established a number of entrepreneurial ventures in the finance and alternative investment sectors. Encouraged by the potential of Macau’s long-term demographics and deeply undervalued real estate market, he identified numerous early-stage property investment opportunities in the territory, which led him to co-found Sniper Capital Limited, the investment manager for MPOF, in 2006. Mr Ashworth is a British national and permanent resident of Macau.

Alan Clifton
Non-Executive Director
Alan Clifton began his career at stockbroker Kitcat & Aitken, first as an analyst, later becoming a Partner and then a Managing Partner prior to the firm’s acquisition by Royal Bank of Canada. He was subsequently invited to take up the role of Managing Director at Morley Fund Management, the asset management arm of Aviva plc, the UK’s largest insurance group. He is currently Chairman of JPMorgan Japanese Smaller Companies Trust plc and International Biotechnology Trust plc, and a Director of several other investment companies. Mr Clifton is a UK resident.

Wilfred Woo
Non-Executive Director
Wilfred Woo is a qualified chartered accountant who joined Coopers & Lybrand as an auditor in 1982 before becoming Chief Financial Officer at Abbey Woods Development, a real estate company listed on the Toronto Stock Exchange, in 1990. He has since spent more than 25 years with the Kauk Group, notably with Kerry Properties Limited and Shangri-La Asia Limited. He currently holds senior management and board positions at Shangri-La-linked companies as well as a Kerry Properties-linked company listed on the Philippine Stock Exchange. Mr Woo is a Canadian citizen.
Regional Geography
Greater Pearl River Delta Region

Intercity railway network is the main transportation system connecting the cities in the Greater PRD region.

Source: Sniper Capital Research
<table>
<thead>
<tr>
<th>Property</th>
<th>Sector</th>
<th>Type</th>
<th>Current Status</th>
<th>No. of Units</th>
<th>Commitment US$ million</th>
<th>Gross Floor Area Square feet</th>
<th>Acquisition Cost US$ million</th>
<th>Project Dev. Cost US$ million</th>
<th>Uplift Based on market value</th>
<th>Project Composition Based on market value</th>
<th>Market Valuation US$ million</th>
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<tr>
<td>The Waterside</td>
<td>Luxury</td>
<td>Investment</td>
<td>Leasing and asset management</td>
<td>99</td>
<td>148,000</td>
<td>88</td>
<td>11</td>
<td>15.3%</td>
<td>130.0%</td>
<td>22.5%</td>
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<tr>
<td>One Central Residences</td>
<td>Luxury</td>
<td>Investment</td>
<td>Leasing and asset management</td>
<td>4</td>
<td>3,600</td>
<td>10</td>
<td>N.A.</td>
<td>15%</td>
<td>31.0%</td>
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<td>The Fountainside</td>
<td>Low-density residential</td>
<td>Redevelopment</td>
<td>Sales phase</td>
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<td>72,000</td>
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<td>Redevelopment</td>
<td>Planning</td>
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<td>Smaller Property</td>
<td>Residential</td>
<td>Investment</td>
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<td>N.A.</td>
<td>N.A.</td>
<td>0.1%</td>
<td>0.4</td>
<td></td>
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</table>

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

** Information listed are inclusive of the 27 sold units, except for Uplift, Project Composition and Market Valuation.

Total: 207

<table>
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<tr>
<th>Total</th>
<th>Total</th>
<th>Total</th>
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<td>339,130</td>
<td>148.4</td>
<td>58</td>
<td>-15.1%</td>
<td>171.0%</td>
<td>100%</td>
<td>393.7</td>
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Over the year | Since acquisition |
Manager’s Report
Financial Review

Financial Review

Macau’s real estate market is showing signs of stabilisation after two years of declining property prices. Although we are mindful of not becoming too optimistic at this stage, there are reasons to believe that a gradual but modest recovery will unfold over the coming year.

Financial Results

The value of MPOF’s portfolio as at 30 June 2016 was US$393.7 million, a 15% decline from the US$463.7 million reported a year ago. Adjusted NAV as at 30 June 2016 slid 25.5% year-on-year to US$226.3 million, equating to US$2.96 (223 pence) per share. IFRS NAV also fell 31% to US$106.6 million, or US$1.40 (105 pence) per share.

The Company’s share price as at 30 June 2016 was 105 pence, a decline of 49.8% over the year. The share price discount to Adjusted NAV per share has widened to 53%, reflecting continued poor sentiment towards Macau’s real estate sector.

As at the end of the financial year, a total of 1.1 million shares worth £1.94 million (US$3.02 million) had been repurchased and cancelled at an average price of 176.6 pence (US$2.74). This represents an average discount of 30% to Adjusted NAV per share. The total number of shares issued currently stands at 76,432,964.

Capital Management

The Company continues to take a cautious approach towards capital management. MPOF’s cash flow and working capital are closely monitored to ensure the Company’s short- to medium-term commitments can continue to be met.

As at 30 June 2016, MPOF held a cash balance of US$14.9 million, of which US$2.1 million was pledged as collateral for its credit facilities. The Company’s total assets and total liabilities stood at US$290.1 million and US$183.4 million, respectively.

During the period, the Company refinanced its loan facility against its properties at One Central Residences with a new five-year term loan of US$36.4 million. Bank borrowings stood at US$164.5 million as at 30 June 2016, translating to a loan-to-value ratio of 40%, an increase of 6 percentage points from the same period last year.

Debt Allocation by Assets

Based on information as at 30 June 2016.

FINANCIAL REVIEW

Based on information as at 30 June 2016.
THE WATERSIDE

A landmark residence located by the waterfront in downtown Macau, The Waterside at One Central Residences, offers breathtaking, panoramic views of the territory’s cityscape and Nam Van lake.

This luxury development offers 59 exclusive apartments for lease – consisting of a combination of stylish standard apartments and a special collection of premium suites, located on high floors, all with designer furniture and fittings.

Performance
Leasing activity for the mid to high-end residential segment continued to face headwinds amid a difficult market environment. Despite the challenging conditions, The Waterside maintained a stable occupancy level of around 44% as at 30 June 2016, unchanged from a year earlier.

During the period, we made progress in attracting a more diversified tenant mix to The Waterside, with 73% of residents working in non-gaming industries.

Current market conditions have posed a considerable challenge to the leasing team, as both existing and potential tenants have been very much guided by market sentiment and have remained extremely cost-conscious. These factors led to a fall in rental rates over the year, as tenants lowered their budgets and negotiated for cheaper rents.

As at 30 June 2016, the average rental at The Waterside was HK$19.72 (US$2.53) per square foot per month, a decline of 16% year-on-year. 17 new leases were successfully secured during the financial year, at an average rental rate of HK$16.69 (US$2.14) per square foot per month.

We seek continuously to strengthen the position of The Waterside and its value through our ongoing asset enhancement programme. To date, 32 units have undergone refurbishment and another 8 units will have been refurbished by the end of 2016. We believe that this initiative, worth approximately HK$15 million (US$1.9 million), is critical to attracting new tenants and retaining existing ones.

Exit Strategy
We remain committed to improving the occupancy level at The Waterside, maximising rental growth and creating value through asset enhancement initiatives. These are key to unlocking the true value of the development, which we will ultimately seek to realise by way of an en-bloc sale.

Other Units at One Central Residences
The Company will continue its opportunistic disposal strategy for its remaining four apartments at One Central Residences. These units do not constitute part of The Waterside.
Inspired by the famous fountain on Lilau Square, The Fountainside offers contemporary living in Macau’s heritage-rich Penha Hill district.

The Fountainside comprises a total of 38 apartments, 4 villas and 47 vehicle parking lots.

Performance
We continue to focus on marketing campaign efforts for The Fountainside to maintain a high awareness level for the development.

As at the end of the financial year, 27 residential units and 9 parking lots had been sold for a combined value of HK$224.5 million (US$28.9 million). The last sold unit was handed over to the Buyer in August, with the receipt of HK$78 million (US$10 million) as final payment.

In response to current market conditions, the average selling price for the remaining units has been adjusted downwards. There are currently 15 residential units, including 4 villas, and 34 parking lots available for sale. We anticipate a pick-up in sales activity once the economy improves.

Exit Strategy
We aim to maximise exit value by marketing the available units to high-net-worth individuals, families and investors seeking top quality residences boasting first-class amenities.
Located amid lush greenery atop the prestigious Penha Hill, Estrada da Penha looks out to the magnificent South China Sea.

Senado Square is strategically located in the UNESCO-listed heritage district of downtown Macau.

Estrada da Penha is one of the very few detached houses in Macau. Its distinctive green facade and colonial style is a stunning example of Portuguese-Macanese architectural design. The prominence of the property is further increased by its elevated site, atop the prestigious Penha Hill.

The villa comprises 3 levels and 2 basements, together yielding a combined internal gross floor area of approximately 12,000 square feet. In addition, it has private patios and a sheltered car porch.

Exit Strategy
In line with the Company’s investment strategy, we will continue to promote the asset and divest it at an opportune time to maximise exit value.

MPOF’s flagship retail development, Senado Square, is strategically located in the UNESCO-listed heritage district of downtown Macau. The precinct is Macau’s most vibrant city square, where historic monuments and architecture sit side by side with modern retail facilities.

We have made progress towards making this retail development project a reality. The Land, Public Works and Transport Bureau has granted the Urban Condition Plan – an official document that stipulates the approved redevelopment parameters for a development, and which is a precursor for the submission of architectural drawings – for the site. The architectural concept plan was subsequently finalised and submitted in July and we hope to receive an endorsement from the government in the first quarter of 2017.

Meanwhile, we have embarked on the process of shortlisting consultants to work on the submission of the detailed plan, which is the final submission before construction work commences.

Exit Strategy
We will continue to work closely with the relevant authorities to ensure that the process of obtaining the necessary approvals and permits runs smoothly. An asset disposal strategy will be considered upon the receipt of the approvals.
Manager's Report
Macroeconomic

Tourism
Projected growth up to 2025

- Visitor Arrivals
  - Top 3 Regions
    - Mainland China: 67%
    - Hong Kong: 21%
    - Taiwan: 3%
  - 40 million
- Hotel Rooms
  - 32,070 (Jun 2016)
  - 51,500
- Hotel Occupancy
  - 81%
  - 86%
- More than Australia’s population.

Gaming
Shifting focus from gaming to becoming a world-class tourism and leisure hub

- Gross Gaming Revenue
  - US$46 billion (Aug 2016)
  - 4× more than Las Vegas

Economics
Sound fundamentals

- GDP
  - US$46 billion
- Rising Population
  - 752,000
  - (Jun 2016)
- Low Unemployment
  - 1.9%

Infrastructure

- Hong Kong-Zhuhai-Macau Bridge
  - The 46km-long bridge will be one of the longest bridges (above water) in the world.
- Light Rapid Transit
  - Stations are in proximity to integrated resorts and places of interest.
- Pac On Ferry Terminal
  - Macau’s largest ferry terminal will bring mass-market tourists directly to Cotai resorts.

Gaming
Non-gaming highlights

- Wynn Palace
  - 1,700 hotel rooms
  - SkyCabs traversing an 8-acre performance lake.
- MGM Cotai
  - 1,500 hotel rooms
  - Asia’s first dynamic theatre and a “Spectacle Show” using 23 LED walls.
- The Parisian
  - 3,000 hotel rooms
  - A 162-metre Eiffel Tower replica.
- Grand Lisboa Palace
  - Non-gaming highlights
  - 2,000 hotel rooms

Manager’s Report
Manager’s Report
Manager’s Report
Manager’s Report
MACROECONOMIC OUTLOOK

Macau's economy continues to adjust amid a weak performance in the gaming sector, exacerbated by an ongoing anti-graft campaign spearheaded by China's central government. The gaming industry is, however, showing signs of stabilising, with the mass-gaming segment continuing to deliver steady growth.

