Macau Property Opportunities Fund

INTERIM REPORT

for the period ended 31 December 2010

unlocking value

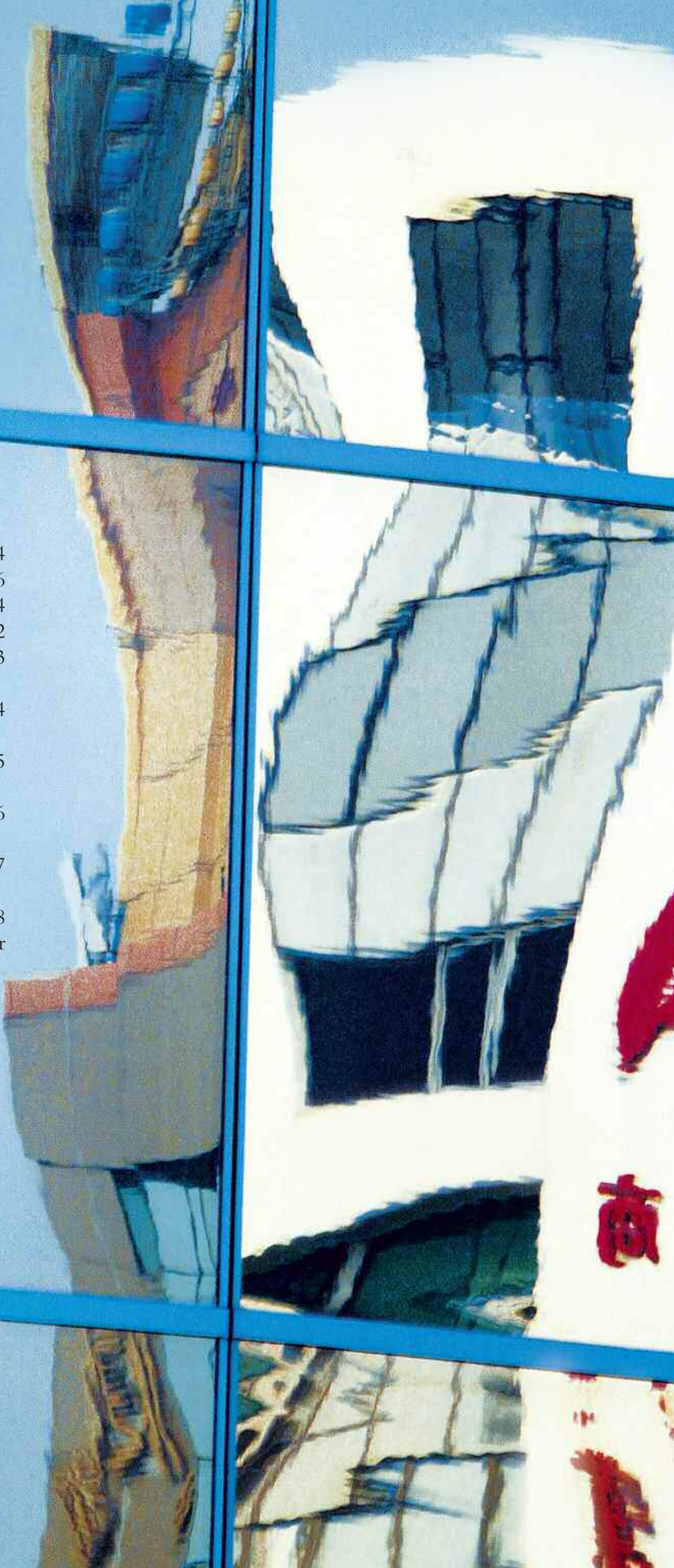
The Waterside

The Fountainside

Senado Square

Rua do Laboratório

APAC Logistics Centre



The positive performance of the Macau economy is a reflection of its resilience and dynamism.

Conceiving,
Developing and
Managing high quality properties

IN ONE OF THE WORLD'S MOST DYNAMIC REGIONS.

Macau Property Opportunities Fund has a single, focused aim:
to deliver long-term returns from the investment and development of high quality properties in Macau and China's Pearl River Delta.

The Company is a closed-end investment fund registered in Guernsey. Its shares are traded on the Main Market of the London Stock Exchange.

Key highlights

- Sale of Rua do Laboratório
- *The Waterside* reaches 50% occupancy
- *The Fountainside* achieves 40% pre-sales
- Successful interest rate hedging programme

TOTAL ADJUSTED NAV

US$271m

30 June 2010 US$262 million

ADJUSTED NAV PER SHARE

US$2.58

165p*

INCREASE FOR THE PERIOD

+3.2%

-0.4% in Sterling terms*

* Based on a Dollar/Sterling exchange rate of 1.561 as at 31 December 2010.

The enhanced interiors and designer furnishings of *The Waterside* are complemented by first-class flexible services and spectacular views.

A significant year for Macau

GDP*	Gaming Revenues
US$27 billion +30% YoY	US$23.5 billion +58% YoY

Visitor Arrivals	Retail Sales*
25 million +15% YoY	US$3.6 billion +35% YoY

* Figures are annualised for 2010.

Chairman's Statement

"Macau remains in the early stages of a period of sustained economic growth."

Over the last six months, MPO has made continued headway in its asset management and development programmes. Most significantly, MPO has begun crystallising shareholder value for the first time through pre-sales at *The Fountainside* and the agreed divestment of the Rua do Laboratório project.

Portfolio progress

The Waterside – our key residential asset – has reached a major milestone by achieving a 54% occupancy level of its standard units. We have recently executed the second stage of our leasing campaign and are currently preparing for the imminent launch of the deluxe simplex and duplex units.

Set in an exclusive neighbourhood with a limited supply of high quality property, *The Fountainside* attracted strong demand when it was selectively soft marketed to prospective buyers since late 2010, resulting in more than 40% of the standard units sold at or above target prices. A wider public sales programme commenced in February 2011 and is progressing well.

In line with its increasing geographic importance, we have re-branded our Zhuhai warehousing and logistics investment as the *APAC Logistics Centre*. Its marketing showroom opened to positive reviews in late 2010 and ground breaking on both the logistics and attached residential sites is expected in the first quarter of 2011.

In February 2011, the Company unlocked the underlying value of its Rua do Laboratório project by entering into an agreement to sell the property for US$41 million to a local Macau developer. The sale, once fully completed in April, will result in a net profit of US$19 million, equating to a return on investment of 84%.

Fund performance

In the six months to 31 December 2010, our portfolio registered an increase of 5.2% in its market value to US$333.2 million and achieved a 3.2% rise in its Adjusted Net Asset Value (NAV) to US$270.8 million. The Company's Adjusted NAV per share stood at US$2.58 as of the period end.

At the same time, we maintained our loan-to-value ratio at a conservative level of 27% and our cash balances at a healthy US$22.4 million.

Since the Company made its debut on the Main Market of the London Stock Exchange in June 2010, MPO's share price has strengthened and the discount to our Adjusted NAV has narrowed from 30% in early June to the current 19%.

In November, we successfully concluded the refinancing – on significantly improved terms – of our One Central loan facility, in addition to making our initial drawdown of the US$13.5 million credit facility for *The Fountainside*.

On course for further growth

We continue to believe that Macau remains in the early stages of a period of sustained economic growth. Underpinned by strong fundamentals, the overall property market is still exhibiting good value.

The pipeline of key infrastructure projects such as the Pearl River Delta inter-city rail system, the Hong Kong-Macau-Zhuhai Bridge and the Macau Light Rail system will continue to improve connectivity and create demand for property, while the affordability of residential property remains attractive in comparison with similar markets in the region.

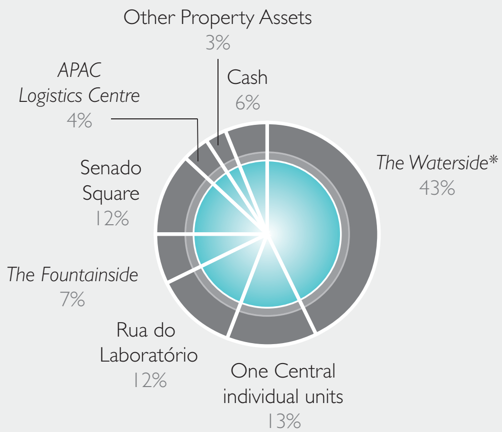
Given the territory's position as China's only legally accepted gaming centre, and its growing reputation as an international tourist destination, I am confident that Macau will provide us with further opportunities to realise the full potential of our portfolio investments.

