Macau Property Opportunities Fund

Annual Report & Accounts for the period ended 30 June 2012

A Pattern of Opportunities

2 Chairman's Statement
6 Key Highlights
7 Portfolio Overview
10 Property Portfolio
20 Manager's Report
38 Board of Directors
40 Forward Looking Statements
41 Manager and Advisers
42 Investment Policy
43 Directors' Report
46 Corporate Governance Report
50 Nomination and Remuneration Committee Report
51 Audit Committee Report
52 Statement of Directors' Responsibilities
53 Independent Auditors' Report
54 Consolidated Statement of Financial Position
55 Consolidated Statement of Comprehensive Income
56 Consolidated Statement of Changes in Equity
57 Consolidated Statement of Cash Flows
58 Notes to the Consolidated Financial Statements
83 Notice of AGM

MPO's financial statements as at 30 June 2012 have been prepared in accordance with International Financial Reporting Standards and all properties in the Company's portfolio have been independently valued by Savills (Macau) Limited.

Macau Property Opportunities Fund

Listed on the London Stock Exchange, MPO is the only listed property fund solely dedicated to investing in Macau – one of the world's fastest growing and most dynamic regions. The Company seeks to deliver long-term returns from the investment in and development of high quality properties in Macau and China's Pearl River Delta.

Chairman's Statement

David Hinde, Chairman of the Board

In my sixth year as Chairman, I am pleased to report on a creditable overall performance for MPO. Most importantly, your Company remains well-positioned to capture future growth. We have a top quality portfolio of quality assets, our business is adequately funded and we remain fully focused on delivering value to shareholders.

Fund performance
Despite continued global economic uncertainty, MPO delivered a healthy set of financial results. Savills (Macau) Limited's independent valuation of your Company's portfolio rose US$51.1 million or 15.8% to reach US$374.8 million, mainly attributed to an uplift in gross property values and partially due to additional development and other capitalised expenditure.

Adjusted Net Asset Value (NAV)[1] rose US$26.6 million or 9.5% for the same period. As at 30 June 2012, Adjusted NAV per share was US$3.01, representing an uplift of 10.4%.

Throughout the year, we have executed a number of initiatives intended to drive future NAV growth. We completed the partial sale of our One Central individual apartments, acquired an iconic, luxury residential apartment in Macau, increased our loan-to-value ratio to a less conservative yet still prudent level of 27.1%, and undertook meaningful, accretive share buy-backs.

Portfolio update
One of the high points of the year was the purchase of what we consider to be Macau's ultimate residential property, an 8,000-square feet triplex penthouse, for US$12.6 million. This acquisition was made at a deep discount to what we consider to be its true worth and enhances MPO's exposure to iconic private homes, one of our favoured asset classes.

Leasing progress at our cornerstone investment asset, *The Waterside*, remains robust. With occupancy now approaching 90%, our primary focus is on driving future capital values through further rental growth. We have recently embarked on a high-profile regional media campaign intended to cement *The Waterside* as Macau's ultimate leased residence.

US$3.01[1]

Adjusted NAV per share
+10.4% YoY

191p[2]

Adjusted NAV per share
+12.9% YoY

US$375m

Portfolio valuation
+15.8% YoY

27%

Loan-to-value
versus **24%** as at
30 June 2011

1 For IFRS NAV and NAV reconciliation, please see the table on page 21 and Note 17 to the financial statements respectively.
2 Based on a Dollar/Sterling exchange rate of 1.5706 as at 30 June 2012.

Chairman's Statement

"We will consider all options available to enhance shareholder value."

On the development front, construction of our niche residential project, *The Fountainside*, is progressing on schedule for completion by early next year. Buying interest remains strong and we believe we can maximise exit values by releasing the project's unsold units – constituting two thirds of the gross floor area – once the project is completed.

As previously disclosed to shareholders, our flagship retail development, *Senado Square*, has suffered protracted delays in achieving full governmental planning approvals. Our top priority remains on finalising discussions to commence the redevelopment programme as soon as possible. We are hopeful that architectural planning submissions should be completed by 2013.

In Zhuhai, *Cove Residence* and the first development phase of *APAC Logistics Centre* are making good progress towards their expected completion dates at the end of 2012. Your Manager continues to engage actively with major developers, logistics operators, manufacturing facilities and hotels in Shizimen CBD and Hengqin Island for potential leasing interest.

Outlook

It is inevitable that Macau's phenomenal pace of growth will moderate yet the drivers remain very much intact to achieve double-digit growth over the next several years. Sensationalised media headlines about slowing gaming growth, coupled with a tendency by many to group Macau with China, have sparked fears of a slowdown in the territory's economy. However, we continue to emphasise to our shareholders that Macau's primarily gaming-driven economy is significantly different to China.

There is no doubt that MPO will continue to face challenges. Labour shortages, rising construction costs, delays in planning approvals and the increasing difficulty of negotiating new acquisitions are all a consequence of Macau's rapid growth. Ultimately, however, the most important drivers of our asset values are limited land, a rising population, rising incomes and employment, attractive affordability levels and strong retail sales.

We continue to believe that Macau and China's western Pearl River Delta (PRD) region remain a powerful multi-decade growth story.

Changes to the Board and Broker
Richard Barnes' retirement, announced in January, was followed by the appointment of Wilfred Woo, who brings a wealth of large-scale development experience in Asia.

More recently, Chris Russell, with his extensive knowledge of Asian investment and finance, was appointed a Non-executive Director and Tim Henderson, who has been on the Board since its inception in 2006, decided that he will step down and not stand for re-election at the forthcoming Annual General Meeting.

I would like to extend my deep gratitude to Tim, who has made a valuable contribution throughout and was instrumental in structuring and running MPO's off-shore status.

Shareholders will also be aware that Liberum Capital has recently been appointed as sole Corporate Broker to MPO.

It is my belief that these changes will ensure the best combination of leadership and resources as your Company enters its next phase of growth.

Share buy-backs
In common with other overseas real estate investment companies listed on the London Stock Exchange, MPO's share price has suffered from weak market sentiment, with its shares trading at a c. 40% discount to Adjusted NAV. Given Macau's position as a globally unique story, the quality of MPO's portfolio and the potential for future NAV growth, the Board considers MPO's current share price discount unacceptable.

Whilst we are constantly assessing fresh investment opportunities, the Board has taken the view that the most attractive use of our resources currently available is the purchase of MPO's shares. Since May, we have repurchased and cancelled 2,570,250[3] of MPO's ordinary shares. More recently, a formal buy-back programme has been initiated.

We intend to continue repurchasing MPO's shares as long as we consider them to offer attractive value. In the meantime, acquisitions will only be considered in exceptional cases. In the event that the current discount prevails over the longer term, the Board will consider all options available to enhance shareholder value.

Dividend policy
Given the development-orientated nature of the Company's investments, the Board has concluded after careful consideration that it is inappropriate to implement a regular dividend policy at this stage. However, in light of the well-received 8% distribution made last year following an asset sale, the Board will consider making future distributions to shareholders as and when further disposals are made.

Fund life
In 2014, MPO will be eight years old and the continuation of your Company will be considered at the Annual General Meeting in that year. We remain convinced about the long-term merits of investing in Macau. We also anticipate that the completion of a new wave of casino resorts from 2015, and the Hong Kong-Macau-Zhuhai Bridge in 2016, could drive Macau property prices higher, further enhancing MPO's asset values.

With this in mind, the Board believes that it is important to formulate a clear ongoing strategy that will not only capitalise on the next phase of Macau's anticipated growth, but also address asset realisations and meet the needs and expectations of shareholders who have supported MPO over the years. We look forward to engaging with shareholders in these discussions in the coming months.

David Hinde
Chairman of the Board
Macau Property Opportunities Fund Limited
21 September 2012

[3] Repurchased and cancelled 500,000 shares as of 30 June 2012 and a further 2,070,250 shares between 1 July - 15 August.

Key Highlights

New Acquisition – *The Sky House*

An 8,000-square feet, ultra high-end penthouse triplex apartment located on Macau Peninsula which increases MPO's exposure to iconic private homes.

The Waterside Attains 86% Occupancy

With rising occupancy, our key focus remains on maintaining steady rental growth, whilst reinforcing *The Waterside* as Macau's ultimate luxury leasing address.

The Fountainside Nearing Completion

Low-density residential development, *The Fountainside*, is gearing up for the second stage of its marketing campaign, as the project approaches completion by early-2013.

New Loan Facilities

A combined US$38 million in newly-secured loan facilities raise MPO's loan-to-value to a still prudent level of 27%.

Accretive Share Buy-Back Programme

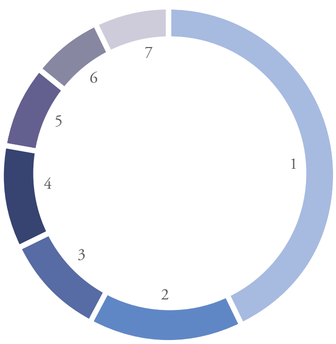
MPO has repurchased and cancelled 2,570,250* ordinary shares since May and remains highly committed to accretive share buy-backs.

* Repurchased and cancelled 500,000 shares as of 30 June 2012 and a further 2,070,250 shares between 1 July - 15 August.

Portfolio Overview

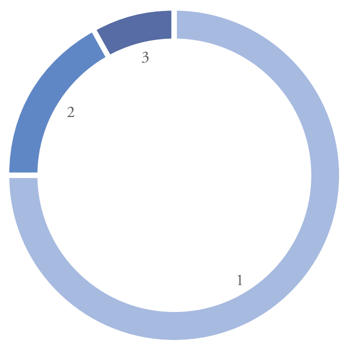
Property	Sector	Type	Current Status	Commitment (US$ million)[5]	Market Valuation (US$ million)[6]
The Waterside[1] One Central[2]	Ultra-luxury Residential	Investment	Leasing & Asset Management	138	212.4
The Fountainside	Low-density Residential	Redevelopment	Under Construction	20	42.2
Senado Square	Prime Retail	Redevelopment	Advance Planning	33	63.0
The Green House	Luxury Private Homes	Investment	Hold	4	12.2
The Sky House[3]	Luxury Private Homes	Investment	Hold	13	15.5
APAC Logistics Centre[4] Cove Residence[4]	Warehousing & Logistics Niche Residential	Investment/ Development	Leasing & Under Construction	45	29.1
Smaller Property	Residential	Investment	Hold	N.A	0.4
Total				**253**	**374.8**

Portfolio Composition by Project



1 The Waterside[1] 43%
2 Senado Square 15%
3 Cash 10%
4 The Fountainside 10%
5 One Central individual units 8%
6 APAC Logistics Centre & Cove Residence[3] 7%
7 Other Property Assets[7] 7%

Portfolio Composition by Sector



1 Residential 75%
2 Retail 17%
3 Warehouse/Logistics 8%

Notes
1 Tower Six of One Central Residences; please refer to the disclaimer on the inside back cover
2 Individual units at One Central Residences
3 Acquired in late April-2012
4 Jointly acquired as part of a combined investment in August 2008
5 Including acquisition and (where appropriate) projected development costs
6 Based on independent valuations by Savills (Macau) Limited as at 30 June 2012
7 Includes *The Green House, The Sky House* and a smaller property asset

Portfolio Overview

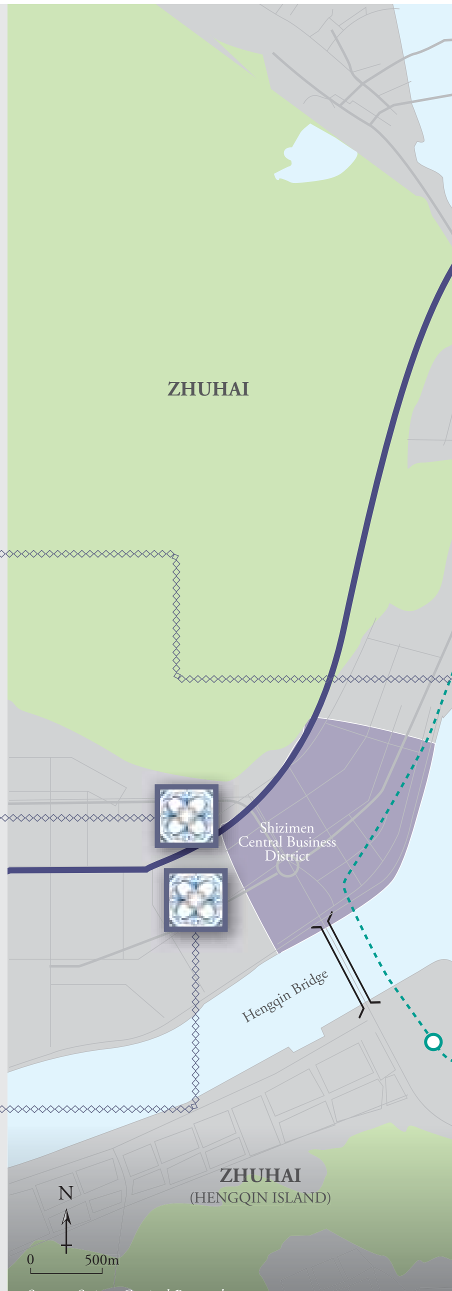
MPO targets undervalued property investment opportunities in high-growth sectors of Macau and western PRD that are clearly differentiated by both location and sustainability of end-user demand.

The Green House

Cove Residence

APAC Logistics Centre

Map of Macau

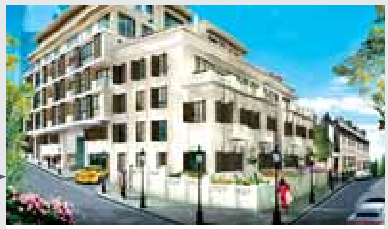


Source: Sniper Capital Research

Senado Square

The Sky House

The Waterside



The Fountainside

Property Portfolio *The Waterside*

Sector
Ultra-luxury Residential

Property Type
Investment

Current Status
Leasing and Asset Management

Gross Floor Area
148,000 ft^2/13,750 m^2

Acquisition Cost
US$87,286,000

Valuation
US$180,460,000
+6% YoY
+106% since acquisition

Occupying the entire Tower Six in One Central Residences, *The Waterside* offers 59 rental suites, all significantly enhanced and furnished to international standards. Priced from US$7,000 per month, all apartments boast stunning views over Macau's Nam Van and Sai Van Lakes.

Unit sizes range from 2,270-square feet for a standard three-bedroom en-suite to over 4,000-square feet each for five exclusive simplex and duplex apartments collectively branded as the *Apex Collection*.

To further widen the choices for potential tenants seeking upscale leased accommodation, *The Waterside* recently launched the *Sapphire Suites*, a special collection of premium high-floor units. Priced at a 15% premium to the project's standard units, the response has been positive, with all eight units taken up since the collection was launched in February.

Since its launch in early 2010, *The Waterside* has rapidly established a new level of luxury for leased accommodation in Macau, with the project achieving record rental levels in the territory. To date, 86% of the property's gross floor area has been successfully leased to an international clientele.

Residents benefit from flexible leasing packages and a suite of tailored services. In addition, the prestigious leasing asset offers convenient access to nearby dining, shopping and entertainment services offered by the MGM Grand Macau, the One Central Macau shopping centre and the Mandarin Oriental Hotel.

Exit Strategy

We will continue to drive capital values through high occupancy and rental growth and ultimately seek to dispose of the asset on an en-bloc basis to an investor seeking a prime yielding Macau asset.

The Waterside

Property Portfolio *The Fountainside*

Sector
Low-density Residential

Property Type
Redevelopment

Current Status
Under Construction

Gross Floor Area
80,000 ft^2/7,430 m^2

Total Commitment
US$20,000,000
Acquisition cost – 43%
Project development cost – 57%

Valuation
US$42,150,000
+29% YoY
+422% since acquisition

Situated on a prime corner location within the historical Penha Hill district, *The Fountainside* is a niche, low-density residential project featuring a distinctive Macanese façade which has been carefully preserved and integrated into the new development.

The project's name was inspired by the famous fountain in adjacent Lilau Square, where the Portuguese first settled in Macau and which used to be the main source of spring water for the city.

Comprising 38 apartments and four villas which embody rich colonial architectural influences, *The Fountainside* offers buyers a fresh opportunity to own a home in a prestigious neighbourhood steeped in history.

The project's construction programme is progressing well, with the concrete structure now topped-out and internal fit-out and finishing well underway.

Exit Strategy
34% of the project's gross floor area has been pre-sold in early-2011 at an average achieved price of US$580 per square foot. We are targeting to maximise exit values by releasing the remaining 20 units in tandem with *The Fountainside's* expected completion in early-2013.

Property Portfolio *Senado Square*

Sector
Prime Retail

Property Type
Redevelopment

Current Status
Advanced Planning

Gross Floor Area
70,000 ft^2/6,500 m^2

Total Commitment
US$33,000,000
Acquisition cost – 48%
Project development cost – 52%

Valuation
US$63,000,000
+23% YoY
+292% since acquisition

MPO's flagship retail development, *Senado Square*, lies in the heart of Macau's vibrant shopping destination and UNESCO-endorsed historical centre. Designed by Arquitectonica – the creative team behind Melco Crown's US$2.4-billion City of Dreams – *Senado Square* has received positive reviews for its sustainable concept and contemporary design.

Although architectural approval for the proposed multi-storey retail complex is on hold pending the outcome of ongoing negotiations with the relevant government departments, valuations in and around the vicinity continue to benefit greatly due to strong demand for quality retail space in Macau's most prominent tourist destination.

Reported transactions confirm strong positive momentum for both rental and capital value growth. Given the scarcity of new and well-planned retail space, MPO is confident that *Senado Square* will become a key player in the city's emerging non-gaming industry.