Following the opening of the much anticipated new casino resorts, Wynn Palace and The Parisian, which will be followed by two more casino resort openings in 2017/early 2018, we believe the increased number of hotel rooms and the large scale of non-gaming offerings will further enhance Macau's position as a world-class tourism and leisure hub. The development of new, integrated resorts has been well-timed to tap the rapid emergence of the middle class in China, whose numbers are forecast to exceed 400 million by 2020.

Gaming – An Improved Business Model

The Chinese government's anti-graft campaign has been in place for almost two years. Determined to make a success of it, the central government and Macau's authorities have pledged to step up efforts to supervise the gaming industry more closely. Newly introduced regulations include a revision to the rules on anti-money laundering procedures and a ban on proxy betting in casinos. A regulation to raise the entry threshold for junket operators has also been proposed.

These measures may hinder a recovery in the VIP gaming segment but mass-market gaming continues to grow steadily in importance. According to Macau's statistics department, mass-market gaming now accounts for 49% of total gaming revenues, up from 26% 5 years ago. This is an encouraging sign that the gaming industry is transforming and is less reliant on high-rolling, VIP gamblers.

Five-year Master Plan – Moving Towards Sustainability

Macau has, for the first time, unveiled a five-year plan in conjunction with China's five-year economic and social development blueprint to reduce its reliance on the gaming industry. The proposed plan includes measures to reposition the city as a world-class tourism centre, accelerate the completion of infrastructure developments and increase non-gaming income to at least 9% of the total revenues generated by casino operators.

According to the proposed Macau Tourism Industry Development Master Plan, the territory aims to increase visitor arrivals to 40 million yearly and double tourism revenues to US$14 billion annually by 2025. To support such vast numbers of visitors, the authorities plan to develop and diversify tourism products focusing mainly on heritage sites, which are currently underutilised.

Infrastructure – Catalyst for Economic Growth

Major infrastructure projects have come under increased scrutiny amid further delays in their development progress. The authorities are working hard to complete the construction of the Hong Kong-Zhuhai-Macau bridge by 2018. Once completed, it is expected that the resulting “golden tourism triangle” will open the floodgates for a range of leisure and business opportunities among the three cities.

The Taipa section of Macau’s light rail transit system is likely to begin operating only in 2019. When completed, connectivity and footfall are expected to increase along the Cotai Strip, which is home to a proliferation of new, integrated resorts located near train stations.

Risk and Uncertainties

Credit rating agency Moody's Investors Service recently downgraded Macau's rating from Aa2 to Aa3 due to lower economic growth and a limited policy response to falling gaming revenues.

Although a slew of government measures are being implemented to diversify Macau’s economy, they are centred primarily around gaming and tourism, resulting in volatile economic growth that is vulnerable to changes in external demand.

With Macau experiencing almost full employment, a labour shortage could pose a challenge to the new, integrated resorts that are continuing to open.

As Macau's currency is indirectly pegged to the US dollar, a weaker Chinese yuan is likely to have repercussions for the city's gaming and tourism industries because mainland Chinese account for approximately 64% of all visitors to the territory.
Manager’s Report
Property Market Overview

Residential Transactions
Number of sales rebounded in Q2 2016

Demand and Supply
Strong demand from locals

- Local Buyers: 99% of residential transactions (Jun 2016)
- Supply: 16,540 (2016 to 2020)
  - High-end: 4,838
  - Mid to low-end: 11,702

Housing Affordability
A result of rising median income

Increase in Median Income
- Demand for local hires from new integrated resorts
- Income growth supported by a tight labour market

- Income growth supported by a tight labour market.

Source: DSEC / Sniper Capital Research

* Refers to median of monthly employment earnings (MOP) / average price of residential units (MOP per sq ft).

Manager’s Report
Property Market Overview

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- Income growth supported by a tight labour market.

Source: DSEC / Sniper Capital Research

* Refers to median of monthly employment earnings (MOP) / average price of residential units (MOP per sq ft).
Macau’s real estate market has remained quiet for most of this year amid an uncertain economic environment. However, more recently, there has been a marked rebound in transaction volumes, which rose by 58% in the second quarter of 2016 compared to the same period last year.

Although average home prices had dipped 15% year-on-year to MOP7,285 (US$910) per square foot as at end of June, we expect prices to hold steady in the near term, in line with an anticipated stabilisation in gaming revenues.

Rising Population Drives Housing Demand
The government’s efforts to curb property purchases by foreign buyers through cooling measures such as the Buyer Stamp Duty, Special Stamp Duty and mortgage caps have continued to impact the market. These measures, designed to temper excessive investment and speculative activity, have significantly reduced the number of transactions involving foreigners. Foreign buyers now account for less than 2% of residential transactions, down from 10% in 2012.

This has resulted in more attractive values for local homebuyers, as capital values have dropped 40% since the last peak in 2014. Amid a growing population earning sound incomes, housing demand in Macau will be supported predominantly by local buyers.

Given that a number of new casino and hotel projects will be completed over the next two years, we anticipate that more foreign workers will enter Macau, which is likely to drive stronger demand in the leasing market and lend support to rental rates.

### Property Market Cooling Measures

<table>
<thead>
<tr>
<th>Property Prices</th>
<th>Macau Resident</th>
<th>Non-resident</th>
</tr>
</thead>
<tbody>
<tr>
<td>&lt; MOP3 million</td>
<td>70% (max. MOP2.1 million)</td>
<td>70% (max. MOP1.3 million)</td>
</tr>
<tr>
<td>MOP3 to ≤ 6 million</td>
<td>70% (max. MOP3.6 million)</td>
<td>60% (max. MOP2.1 million)</td>
</tr>
<tr>
<td>MOP6 to ≤ 8 million</td>
<td>60% (max. MOP4 million)</td>
<td>50% (max. MOP2.4 million)</td>
</tr>
<tr>
<td>&gt; MOP8 million</td>
<td>50%</td>
<td>40%</td>
</tr>
</tbody>
</table>

**Loan-to-value Ceilings for Pre-sale Residential Properties**

<table>
<thead>
<tr>
<th>Property Prices</th>
<th>Macau Resident</th>
<th>Non-resident</th>
</tr>
</thead>
<tbody>
<tr>
<td>&lt; MOP4 million</td>
<td>70% (max. MOP2.4 million)</td>
<td>50% (max. MOP2.4 million)</td>
</tr>
<tr>
<td>MOP4 to ≤ 8 million</td>
<td>60% (max. MOP5.2 million)</td>
<td>50% (max. MOP3.2 million)</td>
</tr>
<tr>
<td>&gt; MOP8 million</td>
<td>50%</td>
<td>40%</td>
</tr>
</tbody>
</table>

Source: Monetary Authority of Macao
Limited Housing Supply Over Next Five Years

According to real estate consultancy, JLL, 4,838 high-end residential units are expected to be completed between 2016 and 2020, equivalent to only 2% of total existing residential stock. It is expected that new housing supply to remain limited in the near term.

The city’s land concession policy, under which undeveloped land parcels will be reclaimed by the government and land contracts deemed invalid once they reach 25 years, could contribute to tight residential supply. To date, the government has listed 113 land contracts as being invalid due to zero development activity on site. Housing supply is thus expected to reduce further as a result of the lengthy process by which the government reclaims and re-releases these land parcels to developers. As a result, actual new supply may be even lower than expected, possibly prompting homebuyers to turn to the secondary market as an alternative.

Investors’ Preference for Macau Properties

China has introduced stimulus measures and lowered interest rates to boost the property market, which has led to an increase in property values in Zhuhai and Hengqin over the past year. According to Sniper Capital Research, the average home price in Zhuhai currently stands at CNY2,300 (US$350) per square foot, and the price in Hengqin is CNY3,300 (US$500) per square foot. Given that the average home price in Macau has declined to MOP7,285 (US$910) per square foot, the price gap between Macau and its neighbouring cities has since narrowed by approximately 23% per square foot, making housing investment in Macau more attractive.

Macau’s low tax regime gives it a competitive edge over other Chinese cities, alongside the ease of investing in the territory on the back of an established regulatory system and a strong currency pegged to the US dollar.

Commercial Properties Remain Attractive

Despite the fact that retail rents are in decline, Macau’s commercial property sector is still generating strong investment appetite among domestic investors and their mainland counterparts, as the number of quality commercial properties is extremely limited and, unlike residential real estate, they are not subject to additional stamp duties. This interest is expected to keep capitalisation rates at a low level and support capital values going forward.
Manager & Adviser

Group Structure

Sniper Capital Limited

INVESTMENT ADVISER

Sniper Capital (Macau) Limited

MANAGER

Sniper Capital Limited

Acquisitions & Research

Property Development

Asset Management

Corporate Communications

Finance & Administration

Due diligence

Consultant organisation & coordination

Property & site management

Investor & product positioning

Administration & accounting

Micro & macro analysis

Project monitoring & reporting

Sales & leasing

Marketing & product positioning

Compliance & reporting

Forecasting & modelling

Project delivery & hardware

Facilities management

Statutory & regulatory communications

Cash management & treasury

Due diligence & Research

Project Development

Asset Management

Corporate Communications

Finance & Administration

Manager

The day-to-day responsibility for the management of the Macau Property Opportunities Fund’s (“MPOF” or the “Company”) portfolio rests with Sniper Capital Limited.

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

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

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

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

With its 30 June 2016 holding of 12.7 million shares or 16.6% of the Company’s issued share capital, Sniper Investments Limited – an investment vehicle associated with Sniper Capital Limited – is now the second largest shareholder in the Company.

Adviser

The Company’s Board of Directors and Manager are advised by Sniper Capital (Macau) Limited, which provides the Board with property investment and management advisory services in relation to the Company’s investments.

For more information, please visit www.snipercapital.com

Investment Policy

The Company’s investment objective is to provide shareholders with an attractive total return, which is intended to primarily comprise 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 segments 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 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 Special Purpose Vehicle (“SPV”) level; if SPVs are used in relation to particular investments. 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 40% of the aggregate value of all the Group’s investments at the time that any new borrowings are made. As at 30 June 2016, the Group had net borrowings that were 40% of the aggregate value of all investments held. After accounting for loan deposits, the Group had net borrowings that were 38% of the aggregate value of all investments held. 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.
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. Each member has the right to one vote at general meetings. On a poll, each member is entitled to one vote for every share held.

Ordinary shares

Share capital

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

The Company’s Memorandum and Articles of Incorporation contain details relating to the rules that the Company has 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 18 to 41.

The Directors present their report and audited financial statements of the Group for the year ended 30 June 2016. This Directors’ report should be read together with Corporate Governance Report on pages 40 to 45.

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 2011, the Company’s shares obtained a Premium Listing on the LSE Main Market on 30 June 2011.

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

Business review

A review of the business during the year, together with likely future developments, is contained in the Chairman’s Message on pages 6 to 9 and in the Manager’s Report on pages 16 to 33.

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 at Note 2 to the consolidated financial statements.

In accordance with provisions C.1.1 and C.2.2 of the 2016 revision of the UK Corporate Governance Code (the “UK Code”), the Directors have assessed the financial prospects of the Company for the next 12 months and made an assessment of the Company’s ability to continue as a going concern. As part of their assessment of the going concern of the Company, the Directors have reviewed the comprehensive cash flow forecasts prepared by the management which make assumptions based upon current and expected future market conditions, including predicted future sales of properties.

As 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 discontinuation vote would take place no later than 30 December 2016. This was considered a suitable timeframe for the maximisation of the value of the Company’s portfolio. The Directors believe that the forthcoming Discontinuation Vote does not give rise to a material uncertainty (that might cast doubt about the Company’s ability to continue as a going concern) because it is highly unlikely that the vote will be carried. Shareholder support of 75% is required to pass the Discontinuation Vote; Sipper Investments Limited, with a 36.6% shareholding, and other major shareholders are supportive of the Board; and it is likely that returns from sales of properties would be lower if the Company were forced to sell as a result of discontinuation.