David Hinde
Chairman
Macau Property Opportunities Fund Limited

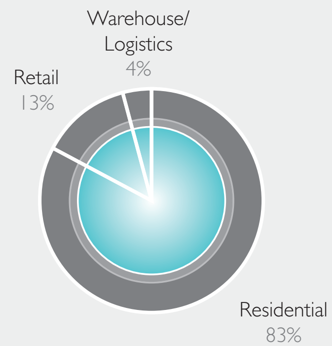
Strength of Our Portfolio

The properties in our portfolio are all carefully selected for their location and potential. They include luxury, niche market and entry level residential projects, a retail project and a strategically placed warehousing/logistics centre. Each one capitalises on the present and future needs of the Macanese community.

PORTFOLIO COMPOSITION BY PROJECT
(based on market value)



PORTFOLIO COMPOSITION BY SECTOR
(based on market value)



Valuation US$333m

Uplift (current period) +5%

* *Tower Six of One Central Residences. Please refer to the disclaimer on the inside back page.*

Market value information is based on independent valuations of the Company's portfolio properties by Savills (Macau) Limited as at 31 December 2010.

Excavation and lateral support works are well underway at *The Fountainside*. The project is on track to be completed by mid 2012.

The Waterside

The Waterside is situated on a prime waterfront location on Macau Peninsula and directly connected to MGM Grand Macau, One Central Macau shopping centre and Mandarin Oriental hotel.

PRESTIGIOUS, HIGH END RESIDENTIAL

The Waterside is one of Macau's most exciting waterfront developments. Located within Tower Six of One Central, all the apartments command breathtaking views over the Nam Van Lake and the historic Penha Hill, and offer immediate access to the magnificent dining, shopping and entertainment facilities within the MGM Grand Macau, the upscale One Central Macau shopping centre and the newly opened Mandarin Oriental hotel.

- 59 luxuriously appointed apartments, offering a broad range of fully flexible service options
- 54% of standard units have been leased as at 1 February 2011
- Second phase of leasing campaign launched in January 2011, with marketing of simplex and duplex units to commence in Q1 2011

Valuation: **US$151,807,000**

Uplift (current period):	+4%
Uplift (since acquisition):	+73%
Total Commitment:	US$138 million*
Type:	**Investment**
Gross Floor Area:	197,000 ft² / 18,300 m²
Current Status:	Leasing
Exit Strategy:	Lease and asset manage

** Including The Waterside and individual units at One Central Residences.*

The Fountainside

NICHE MARKET RESIDENTIAL

The Fountainside is a low rise niche residential development, set in a prestigious neighbourhood steeped in history. This exciting project has received considerable interest, given its distinction, heritage and the scarcity of sites in the vicinity.

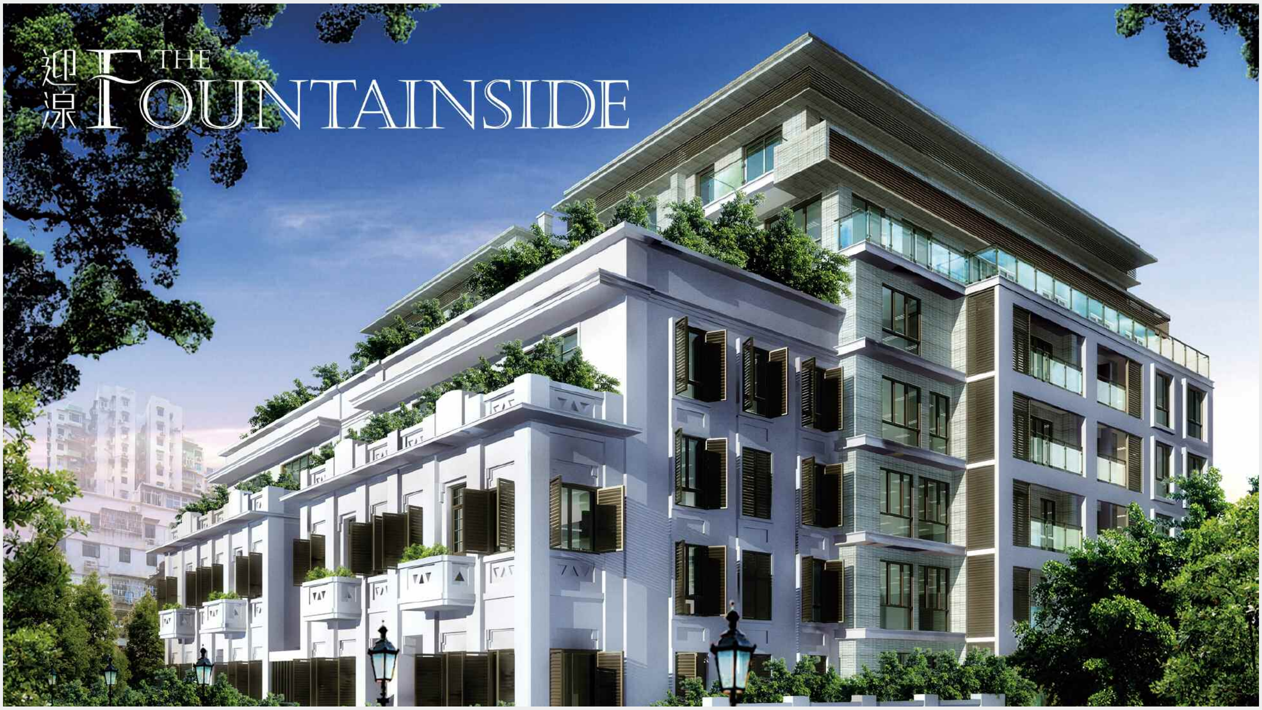
The Fountainside is making substantial development progress following its commencement in September and is on track for completion by the middle of 2012.

- 42 apartments catering to middle- and upper-income locals
- 40% of standard units have been pre-sold as at mid February 2011
- A wider public sales programme is currently underway

Valuation: US$23,543,000

Uplift (current period):	+3%
Uplift (since acquisition):	+192%
Total Commitment:	US$20 million
Type:	**Development**
Gross Floor Area:	80,000 ft² / 7,430 m²
Current Status:	Under construction
Exit Strategy:	Pre-sell and sell

The Fountainside – where cultural heritage meets sophisticated modern living.



The exciting design of Senado Square will create a landmark presence in Macau's famed retail district.

Senado Square

RETAIL DEVELOPMENT

Located in the heart of Macau's popular tourist and shopping district, Senado Square is MPO's first retail redevelopment project. Featuring a stunning new concept developed by international design consultants, Arquitectonica, Senado Square will showcase sustainable construction techniques and green credentials.

- Attractive redevelopment in prominent tourist and retail destination
- Iconic, contemporary design with green features
- Strong support from government and prospective tenants

Valuation: **US$43,612,000**

Uplift (current period):	+11%
Uplift (since acquisition):	+172%

Total Commitment:	US$33 million
Type:	**Development**
Gross Floor Area:	70,000 ft² / 6,500 m²
Current Status:	Advanced planning
Exit Strategy:	Lease and sell

APAC Logistics Centre

WAREHOUSING AND LOGISTICS

APAC Logistics Centre (previously known as Zhuhai Logistics Centre) currently provides 205,000 square feet of multi-functional warehousing space. The development phase of the project – including facilities and residential accommodation – will add a further 1.3 million square feet of floor space.

Close to the recently-opened Guangzhou-Zhuhai rail network and the Hong Kong-Zhuhai-Macau Bridge, currently under construction, this strategically located facility is well placed to serve the burgeoning demand for logistics created by Macau's gaming, tourist, convention and exhibition industries.

- On-site marketing showroom opened in November
- Construction to commence in Q1 2011
- Ongoing negotiations with a number of prospective tenants

Valuation: US$14,666,000

Uplift (current period):	+3%
Uplift (since acquisition):	+33%
Total Commitment:	US$45 million
Type:	**Development**
Gross Floor Area:	1.5m ft² / 140,000 m²
Current Status:	Leasing and planning
Exit Strategy:	Sell with long-term leases

The recently re-branded *APAC Logistics Centre* is ideally located at the gateway to a thriving business development area.

Rua do Laboratório will provide quality entry level accommodation close to Macau's new Light Rail Transit system.

