Macau Property
Opportunities Fund

Annual Report for the
Period Ended 30 June 2016

The Future in Focus

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

Managed by Asian property investment manager, Sniper Capital Limited, the current value of MPOF's portfolio is close to US$400 million.

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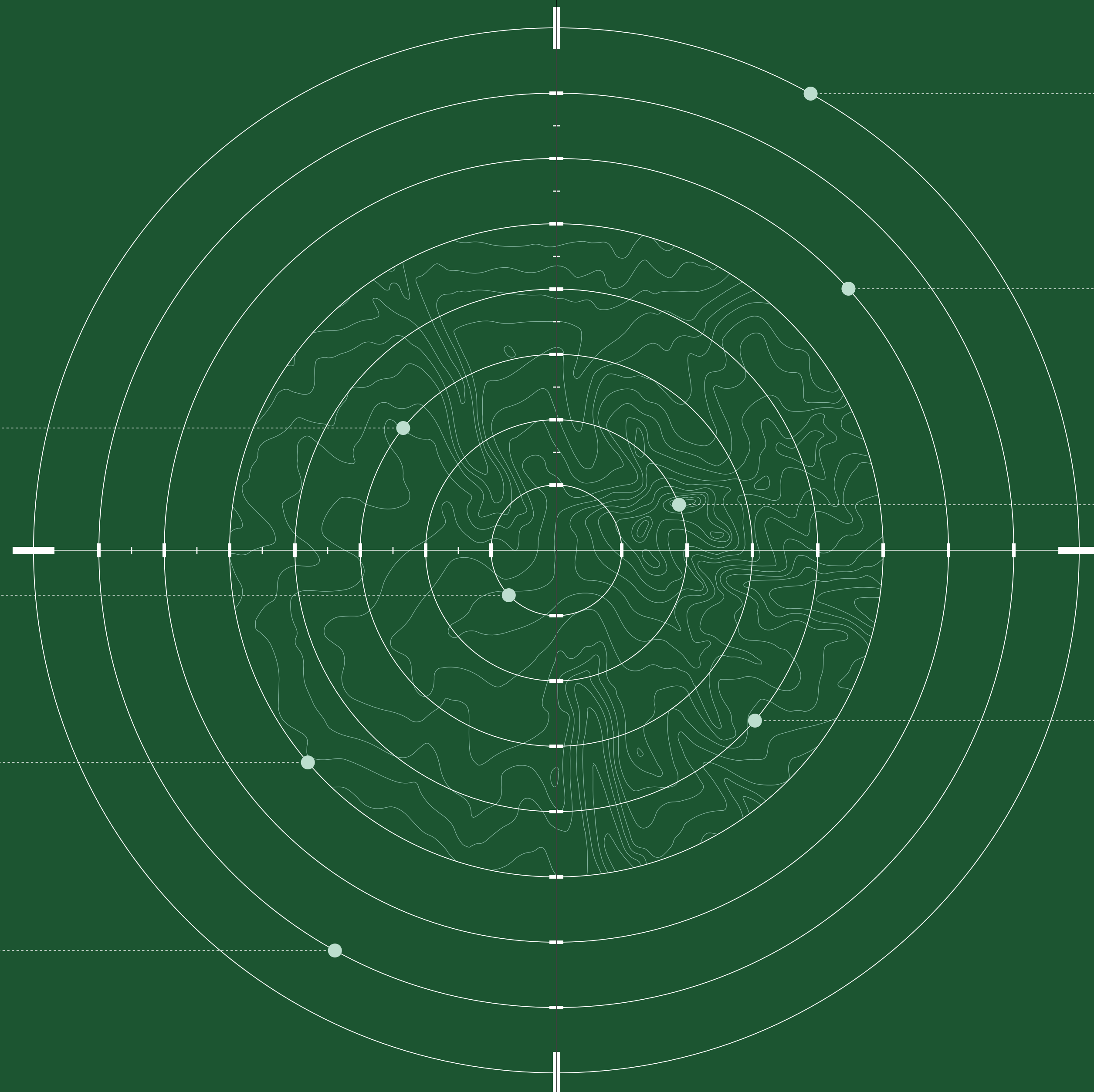
Note: US Dollar/Sterling exchange rate used in this report is 1.326 based on the rate as at 30 June 2016, unless otherwise stated.

Key Highlights & Financial Calendar

YEAR ENDED 30 JUNE 2016



MPOF marks its 10th year of fund life

Adjusted NAV Per Share

US$2.96 (223 pence)

-25.5% over the year

Portfolio Valuation

US$393.7 million

-15% over the year

Share Price as at 30 June 2016

105 pence

-49.8% over the year

The Waterside

Occupancy at above 40%

On the back of proactive leasing initiatives

The Fountainside

15 units available for sale

Marketing campaign continues

Estrada da Penha

Embarked on a divestment strategy

Focus on achieving an optimal sale price

Senado Square

Urban Condition Plan granted

Preparation works in progress for the next phase

Financial Calendar

(Subject to changes without prior notice)