The Directors are satisfied – based upon the forecasts described above, their assessment of the Group’s committed banking facilities and expected continuing compliance with related covenants – that the Company has the resources to continue in business for the foreseeable future and furthermore, are not aware of any material uncertainties that may cast significant doubt upon the Company’s ability to continue as a going concern. The Directors therefore believe it is appropriate to prepare the financial statements of the Group on the going concern basis.

Viability statement

The Board has an ongoing robust assessment process of the principal risks facing the Company, including those that would threaten its business model, future performance, solvency and liquidity. The Directors have considered each of the Company’s principal risks and uncertainties detailed on pages 42 to 45. The Directors also considered the Company’s policy for monitoring, managing and mitigating its exposure to those risks. This assessment involved an evaluation of the potential impact on the Company of these risks occurring. Where appropriate, the Company’s financial model was subject to a sensitivity analysis involving flexing a number of key assumptions in the underlying financial forecasts in order to analyse the effect on the Company’s net cash flows and other key financial ratios. In accordance with provision C.2.2 of the 2016 revision of the UK Code, the Directors have assessed the prospects of the Company over a longer period than the 12 months required by the going concern provision. The Board has conducted this review for a period covering the next three years. The Board considers these years to be an appropriate time horizon for its strategic plan, being the period over which most of the Company’s properties should have completed their respective investment cycle. Based on an assessment of the principal risks facing the Company and the stress-test based assessment of the Company’s prospects, the Directors have a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the three-year period of their assessment.

Share capital

Ordinary shares

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

The Company’s Memorandum and Articles of Incorporation contain details relating to the rules that the Company has 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 18 to 41.
Authority to purchase own shares
Following the authority first granted in the Extraordinary General Meeting on 28 June 2010 and subsequently renewed at each Annual General Meeting, in accordance with the share repurchase programme adopted at the 2014 Annual General Meeting, the Board has publicly stated its commitment to undertake share buybacks at attractive levels of discount of the share price to Adjusted NAV. The Board intends to renew this authority at the 2016 Annual General Meeting.

During the year, the Company repurchased 1,101,000 (2015: 3,881,036) ordinary shares or 1.05% (2015: 3.70%) of the originally issued ordinary shares, at an average share price of 176.64p (2015: 237.75p). All share repurchases pursuant to the buyback programme were cancelled.

Significant shareholdings
As at 30 June 2016, a total of 4 shareholders held more than 3% each of the issued ordinary shares of the Company, accounting for a total of 54,754,012 shares (2015: 52,586,429) or 71.64% (2015: 67.8%) of the issued share capital. Significant shareholders as at 30 June 2016 are detailed below:

<table>
<thead>
<tr>
<th>Name of shareholder</th>
<th>% of shares</th>
<th>% of issued share capital</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rathbones</td>
<td>3.79</td>
<td>2,893,533</td>
</tr>
<tr>
<td>Invesco Asset Management</td>
<td>12.49</td>
<td>9,549,601</td>
</tr>
<tr>
<td>Universities Superannuation Scheme</td>
<td>13.74</td>
<td>10,500,000</td>
</tr>
<tr>
<td>Sniper Investments Limited</td>
<td>16.61</td>
<td>12,693,215</td>
</tr>
<tr>
<td>Total</td>
<td>71.64</td>
<td>54,754,012</td>
</tr>
</tbody>
</table>

Chris Russell has a beneficial interest in Sniper Investments Limited, which as at the year-end held 12,693,215 shares (2015: 11,020,000).

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 10am on 14 November 2016 at Lefebvre Place, Lefebvre Street, St Peter Port, Guernsey.

Subsequent events
Significant subsequent events have been disclosed in Note 25.
The Board has put in place a framework for corporate governance which it believes is appropriate for an investment company. Paragraph 9.6.8 of the UK Listing Rules obliges boards to report upon their corporate governance arrangements against the UK Code issued by the Financial Reporting Council (the "FRC"). The Company is a member of the Association of Investment Companies (the "AIC") and the Board has considered the principles and recommendations of the 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 has provided an endorsement letter to cover the latest edition of the AIC Code. The endorsement confirms that by following the AIC Code, investment company boards should fully meet their obligations in relation to the UK Code and paragraph 9.6.8A of the UK Listing Rules.


The AIC 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 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 AIC Code.

As excepted below, the Company complied throughout the year with the recommendations of the AIC Code and the relevant provisions of the UK Code.

The Board consists of four Non-Executive Directors, three of whom, including the Chairman, Chris Russell, are independent of the Company's Manager and Investment Adviser. Thomas Ashworth has a beneficial interest in and is a Director of Sniper Capital Limited. Sniper Capital Limited is the Manager to the Group and received fees during the year as detailed in the consolidated statement of comprehensive income and in Note 18.

The terms and conditions of appointment of Non-Executive Directors are available for inspection from the Company's registered office.

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 was satisfactory and that the Board is confident in its ability to continue effectively to lead the Company and oversee its affairs. The Board believes that the current mix of skills, experience, knowledge and 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.

The Board is responsible to shareholders for the overall management of the Company. The Board has adopted a Schedule of Matters Reserved to 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, strategic change, 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.


duties and responsibilities

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

Nominations and Remuneration Committee

The Nominations and Remuneration Committee Report is on page 44.

Management Engagement Committee

The Management Engagement Committee Report is on page 45.

Audit Committee

The Audit Committee Report is on pages 46 to 48.

Meeting Attendance

<table>
<thead>
<tr>
<th>Name</th>
<th>Attendance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Chris Russell</td>
<td>4 2 4 1 1</td>
</tr>
<tr>
<td>Thomas Ashworth</td>
<td>4 2 - 1 -</td>
</tr>
<tr>
<td>Alan Clifton</td>
<td>4 1 4 1 1</td>
</tr>
<tr>
<td>Wilfred Woe</td>
<td>4 2 4 1 1</td>
</tr>
<tr>
<td>David Hinton</td>
<td>(resigned on 13 November 2013)</td>
</tr>
</tbody>
</table>
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 16.4.2(2)R and having formally appraised the performance and resources of the Manager, in the opinion of the Directors, the continued appointment of the Manager, on the terms agreed, is in the interest 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 they are invested and where relevant, their tenants.

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

- 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 and/or legal disputes with neighbouring land owners and legal disputes with architects, project managers and suppliers;
  - changes to restrictions on or regulations concerning repatriation of funds; and
  - the continuous clampdown by the People’s Republic of China (“PRC”) Government on corruption and money laundering.

- There is a 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 are employed to gather information, including tax advisors, legal advisers and planning advisers.

- 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 on the Group. The Board also regularly monitors the investment environment and the management of the Group’s property portfolio, and applies the principles detailed in the internal control guidance issued by the FRC. Details of the Group’s internal controls are described in more detail on page 4.

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

On behalf of the Board

Chris Russell
Chairman of the Board
30 September 2016
Nomination & Remuneration Committee Report

Summary of the role of the Nomination and Remuneration Committee

The Nomination and Remuneration Committee regularly reviews the structure, size and composition (including the skills, knowledge, gender, experience and diversity) of the Board and makes recommendations to the Board with regard to any changes and also considers the appropriate levels of the Board’s remuneration.

The Board monitors the developments in corporate governance to ensure the Board remains aligned with best practice, 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 function of its members. It is the Company’s policy to give careful consideration to issues of the Board’s balance and diversity when making new appointments. When appointing Board members, its priority is based on merit, but will be influenced by the strong desire to maintain the Board’s 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 88.

Meetings

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

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 Thomas Ashworth and Alan Clifton should be submitted for re-election at the Annual General Meeting to be held on 34 November 2016.

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 of future Directors.

Overview

The Nomination and Remuneration Committee met once in the year ended 30 June 2016. Matters considered at the meeting included but were not limited to:

- the structure, size and composition (including the balance of skills, knowledge, experience and diversity) of the Board and Audit Committee and the need to periodically refresh membership;
- to note guidance set out in the AIC Code;
- to consider key outcomes from the Board’s evaluation process;
- to consider board’s tenure and succession planning; 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.
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 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 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 judgement contained therein;
• reporting to the Board on the propriety of the accounting policies and practices, including critical accounting policies and practices;
• advising the Board on whether the 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 Group’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 make a recommendation to the Board on the valuation of the Company’s investments;
• meeting the external auditor to review their proposed audit programme of work and the subsequent audit report and to assess the effectiveness of the audit process and the levels of fees paid in respect of both audit and non-audit work;
• considering annually whether there is a need for the Company to have its own internal audit function; and
• reviewing and considering the UK Code, the AIC code, 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 to 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, two of its members have been appropriately reflected and disclosed in the financial statements.

The Audit Committee reviews the information contained in the other sections of the Annual Report including the Directors’ Report, Chairman’s Message and the Manager’s Report. The 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 Report and 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:

<table>
<thead>
<tr>
<th>Date of appointment</th>
<th>Name</th>
</tr>
</thead>
<tbody>
<tr>
<td>Alan Clifton (Chairman)</td>
<td>23 May 2006</td>
</tr>
<tr>
<td>Wai Leung Wai</td>
<td>27 February 2010</td>
</tr>
<tr>
<td>Chris Russell</td>
<td>22 September 2010</td>
</tr>
</tbody>
</table>

Appointments to the Audit Committee will be for a period of up to three years, which is extendable, so long as members continue to be independent. Alan Clifton has been a member of the Audit Committee for 10 years. However, the Board and Audit Committee have satisfied themselves that Alan Clifton continues to remain independent and so have resolved to extend the appointment of the Audit Committee for a further two years.

Macau Property Opportunities Fund Limited
Audit Committee Report (continued)

Financial Reporting
The primary role of the Audit Committee is in relation to the financial reporting is to review with the Administrator, Investment Adviser and the Auditor on the appropriateness of the Annual Report and Audited Consolidated Financial Statements and the Interim Report and Interim Condensed Consolidated Financial Statements, concentrating on, among other matters:
• the quality and acceptability of accounting policies and practices;
• the propriety of the disclosures and compliance with financial reporting standards and relevant financial and governance reporting requirements;
• material areas in which significant judgement have been applied or there has been discussion with the auditor;
• whether the Annual Report and Audited Consolidated Financial Statements, taken as a whole, is fair, balanced and understandable and provides the information necessary for the shareholders to assess the Company’s performance, business model and strategy; and
• any correspondence from regulators in relation to Company’s financial reporting.

To aid its review, the Audit Committee considers reports from the Administrator and Investment Adviser and also reports from the auditor on the outcomes of their half-yearly review and annual audit. The Audit Committee supports Ernst and Young LLP in displaying the necessary professional scepticism their role requires.

Significant issues considered in relation to the financial statements
The Audit Committee has had regular contact with the management and the auditor during the interim and year end audit process. The Committee’s discussions have been broad ranging, including the consideration of the Company’s going concern status and key areas of judgement.

The Audit 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 2016, the Audit Committee considered the following significant issues:

• Valuation of investment properties and inventories;
• Ownership and existence of investments properties and inventories;
• Accounting treatment for tax incurred in multiple jurisdictions.

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 risks relating to the ownership and existence of investment properties and inventories are mitigated through ensuring proper title deeds for the properties are held. Any misrepresentations are identified by the Administrator with the NPV Administrators 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 risks relating to taxation is mitigated through the setup of the Group structure. When taxation queries arise, an independent tax adviser is employed to advise the Board on such issues. The factors that affect the Group’s taxation position are further discussed in Note 9.

Meetings
The Audit Committee meets not less than twice a year and at such other times as the Chairman requires. 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, or other members of the Audit Committee appointed for the purpose, shall attend each Annual General Meeting of the Company, prepared to respond to shareholders’ 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 is a key area 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 42 and 43 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 unannounced functions are with parties/ administrators who have their own internal controls and procedures. The Audit Committee also considers the review of controls of the service organisations.
To fulfil its responsibility regarding the independence of the external auditor, the Audit Committee will consider:

The Committee discussed these issues at the June 2016 meeting to ensure that the key risk areas identified by the auditors are consistent with the risks carrying value of inventory properties and revenue recognition as key areas of risk of misstatement in the Group's financial statements.