Rua do Laboratório

ENTRY LEVEL RESIDENTIAL

Rua do Laboratório is a high rise project developed specifically for first-time buyers seeking to enter the local residential market. Situated in an emerging neighbourhood close to the border with mainland China, this project will enjoy easy access to the future Light Rail Transit system when it begins operations in 2015.

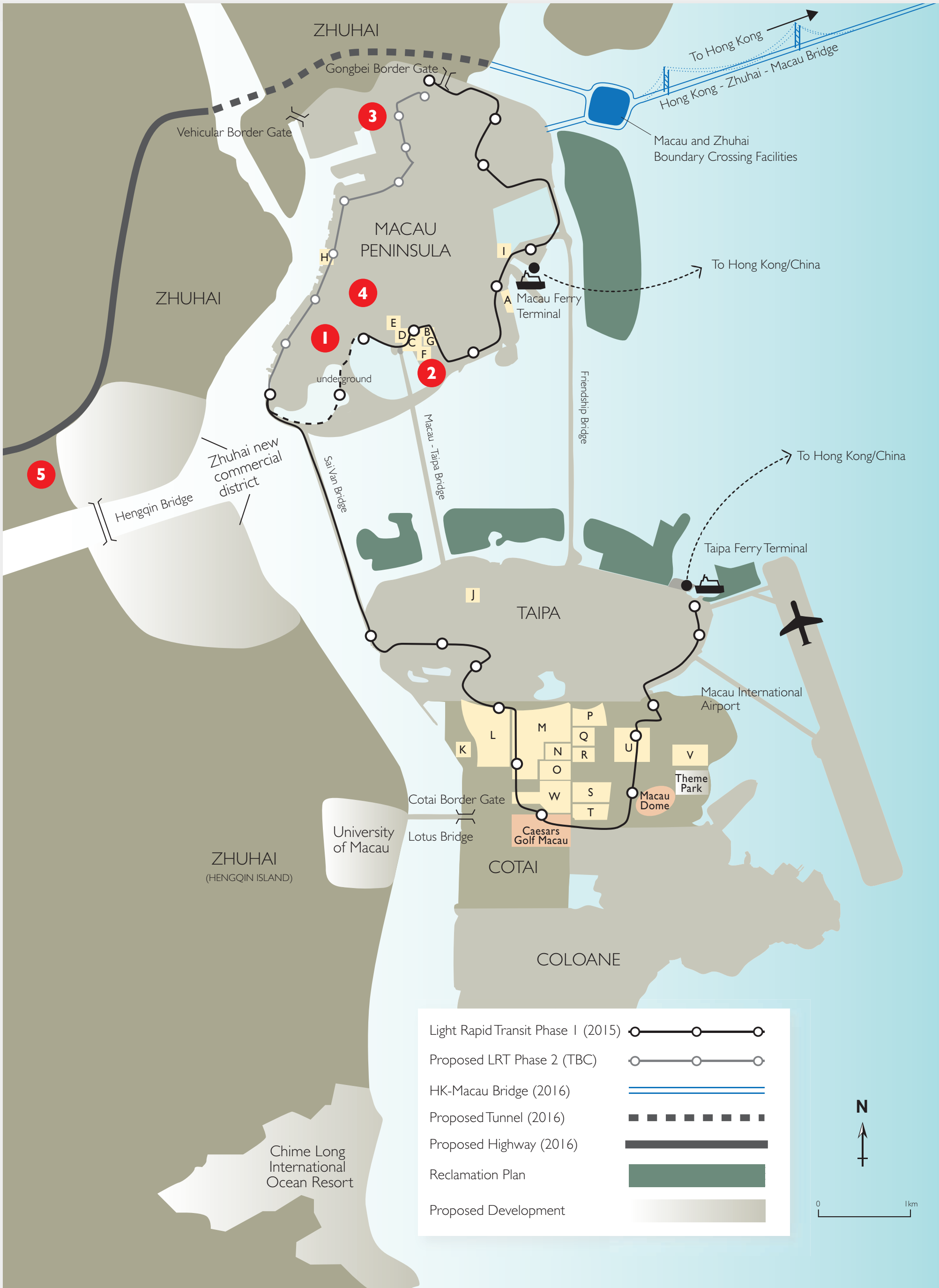
- Modern high rise project at affordable prices
- Good transport links by road and future Light Rail
- 'New town' location close to Chinese border

Valuation: **US$42,454,000***

Uplift (current period):	+5%
Uplift (since acquisition):	+98%
Total Commitment:	US$50 million
Type:	**Development**
Gross Floor Area:	220,000 ft^2 / 20,440 m^2
Current Status:	Exit in progress
Exit Strategy:	Project sale

** MPO entered into an agreement with a local Macau developer in February 2011 to sell its Rua do Laboratório project for US$41 million. The Company has received an initial deposit of 15% of the sale price, with completion of the transaction and final payment due on 18 April 2011.*

MACAU AND SURROUNDING AREA



Alignments and locations are indicative only.

MPO'S KEY PROPERTIES

1 *The Fountainside*
2 *The Waterside / One Central*
3 Rua do Laboratório
4 Senado Square
5 *APAC Logistics Centre*

CASINOS (by operators)

SJM

D Lisboa (1970)
E Grand Lisboa (2007)
G L'Arc Macau (2009)
H Ponte 16 (2008)
I Oceanus (2009)
V New casino-hotel*

Las Vegas Sands

A Sands Macao (2004)
M Venetian Macao (2007)
N Four Seasons (2008)
O Intercon/Crowne Plaza/ Holiday Inn*
Q Shangri-La/Traders/ Sheraton (2012)
R St Regis (2012)

Wynn Resorts

C Wynn Macau (2006) & Encore (2010)
U Wynn Cotai (2015)

Melco/PBL

J Altira Macau (2007)
P City of Dreams (2009)
W Macau Studio City*

Galaxy Entertainment

B Starworld (2006)
K Grand Waldo (2006)
L Galaxy Macau (2011)

MGM/Pansy Ho

F MGM Grand Macau (2007)

Land Reserve

S Parcel 7
T Parcel 8

* Under planning

Investment Manager's Report

Macau moved into a new era of growth during 2010.

Gaming revenues are at an unprecedented high and the economy has rebounded strongly to pre-crisis growth levels. In the six months to 2010, MPO saw a 5.2% increase in the value of its property portfolio and achieved a 3.2% rise in its Adjusted Net Asset Value to US$270.82 million.

By the end of the year, Macau saw its gaming revenues surge 58% year-on-year to US$23.5 billion, while its retail sector grew by approximately one third, backed by robust visitor arrivals which hit an all-time high of 25 million. At the same time, property prices and transaction volumes rose in line with higher salaries and greater disposable household incomes.

According to Jones Lang LaSalle, capital values in the high end residential market rose 9.6% year-on-year in 2010. This closely follows the Company's 8.4% year-on-year portfolio value uplift as at end December 2010. The steady upturn in Macau's residential property market, compared to Hong Kong and other regional markets, demonstrates that it is not over-heated and still exhibits good value.

Robust economy

Macau concluded 2010 on a strong note. Positive economic indicators support forecasts of continued growth, while the government has formulated policies to set the strategy of economic diversification into motion.

The improvement of Macau's infrastructure and its access to mainland China and areas beyond the Pearl River Delta (PRD) has also been gathering pace. The 143-kilometre Guangzhou-Zhuhai railway – the first of a bigger network that will eventually link all nine PRD cities – opened in January 2011. Travel time from Guangzhou to Zhuhai, the Chinese city which borders Macau, has been cut by more than half to 1.5 hours from 4 hours and Citigroup estimates that around 1.5 million people will take the railway on an annual basis, with Macau as their final destination.

The proposed Hong Kong-Macau-Zhuhai Bridge, currently under construction and set to open by 2016, will also be a huge boost to connectivity in the region.

At the same time, MPO achieved several key operational milestones in the second half of 2010 as we focused our attention on the development and asset management of the properties.

The Waterside bears fruit

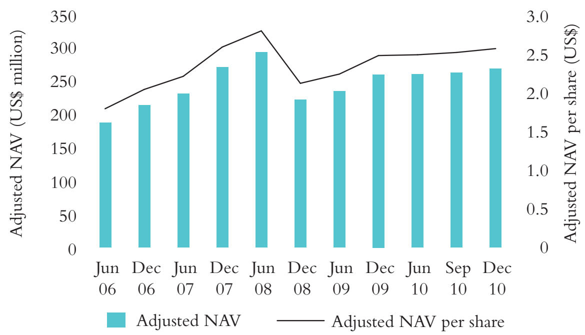
Offering panoramic views across the Nam Van Lake, *The Waterside,* located at One Central Residences, forms part of Macau's most prestigious residential development. It is also MPO's most significant asset, making up more than 40% of the value of the portfolio.