- **SEP 16** — Announcement of full year results ended 30 Jun 2016; Annual Investor Roadshow
- **OCT 16** — Annual Report and Accounts 2016 published
- **NOV 16** — Annual General Meeting; Net Asset Value Update (30 Sep 2016)
- **DEC 16** — 2017 Financial Half-Year
- **JAN 17** — Bi-annual Investor Update
- **FEB 17** — Net Asset Value Update (31 Dec 2016); Announcement of half-yearly results ending 31 Dec 2016
- **MAR 17** — Interim Report and Accounts 2017 published
- **MAY 17** — Net Asset Value Update (31 Mar 2017)
- **JUN 17** — 2017 Financial Year End
- **JUL 17** — Bi-annual Investor Update
- **AUG 17** — Net Asset Value Update (30 Jun 2017)
- **SEP 17** — Announcement of full year results ending 30 Jun 2017

Special Feature

10-year Milestones

BY CALENDAR YEAR

2006

JUN
Listed on AIM of London Stock Exchange.

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

NOV
Acquired Tower 6 (*The Waterside*) of One Central Residences.

Acquired residential redevelopment site at Rua do Laboratório.

2007

OCT
Acquired *Senado Square* site, for redevelopment into a retail mall.

Acquired several high-end residential units in One Central Residences.

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

2008

JAN
Acquired a residential property worth US$3.5 million.

AUG
Maiden investment into the logistic sector.

Acquired *APAC Logistics Centre* and *Cove Residence* in Zhuhai.

2009

SEP
Took ownership of *The Waterside*.

2010

JUN
Listed on the Main Market of London Stock Exchange.

SEP
Ground-breaking for *The Fountainside*.

2011

FEB
Divested Rua do Laboratório site, achieved IRR of 15%.

Sold 40% of the units in *The Fountainside* during pre-launch.

2011

MAY
First opportunistic share buyback worth US$2 million.

JUL
Dividend paid out of US$0.17 (10.76p) per share.

DEC
US$5.4 million worth of shares repurchased during the year.

2012

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

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

2013

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

AUG
Divested *APAC Logistics Centre* and *Cove Residence*, achieved IRR of 21%.

DEC
US$30.9 million worth of shares repurchased during the year.

2014

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

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

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

OCT
Acquired the villa adjoining *The Green House*.

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

2015

FEB
The Fountainside obtained Occupancy Permit.

MAR
Consolidated *The Green House* with the adjoining villa to become *Estrada da Penha*.

OCT
A carpark lot at *The Fountainside* sold for a record price of US$385,000.

DEC
US$6.1 million worth of shares repurchased during the year.

2016

MAY
Senado Square project granted Urban Condition Plan.

Chairman's Message

June 2016 marked the 10th anniversary of your Company's IPO. On behalf of the Board, I wish to extend our gratitude to all shareholders for your continued confidence and support.

Chris Russell
Chairman

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

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

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

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

Financial Performance
For the year in review, MPOF's portfolio of properties was valued at US$393.7 million, 15% lower than the previous year. Adjusted NAV was US$226.3 million, translating to US$2.96 (223 pence) per share.

IFRS NAV declined 30% to US$106.6 million, with an IFRS NAV per share of US$1.40 (105 pence).

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

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

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

Optimising Shareholder Value
During this downturn, we have continued to focus on strengthening the position of our properties as distinct, desirable developments, ensuring that our assets continue to meet the increasingly sophisticated demands of buyers and tenants.

To maintain *The Waterside's* position as Macau's pre-eminent residential development for lease, we are carrying out extensive asset enhancement initiatives to the development, starting with the untenanted units. In an extremely sluggish leasing market, *The Waterside* achieved an occupancy rate of above 40%, relatively unchanged since the last full-year reporting period.

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

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

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

Positive Long Term Outlook

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

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

The progressive opening of new mega-resorts in the next two years will help to support full employment and wage growth. The Macau Tourism Industry Development Master Plan aims to boost visitor arrivals to 40 million yearly by 2025 and generate non-gaming revenues to double from US$6.4 billion last year to US$14 billion yearly by 2025.

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

Continuation of Fund Life

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

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

In Conclusion

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

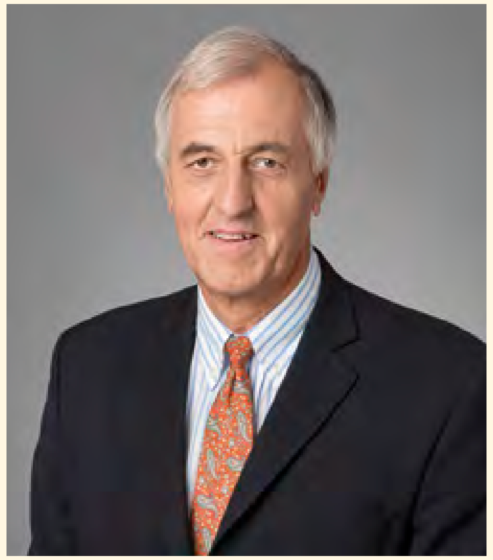
We will continue to strive to optimise shareholder value through proactive asset management and asset enhancement initiatives and, when circumstances allow, the timely disposal of our assets.