During the year, the Committee discussed the planning, conduct and conclusions of the external audit as it proceeded. At the June 2016 Audit Committee meeting, the Committee discussed and approved the auditor's Group plan in which they identified the Group's valuation of the investment property, that will be considered further when the audit partner rotates every five years. Under Company Law, the re-appointment of the external auditors is subject to shareholders' approval at the Annual General Meeting. The 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 ended 30 June 2016. Accordingly, a resolution proposing the reappointment of Ernst & Young LLP as the Company's auditor will be put to shareholders at the 2016 Annual General Meeting.

During the year, the Audit 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 challenges to the Board and to the Investment Adviser. The Audit Committee will continue to monitor the performance of the external auditors on an annual basis and will consider their independence and objectivity, taking account of appropriate guidelines.

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

- the extent of non-audit services provided by the external auditor.
- 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 is best placed to provide the non-audit service, for example, the interim review service or specialist tax advice. Please see Note 23 for details of services provided by Ernst & Young LLP.

Overview

The Audit Committee met four times in the year ended 30 June 2016. 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 2015 Annual Report and Audited Consolidated Financial Statements for the year ended 30 June 2015;
- review of the 2015 Interim Report and Interim Combined Consolidated Financial Statements for the 6 months ended 30 December 2015;
- review of the Interim Management Statement released in November 2015 and the quarterly results announcement issued in May 2016;
- review of the audit plans and timetable for the preparation of the 2016 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
30 September 2016
Macau Property Opportunities Fund Limited

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

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

Directors' Statement under the Disclosure and Transparency Rules
- The Group's financial statements, prepared in accordance with IFRS, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group.
- The management report, which is incorporated into the Directors' Report, Manager's Report and Chairman's Message contained in the annual report, includes a fair review of the development and performance of the 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 include 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's financial statements in accordance with applicable law and regulations. Having taken advice from the Audit Committee, the Directors consider the annual report and Group's financial statements, taken as a whole, as fair, balanced and understandable and that it provides the information necessary for shareholders to assess the Group's performance, business model and strategy.

On behalf of the Board

Chris Russell
Chairman of the Board
20 September 2016

Macau Property Opportunities Fund Limited

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

1. Our opinion on the consolidated financial statements
In our opinion, Macau Property Opportunities Fund Limited ("the Company") and its subsidiaries (the "Group") consolidated financial statements (the "financial statements"):
- give a true and fair view of the state of the Group's affairs as at 30 June 2016 and its loss for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards as adopted by the European Union ("IFRS") and the Disclosure and Transparency Rules of the UK Listing Authority; and
- have been prepared in accordance with the requirements of the Companies (Guernsey) Law 2008.

2. What we have audited
We have audited the consolidated financial statements of the Company for the year ended 30 June 2016, which comprise:
- the Consolidated Statement of Financial Position as at 30 June 2016;
- the Consolidated Statement of Comprehensive Income for the year ended 30 June 2016;
- the Consolidated Statement of Changes in Equity for the year ended 30 June 2016;
- the Consolidated Statement of Cash Flows for the year ended 30 June 2016; and
- the related Notes 1 to 25.

The financial reporting framework that has been applied in their preparation is applicable law and IFRS.

3. Overview of our audit approach

Risks of material misstatement
- Valuation of investment property
- Carrying value of inventory properties
- Revenue recognition

Audit scope
- We have performed an audit of the consolidated financial statements of the Group.

Materiality
- Overall materiality of US$1.1 million (2015: US$3.1 million) which represents 1% (2015: 2%) of NAV.

What has changed
Our scope of work remained the same as compared to the previous year and as communicated during planning meeting with the exception of the following:
- Change in materiality
- We have reassessed the materiality level during the execution stage taking into account both qualitative and quantitative considerations, particularly the decline in market values of the properties. We have deemed it appropriate to adjust the materiality level from 2% of NAV to 1% of NAV.
- Ownership of investment property and inventory properties
- Ownership of investment property and inventory properties was considered as significant risk in prior year. Given that there was no property purchased in the year, it is no longer considered to be a significant risk in the current year.
- Improper accounting treatment for income taxes
- In the prior year, improper accounting treatment for income taxes was considered to be a significant risk due to significant unresolved uncertainties. As a result of these uncertainties, it is no longer considered to be a significant risk in the current year.
- Carrying value of inventory properties
- Inventory properties are carried in the financial statements at lower of cost or net realizable value. Calculation of net realizable value involves estimates and judgments. As a result of reductions in market values and a consequential reduction in the net realisable value, we have determined that there is an increased risk of a misstatement of the carrying value of inventory properties and as a result have determined that it is a significant risk in the current year.
Macau Property Opportunities Fund Limited
Independent Auditor’s Report to the Members of Macau Property Opportunities Fund Limited (continued)

3. Overview of our audit approach (continued)

The audit team comprised individuals from Guernsey ("Group team") and Hong Kong ("Component team") and we operated as an integrated team across both jurisdictions. The engagement partner and senior manager from the Channel Islands visited Hong Kong to review the work performed and to visit the properties in Macau. We performed the audit procedures and responded to the risks identified as described on the next page.

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

<table>
<thead>
<tr>
<th>Risk</th>
<th>Our response to the risk</th>
<th>What we concluded to the Audit Committee</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fair valuation of investment property (US$106.4 million; 2015: US$48.8 million)</td>
<td>We performed full scope audit procedure over the valuation of investment property. Audit procedures performed by Component audit teams are based on instructions issued by the Group audit team. These procedure are described below:</td>
<td>We confirmed that there were no material matters arising from our audit work on the inputs used and the judgment made by the Specialists that we wished to bring to the attention of the Audit Committee.</td>
</tr>
<tr>
<td>The valuation of investment property is the key driver of the Group’s net asset value and total return. Valuation of investment property requires specialist expertise and the use of significant estimates and judgment, giving rise to a higher risk of misstatement.</td>
<td>• We performed full scope audit procedure over the valuation of investment property. Audit procedures performed by Component audit teams are based on instructions issued by the Group audit team. These procedure are described below:</td>
<td>We confirmed that carrying value of the properties is not materially misstated.</td>
</tr>
<tr>
<td>• We documented our understanding of the processes, policies and methodologies used by management for valuing investment property and performed walkthrough tests to confirm our understanding of the systems and controls implemented.</td>
<td>We documented our understanding of the processes, policies and methodologies used by management for valuing investment properties and performed walkthrough tests to confirm our understanding of the systems and controls implemented.</td>
<td>We confirmed that there were no material matters arising from our audit work on the inputs used and the judgment made by the Specialists that we wished to bring to the attention of the Audit Committee.</td>
</tr>
<tr>
<td>• We agreed the valuations recorded in the consolidated financial statements to the values reported by the Group’s independent Specialists.</td>
<td>We agreed a sample of the significant inputs used by the Specialists to value the properties, particularly development cost, projected capex, to contractual documentation and development plans and agreements. We tested the arithmetical accuracy of the calculations prepared by the Specialists for the main assumptions in the model, by reperforming a sample of their calculations.</td>
<td>We confirmed that carrying value of inventory properties is not materially misstated.</td>
</tr>
<tr>
<td>• We tested the inputs to the valuation for consistency with underlying tenancy agreements.</td>
<td>We tested the inputs to the valuation for consistency with underlying tenancy agreements. We agreed a sample of the significant inputs used by the Specialists to value the properties, particularly development cost, projected capex, to contractual documentation and development plans and agreements. We tested the arithmetical accuracy of the calculations prepared by the Specialists for the main assumptions in the model, by reperforming a sample of their calculations.</td>
<td>We confirmed that there were no material matters arising from our audit work on the inputs used and the judgment made by the Specialists that we wished to bring to the attention of the Audit Committee.</td>
</tr>
<tr>
<td>• We tested the inputs to the valuation for consistency with underlying tenancy agreements.</td>
<td>We tested the inputs to the valuation for consistency with underlying tenancy agreements. We agreed a sample of the significant inputs used by the Specialists to value the properties, particularly development cost, projected capex, to contractual documentation and development plans and agreements. We tested the arithmetical accuracy of the calculations prepared by the Specialists for the main assumptions in the model, by reperforming a sample of their calculations.</td>
<td>We confirmed that there were no material matters arising from our audit work on the inputs used and the judgment made by the Specialists that we wished to bring to the attention of the Audit Committee.</td>
</tr>
<tr>
<td>• We involved our real estate expert in Hong Kong to assess whether the assumptions in relation to the market related inputs were reasonable.</td>
<td>We involved our real estate expert in Hong Kong to assess whether the assumptions in relation to the market related inputs were reasonable. We tested the calculation of profit/loss on revaluation of the year and assessed the appropriateness of the recording and reporting of these amounts.</td>
<td>We confirmed that there were no material matters arising from our audit work on the inputs used and the judgment made by the Specialists that we wished to bring to the attention of the Audit Committee.</td>
</tr>
<tr>
<td>• We tested the calculation of profit/loss on revaluation of the year and assessed the appropriateness of the recording and reporting of these amounts.</td>
<td>We tested the calculation of profit/loss on revaluation of the year and assessed the appropriateness of the recording and reporting of these amounts. We engaged our own internal valuation experts from Hong Kong to:</td>
<td>We confirmed that there were no material matters arising from our audit work on the inputs used and the judgment made by the Specialists that we wished to bring to the attention of the Audit Committee.</td>
</tr>
<tr>
<td>• We engaged our own internal valuation experts from Hong Kong to:</td>
<td>• We engaged our own internal valuation experts from Hong Kong to:</td>
<td>We confirmed that there were no material matters arising from our audit work on the inputs used and the judgment made by the Specialists that we wished to bring to the attention of the Audit Committee.</td>
</tr>
<tr>
<td>– use their knowledge of the market to assess and corroborate the market related judgement and valuation inputs (including discount rates, exit yields and sales values) used by the Specialists; and</td>
<td>– use their knowledge of the market to assess and corroborate the market related judgement and valuation inputs (including discount rates, exit yields and sales values) used by the Specialists; and</td>
<td>We confirmed that there were no material matters arising from our audit work on the inputs used and the judgment made by the Specialists that we wished to bring to the attention of the Audit Committee.</td>
</tr>
<tr>
<td>– assist us in determining whether the Specialists were appropriately qualified and independent.</td>
<td>– assist us in determining whether the Specialists were appropriately qualified and independent.</td>
<td>We confirmed that there were no material matters arising from our audit work on the inputs used and the judgment made by the Specialists that we wished to bring to the attention of the Audit Committee.</td>
</tr>
</tbody>
</table>

Financial Statements
4. Our application of materiality

We apply the concept of materiality, both in planning and performing our audit, and in evaluating the effect of misstatements on our audit and on the consolidated financial statements. For the purposes of determining whether the consolidated financial statements are free from material misstatement, we define materiality as the magnitude of misstatement that makes it probable that the economic decisions of a reasonably knowledgeable person, relying on the financial statements, would be changed or influenced.

4.1. Materiality

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

We determined planning materiality for the Group to be US$1.1 million (2015: US$3.1 million), which is 9% (2015: 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.

It was considered inappropriate to determine materiality based on the Group's profit before tax, as the primary performance measures of the Group were based on equity. It was considered inappropriate to determine materiality based on the Group's profit before tax, as the primary performance measures of the Group were based on equity. This is the magnitude of an omission or misstatement that, individually or in the aggregate, could reasonably be expected to influence the economic decisions of the users of the financial statements. Materiality provides a basis for determining the nature and extent of our audit procedures.

5. 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 consolidated 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 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.

6. Respective responsibilities of Directors and Auditor

As explained more fully in the Statement of Directors' Responsibilities set out on page 49, the Directors are responsible for the preparation of the Group's 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.

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.
8. Statement on the Directors’ assessment of the principal risks that would threaten the solvency or liquidity of the entity

We refer to your annual report for a detailed description of the principal risks that would threaten the solvency or liquidity of the entity.