With its prime location, *The Waterside* offers excellent facilities, including a state-of-the-art club house and access to the high end brands of the One Central shopping centre.

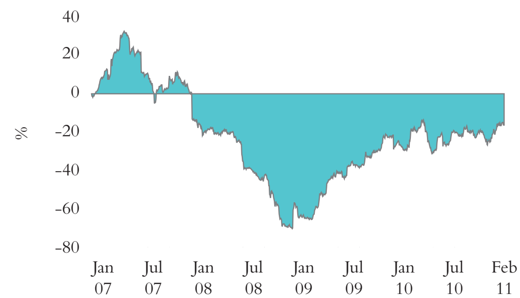
Over the past six months, we have been executing a targeted marketing and leasing campaign with the strategic aim of developing sound and stable yields by creating a diverse tenant mix with rental agreements running for a minimum of 12 months. 54% of the standard apartments have now been successfully leased as at 1 February 2011.

Capitalising on the strong momentum of Macau's premium leasing segment, MPO recently launched the second stage of its leasing campaign with the release of further furnished apartments on high floors.

ADJUSTED NET ASSET VALUE



MPO SHARE PRICE PREMIUM / DISCOUNT TO ADJUSTED NAV



Source: Bloomberg, Sniper Capital Research

Fit-out works for the three simplex and two duplex apartments – each spanning well over 4,000 square feet – are nearing completion. A series of high profile campaigns is being planned to coincide with their launch in Q1 2011 and to further establish *The Waterside* brand. These exceptional apartments are expected to command rental premiums of up to 80% relative to the standard units, and will mark the conclusion of the improvement and enhancement programme for *The Waterside*.

The Fountainside attracts buyers

The Fountainside, MPO's first residential redevelopment property – set in the prestigious Penha Hill district – has drawn strong buyer interest. Pre-marketing since late 2010 has seen more than 40% of standard units released sold at or above target prices.

With the launch of the public sales programme, interest in the remaining units continues to be strong, particularly amongst affluent professionals and executives. The project is due to complete by mid 2012.

Sale of Rua do Laboratório

In February 2011, MPO entered into an agreement with a local Macau developer to sell its Rua do Laboratório project – an entry level residential redevelopment property located in northern Macau Peninsula – for US$41 million. Upon completion in April 2011, the sale will result in a net profit of US$19 million or a return on investment of 84%.

The decision to dispose of Rua do Laboratório prior to the completion of its full development cycle capitalises on the value enhancements already achieved and avoids any potential risks associated with further planning, construction and marketing of the project.

"Breaking all previous records, Macau's gaming revenues are now almost double those of Nevada and New Jersey combined."

Logistics centre re-branded

In November, we hosted a very well attended ceremony to mark both the re-branding of the Zhuhai Logistics Centre as the *APAC Logistics Centre* and the opening of a new on-site marketing showroom.

APAC Logistics Centre currently provides 205,000 square feet of multi-functional warehousing space. Construction of the second phase of the project, which will add a further 1.3 million square feet of floor space, is expected to commence in early 2011 following the approval of detailed architectural drawings.

Negotiations are underway with a number of prospective tenants who have shown interest in taking up space in this strategically located facility bordering Hengqin Island and connected to new and planned transport infrastructure to Hong Kong and both east and west PRD.

New retail design concept

Senado Square, MPO's project in Macau's most popular tourist and retail district, is en route to becoming a significant and iconic development in the area. A new concept for the building has been developed by international design consultants, Arquitectonica, the creative team behind the US$2.1 billion City of Dreams in Cotai. Redevelopment is set to commence in the first quarter of 2011, subject to the final approval of architectural submissions. This prime retail development will boast green features in accordance with Leadership in Energy and Environmental Design (LEED) standards.

With Macau's burgeoning retail sales creating intense demand for well located retail space in the area, we are confident of Senado Square's potential to generate sound returns in the future.

Financial results

The Company's interim financial statements as at 31 December 2010 have been prepared in accordance with International Financial Reporting Standards. All properties in the Company's portfolio have been valued by Savills (Macau) Limited.

Development properties classified as inventories are included in the financial statements at the lower of cost and net realisable value, whereas properties classified as investment properties are carried at fair value.

The market valuation of the Company's properties, as detailed in the portfolio summary of this report, was US$333.2 million as at 31 December 2010. This represents an uplift of US$121.1 million or 57% over the cost of the properties.

Net Asset Value per share was US$1.95 as at 31 December 2010, representing a 0.8% increase during the six month period. The resulting Adjusted Net Asset Value per share was US$2.58 or 165p as at 31 December 2010. These figures represent an increase of 8% and 30% in the Net Asset Value per share in dollar and sterling terms respectively since the Company's initial listing on AIM in June 2006.

	31 December 2010 US$	£[1]	30 June 2010 US$	£[1]
NAV	**$204.67m**	**£131.09m**	$203.06m	£134.74m
Adjusted NAV	**$270.82m**	**£173.46m**	$262.36m	£174.08m
NAV per share[2]	**$1.95**	**124.85p**	$1.93	128.32p
Adjusted NAV per share[2]	**$2.58**	**165.20p**	**$2.50**	**165.79p**
Changes in Adjusted NAV Since Admission[3]	43.28%	71.71%	38.80%	72.32%
YoY[4]	3.42%	5.51%	10.96%	21.63%

1 Based on US$ / £ exchange rate of 1.5613 at 31 December 2010 and 1.5071 at 30 June 2010.
2 Adjusted Net Asset Value (NAV) is shown after accruing for the performance fee (if any) and is calculated by taking the NAV per share calculated under IFRS and adjusting inter alia to include the properties owned by the Company at fair value rather than at the lower of cost and net realisable value.
3 Based on NAV per share at Admission on 5 June 2006 of U$1.80 (96.21 pence).
4 Based on Adjusted NAV per share at 31 December 2009 of US$2.49 (156.58 pence).

As at 31 December 2010, the Company's total assets stood at US$290.3 million. MPO's total liabilities as at 31 December 2010 were US$85.7 million, mainly consisting of the financing for One Central Residences.

Cash management

As at 31 December 2010, the Company had a cash balance equivalent to US$22.4 million. US$2.7 million was pledged as collateral for the Company's banking facilities. Cash balances are held primarily in HK$ fixed deposits and in savings and current accounts with international banks located in Guernsey, Hong Kong and Macau. The Company continues to adopt a prudent cash management policy and closely monitors its capital requirements.

With most of the Company's assets denominated in US$ and HK$, the Company's exposure to foreign exchange risk can be considered minimal.

Financing

In September 2010, MPO completed its initial drawdown of approximately 14% of its US$13.5 million credit facility to further its redevelopment programme of *The Fountainside*.

In November, the Company concluded the refinancing of its US$81 million One Central Residences loan facility on significantly improved terms. Debt maturity has been extended by three and a half years to November 2015; interest will be charged at a spread of 1.6% per annum above HIBOR, generating direct savings to the Company of c.US$650,000 per annum; and the loan-to-value covenant is more favourable at 60%.

Based on the Company's portfolio value as at 31 December 2010 and assuming a full drawdown of its committed loan facilities, MPO's total loan-to-value ratio was 26.6%.

Capitalising on its strong relationships with the region's financial institutions, MPO is at various stages of discussion with respect to construction financing for several of its other development projects.

"A renewed influx of expatriates is expected to drive housing demand, especially at the top end."

Interest rate hedging programme

The Company has taken advantage of favourable conditions in the debt markets to lock in long term interest rates at attractive levels. The Company has swapped floating rate HIBOR for five year fixed interest rates at an average fixed rate of 1.56% per annum on a total of US$52 million – representing 54% of the Company's committed loan facilities. A fair value (mark-to-market) gain of US$963,155 was recorded as at 31 December 2010.

MPO will closely monitor market conditions for attractive hedging opportunities and will continue to implement proactive financial management strategies.

Trading of shares

In June 2010, the Company made its debut on the Main Market of the London Stock Exchange, which has brought us to the attention of a wider global investor base. During the past six months, MPO has welcomed several new institutional shareholders.