Exit Strategy
Once completed and leased to a high quality tenant mix, we will market the asset for sale as a prime investment retail asset with stabilised cash flows.


Senado Square

Property Portfolio *The Green House & The Sky House*


The Green House


The Sky House

Sector
Luxury Private Homes

Property Type
Investment

Current Status
Hold

Property
The Green House

Gross Floor Area
5,200 ft^2/480 m^2

Acquisition Cost
US$3,500,000

Valuation
US$12,245,000
+30% YoY
+247% since acquisition

Property
The Sky House

Gross Floor Area
8,200 ft^2/760 m^2

Acquisition Cost
US$12,570,000

Valuation
US$15,470,000
*+22% since acquisition**

* Acquired in late April-2012

***The Green House* and *The Sky House* form part of MPO's complementary strategy of acquiring well-located and attractively-priced smaller property assets in key locations across Macau.**

In late 2007, MPO purchased a rare private house located atop Penha Hill, traditionally regarded as Macau's most desirable residential address. Set upon elevated plains, *The Green House* offers the convenience of being just a short drive away from the city centre whilst enjoying the serenity of peaceful surroundings. The sprawling 5,000-square feet mansion also offers panoramic views across Macau and Mainland China.

In April 2012, MPO added to its portfolio an iconic triplex penthouse located in Tower Three of One Central Residences – Macau's premier luxury residential development.

Spanning three floors and fully fitted with its own private internal elevator, expansive balconies and a private swimming pool, the iconic nature of this property differentiates itself significantly from other units in One Central (with standard units averaging 2,500 square feet in size) and is akin to private houses which are extremely rare and highly sought after in Macau.

Exit Strategy
Our intention is to retain these assets in their existing condition with the view of divesting at an opportune time to wealthy end-users or investors seeking unique trophy assets.

Property Portfolio *APAC Logistics Centre & Cove Residence*

Property Type
Investment/Development

Total Commitment
US$45,000,000
Acquisition cost – 24%
Project development cost – 76%

Valuation
US$29,080,000
+65% YoY
+163% since acquisition

Property
APAC Logistics Centre

Sector
Warehousing & Logistics

Current Status
Leasing (existing facility) and Under Construction

Gross Floor Area
1,300,000 ft^2/120,770 m^2

Property
Cove Residence

Sector
Entry-level Residential

Current Status
Under Construction

Gross Floor Area
215,000 ft^2/19,970 m^2

Strategically located in the emerging region of Zhuhai, western Pearl River Delta, *APAC Logistics Centre* and *Cove Residence* represent MPO's first foray into Mainland China. *APAC Logistics Centre* currently consists of 205,000 square feet of multi-functional warehousing space. Construction as part of the second phase of the project, due to be completed by end-2012, will add a further 1.1 million square feet of state-of-the-art facilities.

Located on a site close to *APAC Logistics Centre*, *Cove Residence* is a residential development designed to tap into the emerging demand arising from the long-term growth of Macau and Hengqin Island. Comprising 450 units spread across 215,000-square feet and a range of recreational facilities, the property is making good construction progress and on track for completion by year-end.

Negotiations are underway with a number of prospective tenants who have shown initial leasing interest.

Exit Strategy
Our focus is to complete and lease existing phases, whilst seeking to capitalise on positive momentum in the Shizimen CBD and Hengqin Island to achieve an en-bloc sale of the asset to end-users, developers or investors.

APAC Logistics Centre Phase Two

Cove Residence

Manager's Report *Overview*

We are pleased to report on what has been another active and fruitful year for MPO during which we have rebalanced our debt structure, divested US$20 million worth of apartments, made an opportunistic acquisition and conducted a series of accretive share buy-backs.

While it is inevitable that Macau's economic growth rate of 20% over the past decade will moderate, the city's underlying fundamentals remain strong. Most importantly for MPO, local demographics remain among the most compelling in the world.

Fund performance

The market valuation of MPO's portfolio rose US$51.1 million or 15.8% to reach US$374.8 million, mainly attributed to an uplift in gross property values and partially due to additional development and other capitalised expenditure.

The year under review saw IFRS Net Asset Value (NAV) and Adjusted NAV increase by US$4.9 million (c. 2.25%) and US$26.6 million (c. 9.5%) respectively. For IFRS NAV and NAV reconciliation, refer to Note 17 to the financial statements.

Adjusted NAV per share rose by 10.4% year-on-year (YoY) to US$3.01. Based on the Dollar/Sterling exchange rate of 1.5706 as at 30 June 2012, Adjusted NAV per share was 191p in Sterling terms.

MPO Five-year Financial Summary 2008–2012

	2008	2009	2010	2011	2012
NAV (IFRS) (US$m)	170.7	155.5	203.1	216.9	**221.8**
NAV per share (IFRS) (US$)	1.63	1.48	1.93	2.11	**2.17**
Adjusted NAV (US$m)	295.6	236.4	262.4	280.0	**306.7**
Adjusted NAV per share (US$)	2.81	2.25	2.50	2.72[1]	**3.01**
Adjusted NAV per share (GBP)[2]	141p	136p	166p	170p	**191p**
Share price as at 30 June (p)	95.75	76.00	129.50	135.12	**105.00**
Portfolio valuation (US$m)	311.9	275.3	316.7	333.7	**374.8**
Loan-to-value ratio (%)	20	26	27	24	**27**

1 MPO returned US$0.17 per share (c. 8%) to shareholders in July 2011. Adjusted NAV per share before the return of capital was US$2.89

2 Based on the following US$/GBP exchange rates: 1.995 at 30 June 2008, 1.652 at 30 June 2009, 1.507 at 30 June 2010, 1.607 at 30 June 2011 and 1.5706 at 30 June 2012

Financial status

Your Company's financial flexibility was enhanced further in the past six months with the addition of US$38 million in new financing facilities. Assuming a full drawdown of its committed loan facilities and based on the Company's portfolio value as at 30 June 2012, MPO's loan-to-value (LTV) has risen to 27.1% from 24% a year earlier.

We believe this level of gearing remains conservative and leaves sufficient headroom to increase debt levels further if warranted, with a view to driving NAV growth.

As it stands, the weighted average cost of MPO's overall debt of US$103.3 million is currently 2.86% (HIBOR + 2.46% per annum). MPO had a cash balance equivalent to US$42.7 million as at the period end, of which US$6.6 million was pledged as collateral for banking facilities.

Discount control

Since May, MPO has repurchased 2,570,250 of its own shares for cancellation at an average price of 100.8p. 500,000 shares were repurchased and cancelled as of 30 June 2012 and a further 2,070,250 have been repurchased and cancelled since period end. This brings the total number of shares repurchased since the Fund's inception to 5,070,250 shares or c. 5% of the Company's issued share capital.

We believe the current share price significantly undervalues the quality of MPO's property portfolio and the ongoing growth potential for the region. We, therefore, endorse the Board's policy of using the share repurchase authority to maximise value for shareholders.

Manager's Report *Fund & Portfolio Update*

MPO is entering its seventh year of operation with a high quality property portfolio diversified across residential, retail and warehousing/logistics assets. Strategically located in Macau and the western Pearl River Delta, these prime assets leave your Company well-positioned to capitalise on the region's ongoing growth.

Strategy

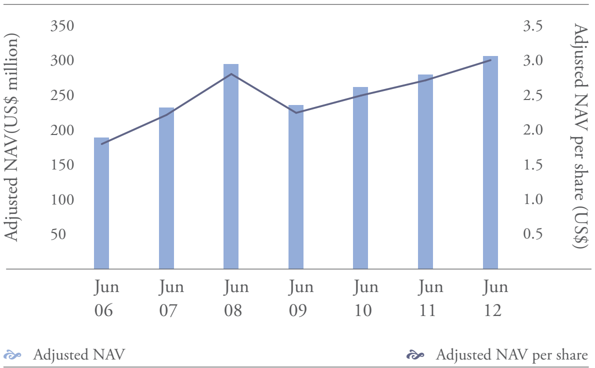
Although our pipeline of opportunities remains strong, we support the Board's view that overriding priority should be given to narrowing the share price discount to Adjusted NAV and hence, we will only recommend acquisitions that complement and value-enhance existing assets or exhibit exceptional return potential.

We remain committed to enhancing shareholder value through the redevelopment of existing sites and focused asset management, whilst continuing to seek every opportunity to crystallise value. For further information on individual asset exit strategies, please refer to the write-ups under the Property Portfolio section (page 10 to page 19).

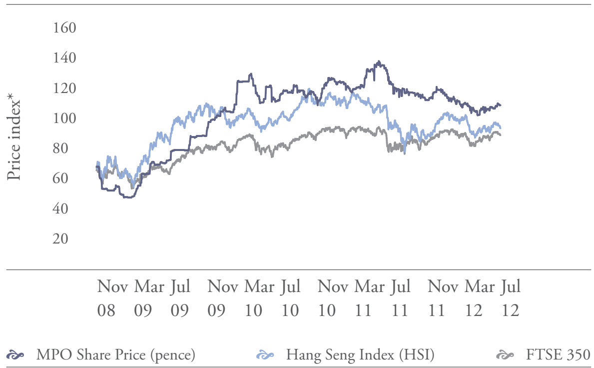
New acquisition – *The Sky House*

In April, MPO purchased an 8,000-square feet triplex penthouse in Tower Three of One Central Residences for US$12.6 million. Funded through a 50:50 combination of cash and bank financing, the aptly-named *Sky House* spans three floors and is equipped with a private elevator, expansive balconies and its own swimming pool, thus differentiating itself significantly from other units in One Central (with standard units averaging 2,500 square feet in size). The asset has registered an uplift in value of 22% as at 30 June 2012.

Adjusted Net Asset Value



MPO Share Price vs. HSI/FTSE 350



Source: Bloomberg, Sniper Capital Research ** Rebased to MPO Share Price*

The Sky House complements MPO's other iconic residence, *The Green House,* and enlarges MPO's footprint in one of its preferred asset classes: luxury private homes. We are in no rush to sell these properties which remain extremely scarce and highly sought after. Our intention is to hold them, with the view to divest at a favourable time in the future.

The Waterside occupancy reaches new high

Leasing activity at *The Waterside* – MPO's principal investment asset comprising 59 tailored luxury apartments – has reached a new occupancy high of 86%. As a credit to our in-house asset management team, high occupancy has been accompanied by healthy rental growth.

Latest effective rents for standard and special units stand at HK$20 (c. US$2.60) and HK$30 (c. US$3.80) per square foot per month respectively – an increase of 18% and 6% YoY – while net yields average 2.4%.

In particular, the *Sapphire Suites*, a special collection of premium units on high floors – priced at a 15% premium to standard units – have been extremely well received, with all eight units taken up since the collection was launched in February.

As the only en-bloc-owned tower located in One Central Residences and with no equivalent market offering, the high occupancy rate raises *The Waterside's* pricing power. Our key focus now remains on maximising future capital values though rental growth. We have recently launched a new high-profile media campaign to raise awareness of the property across Asia and to firmly cement *The Waterside* as the ultimate luxury leasing address in Macau.

Manager's Report *Fund & Portfolio Update*

Significant Shareholders (as at 31 August 2012)

Name of Shareholder	No. of Shares	%
Invesco Asset Management	30,697,140	30.72%
Lazard Asset Management LLC	11,102,182	11.11%
Universities Superannuation Scheme	10,500,000	10.51%
Insight Investment Management	7,153,990	7.16%
Sniper Investments Limited	5,809,500	5.81%
Apollo Multi Asset Management	5,234,000	5.24%
MAM Funds Plc	4,250,000	4.25%
Subtotal	74,746,812	74.80%
Other	25,182,938	25.20%
Total	**99,929,750**	**100%**

The Fountainside to complete by early-2013

Construction is progressing as planned at *The Fountainside,* with the concrete structure now topped-out and internal fit-out and finishing well underway. This niche residential development encompasses a low-density collection of 38 apartments and four villas in one of Macau's heritage districts. It has proven popular with local professionals and has received strong buyer interest since it was launched for pre-sales in early 2011.

Building on the property's initial success, we plan to maximise exit values by releasing the unsold units – comprising 66% of gross floor area – once the project is completed early next year.

Senado Square ready to move forward

We have made further progress in our negotiations for the development plan of MPO's flagship retail development, *Senado Square*, and are cautiously optimistic that we will soon be able to proceed with the submission process for its architectural design. Meanwhile, we are continuing to receive interest from large local and international retailers looking for high quality space in this prime area of the Macau Peninsula.

Despite the challenges we have faced to-date in achieving full official planning approvals, we remain confident of achieving a projected internal rate of return of at least 20% for the project.

"MPO is well-positioned to capitalise on the rapid economic integration of the PRD region."

Zhuhai projects approach completion

APAC Logistics Centre and *Cove Residence* represent MPO's Mainland China exposure and were jointly acquired in August 2008. Located near the Guangzhou-Zhuhai road and rail networks and adjacent to the future Hong Kong-Zhuhai-Macau Bridge, these two projects are strategically-placed to benefit from Hengqin Island's rapid development and tap the potential demand for logistics and rental accommodation in the region.

With the expected first phase completion date of end-2012 approaching, fit-out works for *APAC Logistics Centre*, a warehouse and logistics facility, and *Cove Residence*, an entry-level residential development, are making good progress. We continue to engage actively with major developers, manufacturing facilities and hotels in the Shizimen CBD and on Hengqin Island for potential leasing interest.

Manager's Report *Property Market*

Although growth of Macau's gaming industry, the main driver of the local economy, is poised to moderate on the back of slower economic expansion in China, the local property market remains underpinned by one of the most attractive demographic profiles and affordability levels in Asia.

Residential property market

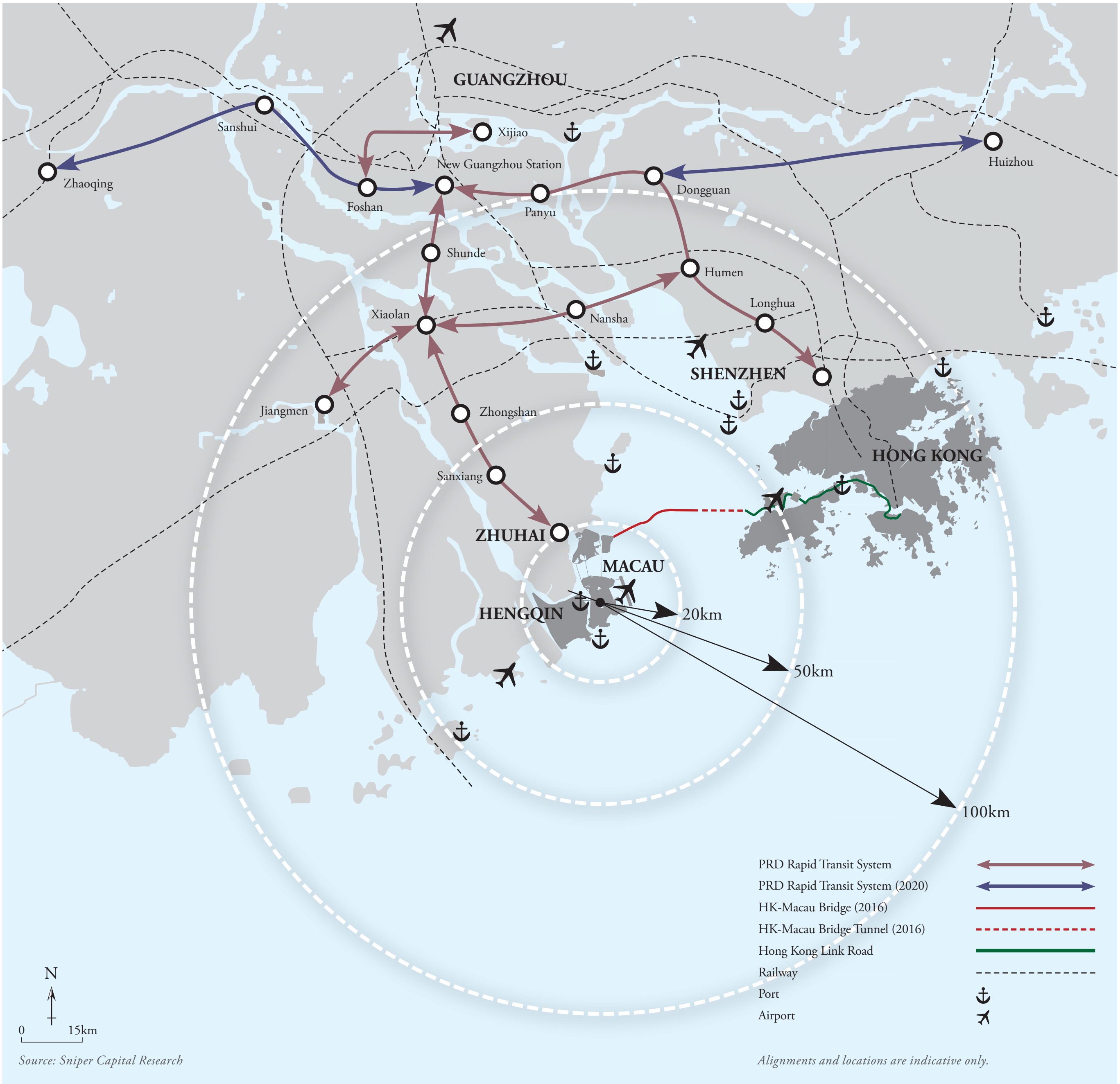
Supported by healthy underlying demand, Macau's housing market has rebounded since the government introduced a special stamp duty on the sale of residential properties a year earlier. Residential transactions totalled 7,900 in the first half of 2012 – a jump from the second half of 2011 of over 70%. Total combined value dropped by a third YoY to US$4 billion.