We have nothing material to add or to draw attention to in relation to:

- the Directors’ confirmation in the annual report that they have carried out a robust assessment of the principal risks facing the entity, including those that would threaten its business model, future performance, solvency or liquidity;
- the disclosures in the annual report that describe those risks and explain how they are being managed or mitigated;
- the Directors’ Statement in the financial statements about whether they considered it appropriate to adopt the going concern basis of accounting in preparing the financial statements, and their identification of any material uncertainties to the entity’s ability to continue to do so over a period of at least 12 months from the date of approval of the financial statements; and
- the Directors’ explanation in the annual report as to how they have assessed the prospects of the entity, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the entity will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

Andrew Dann
For and on behalf of Ernst & Young LLP
Guernsey, Channel Islands
20 September 2016

Note:
1. The maintenance and integrity of the Group’s website 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 or any other information or documents since they were initially presented on the website.
2. Legislation in Guernsey governing the preparation and dissemination of Group financial statements may differ from legislation in other jurisdictions.
Macau Property Opportunities Fund Limited
Consolidated Statement of Financial Position
As at 30 June 2016

<table>
<thead>
<tr>
<th>ASSETS</th>
<th>2016</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Non-current assets</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Investment property</td>
<td>206,595</td>
<td>243,810</td>
</tr>
<tr>
<td>Deposits with lenders</td>
<td>2,113</td>
<td>1,941</td>
</tr>
<tr>
<td>Financial assets at fair value through profit or loss – interest rate swap</td>
<td>111</td>
<td>111</td>
</tr>
<tr>
<td>Total non-current assets</td>
<td>208,819</td>
<td>246,866</td>
</tr>
<tr>
<td>Current assets</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Inventories</td>
<td>67,410</td>
<td>67,288</td>
</tr>
<tr>
<td>Trade and other receivables</td>
<td>1,096</td>
<td>3,279</td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>12,741</td>
<td>28,749</td>
</tr>
<tr>
<td>Total current assets</td>
<td>81,247</td>
<td>100,025</td>
</tr>
<tr>
<td>Total assets</td>
<td>290,066</td>
<td>346,061</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>EQUITY</th>
<th>2016</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Capital and reserves attributable to the Company's equity holders</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Share capital</td>
<td>764</td>
<td>775</td>
</tr>
<tr>
<td>Distributed reserves</td>
<td>66,208</td>
<td>69,213</td>
</tr>
<tr>
<td>Foreign currency translation reserve</td>
<td>947</td>
<td>1,064</td>
</tr>
<tr>
<td>Total equity</td>
<td>106,643</td>
<td>155,447</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>LIABILITIES</th>
<th>2016</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Non-current liabilities</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Deferred taxation provision</td>
<td>12,782</td>
<td>17,385</td>
</tr>
<tr>
<td>Total non-current liabilities</td>
<td>12,782</td>
<td>17,385</td>
</tr>
<tr>
<td>Current liabilities</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Trade and other payables</td>
<td>14,705</td>
<td>19,194</td>
</tr>
<tr>
<td>Financial liabilities at fair value through profit or loss – interest rate swap</td>
<td>81</td>
<td>569</td>
</tr>
<tr>
<td>Total liabilities</td>
<td>183,423</td>
<td>219,232</td>
</tr>
<tr>
<td>Total equity and liabilities</td>
<td>290,066</td>
<td>346,061</td>
</tr>
</tbody>
</table>

Net Asset Value per share (US$) | 1.40 | 2.00 |
Adjusted Net Asset Value per share (US$) | 2.96 | 3.97 |

Income
- Income on sale of inventories  | 1,045 | 27,906 |
- Rental income | 2,109 | 4,311 |
Total income | (38,227) | (62,048) |
Other income | 11 | 11 |
Total income | (38,227) | (62,048) |

Expenses
- Cost of sales of inventories | 254 | 11,004 |
- Management fee | 5,528 | 8,117 |
- Auditors’ remuneration: audit fees | 105 | 90 |
- Auditors’ remuneration: non-audit fees | 32 | 52 |
- Property operating expenses | 1,271 | 1,687 |
- Sales and marketing expenses | 77 | 202 |
- General and administration expenses | 5,155 | 1,490 |
Loss on foreign currency translation | 75 | 194 |
Operating loss for the year | (49,192) | (52,527) |

Finance income and expenses
- Net gain on valuation of interest rate swap | 291 | 265 |
- Bank loan interest | (4,827) | (5,901) |
- Interest expense on interest rate swap | (551) | (1,055) |
- Other financing costs | (32) | (106) |
- Bank and other interest | 2 | 2 |
Loss for the year before tax | (49,192) | (52,527) |
Taxation | 3,541 | 5,155 |
Loss for the year after tax | (45,651) | (52,372) |

Exchange difference on translating foreign operations | (137) | (5) |
Total comprehensive loss for the year | (47,788) | (52,377) |

Loss attributable to:
- Equity holders of the Company | (45,651) | (52,372) |
Total comprehensive loss attributable to:
- Equity holders of the Company | (47,788) | (52,377) |

Basic and diluted loss per ordinary share attributable to the equity holders of the Company during the year | (0.5961) | (0.6661) |

The accompanying notes on pages 62 to 87 are an integral part of these consolidated financial statements.

Chris Russell
Director

Alan Clifton
Director

The accompanying notes on pages 62 to 87 are an integral part of these consolidated financial statements.
### Macau Property Opportunities Fund Limited

**Consolidated Statement of Changes in Equity**

**Year ended 30 June 2016**

<table>
<thead>
<tr>
<th>Note</th>
<th>Share capital</th>
<th>Retained earnings</th>
<th>Distributable reserves</th>
<th>Foreign currency translation reserve</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>US$'000</td>
<td>US$'000</td>
<td>US$'000</td>
<td>US$'000</td>
<td>US$'000</td>
</tr>
<tr>
<td>Balance brought forward at 1 July 2015</td>
<td>775</td>
<td>84,375</td>
<td>69,213</td>
<td>3,094</td>
<td>155,447</td>
</tr>
<tr>
<td>Loss for the year</td>
<td>-</td>
<td>-52,527</td>
<td>-</td>
<td>-52,527</td>
<td></td>
</tr>
<tr>
<td>Items that may be reclassified subsequently to profit or loss</td>
<td>-</td>
<td>-137</td>
<td>-</td>
<td>-137</td>
<td></td>
</tr>
<tr>
<td>Exchange difference on translating foreign operations</td>
<td>-</td>
<td>-</td>
<td>-12,152</td>
<td>-12,152</td>
<td></td>
</tr>
<tr>
<td>Total comprehensive loss for the year</td>
<td>-</td>
<td>-52,527</td>
<td>-12,152</td>
<td>-64,679</td>
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</tr>
<tr>
<td>Share buyback</td>
<td>-</td>
<td>-14,875</td>
<td>-</td>
<td>-14,875</td>
<td></td>
</tr>
<tr>
<td>Balance carried forward at 30 June 2016</td>
<td>764</td>
<td>38,724</td>
<td>66,208</td>
<td>947</td>
<td>106,665</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Note</th>
<th>Share capital</th>
<th>Retained earnings</th>
<th>Distributable reserves</th>
<th>Foreign currency translation reserve</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>US$'000</td>
<td>US$'000</td>
<td>US$'000</td>
<td>US$'000</td>
<td>US$'000</td>
</tr>
<tr>
<td>Balance brought forward at 1 July 2014</td>
<td>814</td>
<td>136,902</td>
<td>84,049</td>
<td>3,089</td>
<td>222,854</td>
</tr>
<tr>
<td>Loss for the year</td>
<td>-</td>
<td>-52,527</td>
<td>-</td>
<td>-52,527</td>
<td></td>
</tr>
<tr>
<td>Items that may be reclassified subsequently to profit or loss</td>
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<td>-5</td>
<td>-</td>
<td>-5</td>
<td></td>
</tr>
<tr>
<td>Exchange difference on translating foreign operations</td>
<td>-</td>
<td>-</td>
<td>-14,875</td>
<td>-14,875</td>
<td></td>
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<tr>
<td>Total comprehensive loss for the year</td>
<td>-</td>
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<td>-14,875</td>
<td>-67,402</td>
<td></td>
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<tr>
<td>Share buyback</td>
<td>-</td>
<td>-14,836</td>
<td>-</td>
<td>-14,875</td>
<td></td>
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<tr>
<td>Balance carried forward at 30 June 2015</td>
<td>775</td>
<td>84,375</td>
<td>69,213</td>
<td>3,094</td>
<td>155,447</td>
</tr>
</tbody>
</table>

The accompanying notes on pages 62 to 87 are an integral part of these consolidated financial statements.

### Macau Property Opportunities Fund Limited

**Consolidated Statement of Cash Flows**

**Year ended 30 June 2016**

<table>
<thead>
<tr>
<th>Note</th>
<th>2016</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net cash used in operating activities</td>
<td>(4,904)</td>
<td>(38,497)</td>
</tr>
<tr>
<td>Cash flows from investing activities</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Capital expenditure on investment property</td>
<td>(1,237)</td>
<td>(103)</td>
</tr>
<tr>
<td>Movement in pledged bank balances</td>
<td>537</td>
<td>6</td>
</tr>
<tr>
<td>Proceeds from disposal of investment property</td>
<td>-</td>
<td>6,492</td>
</tr>
<tr>
<td>Net cash (used in)/generated from investing activities</td>
<td>(700)</td>
<td>6,355</td>
</tr>
<tr>
<td>Cash flows from financing activities</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Proceeds from bank borrowings</td>
<td>36,266</td>
<td>51,441</td>
</tr>
<tr>
<td>Repayment of bank borrowings</td>
<td>(38,367)</td>
<td>(13,622)</td>
</tr>
<tr>
<td>Share buyback</td>
<td>(3,016)</td>
<td>(14,875)</td>
</tr>
<tr>
<td>Interest and bank charges paid</td>
<td>(5,400)</td>
<td>(5,654)</td>
</tr>
<tr>
<td>Net cash (used in)/generated from financing activities</td>
<td>(10,517)</td>
<td>17,290</td>
</tr>
<tr>
<td>Net movement in cash and cash equivalents</td>
<td>(16,121)</td>
<td>(14,852)</td>
</tr>
</tbody>
</table>

The accompanying notes on pages 62 to 87 are an integral part of these consolidated financial statements.
1. Summary of significant accounting policies (continued)

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

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

Segment reporting

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

The Directors are of the opinion that the Group is engaged in a single segment of business, being property investment and related business. This segment includes residential and commercial properties 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, Macau Patacas (the “functional currency”). The consolidated financial statements are presented in US Dollars (“US$”) 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.

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

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition are treated as assets and liabilities of the foreign operation and translated at the closing rate.

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;

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

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

Foreign currency translation reserve

Foreign currency differences arising on translation of foreign operations into the Group’s presentation currency are recognised in other comprehensive income and presented in the foreign currency translation reserve in equity.
Notes to the Consolidated Financial Statements (continued)

1. Summary of significant accounting policies (continued)

Investment property

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

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

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

After initial recognition, investment property is carried at fair value.

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.

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 observable inputs and minimising the use of unobservable inputs significant to the fair value measurement as a whole.

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

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

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

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

Fair value of investment property

Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific investment property. If this information is not available, the Group uses alternative valuation methods such as recent prices on less active markets or discounted cash flow projections.

Valuations are prepared semi-annually by Savills, who holds recognised and relevant professional qualifications and has recent experience in the location and category of the investment properties being valued. Investment property that is being redeveloped for continuing use as investment property continues to be measured at fair value, if the fair value is considered to be reliably measurable. Changes in fair values are recorded in the Consolidated Statement of Comprehensive Income.

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 to 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.
Notes to the Consolidated Financial Statements (continued)

1. Summary of significant accounting policies (continued)

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

Rental income
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 the incentives is recognised over the lease term, on a straight-line basis, as a reduction of rental income.