Over the same period, Sniper Investments Limited – an investment vehicle associated with the Company's Manager – has increased its total holding in MPO to 5.24 million shares, or 4.99% of the Company's issued share capital, making it MPO's sixth largest shareholder as at 31 December 2010.

The Company's share price stood at 132p as at 31 December 2010, representing a discount of 19% to Adjusted Net Asset Value.

A new era of growth

With mainland China now recognised as the world's second largest economy, and Macau being the country's only city offering legalised casino gaming, the territory's future continues to look promising.

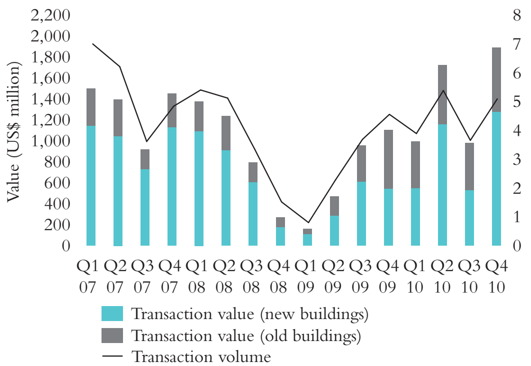
Coupled with strong gaming revenues, retail sales and visitor numbers, unemployment has dropped to a historical low of 2.7% while median monthly incomes increased 6% from the previous quarter to US$1,125 as at Q3 2010. Median monthly salaries for employees in the gaming industry – the biggest employer in Macau – were more than 30% higher than other industries at US$1,625.

Against this robust background, Macau's economy is on track to grow at the government's estimate of 30% for the full year 2010.

During the Chinese Premier Wen Jiabao's first visit to Macau in November, the territory's Chief Executive, Fernando Chui Sai-on, reaffirmed the Central government's commitment to the diversification of the local economy and the development of Macau into a world class travel and leisure hub.

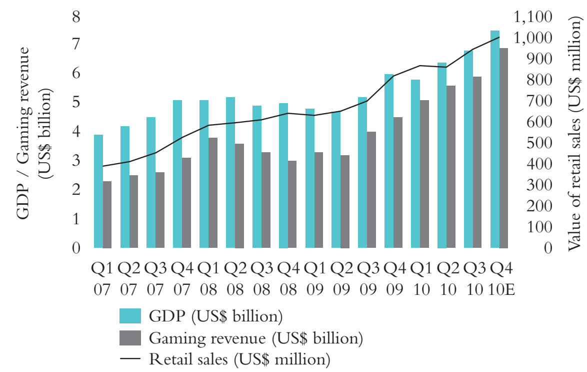
The Macau government has announced plans to spend a substantial US$7.2 billion – more than double that of four years ago – on public expenditure in 2011, including some 23% on education, healthcare and other social improvements.

RESIDENTIAL TRANSACTION VOLUME AND VALUE



Source: DSEC

GDP, GAMING REVENUE AND RETAIL SALES



Source: DICJ, DSEC, Sniper Capital Research

As a result of a notable increase in gaming taxes, total public revenue is expected to hit US$10 billion for fiscal year 2010. Assuming local casino revenues grow by 25% in 2011 – as predicted by analysts at Citigroup and BNP Paribas – government revenues would also grow in tandem, thereby creating additional capacity for various public investment plans that will generate positive spin offs for the economy as well as the property market.

On the housing front, in a move designed to encourage first time buyers, stamp duty will be waived on the first US$350,000 of the value of new homes and rental property tax will be cut from 16% to 10%. Residential property tax will be cut from 10% to 6%.

Gaming revenues at record high

Breaking all previous records, Macau's gaming revenues are now almost double those of Nevada and New Jersey combined. Indeed, figures show that one of Macau's casino groups – SJM – has revenues that exceed those of the entire Las Vegas Strip.

Macau, already the world's biggest gaming market by far, is anticipated to double its gaming revenues over the next four years to reach a remarkable US$45 billion by 2014, according to a recent report by PricewaterhouseCoopers.

The strong performance in the gaming industry has driven a new wave of demand from established casino operators for new development sites on the Cotai Strip.

MGM Resorts has expressed interest in developing a second Macau casino-hotel, while SJM Holdings has earmarked an area near the Macau Dome. These moves follow another by Wynn Resorts which plans to develop a site adjacent to the City of Dreams.

Of the projects presently underway, the US$2 billion Galaxy Macau remains on course for completion in early 2011, while Las Vegas Sands' Shangri-La/Traders/Sheraton complex is also due to open in phases by the end of 2011.

Significant shareholders

Name of shareholder	No. of shares	%
Amvescap (including Invesco & Aim)	30,768,244	29.30%
Universities Superannuation Scheme	10,500,000	10.00%
Lazard Asset Management LLC	9,956,915	9.48%
Insight Investment Management	9,240,084	8.80%
Midas Capital Partners	6,935,000	6.60%
Sniper Investments Limited	5,239,500	4.99%
RWC Partners	4,791,293	4.56%
Apollo Multi Asset Management	4,705,000	4.48%
Other	22,863,964	21.79%
	105,000,000	**100%**

As at 31 Jan 2011.

Investment Manager's Report continued

Growth in tourism and MICE

With the government encouraging the diversification of the economy, the past few months have seen a number of new non-gaming offerings open in Macau.

They include the Mandarin Oriental – the territory's first non-gaming, five-star hotel, which opened within the One Central complex in June – and the launch of the Playboy Club at Sands Macao in November.

December saw the opening of Caesars Golf Macau, a 32,000 square foot luxury club house that offers golfers and non-golfers fine dining, high end shopping and spa services.

Plans are underway for the construction of a US$1.3 billion theme park in Cotai. This family oriented project will feature three hotels and a host of entertainments that will set it apart from the gaming industry.

Non-gaming tourism is also being augmented by an increase in the number of Meetings, Incentives, Conventions and Exhibitions (MICE) events being held in Macau. The number of MICE events and participants are up 24% and 44% year-on-year respectively.

Both the Macau and Hong Kong governments have confirmed their commitment to their bilateral co-operation and collaboration with Guangdong and to helping each other promote non-gaming tourism, trade conventions and other MICE activities across the entire PRD.

Residential market records strong sales

Latest official statistics show that 17,989 homes worth US$5.7 billion were sold in 2010 – up 59% and 114% respectively over the whole of 2009.

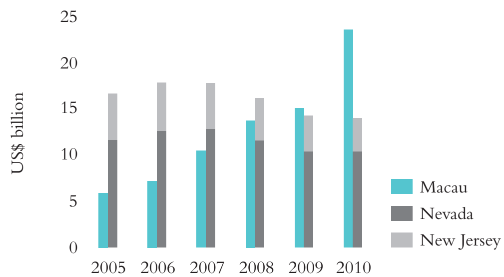
These rosy figures were largely attributed to the exceptional performance of the primary housing market, which reached 6,137 transactions worth US$3.7 billion in 2010. These figures represent year-on-year rises of about 90% and 140% respectively.

According to Jones Lang LaSalle, capital values for the high end residential market rose by 9.6% in 2010. For the mass and medium market, capital values recorded a full year growth of 17.8%.

A fresh phase of casino and infrastructure development is driving a renewed influx of expatriates in Macau. The number of non-resident workers continued its six month rising trend and totalled 75,098 as at November, representing almost one quarter of the total labour force. This new wave of foreign workers arriving in Macau is expected to drive demand across all residential property sectors, especially the top end.

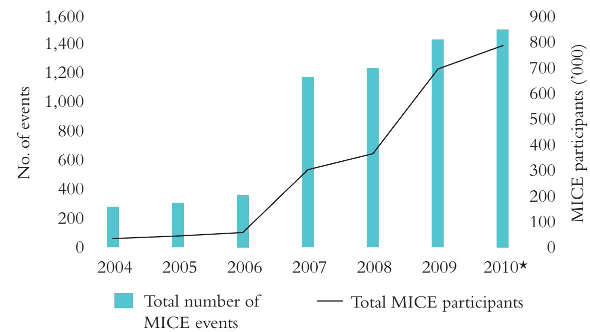
At the lower end of the market, Macau's low unemployment rate, rising incomes and favourable government initiatives are all contributing to an increasing demand for affordable accommodation from first time local buyers.

MACAU, NEVADA & NEW JERSEY GAMING REVENUES



Source: DICJ, NGC and NJCCC

MICE EVENTS & PARTICIPANTS



Source: DSEC, Macau Government Tourist Office, Sniper Capital Research
*Figures are annualised for 2010

Towards the end of 2010, new government measures, designed to promote healthy development of the property market, came into effect.