Housing prices have remained resilient and recently hit a new high of US$720 per square foot. This has prompted the Macau government to suggest a possible new round of measures to curb property speculation. Barring these new potential cooling measures, we are of the view that the increasing purchasing power of local residents, coupled with their demand for better quality homes, will support long-term transaction volumes and values for residential properties.

Housing supply in both primary and secondary markets is expected to remain scarce, with stricter pre-sale regulations making it more difficult for uncompleted developments to go on sale, and existing homeowners preferring to hold their properties for more than two years to avoid paying the special stamp duty.

In the leasing market, residential rents grew by more than 15% YoY in the first half of 2012, fuelled largely by the influx of foreign workers seeking accommodation. The number of migrants in the city – currently standing at 105,000 or 30% of Macau's labour force – is set to grow further over the next few years as new hotels and casinos come to the market and employment opportunities increase.

Pearl River Delta Region

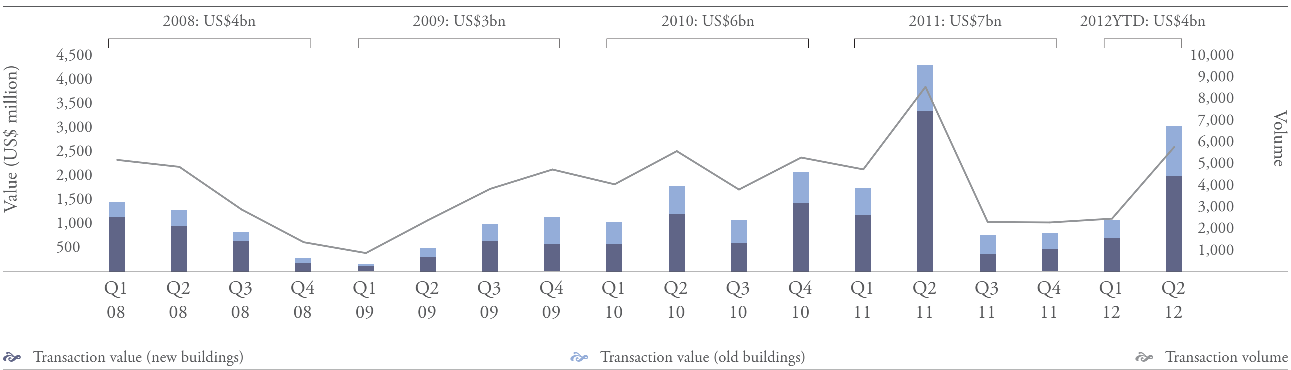


Source: Sniper Capital Research

Alignments and locations are indicative only.

Manager's Report *Property Market*

Residential Transaction Volume and Value



Source: DSEC

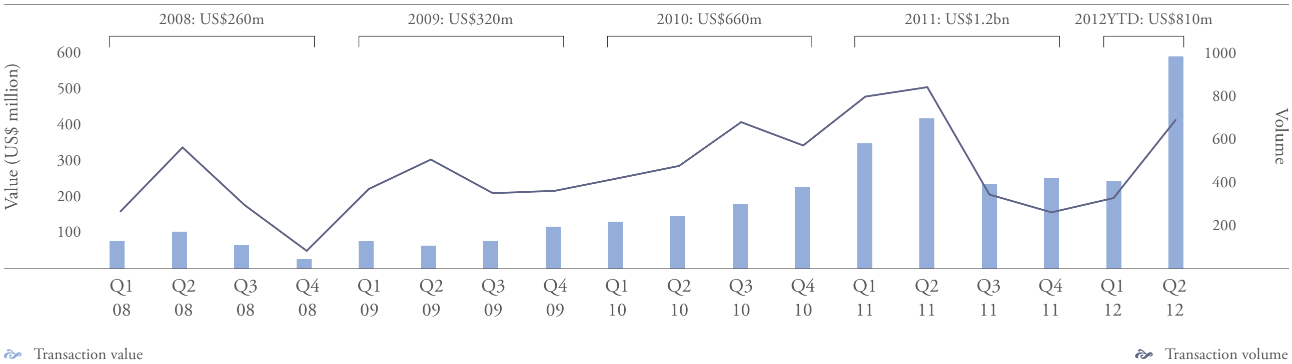
Retail property market
Despite the slowdown in visitor arrivals, retail sales for the first six months of the year grew by 31% to reach US$3.2 billion. According to Jones Lang LaSalle, average retail rents jumped 30% QoQ in the second quarter, driven by strong occupier demand on the back of existing retailers and newcomers to the market.

Retail rents and capital values are anticipated to maintain their upward trend buoyed by tight future supply, rising disposable incomes and a likely increase in tourist footfall, as connectivity in the region continues to improve. At the same time, escalating costs, especially for space in prime areas, is forcing some retailers to shift to alternative locations offering better value.

Risks and uncertainties
Macau remains a highly complicated market for property development. Each stage of the development process typically requires multiple levels of approval from different government departments. Furthermore, the negotiation process for our target acquisitions is often further impeded by rising seller expectations.

Other ongoing challenges, inevitably brought about by Macau's rapid growth, include labour shortages, rising construction costs and an over-reliance on the credit-driven VIP gaming segment. However, the growth potential of our assets is firmly and inherently underpinned by a limited supply of land, an increasing population and growing incomes.

Commercial Transaction Volume and Value

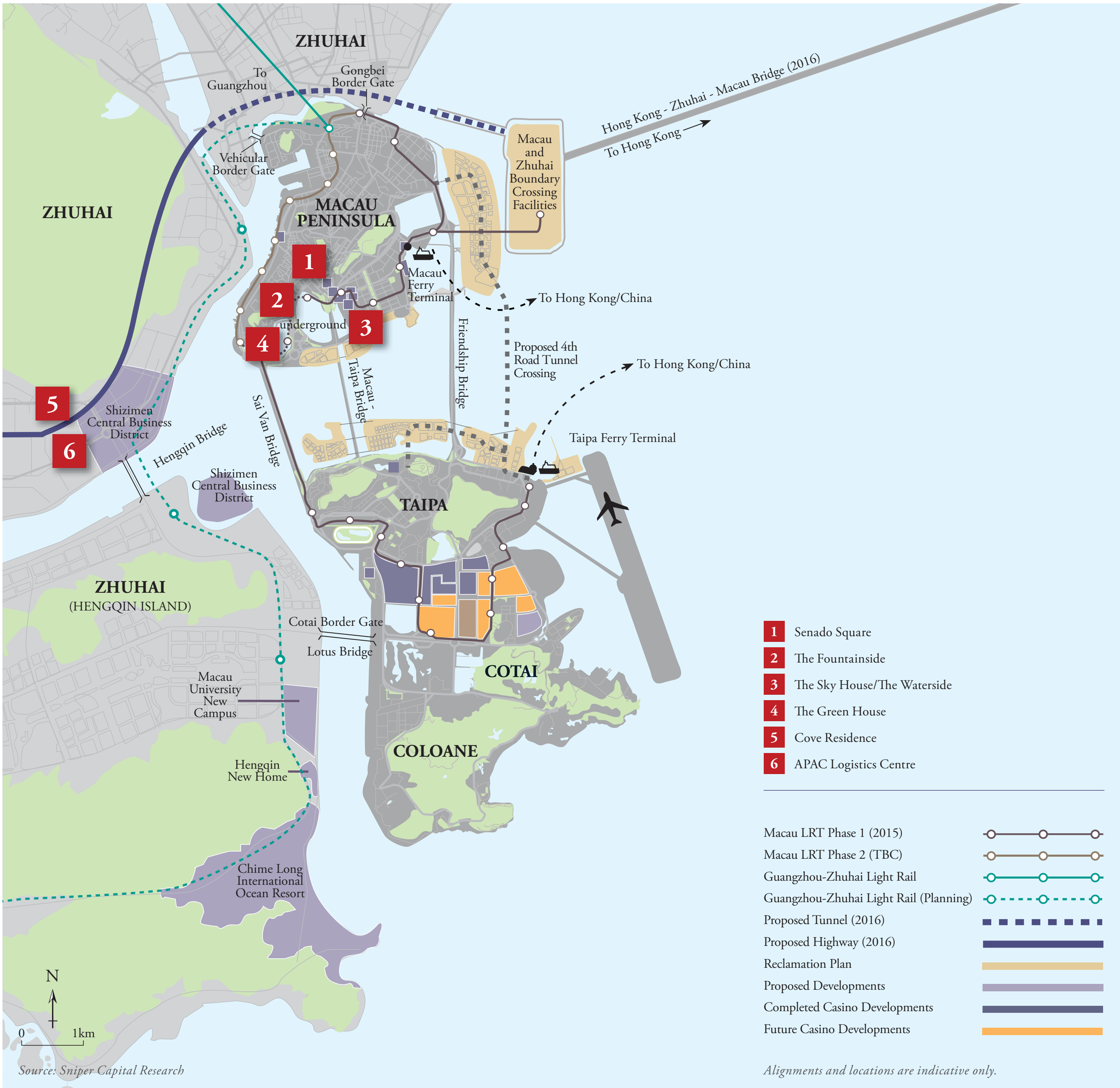


Source: DSEC

With the success of gaming in Macau and more recently in Singapore, more countries in Asia are looking to expand or launch their gaming markets to boost their economies, presenting a further challenge for Macau. However, the city is still expected to be the preferred gaming destination for the vast Chinese market due to its proximity, convenience and credit availability via junkets.

Manager's Report *Property Market*

Map of Macau



Source: Sniper Capital Research

Alignments and locations are indicative only.

New Developments

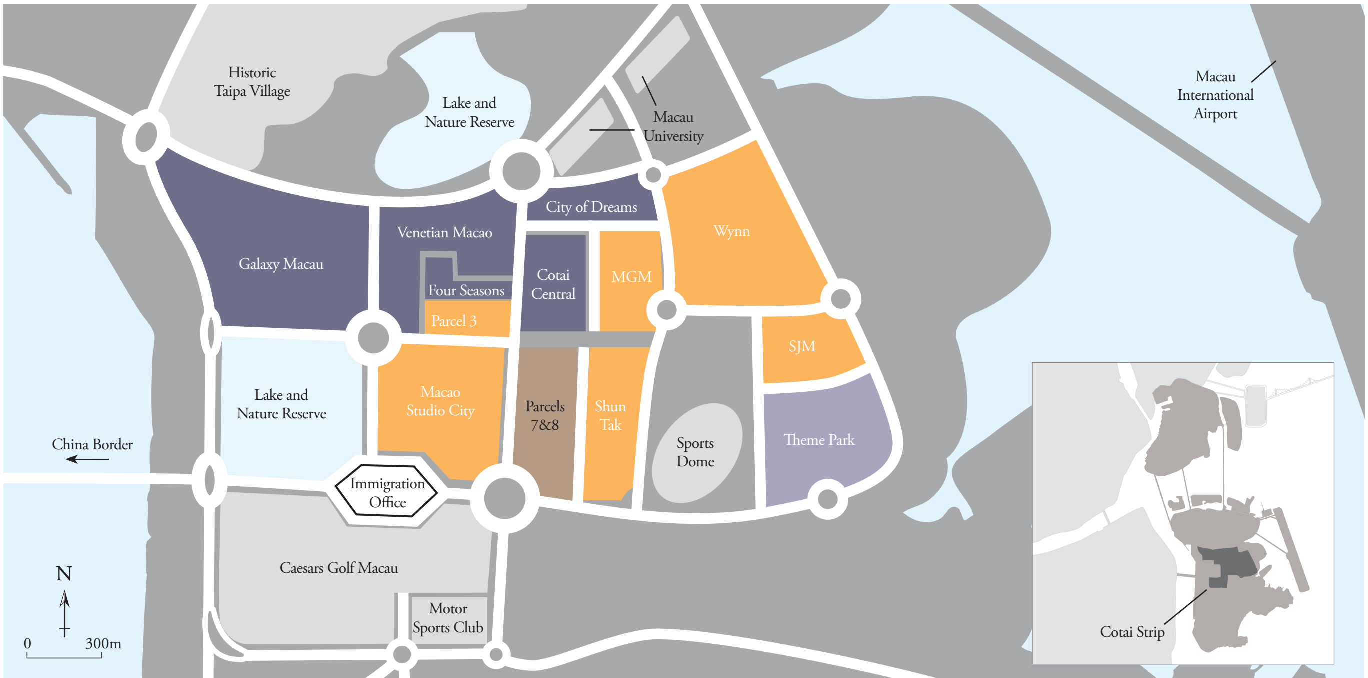
Considering the numerous large-scale plans in place to improve the city's infrastructure, Macau is in a favourable position for growth in the years to come.

Macau LRT Phase 1 (2015)

PRD Intercity Railway (2011)

New Border Crossing (2017)

The Cotai Strip



Source: Sniper Capital Research

Alignments and locations are indicative only.

Manager's Report *Macro-Economic Outlook*

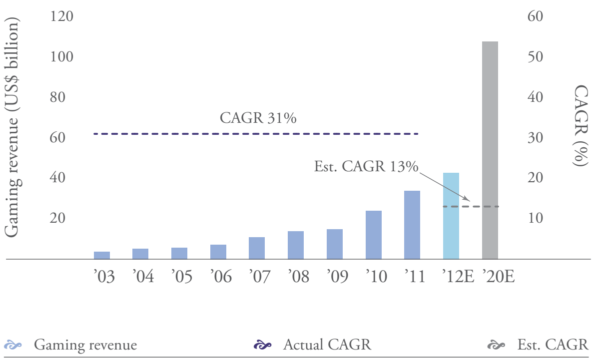
Macau's main growth engine, gaming, is poised to grow at a slower rate than its phenomenal 30% CAGR over the past decade. Even so, a significantly lower CAGR would still translate into gaming revenues of US$100 billion per annum by 2020.

The local tourism and retail industries are growing at a healthy pace and future growth of the territory is expected to be underscored by a number of infrastructure and casino projects that collectively are set to dramatically transform the region.

China's economic growth slows

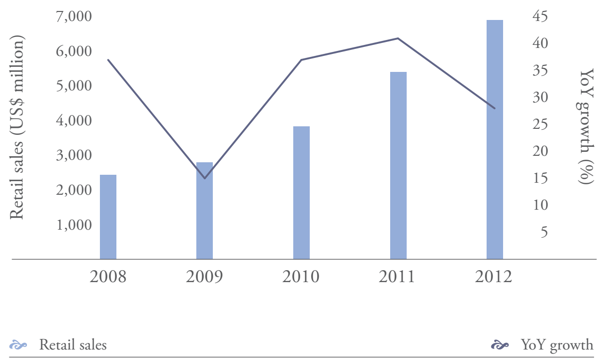
Growth of Macau's gaming industry has slowed in recent months along with the Chinese economy. Gaming revenues in August grew by only 5.5% YoY to US$3.3 billion, a sharp contrast to the double-digit growth typically seen in 2010 and 2011. Year-to-date casino revenues stand at US$25 billion (+15% YoY), with most analysts scaling back their expectations for annual gaming revenue growth to around 10%, compared with more than 20% expected at the start of the year.

A US$100 billion Market in the Making



Source: DICJ, CLSA Asia-Pacific Markets, State Gaming Control Board

Macau Retail Sales and YoY Growth



Source: DSEC *Annualised for 2012*

Following a surprising series of murders and attacks in the city, there have been suggestions that the slowdown is possibly causing junket operators, especially the smaller and financially weaker ones, to take on more aggressive debt-collecting tactics. In response, a large-scale raid was held in early August, strongly signalling the government's determination to curtail triad involvement in Macau.

China eases travel restrictions to Macau

Visitor arrivals to Macau have stabilised at approximately 2 million per month, with the first seven months of 2012 recording a total of 16 million visitors – a modest 1.4% increase over the same period in 2011. The territory could see more visitors for the remaining months of the year, following the Central Government's recent announcement that it will ease Individual Visit Scheme restrictions to Macau for people living in the six big Mainland cities of Beijing, Chongqing, Guangzhou, Shanghai, Shenzhen and Tianjin. The Macau Government Tourist Office forecasts that visitor arrivals will hit 30 million in 2012.

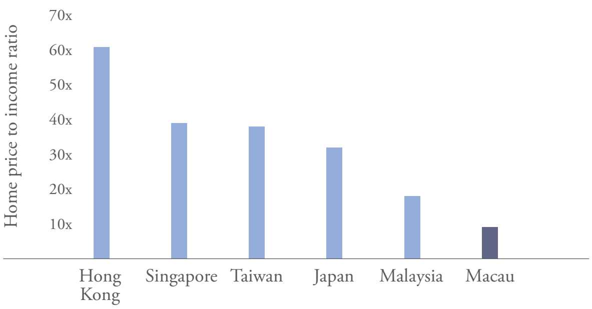
Chinese middle class

The credit-driven VIP segment, which accounts for approximately 70% of Macau's casino revenues, has come under pressure in recent months as increasingly cash-strapped Mainland Chinese clients delay or default on gaming debts owed to junket operators and the casinos they represent. Revenues from the cash-based mass market segment, made up of China's emerging middle class, are estimated to be growing by 25–30% YoY while the VIP segment is trending downwards by mid-single digits.

Rising disposable incomes among China's burgeoning middle class population – expected to comprise 520 million or more than half of China's expected urban population by 2025 – is expected to continue driving growth of mass market gaming in Macau. This segment is also set to benefit greatly from ongoing improvements in transportation and immigration infrastructure, allowing for better accessibility for Mainland Chinese residents.