Sale of completed property
A property is regarded as sold when the significant risks and rewards of ownership have been transferred to the buyer, which is normally on unconditional exchange of contracts. On disposal, a property that is held by a single asset subsidiary and when disposal is achieved through the sale of such subsidiary and where it is judged as an asset disposal, the proceeds from disposal thereof are recognised in income and net assets disposed of, excluding long-term debt, are recognised in cost of sales in expenses. 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 pro-rata 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.

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 use 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.

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

Finance income and expenses
Interest income 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.

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

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

As a result of the discussion of the IFRS Interpretations Committee in its July 2014 meeting relating to deferred taxation for a single asset held by a corporate wrapper, the Group has recognised the deferred tax liability for the taxable temporary timing difference relating to the investment property carried at fair value.
Macau Property Opportunities Fund Limited
Notes to the Consolidated Financial Statements (continued)

Market risk (continued)

a) Foreign exchange risk (continued)

<table>
<thead>
<tr>
<th></th>
<th>US$'000</th>
<th>£'000</th>
<th>HK$'000</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>As at 30 June 2016</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Trade and other receivables (excluding prepayments)</td>
<td>-</td>
<td>-</td>
<td>3,190</td>
<td>3,190</td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
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<td>41</td>
<td>28,511</td>
<td>28,752</td>
</tr>
<tr>
<td>Deposits with lenders</td>
<td>-</td>
<td>-</td>
<td>2,650</td>
<td>2,650</td>
</tr>
<tr>
<td>Financial assets at fair value through profit or loss</td>
<td>-</td>
<td>174</td>
<td>-</td>
<td>174</td>
</tr>
<tr>
<td>Total financial assets</td>
<td>1</td>
<td>41</td>
<td>34,525</td>
<td>34,874</td>
</tr>
<tr>
<td>Trade and other payables</td>
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<td>3,301</td>
<td>3,301</td>
</tr>
<tr>
<td>Interest-bearing loans</td>
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<td>-</td>
<td>166,770</td>
<td>166,770</td>
</tr>
<tr>
<td>Financial liabilities at fair value through profit or loss</td>
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<td>-</td>
<td>569</td>
</tr>
<tr>
<td>Total financial liabilities</td>
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<td>362</td>
<td>169,339</td>
<td>169,698</td>
</tr>
<tr>
<td>Net financial position</td>
<td>-</td>
<td>-</td>
<td>166,338</td>
<td>166,338</td>
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</table>

As at 30 June 2016

<table>
<thead>
<tr>
<th></th>
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<th>£'000</th>
<th>HK$'000</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Trade and other receivables (excluding prepayments)</td>
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<td>1,124</td>
<td>1,124</td>
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<td>Cash and cash equivalents</td>
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<td>172</td>
<td>2,638</td>
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<td>2,113</td>
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<td>Total financial assets</td>
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<td>346</td>
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<td>Trade and other payables</td>
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<td>172</td>
<td>2,638</td>
<td>1,582</td>
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<tr>
<td>Interest-bearing loans</td>
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<td>164,514</td>
</tr>
<tr>
<td>Financial liabilities at fair value through profit or loss</td>
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<td>-</td>
<td>104</td>
</tr>
<tr>
<td>Total financial liabilities</td>
<td>114</td>
<td>172</td>
<td>164,641</td>
<td>166,509</td>
</tr>
<tr>
<td>Net financial position</td>
<td>-</td>
<td>-</td>
<td>15,854</td>
<td>15,978</td>
</tr>
</tbody>
</table>

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$968,000 higher/US$1,046,000 lower (2015: US$968,000 higher/US$1,046,000 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 loss for the year would have increased by US$1,497,000 (2015: US$1,354,000) (based on the interest-bearing net financial liability per the table below). This is mainly due to the Group's exposure to interest-bearing loans. The majority of loans are hedged, see details on the next page.

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

<table>
<thead>
<tr>
<th></th>
<th>US$'000</th>
<th>£'000</th>
<th>HK$'000</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>As at 30 June 2016</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Trade and other receivables (excluding prepayments)</td>
<td>-</td>
<td>-</td>
<td>3,190</td>
<td>3,190</td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>1</td>
<td>41</td>
<td>28,511</td>
<td>28,752</td>
</tr>
<tr>
<td>Deposits with lenders</td>
<td>-</td>
<td>-</td>
<td>2,650</td>
<td>2,650</td>
</tr>
<tr>
<td>Financial assets at fair value through profit or loss</td>
<td>-</td>
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<td>-</td>
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<td>1</td>
<td>41</td>
<td>34,525</td>
<td>34,874</td>
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<tr>
<td>Trade and other payables</td>
<td>-</td>
<td>-</td>
<td>3,301</td>
<td>3,301</td>
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<td>Interest-bearing loans</td>
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<td>-</td>
<td>362</td>
<td>169,339</td>
<td>169,698</td>
</tr>
<tr>
<td>Net financial position</td>
<td>-</td>
<td>-</td>
<td>166,338</td>
<td>166,338</td>
</tr>
</tbody>
</table>

As at 30 June 2015

<table>
<thead>
<tr>
<th></th>
<th>US$'000</th>
<th>£'000</th>
<th>HK$'000</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Trade and other receivables (excluding prepayments)</td>
<td>-</td>
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<td>1,124</td>
<td>1,124</td>
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<tr>
<td>Cash and cash equivalents</td>
<td>12,741</td>
<td>-</td>
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<td>28,749</td>
</tr>
<tr>
<td>Deposits with lenders</td>
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<td>-</td>
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<td>2,650</td>
</tr>
<tr>
<td>Financial assets at fair value through profit or loss</td>
<td>-</td>
<td>174</td>
<td>-</td>
<td>174</td>
</tr>
<tr>
<td>Total financial assets</td>
<td>12,741</td>
<td>-</td>
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<td>34,874</td>
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<tr>
<td>Trade and other payables</td>
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<td>-</td>
<td>1,773</td>
<td>1,773</td>
</tr>
<tr>
<td>Interest-bearing loans</td>
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<td>-</td>
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<td>166,770</td>
</tr>
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<td>Financial liabilities at fair value through profit or loss</td>
<td>-</td>
<td>569</td>
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<td>569</td>
</tr>
<tr>
<td>Total financial liabilities</td>
<td>-</td>
<td>362</td>
<td>169,339</td>
<td>169,698</td>
</tr>
<tr>
<td>Net financial position</td>
<td>-</td>
<td>-</td>
<td>167,592</td>
<td>167,592</td>
</tr>
</tbody>
</table>

The Group has entered into various interest rate swaps as disclosed in Note 20.

Macau Property Opportunities Fund Limited
Notes to the Consolidated Financial Statements (continued)
Credit risk

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

The Group’s main exposure to credit risk is its 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:

<table>
<thead>
<tr>
<th>Credit Rating</th>
<th>2016 US$’000</th>
<th>2015 US$’000</th>
</tr>
</thead>
<tbody>
<tr>
<td>AA-</td>
<td>273</td>
<td>2,679</td>
</tr>
<tr>
<td>A+</td>
<td>2,411</td>
<td>28</td>
</tr>
<tr>
<td>A</td>
<td>15</td>
<td>17</td>
</tr>
<tr>
<td>A-</td>
<td>16</td>
<td>22,617</td>
</tr>
<tr>
<td>BBB-</td>
<td>12,117</td>
<td>4,018</td>
</tr>
<tr>
<td>BBB</td>
<td>22</td>
<td></td>
</tr>
<tr>
<td>Sum</td>
<td>14,054</td>
<td>31,399</td>
</tr>
</tbody>
</table>

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

All of the Group’s major tenants have met their rental requirements within the terms of arrangement and no material receivables have not been impaired which are past due.

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

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$14,854,000 (2015: US$31,399,000), deposits amounting to US$2,113,000 (2015: US$1,941,000) have been pledged to secure banking facilities, of which US$2,113,000 relates to long-term banking facilities, and are, therefore, classified as non-current assets. Pledged bank balances represent deposits pledged to the banks to secure the banking facilities granted to the Group.

The Group has term loan facilities with Hang Seng Bank, Industrial and Commercial Bank of China, and Banco Tai Fung for its investments in The Waterside, individual units in One Central Residences, Estrela da Praia, and Tfe Fontainire. 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 on the right analyses the Group’s financial assets and liabilities into relevant maturity profiles based on the remaining period at the Consolidated Statement of Financial Position date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows (including interest payments).
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 value carried on the Consolidated Statement of Financial Position by level within the valuation hierarchy as at 30 June 2016:

<table>
<thead>
<tr>
<th>Date</th>
<th>Level 1</th>
<th>Level 2</th>
<th>Level 3</th>
</tr>
</thead>
<tbody>
<tr>
<td>30 June 2016</td>
<td>128,000</td>
<td></td>
<td></td>
</tr>
<tr>
<td>30 June 2015</td>
<td></td>
<td>128,000</td>
<td></td>
</tr>
</tbody>
</table>

Non-current assets 174
Non-current liabilities (25) (139)
Current liabilities (569)
Net interest rate swap liabilities (146)

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 conventions, 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 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%.

For all financial instruments, other than those recognised at fair value or whose fair value is disclosed within these financial statements, carrying value is used. The Board believes that a reasonable sensitivity range expected in each input would be a flat movement of +/- 1%.

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 2016, there were no borrowings other than the Group’s loan facilities in place which are classified as interest bearing loans. 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, subject to cash flow operating needs of the Company. During the year, the Company has purchased shares at a weighted average price of HK$1.50 (2015: HK$2.47) as per Note 12. All of the shares bought back were cancelled.

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, subject to cash flow operating needs of the Company. During the year, the Company has purchased shares at a weighted average price of HK$1.50 (2015: HK$2.47) as per Note 12. All of the shares bought back were cancelled.

During the year, the following Hong Kong companies – Goldex Properties Limited and Honway Properties Limited – were liquidated. 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
MPOF Macau (Site 3) Limited
MPOF Macau (Site 4) Limited
MPOF Macau (Site 5) Limited
MPOF Macau (Site 6) Limited
MPOF Macau (Site 7) Limited
MPOF Macau (Site 8) Limited
MPOF Macau (Site 9) Limited
MPOF Macau (Site 10) Limited
The Waterside Company Limited
Castelo Branco Companhia Limitada
Brisa Companhia Limitada
Vila Real Companhia Limitada
Portalegre Companhia Limitada

During the current year, the following Hong Kong companies – Golden Properties Limited and Homway Properties Limited – were liquidated. The following BVI companies – Multi Gold International Limited and Gammon Investments Limited – were liquidated after their underlying properties were disposed of. Please refer to Note 7 for further details of investments disposed of during the year.

The Board remains committed to an active discount management policy.

Macau Property Opportunities Fund Limited
Notes to the Consolidated Financial Statements (continued)

3. Critical accounting estimates, assumptions and judgement
The 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, NAV and Adjusted NAV are based on the current market valuation provided by Savills, an independent valuer. Savills is required to make assumptions on establishing the current market valuation. The most significant assumptions (as described further in Note 6), relate to estimating costs to complete property under development, future income streams and discount rates applicable to those 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 NRV. NRV is based on reference to market conditions and prices existing at the reporting date, and is determined by the Group, having taken external auditors advice and in the light of recent market transactions. NRV in respect of inventory property under construction (see Note 7), is assessed with reference to market prices at the reporting date for similar completed property, less estimated costs to complete construction and less an estimate of the time value of money to the date of completion.

c) Deferred tax liabilities are recognised for potential tax charges to the extent that it is probable that taxable profits will exceed taxable losses, against which can be utilised. Significant management judgement is required to determine the amount of deferred tax liabilities that can be recognised, based upon the likely timing and the level of future taxable profits, together with future tax planning strategies.

The Group did not make any critical accounting judgement, other than as described above, in the year ended 30 June 2016 or the year ended 30 June 2015.