These initiatives, which include a range of maximum loan-to-value ratios for local and overseas property buyers; limiting the maximum debt servicing ratio to 50% of monthly household income; and the introduction of full stamp duty at 3.15% from December, are likely to deter unwanted speculation in the market.

Macau's residential property market – which rebounded strongly post the financial crisis – is still exhibiting good value. Fundamentals continue to be strong and the overall Macau market is expected to benefit from powerful local drivers and high levels of affordability.

A positive future ahead

2010 saw unprecedented economic growth in Macau. The outlook is an optimistic one, strengthened by the government's commitment to the introduction of policies for strong, sustainable and balanced growth over the long term.

A new round of mega resort expansion in Cotai, coupled with ambitious infrastructure projects such as the Hong Kong-Zhuhai-Macau Bridge, PRD inter-city rail network and Macau Light Rail Transit system, all point to an increasingly dynamic and rapidly growing economy, and MPO remains well positioned to benefit from the opportunities that may arise as a result.

We will continue to focus on the redevelopment and asset management aspects of the investment programme, while constantly looking out for opportunities to maximise returns and crystallise values for MPO's shareholders.

Sniper Capital Limited
Manager

Directors' Statement of Responsibilities

The Directors are responsible for preparing this half-yearly financial report in accordance with applicable law and regulations. The Directors confirm that to the best of their knowledge:

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

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

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

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

On behalf of the Board

David Hinde
Chairman

22 February 2011

Independent Review Report to Macau Property Opportunities Fund Limited

Introduction

We have been engaged by Macau Property Opportunities Fund Limited to review the interim condensed consolidated financial statements in the interim financial report for the six months ended 31 December 2010 which comprise of the Interim Condensed Consolidated Statement of Financial Position, the Interim Condensed Consolidated Statement of Comprehensive Income, the Interim Condensed Consolidated Statement of Changes in Equity, the Interim Condensed Consolidated Statement of Cash Flows and the related notes 1 to 12. We have read the other information contained in the interim financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

This report is made solely to the Company in accordance with guidance contained in International Standard on Review Engagements 2410 (UK and Ireland) 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity' issued by the Auditing Practices Board. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company, for our work, for this report, or for the conclusions we have formed.

Directors' Responsibilities

The interim financial report is the responsibility of, and has been approved by, the Directors. The Directors are responsible for preparing the interim financial report in accordance with International Accounting Standard 34, 'Interim Financial Reporting' and with the Disclosure and Transparency Rules of the United Kingdom's Financial Services Authority.

As disclosed in note 1, the annual financial statements of the Company are prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union. The interim condensed consolidated financial statements included in this interim financial report have been prepared in accordance with International Accounting Standard 34, 'Interim Financial Reporting'.

Our Responsibility

Our responsibility is to express to the Company a conclusion on the interim condensed consolidated financial statements in the interim financial report based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410, 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity' issued by the Auditing Practices Board for use in the United Kingdom. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim condensed consolidated financial statements in the interim financial report for the six months ended 31 December 2010 are not prepared, in all material respects, in accordance with International Accounting Standard 34 and with the Disclosure and Transparency Rules of the United Kingdom's Financial Services Authority.

Ernst & Young LLP
Guernsey, Channel Islands

22 February 2011

Notes:

1. The maintenance and integrity of the Macau Property Opportunities Fund Limited web site is the responsibility of the Directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial information since it was initially presented on the web site.
2. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Interim Condensed Consolidated Statement of Financial Position (Unaudited)

At 31 December 2010

	Note	**Unaudited 31 Dec 10 US$'000**	Unaudited 31 Dec 09 US$'000	Audited 30 Jun 10 US$'000
ASSETS				
Non-current assets				
Investment property	*4*	**166,473**	155,253	159,676
Pledged bank balances	*5*	**2,703**	–	–
Financial assets at fair value through profit or loss	*7*	**963**	–	–
		170,139	155,253	159,676
Current assets				
Inventories	*6*	**100,170**	96,115	97,294
Trade and other receivables		**260**	147	149
Prepayments		**116**	94	14
Cash and cash equivalents		**19,706**	36,768	30,432
		120,252	133,124	127,889
Total assets		**290,391**	288,377	287,565
EQUITY				
Capital and reserves attributable to the Company's equity holders				
Share capital		**1,050**	1,050	1,050
Distributable reserve		**187,960**	187,960	187,960
Retained earnings		**15,654**	15,639	14,121
Currency translation differences on consolidation		**5**	3	(68)
Total equity		**204,669**	204,652	203,063
LIABILITIES				
Non-current liabilities				
Interest-bearing loans	*8*	**80,699**	73,841	65,456
		80,699	73,841	65,456
Current liabilities				
Trade and other payables		**2,587**	1,595	2,682
Interest-bearing loans	*8*	**2,436**	8,289	16,364
		5,023	9,884	19,046
Total liabilities		**85,722**	83,725	84,502
Total equity and liabilities		**290,391**	288,377	287,565

The interim condensed consolidated financial statements were approved by the Board of Directors and authorised for issue on 22 February 2011.

The notes on pages 28 to 36 form part of these interim condensed consolidated financial statements.

Interim Condensed Consolidated Statement of Comprehensive Income (Unaudited)

For the period from 1 July 2010 to 31 December 2010

	Note	**Unaudited 1 Jul 10 – 31 Dec 10 US$'000**	Unaudited 1 Jul 09 – 31 Dec 09 US$'000	Audited 1 Jul 09 – 30 Jun 10 US$'000
Income				
Bank and other interest		**1**	16	18
Rental income		**530**	111	280
Net gain from fair value adjustment on investment property	4	**5,363**	48,367	52,173
Sale of inventories		**–**	760	2,282
Write-back of inventories to net realisable value	6	**1,388**	4,239	5,804
Gains/(losses) on foreign currency translation		**211**	(138)	(715)
Other income		**6**	66	66
		7,499	53,421	59,908
Expenses				
Management fee		**2,637**	2,368	4,983
Non-executive Directors' fees		**117**	99	194
Auditors' remuneration		**55**	44	143
Cost of inventories sales	6	**–**	931	2,343
Property operating expenses		**537**	212	725
General and administration expenses		**1,449**	601	2,097
		(4,795)	(4,255)	(10,485)
Operating profit for the period		**2,704**	49,166	49,423
Finance income/(expenses)				
Net gain on financial assets and liabilities at fair value through profit or loss	7	**963**	–	–
Bank loan interest		**(1,021)**	–	(1,775)
Interest expense on interest rate swap		**(90)**	–	–
Other financing costs		**(1,023)**	–	–
		(1,171)	–	(1,775)
Profit for the period		**1,533**	49,166	47,648
Other comprehensive income				
Currency translation differences on consolidation		**73**	(20)	(91)
Total comprehensive income for the period		**1,606**	49,146	47,557
Profit attributable to:				
Equity holders of the Company		**1,533**	49,166	47,648
Total comprehensive income attributable to:				
Equity holders of the Company		**1,606**	49,146	47,557

		1 Jul 10 – 31 Dec 10 US$	1 Jul 09 – 31 Dec 09 US$	1 Jul 09 – 30 Jun 10 US$
Basic and diluted profit per share for profit attributable to the equity holders of the Company during the period	9	**0.0146**	0.4682	0.4538

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

The notes on pages 28 to 36 form part of these interim condensed consolidated financial statements.