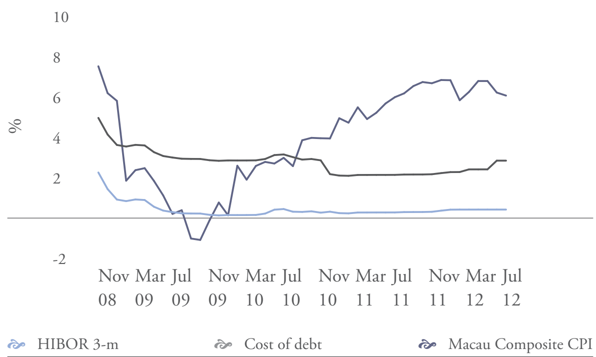
Manager's Report *Macro-Economic Outlook*

Attractive Affordability



Source: DSEC, IMF, Global Property Guide *Based on 2011 house prices*

Borrowing Costs and Inflation



Source: Bloomberg, DSEC, Sniper Capital Research

Macau – A different market
With a high degree of autonomy under a separate political system, Macau is essentially a capitalist economy that operates on the principle of "one country, two systems". Uniquely, it is also the only place in China (Hong Kong included) that offers freehold land. Spread across only 30 square kilometres, the land-scarce territory claims the title of one of the world's most densely populated cities and offers low corporate taxation rates, no tax on capital gains and its own currency system free from any foreign exchange control regime.

Macau retains its position as one of the world's tightest labour markets, with unemployment at a historical low of 2%. To put this into perspective, this equates to only 7,000 people. The city's shortage of labour is expected to be further exacerbated by the ongoing expansion of Macau's casino industry.

According to Moody's, Macau is also the only rated government in the world that has no debt. The credit rating agency places the territory high on economic resiliency, government financial strength, institutional strength and considers it to have a low susceptibility to event risk, thus justifying its Aa3 rating.

Despite a delicate global economic environment and ongoing macro-economic risks in China, Macau grew by 12.6% in the first half of the year. Supported by solid fundamentals and a robust fiscal position, we expect the local economy to maintain its upward growth trajectory and achieve double-digit growth for the current year.

Hengqin – The untold story
At three times the size of Macau and the territory's immediate neighbour, Hengqin Island is a complementary growth area which offers the space and opportunity to meet the expanding non-gaming demands of the region's leisure, logistics and education sectors.

"From a property standpoint, local demographics are amongst the most compelling in the world."

Designated as China's third state-level strategic new zone, after Shanghai's Pudong district and Tianjin's Binhai area, Hengqin is currently implementing a massive regeneration plan which includes a US$16-billion commercial hub, branded as the Shizimen Central Business District. The first phase of this new urban centre, comprising six million-square feet of office, hotel, residential and convention and exhibition space, is due to be completed in 2013.

The US$3-billion Chime-Long International Ocean Resort, expected to be one of the biggest theme parks in China, will open in late-2012. Also, the University of Macau will soon be moved to a US$1-billion campus 20 times larger than its present Taipa premises. In the longer term, improved access points, and the establishment of high-tech parks and new residential projects, will help to strengthen Macau's growth as a tourism hub, with the potential of facilitating visitor traffic and extending their length of stay.

New infrastructure projects

The US$13-billion Hong Kong-Zhuhai-Macau Bridge is a critical infrastructure development for both Macau and the south China region. When completed in 2016, it will foster connectivity by engineering a fully integrated economic region centred on Guangdong, Hong Kong and Macau.

Construction of the first phase of the US$1-billion Macau LRT system commenced in June. Spanning 11 stations over an 8.4-km distance encompassing all Taipa and Cotai segments, Macau's first light rail is set to considerably improve accessibility upon its completion in 2015. The new system will link the Macau Peninsula to Taipa, Cotai and Hengqin Island, and will eventually connect to the Guangzhou-Zhuhai Railway and the Hong Kong-Zhuhai-Macau Bridge entry point.

Manager's Report *Macro-Economic Outlook*

Key Statistics

2012	Figure	YoY Change
GDP growth (EIU forecast)	+10%	–
Gaming revenues	US$38bn	+12%
Retail sales	US$7bn	+30%
Unemployment rate (as at August 2012)	2%	–
Monthly median income (as at Q2 2012)	US$1,375	–
Residential property transaction value	US$8.4bn	+14%
Residential property transaction volume	16,420	-4%
Commercial property transaction value	US$1.7bn	+42%
Commercial property transaction volume	2,025	-4%
Meetings, Incentives, Conventions & Exhibitions (MICE)	1,010	-3%
Visitor arrivals (Macau Government Tourist Office forecast)	30m	+7%
No. of hotel rooms	28,000	+25%

Source: DSEC, DICJ, Sniper Capital Research

Above figures annualised for 2012 unless otherwise stated

Meanwhile, the Zhuhai section of the Guangzhou-Zhuhai Railway is due to be finalised by the end of 2012. Catering for future visitor growth, while easing existing bottlenecks, a new supplementary land border checkpoint in northern Macau has been announced. These new developments emerge as Cotai experiences an ongoing expansion of mega-resorts led by major casino operators such as Wynn, Galaxy and Sands – all of which have new integrated resorts planned for 2015 onwards.

Latest developments on Cotai

Recently opened in April, with leading international hospitality brands, Conrad and Holiday Inn, Sands Cotai Central has just unveiled the world's largest Sheraton hotel in September. With 4,000 hotel rooms and a further casino, it claims the title of Macau's largest hotel from The Venetian.

Wynn Resorts received official approval for its US$4-billion project soon after the launch of Sands Cotai Central. The 51-acre development will house 2,000 hotel rooms, 500 gaming tables and 120,000-square feet of retail space when completed in 2016.

Galaxy Entertainment Group plans to inject an additional US$2.1 billion for the next phase of Galaxy Macau's development, which will feature two new luxury hotels, Ritz Carlton and JW Marriot, with an expected combined total of 1,300 rooms. Once work concludes in mid-2015, the enlarged mega-resort will cover 11 million-square feet of gaming, retail, leisure and hotel space.

"The drivers for ongoing growth, albeit at more sustainable levels, remain intact."

Looking ahead
We are committed to delivering value to our shareholders and will continue to pursue MPO's redevelopment and asset management programmes.

We continue to believe in Macau. While the city's economic growth is poised to moderate following a decade of expansion at astounding levels, underlying fundamentals remain strong and the wave of new integrated resort developments and large-scale infrastructure projects lend greater impetus. From a property standpoint, local demographics are amongst the most compelling in the world.

The drivers for ongoing growth, albeit at more sustainable levels, remain intact. We expect all sectors in which MPO is invested to remain on a positive trend in the coming year.

Sniper Capital Limited
Manager

Board of Directors

David Hinde
Chairman

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

Tom Ashworth
Non-executive Director

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

Wilfred Woo
Non-executive Director

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

Alan Clifton
Non-executive Director

Alan Clifton began his City career at stockbrokers Kitcat & Aitken, first as an analyst, later becoming a Partner and then a Managing Partner prior to the firm's acquisition by The Royal Bank of Canada. He was subsequently invited to be the Managing Director of Morley Fund Management, the asset management arm of Aviva plc, the UK's largest insurance group. He is currently Chairman of JP Morgan Japanese Smaller Companies Trust plc and of Schroder UK Growth Fund plc and a Director of several other investment companies. Alan Clifton is a UK resident.

Tim Henderson
Non-executive Director

Tim Henderson joined HSBC in 1958 and between 1964 and 1993 held various executive positions in Asia before being appointed Senior Manager, HR Planning and Policy in London. He returned to Guernsey in 1994 to become Chief Executive of Leopold Joseph (Channel Islands) Limited. In 1998 he was appointed Business Manager of the James Capel operation in Guernsey. He has a Personal Fiduciary Licence issued by the Guernsey Financial Services Commission and currently holds a number of Non-executive directorships in the financial sector. He is also a Fellow of the Institute of Directors and a Guernsey resident.

Chris Russell
Non-executive Director

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

Forward Looking Statements

Pages 1 to 39 of this report (including but not limited to the Chairman's Statement and the Manager's Report, together the "Review Section") have been prepared solely to provide additional information to shareholders to assess the Group's strategies and the potential for those strategies to succeed.

These should not be relied on by any other party or for any other purpose.

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

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

Subject to their legal and regulatory obligations, the Directors and the Manager expressly disclaim any obligations to update or revise any forward-looking statement contained herein to reflect any change in expectations with regard thereto or any change in events, conditions or circumstances on which any statement is based.

In addition, the Review Section may include target figures for future financial periods. Any such figures are targets only and are not forecasts.

This Annual Report has been prepared for the Group as a whole and therefore gives greater emphasis to those matters which are significant in respect of Macau Property Opportunities Fund Limited and its subsidiary undertakings when viewed as a whole.

Manager and Advisers

Group Structure

Sniper Capital

Sniper Capital Limited Manager		**Sniper Capital (Macau) Limited** Investment Adviser		
Acquisitions & Research	Project Development	Asset Management	Corporate Communications	Finance & Administration
• Macro & micro analysis • Forecasting & modelling • Sourcing • Due diligence	• Consultant appointment & coordination • Project monitoring & reporting • Project delivery & handover	• Property & estate management • Sales & leasing • Facilities management • Asset value enhancement	• Investor & media relations • Marketing & product positioning • Statutory & regulatory communication	• Administration & accounting • Compliance & reporting • Cash management & treasury

Manager

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

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

Sniper Capital is focused on 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's team of over 20 professionals covers all the required investment and development disciplines, including research, site acquisition, project development, asset management, investor relations and finance.

Working closely with Headland Developments Limited[1], Sniper Capital ensures that all necessary project management skills and services are provided in a way that will deliver each MPOF project to the right standards and on budget.

With its current holding of 5.8 million shares or 5.81% of the Company's issued share capital, Sniper Investments Limited – an investment vehicle associated with Sniper Capital[2] – is now the fifth largest shareholder in MPOF, which bears witness to Sniper Capital's belief in the Fund's long-term prospects.

Advisers

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

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

For more information, please visit www.snipercapital.com

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

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

Investment Policy

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

Asset allocation

The Company aims to achieve its investment objective by investing in property markets in Macau, the Western Pearl River Delta region and, in exceptional circumstances, greater China.

The Company's portfolio may comprise a mixture of asset classes which include residential, retail, leisure, industrial and office properties.

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

The Company looks to add value through redevelopment, development, refurbishment, change of use and repositioning. In particular, it seeks to acquire undervalued sites in attractive locations where it believes there is a sustainable end-user demand. The Company seeks to maximise the total return on its portfolio, either through selling the properties after development or redevelopment or by generating rental income. Properties will typically only be targeted if the Manager believes that they offer the potential for an IRR of over 20%.

Diversification

The Company, as an active investor, will consider concentration risk from both a sector as well as an asset perspective. The Company may wholly own its investments (directly or indirectly) or it may invest through a joint venture arrangement if the terms of the arrangement are deemed suitable. There is no limit on the number of projects in which the Company may invest and there is no minimum or maximum limit on the length of time that any investment may be held.

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

Gearing

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

The Company's articles do not contain any restriction on borrowings.

Directors' Report

The Directors present their report and audited financial statements of the Group for the year ended 30 June 2012.

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"). The Company was previously listed on AIM. Following the passing of all resolutions at the Extraordinary General Meeting held on 28 June 2010, the Company's shares delisted from AIM and obtained a Premium Listing on the London Stock Exchange Main Market on 30 June 2010.

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

Business review

A review of the business during the year, together with likely future developments, is contained in the Chairman's Statement on pages 2 to 5 and in the Manager's Report on pages 20 to 37.

Results and dividends

The results for the year are set out in the consolidated financial statements on pages 54 to 82.

The Directors do not recommend the payment of a dividend in respect of the year ended 30 June 2012 (2011: US$17.9 million by way of B shares).

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 Cash Management section of the Manager's Report.

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

The Group continues to meet its capital requirements and day-to-day liquidity needs through the Group's cash resources. The Group had current cash reserves of US$36,077,000 (2011: US$43,826,000) and net current assets of US$90,492,000 (2011: US$97,651,000) as at 30 June 2012.

As part of their assessment of the going concern of the Group, the Directors have reviewed comprehensive cash flow forecasts prepared by management which make assumptions based upon current and expected future market conditions. It is the Directors' belief that based upon those forecasts and their assessment of the Group's committed banking facilities, it is appropriate to prepare the financial statements of the Group on the going concern basis. In arriving at their conclusion that the Group currently has adequate financial resources, the Directors have taken into consideration the fact that the Group has unrestricted cash of US$36.1 million (2011: US$43.8 million) as at 30 June 2012 and is expected to continue to comply with the covenants of its banking facilities going forward.

Share capital

Ordinary Shares

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

The issued nominal value of the Ordinary Shares represents 100% of the total issued nominal value of all share capital. There are no specific restrictions on the size of a holding nor on the transfer of shares, which are both governed by the general provisions of the Articles of Incorporation and prevailing legislation. The Directors are not aware of any agreements between holders of the Company's shares that may result in restrictions on the transfer of securities or on voting rights. No person has any special rights of control over the Company's share capital and all issued shares are fully paid.

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.

B Shares

During 2011, the Company issued 102,800,000 B shares to Ordinary Shareholders, pro rata to their existing shareholdings, as part of the process of returning capital as described in Note 11. 97,409,748 of these B Shares, representing those Shareholders who elected to have capital returned to them by way of a capital distribution, were redeemed. All other B Shares, representing those Shareholders who elected to have capital returned to them by way of a dividend, converted into Deferred Shares on a one-for-one basis. The Deferred Shares were not listed and carried extremely limited rights. The Company subsequently redeemed all of these Deferred Shares on 13 July 2011 for an aggregate consideration of £0.01. In view of the negligible amount involved, this £0.01 was not distributed to individual Shareholders.

Directors' Report

Authority to purchase own shares

Following the authority first granted in the Extraordinary General Meeting of 28 June 2010 and renewed at the Annual General Meeting of 3 November 2011 and 3 November 2010, a resolution to provide the Company with authority to purchase its own shares will be tabled at the AGM on 8 November 2012.

During the year, the Company repurchased 800,000 (2011: 2,200,000) Ordinary Shares or 0.76% (2011: 2.10%) of the originally issued Ordinary Shares, at an average share price of 115.46p. All shares repurchased pursuant to the buy-back programme were cancelled.

Significant shareholdings

As at 30 June 2012, a total of eight shareholders held more than 3% each of the issued Ordinary Shares of the Company, accounting to a total amount of 78,439,393 shares (2011: 80,455,958) or 76.9% (2011: 78.3%) of the issued share capital. Further details are available on page 37 in the Manager's Report.

Directors

Biographies of the Directors who served during the year are detailed on pages 38 to 39.

Name	Function	Date of appointment
David Hinde	Chairman	18 May 2006
Thomas Ashworth	Director	18 May 2006
Alan Clifton	Director, Chairman of the Audit Committee and Nomination and Remuneration Committee	18 May 2006
Timothy Henderson	Director	18 May 2006
Wilfred Woo	Director	3 January 2012
Chris Russell	Director	8 May 2012
		Date of resignation
Richard Barnes	Director	16 January 2012

At the Annual General Meeting of the Company, one third by number of the Directors shall retire from office in accordance with the Articles of Association. Thomas Ashworth, as a non-independent director, will offer himself for re-election annually. Timothy Henderson will not offer himself for re-election and intends to step down from the Board at the forthcoming AGM.

On 16 January 2012 Richard Barnes resigned from the Board. On 3 January 2012 Wilfred Woo was appointed to the Board as an independent Non-executive Director and on 8 May 2012 Chris Russell was appointed to the Board as an independent Non-executive Director.

A retiring Director shall be eligible for reappointment. No Director shall be required to vacate his office at any time by reason of the fact that he has attained any specific age.

Directors' interests

Directors who held office during the year and had interests in the shares of the Company as at 30 June 2012 were:

	ORDINARY SHARES OF US$0.01	
	Held at 30-Jun-12	Held at 30-Jun-11
David Hinde	**60,000**	60,000
Thomas Ashworth	**–***	–*
Alan Clifton	**100,000**	100,000
Timothy Henderson	**50,000**	50,000
Wilfred Woo	**–**	–
Chris Russell	**100,000**	–
Richard Barnes#	**–**	50,000

* Thomas Ashworth has a beneficial interest in Sniper Investments Limited, which as at the year-end held 5,639,500 shares (2011: 5,239,500). After the year end Sniper Investments Limited purchased a further 170,000 shares.

Richard Barnes resigned from the Board on 16 January 2012.

Apart from the Sniper Investments Limited share purchase mentioned above, there have been no changes to the aforementioned interests since 30 June 2012.

Directors' Report

Directors' remuneration

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

	2012 US$	2011 US$
David Hinde	**75,476**	76,331
Thomas Ashworth*	**–**	–
Alan Clifton	**56,607**	56,882
Timothy Henderson	**55,035**	55,658
Wilfred Woo	**23,435**	–
Chris Russell	**6,971**	–
Richard Barnes	**25,659**	47,707
Total	**243,183**	236,578

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

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 2:30 pm on 8 November 2012 at Lefebvre Place, Lefebvre Street, St Peter Port, Guernsey. The details of the business to be conducted are contained in the Notice of AGM on page 83 to 84 of this report.

Independent Auditors

The Audit Committee reviews the appointment of the external auditor, its effectiveness and its relationship with the Group, which includes monitoring our use of the Auditor for non-audit services and the balance of audit and non-audit fees paid. Following a review of the independence and effectiveness of our external auditor, a resolution will be proposed at the 2012 AGM to reappoint Ernst & Young LLP. Each Director believes that there is no relevant information of which the Auditor is unaware. Each has taken all steps necessary, as a Director, to be aware of any relevant audit information and to establish that Ernst & Young LLP is made aware of any pertinent information. This confirmation is given and should be interpreted in accordance with the provisions of Section 249 of the Companies (Guernsey) Law, 2008.