4. Subsidiaries
All SPVs are 100% owned 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
MPOF Macau (Site 3) Limited
MPOF Macau (Site 4) Limited
MPOF Macau (Site 5) Limited
MPOF Macau (Site 6) Limited
MPOF Macau (Site 7) Limited
MPOF Macau (Site 8) Limited
MPOF Macau (Site 9) Limited
MPOF Macau (Site 10) Limited
The Waterside Company Limited
Castelo Branco Companhia Limitada
Brisa Companhia Limitada
Vila Real Companhia Limitada
Portalegre Companhia Limitada

During the current year, the following Hong Kong companies – Golden Properties Limited and Homway Properties Limited – were liquidated. The following BVI companies – Multi Gold International Limited and Gammon Investments Limited – were liquidated after their underlying properties were disposed of. Please refer to Note 7 for further details of investments disposed of during the year.
### 5. Segment reporting

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

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

This segment 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 ongoing performance review. This is supported by a further breakdown of individual property groups only to help support their review and investment appraisal objectives.

### Information about major customers

The Group does not have any customers or rental agreements which represent more than 10% of Group’s revenues. Revenues represented by rental income were US$2,091,000 for the year ended 30 June 2016 (2015: US$3,500,000).

### 6. Investment property

<table>
<thead>
<tr>
<th>Year</th>
<th>US$'000</th>
<th>US$'000</th>
</tr>
</thead>
<tbody>
<tr>
<td>2016</td>
<td>243,819</td>
<td>306,575</td>
</tr>
</tbody>
</table>

#### Capital expenditure on property

- **2015**: US$1,400,000
- **2016**: US$2,109,000

#### Direct operating expenses

- **2015**: US$967,000
- **2016**: US$734,000

#### Balance at end of the year

- **2015**: US$33,750
- **2016**: US$206,931

#### Valuation gains and losses from investment property

- **2015**: US$1,400,000
- **2016**: US$2,109,000

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

The Group’s investment properties were revalued at 30 June 2016 by independent, professionally-qualified valuers, Savills. The valuation has been carried out in accordance with the current Royal Institution of Chartered Surveyors (RICS) Appraisal and Valuation Standards to calculate the market value of the investment properties in their existing state and physical condition, with the assumptions that:

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

The fair value of investment property is determined by Savills, using recognised valuation techniques. The technique deployed is 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.

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

Rental income arising from The Waterside of US$2,091,000 (2015: US$4,400,000) was received during the year. Direct operating expenses of US$967,000 (2015: US$1,400,000) 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$734,000.

There are no disposals of investment property during the year.

The following table shows the assumptions used in valuing the investment property, which is classified as Level 3 in the fair value hierarchy:

<table>
<thead>
<tr>
<th>Property Information</th>
<th>Carrying amount / fair value at 30 June 2016</th>
<th>Valuation technique</th>
<th>Unobservable or unobservable inputs used in determination of fair values</th>
<th>Other key information</th>
</tr>
</thead>
<tbody>
<tr>
<td>Name</td>
<td>Carrying amount / fair value at 30 June 2016</td>
<td>Valuation technique</td>
<td>Unobservable or unobservable inputs used in determination of fair values</td>
<td>Other key information</td>
</tr>
<tr>
<td>The Waterside</td>
<td>206,931</td>
<td>Term and Reversion Analysis</td>
<td>HK$2,091 psf</td>
<td>Age of building</td>
</tr>
<tr>
<td>Type</td>
<td>Residential/Complied apartments</td>
<td>Term yields</td>
<td>1.6% – 2.4%</td>
<td>Remaining useful life of building</td>
</tr>
<tr>
<td>Location</td>
<td>One Central Tower &amp; Macau</td>
<td>Reversionary rent</td>
<td>HK$1,901 psf</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Reversionary yield</td>
<td>2.0%</td>
<td></td>
</tr>
</tbody>
</table>

The Fair Value of Investment Property table is not applicable as there are no disposals of investment property during the year.
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 property's net operating income (NOI) and the capitalization rate (capitalization rate = income / value). 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 net measured over time, but included on the basis of a time weighted average, such as the average lease up costs. Under the income capitalization method, up- and/or down-summer situations are separately capitalized (discounted). If the estimated revenue yield increased/decreased by 5% (and all other assumptions remained the same), the fair value of The Waterside would increase or decrease by US$ million.

Disposals

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

The Fair value of The Waterside, together with this newly acquired property, is now named The Waterside & Estrada da Penha.

Interest costs of US$nil (2015: US$225,000) relating to The Fountainside loan facility were capitalised during the year.

As at 30 June 2016, three tranches remained outstanding. Tranche 1 had been fully repaid during the year (2015: HK$78.4 million (US$10.2 million)); Tranche 2 had an outstanding balance of HK$78.4 million (US$10.2 million) (2015: HK$78.4 million (US$10.2 million)); and Tranche 3 had an outstanding balance of HK$80.8 million (US$10.5 million) (2015: HK$80.8 million (US$10.5 million)). Interest is paid quarterly on this loan facility. As at 30 June 2016, the loan-to-value ratio for the Hang Seng One Central facility was 57.89% (2015: 66.28%).

The interest rate applicable to Tranche 1, Tranche 4 and Tranche 5 of the term loan are 2.35% per annum, 2.35% per annum and 2.35% per annum, respectively, over the 1.2.3 month HIBOR rate, the choice of rate is at the Group’s discretion. The term loans mature on 15 September 2020. The principal is to be repaid in half-yearly instalments commencing 19 March 2018 with 50% of the principal due upon maturity. 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 Company is the guarantor for the credit facility. In addition, the Group is required to maintain a cash reserve equal to six months’ interest with the lender. Early prepayment covenant for sale proceeds out of the individual One Central Residences unit will be waived, subject to the Group maintaining a loan-to-value ratio of not more than 50% on the facility.

During the prior period, the Group acquired a loan facility with the Industrial and Commercial Bank of China (Macau) Limited to refinance the credit facility with OCBC Wing Hang Limited (Macau) (previously known as Banco Weng Hang S.A.) in relation to The Fountainside redevelopment project. The facility amount is HK$220 million (US$28.4 million) with a tenor of 3 years to mature in March 2018. Full amount of the facility was sanctioned in March 2015 to repay the OCBC Wing Hang facility. Interest charge is at 3% per annum over the 5-month HIBOR rate. The principal is to be repaid in half-yearly instalments commencing 30 months after drawdown date with 50% of the principal due upon maturity. The loan-to-value covenant is 60%. The facility is secured by means of a first registered legal mortgage over all unsold units and car parking spaces of the Fountainside as well as a pledge of all income from the units and the car parking spaces. The Company is the guarantor for the credit facility.

As at 30 June 2016, the facility had an outstanding balance of HK$208.1 million (US$26.7 million); HK$214.4 million (US$27.7 million). Sales proceeds of US$10.5 million (2015: US$10.5 million) was pledged with the lender. As at 30 June 2016, the loan-to-value ratio for The Fountainside facility was 56.70% (2015: 63.39%).

The Group has two loan facilities for the purchase and redevelopment of Estrada da Penha.

Banco Tai Fung

The Group has a term loan facility with Banco Tai Fung for a loan term of 3 years and the facility amount is HK$70 million. Interest is charged at 1.52% per annum over the 6-month HIBOR rate and repayment is due in full at maturity on 30 June 2017. As at 30 June 2016, the facility had an outstanding balance of HK$70 million (US$9.0 million). This facility is secured by a first legal mortgage over the property as well as a pledge of all income from the property. The Group is the guarantor for this term loan. Interest is paid monthly on this loan facility. As at 30 June 2016, the loan-to-value ratio for this facility was 45.99% (2015: 45.99%).

ICBC Macau

The Group has a term loan facility with Industrial and Commercial Bank of China (Macau) Limited was executed on 10 December 2014. The term of the loan is 3 years and the facility amount is HK$79 million. Interest is charged at 3.92% per annum over the 1-month HIBOR rate and repayment is due in full at maturity in December 2017. As at 30 June 2016, the facility had an outstanding balance of HK$79 million (US$10.2 million) (30 June 2015: HK$79 million (US$10.2 million)). This facility is secured by a first legal mortgage over the property as well as a pledge of all income from the property. The Group is the guarantor for this term loan. In addition, the Group is required to maintain a cash reserve equal to six months’ interest with the lender. Interest is paid monthly on this loan facility. As at 30 June 2016, the loan-to-value ratio for this facility was 45.14% (2015: 42.47%).

Bank loan interest paid during the year was US$4,427,000 (2015: US$4,226,000), including US$10.5 million (2015: US$22,000) capitalised during the year (see Note 7).

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

The fair value of fixed rate financial assets and liabilities carried at amortised cost are estimated by comparing 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 2016, the fair value of the interest-bearing loan was HK$80.8 million lower than the carrying value of the financial liabilities (2015: the fair value of the financial liabilities was US$57,000 higher than the carrying value of the financial liabilities).
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 US$8,742 (2015: US$8,194).

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

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

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

No accrual has been made for Hong Kong profits tax, as the Board believes that no such tax exposure exists at the end of the reporting year (2015: US$nil).

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

The Group is not subject to any income, withholding or capital gains taxes in the PRC. The Board considers that the Group’s exposure to PRC tax has been properly reflected in the Group’s consolidated financial statements.

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

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% (2015: 10%) of any rent received or 4% (2015: 4%) 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 outskirts 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 also examines tax in the APAC Logistics Centre in Zhuhai, China, the Group is in the process of finalising the tax assessment with the PRC 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 PRC tax authorities. The provision amount as at 30 June 2016 reflects the expected outcome of the tax charge and is expected to be settled within one year. The Group is unlikely to be reimbursed for this provision. During the year, an interim payment of HK$6.98 million (US$891,000) was made against this provision to the PRC tax authorities.

On 25 August 2016, the Group had submitted the final tax return to the PRC tax authorities regarding the disposal of the Cove Residence. The final assessed tax liability totalled HK$19 million (US$2.45 million) was paid on 26 August 2016. The Management considered that the PRC tax provisions made as at 30 June 2016 is adequate to reflect the Group’s tax position.

Deferred taxation

The Group has recognised a deferred tax liability for the taxable temporary difference relating to the investment property carried at fair value.

Provisions for Macanese taxation

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

The Group is subject to property tax in respect of its ownership of Macau properties. The tax is 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 Macanese complementary tax regulations. Accordingly, all income booked by a Macanese 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 Macanese company (such as an SPV of the Company) should not attract Macanese complementary tax.

The Group has recognised a deferred tax liability for the taxable temporary difference relating to the investment property carried at fair value.

Provisions for Macanese taxation

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

Tax Reconciliation

No tax reconciliation has been presented because the Company is exempt from taxation in Guernsey (except as described above). The tax credit for the year of US$3.6 million (2015: tax credit of US$1.9 million) comprised a deferred tax credit of US$4.8 million (2015: US$7.4 million), arising from the reduction in the value of investment property offset by a provision for Macanese taxes of US$4.6 million (2015: US$5.4 million) at a rate of 20% and an increase in the tax authorities provision for the PRC of US$1.0 million (2015: US$nil).

10. Trade and other receivables

Current assets 2016 2015 US$’000 US$’000

Trade receivables 1,013 3,189
Prepayments 93 95

1,106 3,284

11. Trade and other payables

Current liabilities 2016 2015 US$’000 US$’000

Accruals 454 385
Other payables 1,637 1,388

2,091 1,773
## 12. Share capital

### Ordinary shares

<table>
<thead>
<tr>
<th></th>
<th>2016</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>US$'000</td>
<td>US$'000</td>
</tr>
<tr>
<td>Authorised:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>300 million ordinary shares of US$0.01 each</td>
<td>3,000</td>
<td>3,000</td>
</tr>
<tr>
<td>Issued and fully paid</td>
<td></td>
<td></td>
</tr>
<tr>
<td>76.4 million (2015: 77.5 million)</td>
<td>764</td>
<td>775</td>
</tr>
<tr>
<td>ordinary shares of US$0.01 each</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

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

### Ordinary shares repurchase

During the year, under the authority first granted in the Extraordinary General Meeting of 28 June 2010 and renewed at each Annual General Meeting thereafter, the Company repurchased 1,891,000 (2015: 3,881,036) ordinary shares or 1.05% (2015: 3.70%) of the originally issued shares, totalling US$3,016,000 (2015: US$14,875,000) at an average share price of 176.64p (2015: 237.75p). All shares bought back under the buyback programme were at market value and were cancelled.