Interim Condensed Consolidated Statement of Changes in Equity (Unaudited)

For the period from 1 July 2010 to 31 December 2010 (unaudited)	**Share capital US$'000**	**Retained earnings US$'000**	**Distributable reserve US$'000**	**Currency translation difference on consolidation US$'000**	**Total US$'000**
Balance brought forward at 1 July 2010	**1,050**	**14,121**	**187,960**	**(68)**	**203,063**
Profit for the period	**–**	**1,533**	**–**	**–**	**1,533**
Other comprehensive income					
– Currency translation differences on consolidation	**–**	**–**	**–**	**73**	**73**
Total comprehensive income for the period	**–**	**1,533**	**–**	**73**	**1,606**
Balance carried forward at 31 December 2010	**1,050**	**15,654**	**187,960**	**5**	**204,669**

Movement for the period from 1 July 2009 to 31 December 2009 (unaudited)	Share capital US$'000	Retained earnings US$'000	Distributable reserve US$'000	Currency translation difference on consolidation US$'000	Total US$'000
Balance brought forward at 1 July 2009	1,050	(33,527)	187,960	23	155,506
Profit for the period	–	49,166	–	–	49,166
Other comprehensive income					
– Currency translation differences on consolidation	–	–	–	(20)	(20)
Total comprehensive income for the period	–	49,166	–	(20)	49,146
Balance carried forward at 31 December 2009	1,050	15,639	187,960	3	204,652

Movement for the year from 1 July 2009 to 30 June 2010 (audited)	Share capital US$'000	Retained earnings US$'000	Distributable reserves US$'000	Currency translation difference on consolidation US$'000	Total US$'000
Balance brought forward at 1 July 2009	1,050	(33,527)	187,960	23	155,506
Profit for the year	–	47,648	–	–	47,648
Other comprehensive income					
– Currency translation differences on consolidation	–	–	–	(91)	(91)
Total comprehensive income for the year	–	47,648	–	(91)	47,557
Balance carried forward at 30 June 2010	1,050	14,121	187,960	(68)	203,063

The notes on pages 28 to 36 form part of these interim condensed consolidated financial statements.

Interim Condensed Consolidated Statement of Cash Flows (Unaudited)

For the period from 1 July 2010 to 31 December 2010

	Note	**Unaudited 1 Jul 10 – 31 Dec 10 US$'000**	Unaudited 1 Jul 09 – 31 Dec 09 US$'000	Audited 1 Jul 09 – 30 Jun 10 US$'000
Net cash used in operating activities	*10*	**(7,277)**	(8,081)	(12,571)
Cash flows from investing activities				
Acquisition of subsidiary		**–**	(1,861)	(1,861)
Final instalment on acquisition of properties		**–**	(82,410)	(82,100)
Net cash used in investing activities		**–**	(84,271)	(83,961)
Cash flows from financing activities				
Proceeds from bank borrowings		**83,356**	82,130	81,820
Repayment of bank borrowings		**(82,041)**	–	–
Increase in pledged bank balances		**(2,703)**	–	–
Interest and bank charges paid		**(2,134)**	–	(1,775)
Net cash (used in)/generated from financing activities		**(3,522)**	82,130	80,045
Net decrease in cash and cash equivalents		**(10,799)**	(10,222)	(16,487)
Cash and cash equivalents at beginning of the period		**30,432**	47,010	47,010
Currency translation differences on consolidation		**73**	(20)	(91)
Cash and cash equivalents at end of the period		**19,706**	36,768	30,432

The notes on pages 28 to 36 form part of these interim condensed consolidated financial statements.

Notes to the Interim Condensed Consolidated Financial Statements (Unaudited)

For the period from 1 July 2010 to 31 December 2010

General information

Macau Property Opportunities Fund Limited (the "Company"), a company whose shares are publicly traded, was 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 Heritage Hall, PO Box 225, Le Marchant Street, St. Peter Port, Guernsey, Channel Islands GY1 4HY.

The interim condensed consolidated financial statements for the six months ended 31 December 2010 comprise the interim 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.

There have been no changes to the Group's principal risks and uncertainties in the six month period to 31 December 2010 and the Board of Directors does not anticipate any changes to the principal risks and uncertainties in the second half of the year.

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

These interim condensed consolidated financial statements have been approved for issue by the Board of Directors on 22 February 2011.

1. Significant accounting policies

Basis of accounting

The annual financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union ("IFRS") under the historical cost convention, except for investment property and financial assets and financial liabilities held at fair value through profit or loss, that have been measured at fair value.

The interim condensed consolidated financial statements have been prepared in accordance with International Accounting Standard ("IAS") 34, Interim Financial Reporting. The same accounting policies and methods of computation are followed in the interim financial statements as compared with the annual financial statements. The interim condensed consolidated financial statements do not include all information and disclosures required in the annual financial statements and should be read in conjunction with the Group's annual financial statements as of 30 June 2010, with the exception of any new policies which are included below.

Seasonal and cyclical variations

The Group operates in an industry where significant seasonal or cyclical variations in total income are not experienced during the financial year.

Consolidation

The interim condensed consolidated financial statements incorporate the financial statements of the Company and all special-purpose vehicles ("SPV") 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 entity 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.

Notes to the Interim Condensed Consolidated Financial Statements (Unaudited)

For the period from 1 July 2010 to 31 December 2010

1. Significant accounting policies (continued)

Going concern

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$19.7 million as at 31 December 2010 and is expected to continue to comply with the covenants of its banking facilities going forward.

Accounting policies

Investment property

Property that is held for long-term rental yields or for capital appreciation or both, and that is not occupied by the companies in the consolidated Group, is classified as investment property. As from 1 January 2009, 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.

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.

Fair value measurement on property under construction is only applied if the fair value is considered to be reliably measurable.

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.

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.

1. Significant accounting policies (continued)

Accounting policies (continued)

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.

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.

Sale of property under development

Where property is under development and an agreement has been reached to sell such property when construction is complete, 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.

Financial assets and liabilities at fair value through profit or loss

The Group classifies certain financial assets and financial liabilities at fair value through profit or loss.

Financial instruments classified at fair value through profit or loss are recognised on trade date, which is the date on which the Group commits to purchase the asset 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.

2. New and amended standards and interpretations

International Financial Reporting Standards ("IFRS") not yet adopted:

At the date of approval of these interim condensed consolidated financial statements, the following standards and interpretations, which have not been applied in these interim condensed consolidated financial statements, were in issue but not yet effective:

- IAS 24 (revised), 'Related party disclosures' (effective from 1 January 2011); and
- IFRS 9, 'Financial instruments' (effective from 1 January 2013).

Adoption of new and revised standards

During the period, the Group adopted all new and revised IFRS and International Accounting Standards (IAS) that are relevant to its operations and also were adopted by the European Union for accounting periods ended on 31 December 2010.

Notes to the Interim Condensed Consolidated Financial Statements (Unaudited)

For the period from 1 July 2010 to 31 December 2010

2. New and amended standards and interpretations (continued)

The Group has adopted the following new and amended IFRS as of 1 January 2010:

(i) IAS 27 and IAS 28 Amendments: Consequential Amendments Arising from Amendments to IFRS 3 – effective 1 July 2009;

(ii) IFRS 3 Business Combinations (Revised 2008) – effective 1 July 2009;

(iii) IFRS 5 Amendments resulting from May 2008 Annual Improvements to IFRS;

(iv) IFRIC 15 Agreements for the Construction of Real Estate – effective for periods beginning on or after 1 January 2010;

(v) IFRIC 17 Distributions of Non-Cash Assets to Owners – effective for periods beginning on or after 1 July 2009;

(vi) IAS 1 (Amendment), *Presentation of Financial Statements* (effective from 1 January 2010);

(vii) IAS 7 (Amendment), *Statement of Cash Flows* (effective from 1 January 2010);

(viii) IAS 17 (Amendment), *Leases* (effective from 1 January 2010);

(ix) IAS 18 (Amendment), *Revenue* (effective from 1 January 2010);

(x) IFRS 5 'Non-current Assets Held for Sale and Discontinued Operations';

(xi) IFRS 8 'Operating Segments';

(xii) IAS 36 'Impairment of Assets'; and

(xiii) IAS 38 'Intangible Assets'.

The Company believes that the adoption of these standards has had no material impact on the financial statements of the Group.

The following standards, amendments and interpretations to existing standards have been published and are mandatory for the Group's accounting periods beginning on or after 1 January 2011 or later periods, but the Group has not early adopted them:

- IFRS 3 Amendments – May 2010 Annual Improvements to IFRS – effective 1 July 2010
- IAS 32 Amendment: Classification of Rights Issues – effective 1 January 2011.

3. 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. No additional disclosure is included in relation to segment reporting as the Group's activities are limited to one business and geographic segment.

4. Investment property

	Unaudited 1 Jul 10 – 31 Dec 10 US$'000	Unaudited 1 Jul 09 – 31 Dec 09 US$'000	Audited 1 Jul 09 – 30 Jun 10 US$'000
At beginning of the period/year	**159,676**	12,903	12,903
Transfer from inventory	**–**	93,501	93,501
Additions	**1,203**	489	1,309
Fair value adjustment	**5,363**	48,367	52,173
Gains/(losses) on foreign currency translation	**231**	(7)	(210)
Balance at end of the period/year	**166,473**	155,253	159,676

The Group's investment properties were revalued at 31 December 2010 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.