On behalf of the Board

David Hinde
Chairman of the Board
21 September 2012

Corporate Governance Report

The Board has put in place a framework for corporate governance which it believes is appropriate for an investment Company. Paragraph 9.8.6R of the UK Listing Rules obliges Boards to report upon their corporate governance arrangements against the UK Corporate Governance Code ("the Code") issued by the Financial Reporting Council ("the FRC"). The Company is a member of the Association of Investment Companies (the "AIC") and has considered the principles and recommendations of the AIC's Code of Corporate Governance by way of reference to 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 by reference to the AIC Guide will provide better information to shareholders. The AIC Guide has been endorsed by the FRC whereby AIC member companies who report against the AIC Code and who follow the AIC Guide will be meeting their obligations in relation to the Code and associated disclosure requirements of the Listing Rules.

The AIC Code and the AIC Guide are available on the AIC's website, www.aic.co.uk. The UK Corporate Governance Code is available on the financial Reporting Council's website, www.frc.org.uk.

The Code includes provisions relating to: the role of the chief executive; executive Directors' remuneration, management engagement committee 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 and the Company has therefore not reported further in respect of these provisions.

The Guernsey Financial Services Commission ("GFSC") Finance Sector Code of Corporate Governance ("GFSC Code") came into force in Guernsey on 1 January 2012. The Company shall be deemed to satisfy the GFSC Code provided that it continues to conduct its governance in accordance with the requirements of the UK Code.

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

The Board

The Board consists of six Non-executive Directors, five of whom, including the Chairman, David Hinde, are independent of the Company's Manager/Investment Adviser. Thomas Ashworth is a shareholder and Director of Sniper Capital Limited. Sniper Capital Limited is the Manager to the Group and received fees during the year as detailed in the consolidated statement of comprehensive income and in Note 19.

Directors' details are listed on pages 38 and 39 which set out the range of investment, financial and business skills and experience represented. Principle 1 of the AIC Code states a Board should consider appointing one independent Non-executive Director to be the senior independent Director. The Board, having taken into account its small size and that the Chairman and four other Directors are each similarly independent and Non-executive, considers it unnecessary to appoint such a senior independent Director.

The Company's Articles of Incorporation specify that one third by number of the Directors are subject to annual re-election at the Annual General Meeting of the Company. The Board has agreed that a minimum of two Directors should be offered for re-election each year and that each Director shall retire every two years by rotation following an alphabetical format. Mr Ashworth will retire annually pursuant to the listing rules of the Financial Services Authority ("Listing Rules"). The Board has considered the need for a policy regarding tenure of office; however, the Board believes that any decisions regarding tenure should consider the need for continuity and maintenance of knowledge and experience and to balance this against the need to periodically refresh Board composition and have a balance of skills, experience, age and length of service.

The Board will meet at least four times a year for regular, scheduled meetings and, should the nature of the activity of the Company require it, additional meetings may be held, some at short notice. At each meeting the Board follows a formal agenda that will cover the business to be discussed. A Schedule of Matters Reserved for the Board which sets out the principal responsibilities for the Board and which decisions may be delegated to Board committees has been adopted and is referred to as required by the Board during meetings.

Corporate Governance Report

To fulfil the recommendation of AIC Code Principle 14, to give sufficient attention to strategy, the Board discusses strategy at each of its regular scheduled meetings but additionally holds a separate session annually devoted to strategy.

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

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

Performance and Evaluation

Pursuant to Principle 7 of the AIC Code that requires a formal and rigorous annual evaluation of its performance, the Board formally reviews its performance annually through an internal process. Internal evaluation of the Board, the Audit Committee, the Nomination and Remuneration Committee and individual Directors has taken the form of self-appraisal questionnaires and discussion to determine effectiveness and performance in various areas as well as the Directors' continued independence.

New Directors receive an induction from the Manager as part of the vetting process of candidates. All Directors receive other relevant training as necessary.

Duties and Responsibilities

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

The Directors have access to the advice and services of the Company Secretary and Administrator, who is 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 Guernsey Financial Services Commission and the LSE. Where necessary, in carrying out their duties, the Directors may seek independent professional advice at the expense of the Company. The Company maintains appropriate Directors' and Officers' liability insurance in respect of legal action against its Directors on an on-going basis.

The Board has responsibility for ensuring that the Company keeps proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and which enable it to ensure that the financial statements comply with the Companies (Guernsey) Law, 2008. It is the Board's responsibility to present a balanced and understandable assessment, which extends to interim and other price-sensitive public reports.

Committees of the Board

Nomination and Remuneration Committee

The Nomination and Remuneration Committee Report is on page 50 of this Annual Report. The Nomination and Remuneration Committee, which is chaired by Mr Clifton, shall be made up of at least three members, the majority of whom shall be independent Non-executive Directors. The Committee currently consists of all Board members. Any Non-executive Directors who are not considered independent will not take part in the Committee's deliberations regarding remuneration levels. The Committee meets at least once a year. Pursuant to its terms of reference, that are available on the Company's website, the Committee's remit is to regularly review the structure, size and composition of the Board; to give full consideration to succession planning for Directors, to keep under review the leadership needs of the Company and be responsible for identifying and nominating for the approval of the Board, candidates to fill Board vacancies as and when they arise. Regarding remuneration, the Committee shall determine and agree with the Board the remuneration of the Company's Chairman, and Non-executive Directors and in determining such remuneration, take into account all factors which it deems necessary including any relevant legal requirements, the provisions and recommendations in the AIC Code of Corporate Governance and the UK Listing Authority's Listing Rules and associated guidance.

Corporate Governance Report

Audit Committee

The Audit Committee operates within clearly-defined terms of reference which are available on the Company's website. The Committee consists of a minimum of two members, comprising a Chairman and at least one other member and is appointed by the Board. Its membership is confined to independent Directors, not including the Chairman of the Company, who may, however, be invited to attend. The Audit Committee, chaired by Mr Clifton, currently also comprises Mr Woo, Mr Henderson and Mr Russell. The qualifications and experience of the Committee members are noted on pages 38 and 39. The Audit Committee meets at least twice a year at times appropriate to the financial reporting calendar. In the year ended 30 June 2012, the Audit Committee met four times.

The Audit Committee Report is on page 51 of this annual report. The duties of the Audit Committee include reviewing the Annual Report and Audited Consolidated Financial Statements; the Interim Report and Interim Condensed Consolidated Financial Statements; the system of internal controls; and the terms of appointment of the Auditor, together with its remuneration. It is also the forum through which the Auditor reports to the Board. The Audit Committee also reviews the objectivity of the Auditor along with the terms under which the external Auditor is engaged to perform non-audit services. Notwithstanding such services the Audit Committee considers Ernst & Young LLP to be independent of the Company and that the provision of such non-audit service is not a threat to the objectivity and independence of the conduct of the audit.

The Audit Committee, having reviewed the performance of the Auditor, has recommended to the Board that the Auditor be offered for re-appointment at the Annual General meeting of the Company.

Meeting attendance

	Scheduled Board Meeting	Other Board Meeting	Audit Committee	Nomination and Remuneration Committee
David Hinde	4	1	n/a	2
Thomas Ashworth	4	1	n/a	2
Alan Clifton	4	2	4	3
Timothy Henderson	3	5	3	2
Wilfred Woo	2	4	1	1
Chris Russell	1	3	–	–
Richard Barnes	2	–	2	1

Internal control and financial reporting

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

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

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

The Board considers that an internal audit function specific to the Group is unnecessary and that the systems and procedures employed by the Administrator and Manager, including their own audit functions, provide sufficient assurance that a sound system of internal control, which safeguards the Group's assets, is maintained.

Investment advisory services are provided to the Group by Sniper Capital (Macau) Limited. The Board is responsible for setting the overall investment policy and monitors the action of the Manager at regular Board meetings. The Board has also delegated administration and Company secretarial services to Heritage International Fund Managers Limited but retains accountability for all functions it delegates.

Management agreement

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

Corporate Governance Report

The Company has delegated the provision of all services to external service providers whose work is overseen by the Board at its regular scheduled meetings. Each year a detailed review of performance pursuant to their terms of engagement is undertaken. The Board considers that this is sufficient and that establishment of a separate management engagement committee, recommended by AIC Code Principle 15, is unnecessary.

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

Relations with shareholders

The Company welcomes the views of shareholders and places great importance on communication with its shareholders. Senior members of the Manager make themselves 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.

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.

Principal risks and uncertainties

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

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

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

The corporate governance report on pages 46 to 49 further describes the Group's risk management processes. The more significant risks and uncertainties faced by the Group are set out below.

- New legislation or regulations, or different or more stringent interpretation or enforcement of existing laws or regulations, in any jurisdiction in which the Group operates may have a material adverse effect on the Group's financial performance and returns to Shareholders.
- Chinese law governs the Group's investment in Zhuhai and is likely to govern any other agreements to invest in Mainland Chinese assets. It cannot be guaranteed that the Group will be able to enforce any of its agreements or that remedies will be available outside of the PRC.
- Macau law governs the majority of the Group's agreements which relate to Property Investments, property ownership rights and securities. It cannot be guaranteed that the Group will be able to enforce any such agreements or that remedies will be available outside of Macau.
- The Group's return on its investments and prospects are subject to economic, legal, political and social developments in Macau and China and the Asia-Pacific region in general. In particular, the Group's return on its investments may be adversely affected by:
    - changes in Macau's and China's political, economic and social conditions;
    - changes in policies of the government or changes in laws and regulations (including the revocation or modification by the Chinese Government of Macau's SAR status and high autonomy levels), or the interpretation of laws and regulations;
    - changes in foreign exchange rates or regulations;
    - measures that may be introduced to control inflation, such as interest rate increases;
    - changes in the rate or method of taxation;
    - title disputes, legal disputes with neighbouring land owners and legal disputes with architects, project managers and suppliers; and
    - changes to restrictions on or regulations concerning repatriation of funds.

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

On behalf of the Board

David Hinde
Chairman of the Board
21 September 2012

Nomination and Remuneration Committee Report

Summary of the role of the Nomination and Remuneration Committee

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

Alan Clifton (Chairman)
Timothy Henderson
David Hinde
Thomas Ashworth
Wilfred Woo
Chris Russell

See pages 38 to 39 for biographical details of the current Nomination and Remuneration Committee members.

Meetings

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

Consideration of Directors for Re-election

Following discussion and having noted the schedule of Directors re-elected in each year since 2007, it was recommended by the Nomination and Remuneration Committee that Mr Ashworth should be submitted for re-election, and Messrs Russell and Woo should be submitted for election at the Annual General Meeting to be held on 8 November 2012.

Overview

The Nomination and Remuneration Committee met three times in the year ended 30 June 2012. Matters considered at these meetings included but were not limited to:

- the structure, size and composition (including the balance of skills, knowledge, experience and diversity) of the Board and Audit Committee and the need to periodically refresh membership
- to note guidance set out in the AIC Code
- to consider key outcomes from the Board evaluation process
- to consider adoption of a Policy for Board tenure and succession planning
- consideration of Directors for re-election
- the resignation of Richard Barnes and the appointment of Wilfred Woo and Chris Russell

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

On behalf of the Nomination and Remuneration Committee

Alan Clifton
Chairman of the Nomination and Remuneration Committee
21 September 2012

Audit Committee Report

Summary of the role of the Audit Committee

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

The Audit Committee is responsible for:

- monitoring the integrity of the financial statements of the Group and any formal announcements relating to the Group's financial performance and reviewing significant financial reporting judgements contained therein;
- 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 meeting, 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; and
- 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.

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

Composition of the Audit Committee

The members of the Audit Committee are:-

Alan Clifton (Chairman)
Timothy Henderson
Wilfred Woo
Chris Russell

See pages 38 to 39 for biographical details of the current Audit Committee members.

Meetings

The Audit Committee shall meet not less than two times a year and at such other times as the Audit Committee Chairman shall require.

Any member of the Audit Committee may request that a meeting be convened by the Company secretary. The external auditors may request that a meeting be convened if they deem it necessary.

Other Directors and third parties may be invited by the Audit Committee to attend meetings as and when appropriate.

Annual general meeting

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

Internal audit

The Audit Committee shall consider at least once a year whether or not there is a need for an internal audit function. Currently, the Audit Committee does not consider there to be a need for an internal audit function, given that there are no employees in the Group and all outsourced functions are with parties/administrators who have their own internal controls and procedures.

Overview

The Audit Committee met four times in the year ended 30 June 2012. 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 2011 Annual Report and Financial Statements for the year ended 30 June 2011;
- review of the 2011 Interim Report and Financial Statements for the six months ended 31 December 2011;
- review of the Interim Management Statements released in November 2011 and February 2012; and
- review of the audit plan and timetable for the preparation of the 2012 Annual Report and Financial Statements.

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
21 September 2012

Statement of Directors' Responsibilities

The Directors are responsible for preparing the Annual Report and Financial Statements in accordance with applicable laws and regulations. Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors are required to prepare the Group financial statements in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union. Under Company law the Directors must not approve the accounts unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, International Accounting Standard 1 requires that Directors:

- properly select and apply accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRS are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- make an assessment of the Company's ability to continue as a going concern.

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

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

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

All companies with a Premium Listing of equity shares in the UK are required under the Listing Rules to report on how they have applied the UK Corporate Governance Code (the "Code") in their annual report and accounts.

The Directors confirm that, so far as they are aware, there is no information relevant to the audit of which the Group's auditor is unaware. The Directors also confirm that, they have taken all steps they ought to have taken as Directors to make themselves aware of any information relevant to the audit and to establish that the Group's auditor is aware of that information.

Each of the Directors, whose names are set out on pages 38 and 39 of the Annual Report, confirm that, to the best of their knowledge and belief:

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

On behalf of the Board

David Hinde
Chairman of the Board
21 September 2012

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

We have audited the financial statements of Macau Property Opportunities Fund Limited for the year ended 30 June 2012 which comprise the Consolidated Statement of Financial Position, the Consolidated Statement of Comprehensive Income, the Consolidated Statement of Cash Flows, the Consolidated Statement of Changes in Equity and the related notes 1 to 25. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

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

Respective responsibilities of Directors and auditor

As explained more fully in the Statement of Directors' Responsibilities set out on page 52, the Directors are responsible for the preparation of the consolidated financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the consolidated financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Directors; and the overall presentation of the consolidated financial statements. In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited consolidated financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 30 June 2012 and of its profit for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies (Guernsey) Law, 2008.

Matters on which we are required to report by exception

We have nothing to report in respect of the following:

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

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

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

Michael Bane
For and on behalf of Ernst & Young LLP
recognised auditors
Guernsey
21 September 2012

Consolidated Statement of Financial Position As at 30 June 2012

	Note	2012 US$'000	2011 US$'000
ASSETS			
Non-current assets			
Investment property	6	**225,008**	187,111
Deposits with lenders	21	**6,590**	10,935
		231,598	198,046
Current assets			
Inventories	7	**64,921**	82,959
Trade and other receivables		**258**	209
Prepayments		**952**	997
Cash and cash equivalents		**36,077**	43,826
		102,208	127,991
Total assets		**333,806**	326,037
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Share capital	12	**1,020**	1,028
Distributable reserves		**163,896**	165,356
Retained earnings		**56,596**	50,571
Foreign currency translation reserve		**299**	(26)
Total equity		**221,811**	216,929
LIABILITIES			
Non-current liabilities			
Interest-bearing loans	8	**98,664**	78,177
Financial liabilities at fair value through profit or loss – interest rate swap	20	**1,615**	591
		100,279	78,768
Current liabilities			
Trade and other payables	10	**6,248**	8,723
Return of capital	11	**–**	17,900
Interest-bearing loans	8	**4,651**	3,717
Financial liabilities at fair value through profit or loss – interest rate swap	20	**817**	–
		11,716	30,340
Total liabilities		**111,995**	109,108
Total equity and liabilities		**333,806**	326,037
Net Asset Value per share	17	**US$2.17**	US$2.11
Adjusted Net Asset Value per share	17	**US$3.01**	US$2.72

The accompanying notes on pages 58 to 82 are an integral part of these consolidated financial statements.

The consolidated financial statements on pages 54 to 82 were approved by the Board of Directors and authorised for issue on 21 September 2012.