The following table summarises all shares repurchased by the Company as at 30 June 2016:

<table>
<thead>
<tr>
<th>Number of Shares</th>
<th>Repurchase Price Per Share</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total shares repurchased/average price at beginning of year</td>
<td>143.72</td>
</tr>
<tr>
<td>12 August 2015</td>
<td>144.00</td>
</tr>
<tr>
<td>18 August 2015</td>
<td>171.00</td>
</tr>
<tr>
<td>22 August 2015</td>
<td>172.00</td>
</tr>
<tr>
<td>28 August 2015</td>
<td>170.24</td>
</tr>
<tr>
<td>4 September 2015</td>
<td>165.50</td>
</tr>
<tr>
<td>Total shares repurchased/average price during the current year</td>
<td>145.50</td>
</tr>
<tr>
<td>Total shares repurchased/average price at end of year</td>
<td>164.22</td>
</tr>
</tbody>
</table>

* Price in pence Sterling

The Board has publicly stated its commitment to undertake share buybacks at attractive levels of discount of the share price to Adjusted NAV.

In order to continue this strategy, the Board intends to renew this authority at the 2016 Annual General Meeting.

## 13. General and administration expenses

### Ordinary shares repurchase

<table>
<thead>
<tr>
<th></th>
<th>2016</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>US$'000</td>
<td>US$'000</td>
</tr>
<tr>
<td>Legal and professional</td>
<td>317</td>
<td>372</td>
</tr>
<tr>
<td>Holding Company administration</td>
<td>262</td>
<td>344</td>
</tr>
<tr>
<td>Guernsey SPV administration</td>
<td>131</td>
<td>172</td>
</tr>
<tr>
<td>BVI, Hong Kong &amp; Macanese SPV administration</td>
<td>101</td>
<td>79</td>
</tr>
<tr>
<td>Insurance costs</td>
<td>19</td>
<td>19</td>
</tr>
<tr>
<td>Listing fees</td>
<td>21</td>
<td>24</td>
</tr>
<tr>
<td>Printing &amp; postage</td>
<td>44</td>
<td>54</td>
</tr>
<tr>
<td>Other operating expenses</td>
<td>500</td>
<td>486</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>1,155</strong></td>
<td><strong>1,490</strong></td>
</tr>
</tbody>
</table>

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

## 14. Other financing costs

### Ordinary shares repurchase

<table>
<thead>
<tr>
<th></th>
<th>2016</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>US$'000</td>
<td>US$'000</td>
</tr>
<tr>
<td>Bank charges</td>
<td>11</td>
<td>161</td>
</tr>
<tr>
<td>Loan arrangement fees</td>
<td>313</td>
<td>545</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>324</strong></td>
<td><strong>606</strong></td>
</tr>
</tbody>
</table>

As at 30 June 2016, unamortised loan arrangement fees were US$791,000 (2015: US$807,000).

## 15. Property operating expenses

### Ordinary shares repurchase

<table>
<thead>
<tr>
<th></th>
<th>2016</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>US$'000</td>
<td>US$'000</td>
</tr>
<tr>
<td>Property management fee</td>
<td>742</td>
<td>693</td>
</tr>
<tr>
<td>Property taxes</td>
<td>275</td>
<td>677</td>
</tr>
<tr>
<td>Utilities</td>
<td>16</td>
<td>33</td>
</tr>
<tr>
<td>Other property expenses</td>
<td>5</td>
<td>28</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>1,273</strong></td>
<td><strong>1,687</strong></td>
</tr>
</tbody>
</table>
17. Basic and diluted loss per ordinary share and net asset value per share

<table>
<thead>
<tr>
<th></th>
<th>30 June 16</th>
<th>30 June 15</th>
</tr>
</thead>
<tbody>
<tr>
<td>Basic and diluted</td>
<td>(45,651)</td>
<td>76,584 (0.5961)</td>
</tr>
<tr>
<td>EPS US$</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Loss attributable</td>
<td>US$'000</td>
<td></td>
</tr>
<tr>
<td>Weighted Average No. of Shares '000s</td>
<td></td>
<td></td>
</tr>
<tr>
<td>EPS US$</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Net asset value reconciliation

<table>
<thead>
<tr>
<th></th>
<th>30 June 16</th>
<th>30 June 15</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net assets attributable to ordinary shareholders</td>
<td>106,645</td>
<td>155,447</td>
</tr>
<tr>
<td>Uplift of inventories held at cost to market value</td>
<td>119,672</td>
<td>152,565</td>
</tr>
<tr>
<td>Adjusted NAV</td>
<td>226,315</td>
<td>308,012</td>
</tr>
</tbody>
</table>

Number of ordinary shares outstanding (‘000)

<table>
<thead>
<tr>
<th></th>
<th>30 June 16</th>
<th>30 June 15</th>
</tr>
</thead>
<tbody>
<tr>
<td>NAV per share (IFRS) (US$)</td>
<td>1.40</td>
<td>2.00</td>
</tr>
<tr>
<td>Adjusted NAV per share (US$)</td>
<td>2.06</td>
<td>3.97</td>
</tr>
<tr>
<td>Adjusted NAV per share (£)</td>
<td>2.23</td>
<td>2.53</td>
</tr>
</tbody>
</table>

The NAV per share is arrived at by dividing the net assets as at the date of the Consolidated Statement of Financial Position, by the number of ordinary shares in issue at that date. Under IFRS, inventories are carried at the lower of cost and NRV. The Adjusted NAV includes the uplift of inventories to their market values. The Adjusted NAV per share is arrived at by dividing the Adjusted NAV as at the date of the Consolidated Statement of Financial Position, by the number of ordinary shares in issue at that date. There are no potentially dilutive shares in issue.

8. 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.

The Directors are considered to be the key management personnel (as defined under IAS 24) of the Company. Director’s fees outstanding as at 30 June 2016 was US$35,461 (2015: US$8,978).

Thomas Ashworth has a beneficial interest in and is a Director of Sniper Capital Limited. Sniper Capital Limited is the Manager to the Group and received fees during the year, as detailed in the Consolidated Statement of Comprehensive Income and in the notes detailed in Note 19.

Thomas Ashworth is a shareholder and Director of Adap Capital Partners Services Limited. Adap Capital Partners Services Limited provides administrative services to the Macanese, Hong Kong and BVI SPVs and received fees during the year as detailed in Note 19.

No performance fee was accrued at the year end (2015: US$nil). A performance fee of US$nil was paid during the year (2015: US$23,964,000).

The Group has a Development Management Services Agreement with a development management company named Headland Developments Limited (“Headland”).

The Group also agrees to reimburse Headland for any reimbursable expenses reasonably incurred in the performance of its duties under the agreement.

A Development Management Services Agreement dated 1 June 2010 was entered into between the Group and Headland, under which Headland provides development management services to the Group in respect of the Group’s properties that require development. Headland is paid a development management fee based on the hourly rates of its personnel and the actual time spent on each project for the Group. Such hourly rates will be reviewed annually by the Board.

During the year, project management services fees of US$62,399 (HK$484,614) (2015: US$nil) were capitalised in inventories. As at 30 June 2016, US$5,000 (2015: US$nil) was outstanding.

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

During the year, project management services fees of US$62,399 (HK$484,614) (2015: US$nil) were capitalised in inventories. As at 30 June 2016, US$5,000 (2015: US$nil) was outstanding.
20. Interest rate swaps

During the year, the Group paid a net interest of US$581,000 (2015: US$1,035,000) to the bank, 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$104,000 (2015: US$395,000). For the year ended 30 June 2016, a fair value gain of US$291,000 (2015: US$265,000) 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 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. All of the interest rate swaps matured during the year, with the earliest maturity date being 6 August 2015 and the latest being 20 May 2016.

The total notional amount for the interest rate swaps was HK$500 million, being a notional amount of HK$100 million for each swap.

Under these swaps, the Group received quarterly interest at variable rates of 3-month HIBOR and paid quarterly interest at fixed rates ranging from 1.395% to 2.090% per annum.

In the prior year, the Group placed HK$5,500,000 (US$709,500) 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 5 years with maturity date on 19 March 2018. Under this swap, the Group receives quarterly interest at variable rates of 3-month HIBOR and pays quarterly interest at a fixed rate of 1% per annum.

21. Deposits with lenders

Pledged bank balances represent deposits pledged to the banks to secure the banking facilities and interest rate swaps granted to the Group. Deposits amounting to US$2.1 million (2015: US$1.9 million) have been pledged to secure long-term banking facilities and are, therefore, classified as non-current assets. There are no other significant terms and conditions associated with these pledged bank balances.

<table>
<thead>
<tr>
<th>Year</th>
<th>US$'000</th>
<th>US$'000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pledged for loan covenants</td>
<td>2,113</td>
<td>1,941</td>
</tr>
<tr>
<td>Pledged for interest rate swaps</td>
<td>2,113</td>
<td>2,060</td>
</tr>
</tbody>
</table>

22. Commitments and contingencies

As at 30 June 2016, the Group had agreed construction contracts with third parties and is consequently committed to future capital expenditure in respect of inventories of US$nil (2015: US$nil).

23. Auditors’ remuneration

All fees payable to the auditors relate to audit services and interim review fees. During the year, US$19,850 (2015: US$4,850) was paid to Ernst and Young Tax Services Limited in Hong Kong for tax advice in relation to the disposal of APAC Logistics Centre and Cove Residence.

Auditors’ remuneration was broken down as follows:

<table>
<thead>
<tr>
<th></th>
<th>2016 US$'000</th>
<th>2015 US$'000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ernst &amp; Young LLP group audit</td>
<td>103</td>
<td>90</td>
</tr>
<tr>
<td>Ernst &amp; Young LLP group interim review (non-audit)</td>
<td>25</td>
<td>27</td>
</tr>
<tr>
<td>Non-Ernst &amp; Young LLP subsidiary auditors’ remuneration</td>
<td>7</td>
<td>5</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>135</strong></td>
<td><strong>122</strong></td>
</tr>
</tbody>
</table>

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 2016 are as follows:

<table>
<thead>
<tr>
<th>Tenure</th>
<th>2016 US$'000</th>
<th>2015 US$'000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Within 1 year</td>
<td>902</td>
<td>1,145</td>
</tr>
<tr>
<td>After 1 year, but not more than 5 years</td>
<td>46</td>
<td>46</td>
</tr>
<tr>
<td><strong>Total future rental income</strong></td>
<td><strong>948</strong></td>
<td><strong>1,145</strong></td>
</tr>
</tbody>
</table>

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

25. Subsequent events

There were no significant events occurring after the reporting date of the annual report for the year ended 30 June 2016.
Directors
Chris Russell (Chairman)
Thomas Ashworth
Alan Clifton
Wilfred Woo
David Hinde (resigned as of 13 November 2015)

Audit Committee
Alan Clifton (Chairman)
Wilfred Woo
Chris Russell

Management Engagement Committee
Alan Clifton (Chairman)
Chris Russell
Wilfred Woo
David Hinde (resigned as of 13 November 2015)

Nomination and Remuneration Committee
Alan Clifton (Chairman)
Thomas Ashworth
Wilfred Woo
Chris Russell
David Hinde (resigned as of 13 November 2015)

Manager
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Offshore Incorporations Centre
Road Town
British Virgin Islands

Investment Adviser
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Independent Auditors
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Royal Chambers
St Julian’s Avenue
St Peter Port
Guernsey GY1 4AF

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Macau

Administrator and Company Secretary
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Macau and Hong Kong Administrator
Adapta Capital Partners Services Limited
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London SE1 2AR

Advocates to the Group as to Guernsey Law
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Carey House
Les Banques
Guernsey GY1 4BZ
The topographic contours, hills, lakes, and locations of MPOF's properties in Macau Peninsula are featured on the cover of the annual report.