Additions in the period relate to the fit out costs for *The Waterside* and the planning and design costs for the *APAC Logistics Centre* (previously known as Zhuhai Logistics Centre).

Rental income arising from *The Waterside* of US$415,000 (31 December 2009: US$ nil, 30 June 2010: US$36,000) was received during the period. Direct operating expenses of US$143,000 (31 December 2009: US$ nil, 30 June 2010: US$12,000) arising from *The Waterside* that generated rental income were incurred during the period.

The *APAC Logistics Centre* located in the Zhuhai Free Trade Zone, China, received rental income of US$115,000 (31 December 2009: US$111,000, 30 June 2010: US$245,000) during the period. Direct operating expenses of US$65,000 (31 December 2009: US$61,000, 30 June 2010: US$119,000) arising from the *APAC Logistics Centre* that generated rental income were incurred during the period.

Notes to the Interim Condensed Consolidated Financial Statements (Unaudited)

For the period from 1 July 2010 to 31 December 2010

5. Pledged bank balances

Pledged bank balances represents deposits pledged to the banks to secure the banking facilities granted to the Group. Deposits amounting to US$2.7 million (31 December 2009: nil, 30 June 2010: nil) have been pledged to secure long-term banking facilities and are, therefore, classified as non-current assets.

6. Inventories

	Unaudited 1 Jul 10 – 31 Dec 10 US$'000	Unaudited 1 Jul 09 – 31 Dec 09 US$'000	Audited 1 Jul 09 – 30 Jun 10 US$'000
Cost			
Balance brought forward	**103,786**	193,343	193,343
Additions	**1,334**	5,399	6,975
Transfer to investment property	**–**	(93,501)	(93,501)
Disposals	**–**	(931)	(2,343)
Gains/(losses) on foreign currency translation	**154**	(138)	(688)
Balance carried forward	**105,274**	104,172	103,786
Adjustment to net realisable value			
Balance brought forward	**(6,492)**	(12,296)	(12,296)
Write-back of inventories to net realisable value	**1,388**	4,239	5,804
Balance carried forward	**(5,104)**	(8,057)	(6,492)
Carrying amounts	**100,170**	96,115	97,294

Additions include capital expenditure, development costs and capitalisation of financing costs. Financing costs of US$77,000, relating to *The Fountainside* loan facility were capitalised during the period.

During the period, there has been a recovery in the values of the inventories held due to a general increase in the market value of properties in Macau. Write-back of inventories amounting to US$1,388,000 (31 December 2009: US$4,239,000, 30 June 2010: US$5,804,000) has been recognised as income in the Interim Condensed Consolidated Statement of Comprehensive Income to maintain the carrying value of inventories at the lower of cost and net realisable value.

7. Financial assets at fair value through profit or loss

During the period, the Group has entered into four 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$400 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 9 November 2015.

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 1.7% per annum.

The Group has placed HK$3,164,000 (US$407,000) with Standard Chartered Bank as a pledged deposit to secure the interest rate swap facilities.

The swaps are treated as financial assets at fair value through profit or loss. As at 31 December 2010, a fair value gain of US$963,000 arising from the interest rate swaps in aggregate has been recognised in the Interim Condensed Consolidated Statement of Comprehensive Income.

8. Interest-bearing loans

	Unaudited 31 Dec 10 US$'000	Unaudited 31 Dec 09 US$'000	Audited 30 Jun 10 US$'000
Bank loans – Secured			
– Current portion	**2,436**	8,289	16,364
– Non-current portion	**80,699**	73,841	65,456
	83,135	82,130	81,820

On 10 September 2010, the Group arranged a term loan facility with Hang Seng Bank to refinance its loan facility for One Central Residences on more favourable terms. On 25 November 2010, a drawdown on the Hang Seng Bank facility was made for HK$631.2 million (US$81.2 million) to fully repay the One Central loan facility that was previously in place. Facility arrangement fees of HK$7.9 million (US$1.0 million) were paid to Hang Seng Bank.

The interest rate applicable to the new 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 all the 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. As at 31 December 2010, the loan-to-value ratio for this facility was 41%.

Notes to the Interim Condensed Consolidated Financial Statements (Unaudited)

For the period from 1 July 2010 to 31 December 2010

8. Interest-bearing loans (continued)

The Group has also entered into 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 31 December 2010, a drawdown of HK$15 million (US$1.9 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 loan-to-value covenant is 60%. This facility is non-recourse to the Company. As at 31 December 2010, proceeds of US$1.2 million received from the pre-sale of *The Fountainside* units were pledged with the lender.

9. Basic and diluted earnings per Ordinary Share

The basic and diluted earnings per equivalent Ordinary Share is based on the profit attributable to equity holders for the period of US$1,533,000 (31 December 2009: US$49,166,000 and 30 June 2010: US$47,648,000) and on 105,000,000 (31 December 2009 and 30 June 2010: 105,000,000) weighted average number of Ordinary Shares in issue during the period.

10. Net cash used in operating activities

	Unaudited 1 Jul 10 – 31 Dec 10 US$'000	Unaudited 1 Jul 09 – 31 Dec 09 US$'000	Audited 1 Jul 09 – 30 Jun 10 US$'000
Profit for the period	**1,533**	49,166	47,648
Adjustments for:			
Net gain on financial assets and liabilities at fair value through profit or loss	**(963)**	–	–
Net gain from fair value adjustment on investment property	**(5,363)**	(48,367)	(52,173)
Write-back of inventories to net realisable value	**(1,388)**	(4,239)	(5,804)
Finance costs	**2,134**	–	1,775
Operating cash flows before movements in working capital	**(4,047)**	(3,440)	(8,554)
Movement in receivables	**(213)**	(184)	(103)
Movement in payables	**547**	(424)	101
Expenditure on properties	**(3,564)**	(4,033)	(4,015)
Net change in working capital	**(3,230)**	(4,641)	(4,017)
Net cash used in operating activities	**(7,277)**	(8,081)	(12,571)

11. Related party transactions

Tom Ashworth (as a director of the Company) and Martin Tacon (as a director of Group SPV) are shareholders and directors of Sniper Capital Limited. Sniper Capital Limited is the Manager to the Company and received management fees during the period as detailed in the Interim Condensed Consolidated Statement of Comprehensive Income. Management fees are paid quarterly in advance at a fee of 2.0% per annum of the Net Asset Value, as adjusted to reflect the Property Investment Valuation Basis. Tom Ashworth received no Directors' fees from the Company and Martin Tacon received no Directors' fees regarding the SPV.

Tom Ashworth and Martin Tacon are shareholders and directors of Adept Capital Partners Services Limited. Adept Capital Partners Services Limited provides administrative services to the Hong Kong, BVI and Macanese SPV and received fees during the period of US$56,000 of which US$19,000 was outstanding at the period end (31 December 2009: US$56,000 of which US$ nil was outstanding at the period end).

The Group has a Development Management Services Agreement with a development management company named Headland Developments Limited ("Headland"). Headland is part-owned by Tom Ashworth and Martin Tacon and, therefore, constitutes a related party of the Group. During the period, Development Management Services fees of HK$1,392,000 (US$179,000) (31 December 2009: HK$ nil (US$ nil)) were capitalised in investment property and HK$3,157,000 (US$406,000) (31 December 2009: HK$ nil (US$ nil)) were capitalised in inventory.

All intercompany loans and related interest are eliminated on consolidation.

12. Subsequent events

Subsequent to the period ended 31 December 2010, the Company has entered into a promissory sales and purchase agreement to dispose of its investment in the Rua do Laboratório site for a consideration of HK$320,000,000 (US$41 million) against a total cost, as at 31 December 2010, of HK$172,000,000 (US$22,129,000). A deposit of HK$50,000,000 (US$6,433,000) was received on 21 February 2011 with final payment due on the completion date which is to occur no later than 18 April 2011.

The sale consideration amounts to a discount of 3% to the project's latest valuation of HK$330 million (US$42 million) as at 31 December 2010. The divestment will result in a gross profit to the Company of HK$148 million (US$19 million).

Furthermore, following the period ended 31 December 2010 an offer was accepted on an apartment in One Central Residences for the price of HK$9,042,000 (US$1,163,000) against a total cost, as at 31 December 2010, of HK$8,321,000 (US$1,070,000). A deposit of 10% was received with the balance due on completion of the sale on 3 March 2011.

Other than the above, there were no significant events occurring after the reporting date of the interim report for the six months ended 31 December 2010.

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