Chris Russell
Director

Tim Henderson
Director

Consolidated Statement of Comprehensive Income Year ended 30 June 2012

	Note	2012 US$'000	2011 US$'000
Income			
Sale of inventories		**22,835**	42,317
Rental income		**3,146**	1,599
Net gain from fair value adjustment on investment property	6	**13,424**	23,430
Write back of inventories to net realisable value	7	**334**	6,158
Gains/(losses) on foreign currency translation		**313**	(276)
Other income		**264**	397
Bank and other interest		**53**	58
		40,369	73,683
Expenses			
Cost of sales of inventories	7	**20,661**	24,286
Management fee		**5,700**	5,473
Non-executive Directors' fees	18	**243**	237
Auditors' remuneration	23	**151**	146
Property operating expenses	15	**1,184**	1,139
Sales and marketing expenses		**552**	1,072
General and administration expenses	13	**1,389**	1,940
		(29,880)	(34,293)
Operating profit for the year		**10,489**	39,390
Finance expenses			
Net loss on valuation of interest rate swap	20	**(1,841)**	(591)
Bank loan interest		**(1,532)**	(1,773)
Interest expense on interest rate swap	20	**(875)**	(425)
Other financing costs	14	**(216)**	(151)
		(4,464)	(2,940)
Profit for the year		**6,025**	36,450
Other comprehensive income			
Movement on foreign currency translation reserve		**325**	42
Total comprehensive income for the year		**6,350**	36,492
Profit attributable to:			
Equity holders of the Company		**6,025**	36,450
Total comprehensive income attributable to:			
Equity holders of the Company		**6,350**	36,492
		2012 US $	2011 US $
Basic and diluted profit per Ordinary Share for profit attributable to the equity holders of the Company during the year	17	**0.0588**	0.3482

The accompanying notes on pages 58 to 82 are an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity Year ended 30 June 2012

	Note	Share capital US$'000	Retained earnings US$'000	Distributable reserves US$'000	Foreign currency translation reserve US$'000	Total US$'000
Balance brought forward at 1 July 2011		**1,028**	**50,571**	**165,356**	**(26)**	**216,929**
Profit for the year		–	6,025	–	–	6,025
Other comprehensive income						
– Foreign currency translation reserve		–	–	–	325	325
Total comprehensive income for the year		**–**	**6,025**	**–**	**325**	**6,350**
Share buy back	12	(8)	–	(1,460)	–	(1,468)
Balance carried forward at 30 June 2012		**1,020**	**56,596**	**163,896**	**299**	**221,811**

	Note	Share capital US$'000	Retained earnings US$'000	Distributable reserves US$'000	Foreign currency translation reserve US$'000	Total US$'000
Balance brought forward at 1 July 2010		1,050	14,121	187,960	(68)	203,063
Profit for the year		–	36,450	–	–	36,450
Other comprehensive income						
– Foreign currency translation reserve		–	–	–	42	42
Total comprehensive income for the year		–	36,450	–	42	36,492
Share buy back	12	(22)	–	(4,704)	–	(4,726)
Return of capital	11	–	–	(17,900)	–	(17,900)
Balance carried forward at 30 June 2011		1,028	50,571	165,356	(26)	216,929

The accompanying notes on pages 58 to 82 are an integral part of these consolidated financial statements.

Consolidated Statement of Cash Flows Year ended 30 June 2012

	Note	2012 US$'000	2011 US$'000
Net cash (used in)/generated from operating activities	16	**(11,849)**	32,166
Cash flows from financing activities			
Proceeds from bank borrowings		**39,921**	83,356
Repayment of bank borrowings		**(18,500)**	(83,282)
Decrease/(increase) in pledged bank balances		**4,345**	(10,935)
Share buy back	12	**(1,468)**	(4,726)
Return of capital	11	**(17,900)**	–
Interest and bank charges paid		**(2,623)**	(3,227)
Net cash generated from/(used in) financing activities		**3,775**	(18,814)
Net movement in cash and cash equivalents		**(8,074)**	13,352
Cash and cash equivalents at beginning of year		**43,826**	30,432
Effect of foreign exchange rate changes		**325**	42
Cash and cash equivalents at end of year		**36,077**	43,826

Interest received in cash for the year was US$53,000 (2011: US$58,000).

The accompanying notes on pages 58 to 82 are an integral part of these consolidated financial statements.

Notes to the Consolidated Financial Statements Year ended 30 June 2012

General information

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

The consolidated financial statements for the year ended 30 June 2012 comprise the financial statements of the Company and its subsidiaries (together referred to as the "Group").

The Group invests in residential and commercial property and property-related ventures primarily in Macau and in the Western Pearl River Delta region of Mainland China.

These consolidated financial statements have been approved for issue by the Board of Directors on 21 September 2012.

1. Summary of significant accounting policies

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

Basis of preparation

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

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 3.

New and amended standards and interpretations adopted by the Group

The following new and amended IFRS and IFRIC interpretations are mandatory as of 1 January 2011 unless otherwise stated and the impact is described below.

IAS 12 – Deferred tax: recovery of underlying assets (amendment)

This amendment to IAS 12 includes a rebuttable presumption that the carrying amount of investment property measured using the fair value model in IAS 40 will be recovered through sale and, accordingly, that any related deferred tax should be measured on a sale basis. The presumption is rebutted if the investment property is depreciable and it is held within a business model whose objective is to consume substantially all of the economic benefits in the investment property over time, rather than through sale. Specifically, IAS 12 will require that deferred tax arising from a non-depreciable asset measured using the revaluation model in IAS 16 should always reflect the tax consequences of recovering the carrying amount of the underlying asset through sale. Effective implementation date is for annual periods beginning on or after 1 January 2012.

The Directors have not undertaken a formal review and therefore have not assessed the potential impact on the Group. The Directors will make a formal assessment when the standard become mandatory.

IAS 24 – Related party transactions (amendment)

The IASB has issued an amendment to IAS 24 that clarified the definitions of a related party. The new definitions emphasise a symmetrical view on related party relationships as well as clarifying in which circumstances persons and key management personnel affect related party relationships of an entity. Secondly, the amendment introduces an exemption from the general related party disclosure requirements, for transactions with a government and entities that are controlled, jointly controlled or significantly influenced by the same government as the reporting entity.

The adoption of the amendment did not have any impact on the financial position or performance of the Group.

Notes to the Consolidated Financial Statements Year ended 30 June 2012

1. Summary of significant accounting policies (continued)

IFRS 7 – Disclosures - transfers of financial assets (amendment)

The IASB issued an amendment to IFRS 7 that enhances disclosures for financial assets. These disclosures relate to assets transferred (as defined under IAS 39). If the assets transferred are not derecognised entirely in the financial statements, an entity has to disclose information that enables users of financial statements to understand the relationship between those assets which are not derecognised and their associated liabilities. If those assets are derecognised entirely, but the entity retains a continuing involvement, disclosures have to be provided that enable users of financial statements to evaluate the nature of, and risks associated with, the entity's continuing involvement in those derecognised assets. Effective implementation date is for annual periods beginning on or after 1 July 2011 with no comparative requirements.

The adoption of the amendment did not have any impact on the financial position or performance of the Group.

The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

Improvements to IFRSs

In May 2010, the IASB issued its third omnibus of amendments to its standards, primarily with a view to removing inconsistencies and clarifying wording. There are separate transitional provisions for each standard. The Directors have not undertaken a formal review and therefore have not assessed the potential impact on the Group. The Directors will make a formal assessment when the standards become mandatory.

IFRS 3 Business Combinations: The measurement options available for non-controlling interest (NCI) have been amended. Only components of NCI that constitute a present ownership interest that entitles their holder to a proportionate share of the entity's net assets in the event of liquidation shall be measured at either fair value or at the present ownership instruments' proportionate share of the acquirer's identifiable net assets. All other components are to be measured at their acquisition date fair value.

The amendments to IFRS 3 are effective for annual periods beginning on or after 1 July 2011. The Group however adopted these as of 1 January 2011 and changed its accounting policy accordingly.

IFRS 7 Financial Instruments – Disclosures: The amendment was intended to simplify the disclosures provided, by reducing the volume of disclosures around collateral held and improving disclosures by requiring qualitative information to put the quantitative information in context.

IAS 1 Presentation of Financial Statements: The amendment provides an option to present an analysis of each component of other comprehensive income maybe either in the statement of changes in equity (SOCIE) or in the notes to the financial statements. The Group provides this analysis in the SOCIE.

Other amendments resulting from improvements to IFRSs to the following standards include:

IFRS 3 Business Combinations (Contingent consideration arising from business combination prior to adoption of IFRS 3 (as revised in 2008))

IFRS 3 Business Combinations (Un-replaced and voluntarily replaced share-based payment awards)

IAS 27 Consolidated and Separate Financial Statements

IAS 34 Interim Financial Statements

IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments

IAS 32 Financial Instruments: Presentation (Amendment)

Notes to the Consolidated Financial Statements Year ended 30 June 2012

1. Summary of significant accounting policies (continued)

Consolidation

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

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

Segment reporting

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

The Directors are of the opinion that the Group is engaged in a single segment of business, being property investment and related business. This segment includes residential and commercial property and property-related ventures primarily in Macau and in the Western Pearl River Delta region of Mainland China. Please refer to Note 5 for segment reporting.

Foreign currency translation

a) Functional and presentation currency

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

b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the date of the transaction. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated statement of comprehensive income.

c) Group companies

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

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

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

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

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

Notes to the Consolidated Financial Statements Year ended 30 June 2012

1. Summary of significant accounting policies (continued)

Investment property

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

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

Borrowing costs incurred for the purpose of acquiring, constructing or producing a qualifying investment property are capitalised as part of the cost. Borrowing costs are capitalised while the acquisition or construction is actively underway and cease once the asset is substantially complete, or suspended if the development is suspended.

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

Changes in fair values are recorded in the consolidated statement of comprehensive income.

Inventories

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

Disposals

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

Impairment

Financial assets

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

Losses are recognised in profit or loss. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

Non-financial assets

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

In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

Notes to the Consolidated Financial Statements Year ended 30 June 2012

1. Summary of significant accounting policies (continued)

Leases

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

Trade receivables

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

Cash and cash equivalents

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

Provisions

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

Share capital

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

Fair value of interest rate swaps

The Group's derivative financial instruments are by definition financial assets and liabilities at fair value through profit and loss because they are derivatives.

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 and are carried at fair value and presented as financial assets at fair value through profit or loss or financial liabilities at fair value through profit or loss, respectively. Related realised and unrealised gains and losses are included in net gains/(losses) on financial assets/liabilities at fair value through profit or loss.

Revenue recognition

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

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

Interest income

Interest income is recognised as it accrues using the effective interest rate method.

Notes to the Consolidated Financial Statements Year ended 30 June 2012

1. Summary of significant accounting policies (continued)

Sale of completed property
A property is regarded as sold when the significant risks and returns have been transferred to the buyer, which is normally on unconditional exchange of contracts. On disposal of those properties that are held by subsidiaries and when disposal is achieved through the sale of the subsidiary, 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.

Sale of property under development
Where property is under development and an agreement has been reached to sell such property when construction is complete, and where the Directors determine the pre-sale to constitute the sale of a completed property, revenue is recognised when the significant risks and rewards of ownership of the real estate have been transferred to the buyer.

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.

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

Expenses
Property and contract expenditure, including bid costs, incurred prior to the exchange of a contract is expensed as incurred, with the exception of expenditure on long-term development contracts which is capitalised.

Expenses include legal, accounting, auditing and other fees. They are recognised in the profit or loss in the period in which they are incurred (on an accrual basis).

Finance income and expenses
Interest income is recognised as it accrues in the consolidated statement of comprehensive income.

Finance costs comprise interest expense on borrowings. Interest expense is recognised as it accrues in the consolidated statement of comprehensive income.

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 profit or loss. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

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

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

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

Notes to the Consolidated Financial Statements Year ended 30 June 2012

2. Financial risk management

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

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

Market risk

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

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

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

There is no difference in the carrying value and fair value of the financial assets and liabilities as stated in the financial statements. The Directors believe that the value of the interest-bearing loans, currently valued using amortised cost, is not materially different from their market or fair value.

a) Foreign exchange risk

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures. Foreign exchange risk arises from future commercial transactions, recognised monetary assets and liabilities and net investments in foreign operations. The Group's policy is not to enter into any currency hedging transactions. The tables below summarise the Group's exposure to foreign currency risk as at 30 June 2012 and 30 June 2011. The Group's financial assets and liabilities are included in the table, categorised by their currency at their carrying amount in US$'000.

Notes to the Consolidated Financial Statements Year ended 30 June 2012

2. Financial risk management (continued)

Market risk (continued)

a) Foreign exchange risk (continued)

As at 30 June 2012	**US$'000**	**£'000**	**HK$'000**	**Other currencies '000**	**Total US$'000**
Trade and other receivables	–	–	119	139	258
Cash and cash equivalents	2,657	163	32,453	804	36,077
Deposits with lenders	–	–	6,590	–	6,590
Total financial assets	**2,657**	**163**	**39,162**	**943**	**42,925**
Trade and other payables	471	65	251	5,461	6,248
Interest-bearing loans	–	–	97,050	6,265	103,315
Financial liabilities at fair value through profit or loss	–	–	2,432	–	2,432
Total financial liabilities	**471**	**65**	**99,733**	**11,726**	**111,995**
Net financial position	**2,186**	**98**	**(60,571)**	**(10,783)**	**(69,070)**

As at 30 June 2011	US$'000	£'000	HK$'000	Other currencies '000	Total US$'000
Trade and other receivables	–	–	154	55	209
Cash and cash equivalents	6,309	20,118	17,183	216	43,826
Deposits with lenders	–	–	10,935	–	10,935
Total financial assets	6,309	20,118	28,272	271	54,970
Trade and other payables	109	178	8,365	71	8,723
Interest-bearing loans	–	–	81,894	–	81,894
Financial liabilities at fair value through profit or loss	–	–	591	–	591
Return of capital payable	–	17,900	–	–	17,900
Total financial liabilities	109	18,078	90,850	71	109,108
Net financial position	6,200	2,040	(62,578)	200	(54,138)

The table above presents financial assets and liabilities denominated in foreign currencies held by the Group as at 30 June 2012 and 30 June 2011 and can be used to monitor foreign currency risk as at that date.

At 30 June 2012, if Sterling weakened/strengthened by 10% against the US Dollar with all other variables held constant, the post-tax profit for the year would have been US$9,800 lower/higher (2011: US$204,000 lower/higher).

The HK Dollar is pegged to the US Dollar with the Hong Kong Monetary Authority pledging to keep the exchange rate within a trading band of 5 Hong Kong cents either side of HK$7.80 per dollar. If the HK Dollar weakened/strengthened by 1% against the US Dollar with all other variables held constant, the post-tax profit for the year would have been US$605,710 higher/lower (2011: US$625,780 higher/lower).

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

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

Notes to the Consolidated Financial Statements Year ended 30 June 2012

2. Financial risk management (continued)

Market risk (continued)

b) Cash flow and fair value interest rate risk

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

Under the terms of the swap contracts, if the swap rates were to increase/decrease by 1% with all other variables held constant, this would result in the post tax profit being US$2,081,000 higher/US$1,292,234 lower (2011: US$2,777,000 higher/ US$2,917,000 lower).

The success of any investment is affected by general economic conditions which may affect the level and volatility of interest rates and the extent and timing of investor participation in the asset markets. 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. The Group's overall positions and exposures are monitored on a quarterly basis by the Board of Directors.

If interest rates had been 1% higher and all other variables were held constant, the Group's profit for the year would have decreased by US$606,000 (2011: US$271,000) (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 below.

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

As at 30 June 2012	**Interest bearing US$'000**	**Non-interest bearing US$'000**	**Total US$'000**
Trade and other receivables	–	258	258
Cash and cash equivalents	36,077	–	36,077
Deposits with lenders	6,590	–	6,590
Total financial assets	**42,667**	**258**	**42,925**
Trade and other payables	–	6,248	6,248
Interest-bearing loans	103,315	–	103,315
Financial liabilities at fair value through profit or loss	–	2,432	2,432
Total financial liabilities	**103,315**	**8,680**	**111,995**

As at 30 June 2011	Interest bearing US$'000	Non-interest bearing US$'000	Total US$'000
Trade and other receivables	–	209	209
Cash and cash equivalents	43,826	–	43,826
Deposits with lenders	10,935	–	10,935
Total financial assets	54,761	209	54,970
Trade and other payables	–	8,723	8,723
Interest-bearing loans	81,894	–	81,894
Financial liabilities at fair value through profit or loss	–	591	591
Return of capital payable	–	17,900	17,900
Total financial liabilities	81,894	27,214	109,108

Notes to the Consolidated Financial Statements Year ended 30 June 2012

2. Financial risk management (continued)

Market risk (continued)

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

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

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

Under these swaps, the Group receives quarterly interest at variable rates of three-month HIBOR and pays quarterly interest at fixed rates ranging from 1.395% to 2.09% per annum. During the year the Group paid net interest to the bank of US$875,000 (2011: US$425,000) as shown in financing expenses on the consolidated statement of comprehensive income.

The Group has placed HK$19,018,000 (US$2,451,420) (2011: HK$6,674,000 (US$857,675)) with Standard Chartered Bank as a pledged deposit to secure the interest rate swap facilities.

The swaps are treated as financial liabilities at fair value through profit or loss with a year end value of US$2,432,000 (2011: US$591,000). For the year ended 30 June 2012, a fair value loss of US$1,841,000 (2011: US$591,000) arising from the interest rate swaps in aggregate has been recognised in the consolidated statement of comprehensive income.

Credit risk

Credit risk is the risk that a counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into with the Group.

The Group's main exposure to credit risk is its balances with banks.

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

Credit Rating	**2012 US$'000**	2011 US$'000
AA	**497**	1,606
AA-	**2,483**	26,096
A+	**25,995**	15,534
A	**8,797**	6,470
A-	**4,615**	3,499
BBB+	**132**	1,556
BBB	**148**	–
	42,667	54,761

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.

Notes to the Consolidated Financial Statements Year ended 30 June 2012

2. Financial risk management (continued)

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 property development liabilities.

Of the Group's total exposure to banks of US$42,667,000 (2011: US$54,761,000), deposits amounting to US$6,590,000 (2011: US$10,935,000) have been pledged to secure long-term banking facilities and are, therefore, classified as non-current assets. Pledged bank balances represents deposits pledged to the banks to secure the banking facilities granted to the Group.

The Group has term loan facilities with Hang Seng Bank, Banco Weng Hang, S.A., Wing Lung Bank and Banco Tai Fung for its investments in *The Waterside*, individual units in One Central Residences, *The Green House*, *The Sky House* and development for *The Fountainside*. Please refer to Note 8 for details of the facilities.

The Group's liquidity position is monitored by the Manager and is reviewed quarterly by the Board of Directors.

The table below analyses the Group's financial assets and liabilities into relevant maturity profiles based on the remaining period at the consolidated statement of financial position date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not deemed to be significant.

As at 30 June 2012	**On demand US$'000**	**Less than 3 months US$'000**	**3 to 12 months US$'000**	**1 to 2 years US$'000**	**2 to 5 years US$'000**	**Total US$'000**
Trade and other receivables	–	120	–	138	–	258
Cash and cash equivalents	36,077	–	–	–	–	36,077
Deposits with lenders	–	–	–	–	6,590	6,590
Total financial assets	**36,077**	**120**	**–**	**138**	**6,590**	**42,925**
Trade and other payables	–	1,164	4,332	752	–	6,248
Interest-bearing loans	–	–	4,651	–	98,664	103,315
Financial liabilities at fair value through profit or loss	–	–	817	–	1,615	2,432
Total financial liabilities	**–**	**1,164**	**9,800**	**752**	**100,279**	**111,995**

As at 30 June 2011	On demand US$'000	Less than 3 months US$'000	3 to 12 months US$'000	1 to 2 years US$'000	2 to 5 years US$'000	Total US$'000
Trade and other receivables	–	72	–	137	–	209
Cash and cash equivalents	43,826	–	–	–	–	43,826
Deposits with lenders	–	–	–	–	10,935	10,935
Total financial assets	43,826	72	–	137	10,935	54,970
Trade and other payables	102	1,731	6,847	43	–	8,723
Interest-bearing loans	–	–	3,717	–	78,177	81,894
Financial liabilities at fair value through profit or loss	–	–	–	–	591	591
Return of capital payable	–	17,900	–	–	–	17,900
Total financial liabilities	102	19,631	10,564	43	78,768	109,108

Notes to the Consolidated Financial Statements Year ended 30 June 2012

2. Financial risk management (continued)

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 2012, there were no borrowings other than trade and other payables and the Group credit facilities in place. There were sufficient cash and cash equivalents to pay these as they fell due.

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 net asset value (NAV) for a sustained period of time. During the year, the Company has purchased 800,000 (2011: 2,200,000) Ordinary Shares at a weighted average price of 115.46p (2011: 131.53p) as per Note 12. All of the shares bought back were cancelled.

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

The Board remains committed to an active discount management policy.

3. Critical accounting estimates, assumptions and judgements

Management makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are outlined below:

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

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

c) The performance fees, management fees and administration fees are based on adjusted net asset value.

d) The Group is subject to income and capital gains taxes in numerous jurisdictions. Significant judgement is required to determine the total provision for current and deferred taxes. There are many transactions and calculations for which the ultimate tax determination and timing of payment is uncertain. Fair value adjustments to investment properties give rise to temporary differences between the carrying value of the properties and their tax basis. Since it is the intention of the Board to sell the subsidiaries holding such properties, rather than the properties themselves, deferred tax or temporary differences have not been recorded.

The Group did not make any critical accounting judgements, other than as described above, in the year ended 30 June 2012 or the year ended 30 June 2011.

Notes to the Consolidated Financial Statements Year ended 30 June 2012

4. Subsidiaries

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

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

During the current year, Pacific Success Properties Limited was liquidated and Extra Able International Limited was struck off from the BVI companies register as the underlying property was disposed of.

Notes to the Consolidated Financial Statements Year ended 30 June 2012

4. Subsidiaries (continued)

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

	Ownership	Incorporation		Ownership	Incorporation
Macau (Site 1) Limited	100%	Macau	Lucky Go International Limited	100%	BVI
MPOF Macau (Site 2) Limited	100%	Macau	Magic Bright International Limited	100%	BVI
Macau (Site 4) Limited	100%	Macau	Manage Gain Investments Limited	100%	BVI
MPOF Macau (Site 5) Limited	100%	Macau	Mega League Investments Limited	100%	BVI
MPOF Macau (Site 6) Limited	100%	Macau	Multi Gold International Limited	100%	BVI
Macau (Site 7) Limited	100%	Macau	Phoenixville Holdings Limited	100%	BVI
Macau (Site 8) Limited	100%	Macau	Poly Advance Management Limited	100%	BVI
Macau (Site 9) Limited	100%	Macau	Prominent Group Limited	100%	BVI
Macau (Site 10) Limited	100%	Macau	Richsville Investment Limited	100%	BVI
The Waterside Company Limited	100%	Macau	Right Year International Limited	100%	BVI
Braga Companhia Limitada	100%	Macau	See Lucky Enterprises Limited	100%	BVI
Portalegre Companhia Limitada	100%	Macau	Smooth Run Group Limited	100%	BVI
The Fountainside Company Limited	100%	Macau	Swift Link Limited	100%	BVI
Castelo Branco Companhia Limitada	100%	Macau	Talent Empire International Limited	100%	BVI
Vila Real Companhia Limitada	100%	Macau	Tycoon Villa International Limited	100%	BVI
MPOF (Penha) Limited	100%	Guernsey	Worthy Way Limited	100%	BVI
MPOF (Taipa) Limited	100%	Guernsey	Yield Return Limited	100%	BVI
MPOF (Jose) Limited	100%	Guernsey	ACME Precision Limited	100%	Hong Kong
MPOF (Sun) Limited	100%	Guernsey	Capital Full Limited	100%	Hong Kong
MPOF (Monte) Limited	100%	Guernsey	China City Properties Limited	100%	Hong Kong
MPOF (Paulo) Limited	100%	Guernsey	China Crown Properties Limited	100%	Hong Kong
MPOF (Guia) Limited	100%	Guernsey	East Base Properties Limited	100%	Hong Kong
MPOF (Antonio) Limited	100%	Guernsey	Eastway Properties Limited	100%	Hong Kong
MPOF (6A) Limited	100%	Guernsey	Elite Gain Limited	100%	Hong Kong
MPOF (6B) Limited	100%	Guernsey	Excelsior Properties Limited	100%	Hong Kong
MPOF (7A) Limited	100%	Guernsey	Glory Properties Limited	100%	Hong Kong
MPOF (7B) Limited	100%	Guernsey	Gold Century Properties Limited	100%	Hong Kong
MPOF (8A) Limited	100%	Guernsey	Golden City Properties Limited	100%	Hong Kong
MPOF (8B) Limited	100%	Guernsey	Goldex Properties Limited	100%	Hong Kong
MPOF (9A) Limited	100%	Guernsey	Honway Properties Limited	100%	Hong Kong
MPOF (9B) Limited	100%	Guernsey	Maxland Properties Limited	100%	Hong Kong
MPOF (10A) Limited	100%	Guernsey	New Perfect Properties Limited	100%	Hong Kong
MPOF (10B) Limited	100%	Guernsey	Newton Properties Limited	100%	Hong Kong
MPOF Mainland Company 1 Limited	100%	Barbados	Orient Land Properties Limited	100%	Hong Kong
Bream Limited	100%	Guernsey	Pacific Asia Properties Limited	100%	Hong Kong
Cannonball Limited	100%	Guernsey	Pacific Link Properties Limited	100%	Hong Kong
Civet Limited	100%	Guernsey	Platinum Properties Limited	100%	Hong Kong
Aim Top Enterprises Limited	100%	BVI	Queensland Properties Limited	100%	Hong Kong
Championway International Limited	100%	BVI	Sky Century Properties Limited	100%	Hong Kong
Gainsun Investments Limited	100%	BVI	Top Century Properties Limited	100%	Hong Kong
Gao Rong Holdings Limited	100%	BVI	Top Faith Properties Limited	100%	Hong Kong
Go Gain International Limited	100%	BVI	Union Century Properties Limited	100%	Hong Kong
Gorey Hills International Limited	100%	BVI	Victory Star Properties Limited	100%	Hong Kong
Hillsleigh Holdings Limited	100%	BVI	Weltex Properties Limited	100%	Hong Kong
Honeypot International Limited	100%	BVI	Windex Properties Limited	100%	Hong Kong
Jin Mei International Limited	100%	BVI	World Pacific Properties Limited	100%	Hong Kong
Lucan Investments Limited	100%	BVI	Sailing Logistics (Zhuhai Free Trade Zone) Co. Ltd.	100%	PRC

Notes to the Consolidated Financial Statements Year ended 30 June 2012

5. Segment reporting

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

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

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

Information about major customers

The Group does not have any customers or rental agreements which each represent more than 10% of Group revenues. The customers' revenues represented by rental income were US$3,146,461 for the year ended 30 June 2012 (2011: US$1,598,578).

6. Investment property

	2012 US$'000	2011 US$'000
At beginning of the year	**187,111**	159,676
Additions	**24,202**	3,968
Fair value adjustment	**13,424**	23,430
Exchange difference	**271**	37
Balance at end of year	**225,008**	187,111

The Group's investment properties were revalued at 30 June 2012 by independent, professionally-qualified valuers Savills (Macau) Limited. The valuation has been carried out in accordance with the current Royal Institution of Chartered Surveyors (RICS) Appraisal and Valuation Standards to calculate the market value of the investment properties in their existing state and physical condition with the assumptions that:

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

The fair value of investment property is determined by Savills (Macau) Limited using recognised valuation techniques. These techniques comprise both the Yield Method and the Discounted Cash Flow Method. In some cases, the fair values are determined based on recent real estate transactions with similar characteristics and location to those of the Group assets.

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.

Additions during the year relate to the acquisition of *The Sky House*, fit out costs for *The Waterside* and the planning, design and development costs for the *APAC Logistics Centre*.

Rental income arising from *The Waterside* of US$2,961,920 (2011: US$1,374,423) was received during the year. Direct operating expenses of US$801,762 (2011: US$695,875) arising from *The Waterside* that generated rental income were incurred during the year.

Notes to the Consolidated Financial Statements Year ended 30 June 2012

6. Investment property (continued)

The APAC Logistics Centre located in the Zhuhai Free Trade Zone, China, received rental income of US$184,541 (2011: US$224,155) during the year. Direct operating expenses of US$90,846 (2011: US$134,223) arising from the *APAC Logistics Centre* that generated rental income were incurred during the year.

During the current year, the Group acquired *The Sky House*, a triplex apartment in Tower 3, One Central Residences. Direct operating expenses of US$14,263 (2011: US$ nil) arising from the property were incurred and no rental income was received during the year.

7. Inventories

	2012 US$'000	2011 US$'000
Cost		
Balance brought forward	**83,293**	103,786
Additions	**2,081**	3,751
Disposals	**(20,661)**	(24,286)
Exchange difference	**208**	42
Balance carried forward	**64,921**	83,293
Adjustments to net realisable value		
Balance brought forward	**(334)**	(6,492)
Write-back to net realisable value	**334**	6,158
Balance carried forward	**–**	(334)
Carrying amounts	**64,921**	82,959

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

Interest costs of US$57,000 (2011: US$28,000) relating to *The Fountainside* loan facility were capitalised during the year.

Under IFRS, inventories are valued at the lower of cost and net realisable value. The carrying amounts for inventories as at 30 June 2012 amounts to US$64,921,000 (2011: US$82,959,000). Total market value as at 30 June 2012 as determined by independent, professionally-qualified valuer, Savills (Macau) Limited, was US$149,764,000 (2011: US$146,561,000).

Write-back of inventories amounting to US$334,000 (2011: US$6,158,000) has been recognised as income in the consolidated statement of comprehensive income to maintain the carrying value of inventories at the lower of cost and net realisable value.

During the year, the investment in the Rua do Padre Antonio 26A site was sold for a consideration of HK$33,000,000 (US$4.2 million) against a total cost of HK$26,907,898 (US$3.5 million). The disposal was completed on 10 August 2011.

Nine of the individual apartments in One Central Residences were sold during the year for a total consideration of HK$144.4 million (US$18.6 million) against a total cost of HK$136.9 million (US$17.6 million) which resulted in a net profit of HK$7.5 million (US$1.0 million) after all associated fees and transaction costs. These disposals were completed on various dates during the current year.

8. Interest-bearing loans

	2012 US$'000	2011 US$'000
Bank loans – Secured		
– Current portion	**4,651**	3,717
– Non-current portion	**98,664**	78,177
	103,315	81,894

Notes to the Consolidated Financial Statements Year ended 30 June 2012

8. Interest-bearing loans (continued)

The Group has a term loan facility with Hang Seng Bank for *The Waterside* and the individual One Central Residences units. The interest rate applicable to the term loan is 1.6% per annum over the one, two or three-month HIBOR rate; the choice of rate is at the Group's discretion. The principal is to be repaid in half-yearly instalments commencing one year after the initial loan agreement date, with 70% of the principal due upon maturity of the loan in November 2015. 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. During the current year, the Group has used the sales proceeds from the disposal of 9 individual units at the One Central Residences to early repay the facility.

During the current year, the Group has arranged a top-up loan facility with Hang Seng Bank in relation to the One Central term loan to increase the loan-to-value ratio of the facility. On 16 June 2012, a drawdown on this loan facility was made for HK$200 million (US$25.8 million).

The interest rate applicable to this new tranche of loan facility is 3.25% per annum over the one, two or three-month HIBOR rate; the choice of rate is at the Group's discretion. The principal is to be repaid in six half-yearly instalments commencing on 25 May 2013 with 60% of the principal due upon maturity of the loan on 25 November 2015. The loan-to-value covenant is 60%. As at 30 June 2012, the loan-to-value ratio for the Hang Seng One Central facility was 41.2%.

The Group has arranged a credit facility arrangement with Banco Weng Hang S.A. to finance *The Fountainside* redevelopment. The facility is for up to HK$105 million, with interest charged at 1.65% per annum over the three-month HIBOR rate. As at 30 June 2012, drawdown of HK$28.2 million (US$3.6 million) on the facility had been made. This facility is secured by a first legal mortgage over the property for an amount of HK$105 million as well as a pledge of all income from *The Fountainside* properties.

The facility expired on 20 September 2012. A one year extension has been approved by the bank with a renewal fee of 0.35% of its facility amount, with interest charged at 3% per annum over the three-month HIBOR rate. The overall facility will be reduced to HK$59 million. The loan-to-value covenant is 60%. This facility is non-recourse to the Group. As at 30 June 2012, proceeds of US$4.1 million received from the pre-sale of *The Fountainside* units were pledged with the lender. As at 30 June 2012, the loan-to-value ratio for this facility was 9%.

The Group has arranged a two-year term loan facility with Wing Lung bank to refinance the purchase of *The Green House*. On 29 June 2012, a drawdown on the facility was made for HK$46 million (US$6 million).

The interest rate applicable to the Wing Lung Bank loan facility is 3.5% per annum over the three-month HIBOR rate. This facility is secured by a first legal mortgage over the property as well as a pledge of all income from the property. The facility is for up to HK$46 million. The loan-to-value covenant is 55%. The Company is the guarantor for this term loan. As at 30 June 2012, the loan-to-value ratio for this facility was 48.4%.

The Group has arranged a three-year term loan facility with Banco Tai Fung to finance the purchase of *The Sky House*. On 20 April 2012, a drawdown on the facility was made for HK$48.6 million (US$6.3 million).

The interest rate applicable to the Banco Tai Fung loan facility is 3.9% per annum over the three-month HIBOR rate. This facility is secured by a first legal mortgage over the property as well as a pledge of all income from the property. This facility is non-recourse to the Group. The facility is for up to HK$48.6 million. As at 30 June 2012, the loan-to-value ratio for this facility was 40.5%.

The Directors believe that the value of the interest-bearing loans, currently valued using amortised cost, is not materially different from their market or fair value.

9. Taxation

The Company is exempt from taxation in Guernsey under the provisions of The Income Tax (Exempt Bodies) (Guernsey) Ordinances, 1989 to 1992, and is charged an annual exemption fee of £600 (US$942).

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

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

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

Notes to the Consolidated Financial Statements Year ended 30 June 2012

9. Taxation (continued)

No accrual has been made for Hong Kong profits tax as the Board believe that no such tax exposure exists at the end of the reporting period (2011: US$ nil).

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

The Macanese SPVs are liable to Macau Property Tax in respect of their ownership of Macau properties. Taxation will be charged at the higher of 10% (2011: 10%) of any rent received or 6% (2011: 6%) of the official rateable rentable value. Newly built residential buildings or commercial buildings are exempt from Property Tax for four years and six years respectively (such time running from the month after the occupancy permit is issued) for properties located in Macau peninsula and outlying islands. Macau Complementary Taxes are generally levied on income and profits arising in or derived from commercial and/or industrial activities carried on in Macau. There is no distinction made between a "revenue profit" and "capital profit" under the Macau Complementary Tax regulations. Accordingly, all income booked by a Macau corporate taxpayer, including gains on sale of investment/immovable property, will be subject to Complementary Tax. In general, gains on the disposal of shares in a Macau company (such as an SPV of the Company) should not attract Macau Complementary Tax.

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

The Group also has exposure to PRC taxation for its business operation 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.

Due to the structure of the Group and the Board's intentions as to the manner of disposal of investment property, the Board does not believe that any provision for deferred tax is required.

10. Trade and other payables

	2012 US$'000	2011 US$'000
Accruals	**288**	290
Deposits from pre-sale of property	**4,139**	3,365
Deposits from sales of property	**–**	3,897
Other payables	**1,821**	1,171
	6,248	8,723

Other payables principally comprise amounts outstanding for on-going costs.

11. Return of capital to shareholders

At an Extraordinary General Meeting of the Company held on 21 June 2011 the Shareholders voted in favour for a return of capital of US$17.9 million.

The Board, mindful of the fact that it has a range of institutional, corporate and individual Shareholders, proposed a flexible mechanism for returning the capital. The Board decided that the Return of Capital should be effected via a B Share Scheme under which Shareholders would receive a bonus issue of a newly created class of shares, B Shares, pro rata to their holding of Ordinary Shares. Capital would then be returned to Shareholders via either a redemption of the B Shares, or the payment of a dividend in respect of the B Shares, or a combination of both.

The final Sterling amount of the Return of Capital was GBP11,058,940; equal to US$17.9 million converted into Sterling based on the Bloomberg Cross Rate as at the close of business on 20 June 2011. This sum was divided by the number of B Shares issued by the Company to give the B Share Dividend and B Share Redemption Sum. The proceeds for the B Share Redemption and the B Share Dividend were paid by the Company on 12 July 2011.

The Board do not recommend the payment of a dividend in respect of the year ended 30 June 2012.

Notes to the Consolidated Financial Statements Year ended 30 June 2012

12. Share capital

Ordinary Shares

	2012 US$'000	2011 US$'000
Authorised:		
300 million Ordinary Shares of US$0.01 each	**3,000**	3,000
Issued and fully paid:		
102.0 million (2011: 102.8 million) Ordinary Shares of US$0.01 each	**1,020**	1,028

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

Ordinary Share repurchases

During the year, under the authority first granted in the Extraordinary General Meeting of 28 June 2010 and renewed at the Annual General Meetings held on 3 November 2010 and 4 November 2011, the Company repurchased 800,000 Ordinary Shares or 0.76% of the originally issued shares, at an average share price of 115.46p. All shares bought back under the buy-back program were cancelled.

The following table summarises all shares repurchased by the Company as at 30 June 2012:

	Number of Shares	**Repurchase Price per Share ***
05 May 2011	925,000	131.00 **
06 May 2011	750,000	131.00 **
17 May 2011	525,000	133.21 **
08 July 2011	300,000	135.33 **
22 May 2012	100,000	103.00
28 May 2012	50,000	103.00
06 June 2012	150,000	103.00
12 June 2012	65,000	103.00
29 June 2012	135,000	105.00
Total/Average	3,000,000	127.24

* Price in pence Sterling

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

After the year end, a further 2,070,250 shares were repurchased at an average price of 100.19p and cancelled.

B Shares

To facilitate the return of capital to investors as described in Note 11, each Ordinary Shareholder was issued B Shares, pro rata to their Ordinary Share holding. In total, 102,800,000 B Shares were issued. There were two alternatives open to B Shareholders:

- Alternative 1: (B Share Redemption), 97,409,748 B Shares were redeemed at the B Share Redemption date, 29 June 2011, these were cancelled and not reissued. Payments were made to shareholders who elected for this alternative on 12 July 2011.

- Alternative 2: (B Share Dividend), following the B Share Dividend Date, 29 June 2011, 5,390,252 B Shares, on which the B Share Dividend had become payable, were converted into Deferred Shares, with Shareholders receiving one Deferred Share for each B Share. The Deferred Shares were not listed and carried extremely limited rights. The Company redeemed all Deferred Shares in issue for an aggregate consideration of £0.01 on 13 July 2011. In view of the negligible amount, entitlement to any of the aggregate consideration of £0.01 was not sent to individual Shareholders.

Notes to the Consolidated Financial Statements Year ended 30 June 2012

13. General and administration expenses

	2012 US$'000	2011 US$'000
Legal and professional	**496**	940
Holding Company administration	**269**	245
Guernsey SPV administration	**134**	123
BVI, HK, & Macau SPV administration	**101**	110
Insurance costs	**23**	35
Listing fees	**14**	22
Printing & postage	**21**	152
Other operating expenses	**331**	313
	1,389	1,940

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. Finance expenses

	2012 US$'000	2011 US$'000
Bank charges	**10**	16
Amortisation of loan arrangement fee	**206**	135
	216	151

15. Property operating expenses

	2012 US$'000	2011 US$'000
Property management fee	**800**	874
Property taxes	**133**	115
Utilities	**9**	38
Other property expenses	**242**	112
	1,184	1,139

Notes to the Consolidated Financial Statements Year ended 30 June 2012

16. Cash flows from operating activities

	2012 US$'000	2011 US$'000
Profit for the year	**6,025**	36,450
Adjustments for:		
Net loss on financial assets and liabilities at fair value through profit or loss	**1,841**	591
Net gain from fair value adjustment on investment property	**(13,424)**	(23,430)
Write back of inventories to net realisable value	**(334)**	(6,158)
Finance costs	**2,623**	2,349
Operating cash flows before movements in working capital	**(3,269)**	9,802
Movement in receivables	**(4)**	(165)
Movement in payables	**(2,475)**	6,041
Expenditure on properties	**(26,762)**	(7,798)
Proceeds from disposal of inventories	**20,661**	24,286
Net change in working capital	**(8,580)**	22,364
Net cash (used in)/generated from operating activities	**(11,849)**	32,166

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

17. Basic and diluted profit per Ordinary Share and net asset value per share

The basic and diluted profit per equivalent Ordinary Share is based on the profit attributable to equity-holders for the year of US$6,025,000 (2011: US$36,450,000) and on the 102,477,992 (2011: 104,681,781) weighted average number of Ordinary Shares in issue during the year.

	30 June 2012			30 June 2011		
	Profit Attributable US$'000	**Weighted Average No. of Shares '000s**	**EPS US$**	Profit Attributable US$'000	Weighted Average No. of Shares '000s	EPS US$
Basic and Diluted	**6,025**	**102,478**	**0.0588**	36,450	104,682	0.3482

Net asset value reconciliation

	2012 US$'000	2011 US$'000
Net assets attributable to ordinary shareholders	**221,811**	216,929
Uplift of inventories held at cost to market value	**84,844**	63,120
Adjusted Net Asset Value	**306,655**	280,049
Number of Ordinary Shares outstanding ('000)	**102,000**	102,800
NAV per share (IFRS) (US$)	**2.17**	2.11
Adjusted NAV per share (US$)	**3.01**	2.72
Adjusted NAV per share (£)*	**1.91**	1.70

* US$:GBP rates as at relevant year end.

Notes to the Consolidated Financial Statements Year ended 30 June 2012

17. Basic and diluted profit per Ordinary Share and net asset value per share (continued)

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

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

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

There are no potentially dilutive shares in issue.

18. Related party transactions

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

	2012 US$'000	2011 US$'000
Directors' fees	**243**	237

Thomas Ashworth is a shareholder and Director of Sniper Capital Limited. Sniper Capital Limited is the Manager to the Group and received fees during the year as detailed in the consolidated statement of comprehensive income and on the basis described in Note 19.

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

The Group has a Development Management Services Agreement with a development management company named Headland Developments Limited ("Headland"). Headland is part-owned by Thomas Ashworth and therefore constitutes a related party of the Group. Development Management Services fees capitalised in investment property and inventories during the year are detailed in Note 19.

All intercompany loans and related interest are eliminated on consolidation.

19. Material contracts

Management fee

Under the terms of an appointment made by the Board of Directors of Macau Property Opportunities Fund Limited on 23 May 2006, Sniper Capital Limited was appointed as Manager to the Group. The Manager is paid quarterly in advance a fee of 2.0% of the Net Asset Value, as adjusted to reflect the Property Investment Valuation Basis. Management fees paid for the year were US$5,700,000 (2011: US$5,473,000).

Performance fee

In addition, the Manager is entitled to a performance fee in certain circumstances. This fee is payable by reference to the increase in Adjusted NAV per Ordinary Share over the course of each calculation period. The first calculation period began on Admission to AIM and ended on 30 June 2007, each subsequent performance period is a period of one financial year.

Payment of the performance fee is subject to:

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

(ii) the achievement of a 'high watermark': Adjusted NAV per Ordinary Share at the end of the relevant performance period must be higher than the highest previously reported Adjusted NAV per Ordinary Share at the end of a performance period in relation to which a performance fee, if any, was last earned.

Notes to the Consolidated Financial Statements Year ended 30 June 2012

19. Material contracts (continued)

Performance fee (continued)

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

In addition, the Manager will become entitled to a super performance fee in respect of a performance period if a further additional criterion is met, being the achievement of a super performance hurdle condition: Adjusted NAV per Ordinary Share at the end of the relevant performance period must exceed an amount equal to the US dollar equivalent of the Placing Price increased at a rate of 25% per annum on a compounding basis up to the end of the relevant performance period (the “Super Performance Hurdle”).

If the Super Performance Hurdle is met and the high watermark exceeded, the super performance fee will be an amount equal to a further 15% of the excess of the Adjusted NAV per Ordinary Share at the end of the relevant performance period over the higher of (i) the Super Performance Hurdle; (ii) the Adjusted NAV per Ordinary Share at the start of the relevant performance period; and (iii) the high watermark (in each case on a per share basis), multiplied by the time weighted average of the number of Ordinary Shares in issue in the performance period (or since Admission in the first performance period) (together, if applicable, with an amount equal to the VAT thereon).

In the year ended 30 June 2012, no performance fee was accrued or paid (2011: US$ nil) by the Group.

The Manager’s appointment as investment manager is terminable by the Manager or the Company on not less than 12 months’ notice. The Company may terminate the Management Agreement with immediate effect if either or both of the Principals is removed from their position of full-time employment with the Manager or ceases to be available for any reason beyond the Manager’s reasonable control and the Manager fails, within 3 months (or 6 months in the case of one only) of such event, to cause to be made available the services of a competent replacement(s) of equivalent skill and experience. The Management Agreement may also be terminated with immediate effect by either the Manager of the Company if the other party has gone into liquidation, administration or receivership or has committed a material breach of the Management Agreement.

Development Management Services Agreement

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

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

During the year, Development Management Services fees of HK$2,941,000 (US$379,000) (2011: HK$3,599,000 (US$463,000)) were capitalised in investment property and HK$3,851,000 (US$496,000) (2011: HK$6,143,000 (US$790,000)) were capitalised in inventories.

Notes to the Consolidated Financial Statements Year ended 30 June 2012

20. Interest rate swaps

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

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

Under these swaps, the Group would receive quarterly interest at variable rates of three-month HIBOR and pay quarterly interest at fixed rates ranging from 1.395% to 2.09% per annum. During the year, the Group paid net interest to the bank of US$875,000 (2011: US$425,000) as shown in financing costs in the consolidated statement of comprehensive income.

The Group has placed HK$19,018,000 (US$2,451,420) (2011: HK$6,674,000 (US$857,675)) with Standard Chartered Bank as a pledged deposit to secure the interest rate swap facilities.

The swaps are treated as financial liabilities at fair value through profit or loss with a year end value of US$2,432,000 (2011: US$591,000). For the year ended 30 June 2012, a fair value loss of US$1,841,000 (2011: US$591,000) arising from the interest rate swaps in aggregate has been recognised in the consolidated statement of comprehensive income.

21. Deposits with lenders

Pledged bank balances represents deposits pledged to the banks to secure the banking facilities and interest rate swaps granted to the Group. Deposits amounting to US$6.59 million (2011: US$10.94 million) have been pledged to secure long-term banking facilities and interest rate swaps and are, therefore, classified as non-current assets.

	2012 US$'000	2011 US$'000
Pledged for loan covenants	**4,139**	10,077
Pledged for interest rate swaps	**2,451**	858
	6,590	10,935

22. Commitments and contingencies

As at 30 June 2012, the Group had agreed construction contracts with third parties and is consequently committed to future capital expenditure in respect of inventories and investment property under construction of US$12.0 million (2011: US$ 20.6 million).

23. Auditors' remuneration

All fees payable to the auditors relate to audit services and interim review fees. During the current year, US$4,000 (2011: US$ nil) tax review service fee was paid to Ernst & Young.

Audit fees were broken down as follows:

	2012 US$'000	2011 US$'000
Ernst & Young	**121**	109
Subsidiary auditors' remuneration	**30**	37
	151	146

Notes to the Consolidated Financial Statements Year ended 30 June 2012

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 2012 are as follows:

	2012 US$'000	2011 US$'000
Residential		
Within 1 year	**2,433**	1,323
After 1 year, but not more than 5 years	**186**	–
More than 5 years	**–**	–
	2,619	1,323
Commercial		
Within 1 year	**203**	103
After 1 year, but not more than 5 years	**592**	142
More than 5 years	**–**	–
	795	245
Total future rental income	**3,414**	1,568

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

25. Subsequent events

Share repurchases

On 12 July 2012 a further 2,000,000 shares were repurchased at a price of 100.0p and cancelled.

On 7 August 2012 a further 47,300 shares were repurchased at a price of 105.5p and cancelled.

On 10 August 2012 a further 22,950 shares were repurchased at a price of 105.5p and cancelled.

Other than the above, there were no significant events occurring after the reporting date of the annual report for the year ended 30 June 2012.

Notice of AGM Macau Property Opportunities Fund Limited (the "Company")

NOTICE is hereby given that the annual general meeting of Macau Property Opportunities Fund Limited is to be held at Lefebvre Place, Lefebvre Street, St Peter Port, Guernsey, on Thursday, 8 November 2012 at 2.30 pm for the transaction of the following business:

Ordinary Business

The Company's accounts, the Directors' report and the Auditor's report for the period ended 30 June 2012 will be laid before the meeting and the following resolutions will be proposed as ordinary resolutions:

1. To receive and adopt the audited accounts, the Directors' report, and the Auditors' report for the period ended 30 June 2012.
2. To approve the Directors' remuneration report for the period ended 30 June 2012.
3. To appoint Ernst & Young LLP, who have indicated their willingness to act, as auditors of the Company to hold office until the next annual general meeting.
4. To authorise the Directors to determine the remuneration of Ernst & Young LLP.
5. To appoint Chris Russell, who retires as a Director of the Company, in accordance with the Company's Articles of Incorporation.
6. To appoint Wilfred Woo, who retires as a Director of the Company, in accordance with the Company's Articles of Incorporation.
7. To re-appoint Thomas Ashworth, who retires as a Director of the Company pursuant to the UKLA Listing Rules, in accordance with the Company's Articles of Incorporation.

Special Business

The following resolutions will be proposed as special resolutions

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

   i) the maximum number of shares authorised to be purchased is up to 14.99 percent of the shares in issue immediately following the passing of this resolution;
   ii) the minimum price which may be paid for a share is £0.01;
   iii) the maximum price which may be paid for a share is an amount equal to the higher of (a)105 percent of the average of the middle market quotations for a share as derived from the London Stock Exchange Daily Official List for the five business days immediately preceding the day on which that share is purchased and (b) either the higher of the price of the last independent trade and the highest current independent bid at the time of purchase;
   iv) subject to paragraph (v), such authority shall expire at the next annual general meeting of the Company unless such authority is varied, revoked or renewed prior to such date by a special resolution of the Company in general meeting;
   v) notwithstanding paragraph (iv), the Company may make a contract to purchase shares under such authority prior to its expiry which will or may be executed wholly or partly after its expiration and the Company may make a purchase of shares pursuant to any such contract.

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

   i) this power shall be limited to the allotment or sale of up to 9,992,975 Ordinary Shares;
   ii) this power shall expire at the conclusion of the next annual general meeting of the Company; and
   iii) the Company may before such expiry make an offer which would or might require Ordinary Shares to be allotted or sold after such expiry and the Directors may allot or sell Ordinary Shares in pursuance of such offer.

Heritage International Fund Managers Limited

Company Secretary
21 September 2012
Heritage Hall
Le Marchant Street
St Peter Port
Guernsey

Notice of AGM Macau Property Opportunities Fund Limited (the "Company")

Notes to the Notice of the Annual General Meeting:

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

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

3. A form of proxy is enclosed with this notice. To be effective, the instrument appointing a proxy (together with any power of attorney or other authority under which it is executed or a duly certified copy of such power) must be sent to Capita Registrars, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU, no later than 2.30 pm on Tuesday, 6 November 2012, or not less than 48 hours before the time for holding any adjourned meeting, as the case may be. A corporation may execute a proxy under its common seal or by the hand of a duly authorised officer or other agent. Completion and return of the form of proxy will not preclude shareholders from attending and voting in person at the meeting.

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

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

6. In accordance with the Regulation 41 of the Uncertificated Securities Regulations 2001 and Article 17.5 of the Company's Articles of Association, only those members entered in the Register of Members of the Company at close of business on Tuesday, 6 November 2012 shall be entitled to attend or vote at the Meeting in respect of the number of shares registered in their name at that time. Changes to entries on the Register of Members after that time shall be disregarded in determining the rights of any person to attend or vote at the Meeting.

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

Explanatory Note

Directors' remuneration report – resolution 2

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

Authority to Buy-Back shares – resolution 8

This resolution renews the share buy-back authority that was given by Shareholders at the Annual General Meeting held on 3 November 2011. Resolution 8 gives the Directors authority to make market purchases of the Company's own shares, up to 14.99 per cent. of the Company's issued share capital (as at the time immediately following the passing of the resolution) and subject to minimum and maximum purchase prices. This authority will only be invoked if, after taking proper advice, the Directors consider that benefits will accrue to shareholders generally.

Dis-application of pre-emption rights resolution 9

The passing of resolution 9 will grant the Company authority to dis-apply pre-emption rights in respect of up to 9,992,975 shares, which is equal to 10 per cent. of the Company's issued share capital. This would allow the Company the flexibility to issue further shares for cash without conducting a rights issue or other pre-emptive offer. In accordance with, Listing Rule 15.4.11, the Company will not issue new shares, or sell shares from treasury, for cash on a non-pre-emptive basis at a price below NAV per share without shareholder approval.

Directors and Company Information

Directors
David Hinde (Chairman)
Thomas Ashworth
Alan Clifton
Tim Henderson
Richard Barnes (resigned 16/1/12)
Wilfred Woo (appointed 3/1/12)
Chris Russell (appointed 8/5/12)

Audit Committee
Alan Clifton (Chairman)
Richard Barnes (resigned 16/1/12)
Wilfred Woo (appointed 27/2/12)
Tim Henderson

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strategic communicator and visual creator
greymatter williams and phoa (asia)

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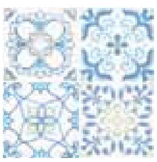

Azulejo, a form of traditional Portuguese painted tiles, constitute a major aspect of Macanese architecture and can be found in churches, museums, and other buildings across Macau.