Chris Russell
Chairman
Macau Property Opportunities Fund Limited
20 September 2016

Board of Directors


Chris Russell


Thomas Ashworth


Alan Clifton


Wilfred Woo

Chris Russell
Chairman
Chris Russell is Chairman of F&C Commercial Property Trust Ltd and a Non-Executive Director of a number of investment and financial companies. Mr Russell was previously an Executive Director of Gartmore Investment Management plc, heading up its operations in the US and Japan. Before joining Gartmore, he was a holding board director at the Jardine Fleming Group in Hong Kong. Mr Russell is a Chartered Accountant and a Fellow of the UK Society of Investment Professionals. Mr Russell is a Guernsey resident.

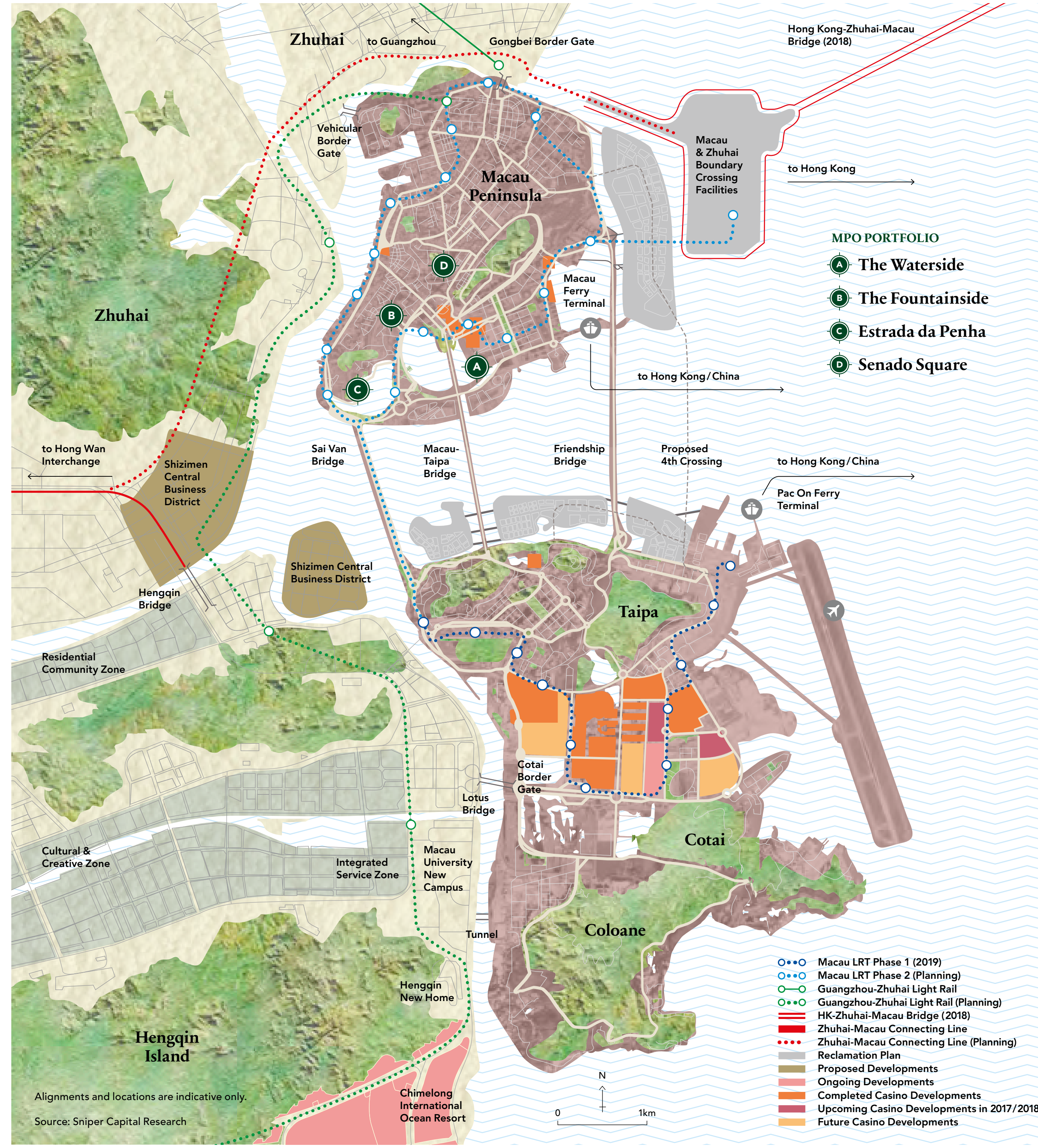
Thomas Ashworth
Non-Executive Director
Thomas Ashworth has 30 years of experience in finance and investment management. He began his career at HSBC Group in London before relocating to Asia in 1995, where he worked for a number of global investment banks. From 2000, he established a number of entrepreneurial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

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

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

Regional Geography
Greater Pearl River Delta Region

Regional Geography
Macau & Surrounds



Portfolio Overview
Summary

AS AT 30 JUNE 2016

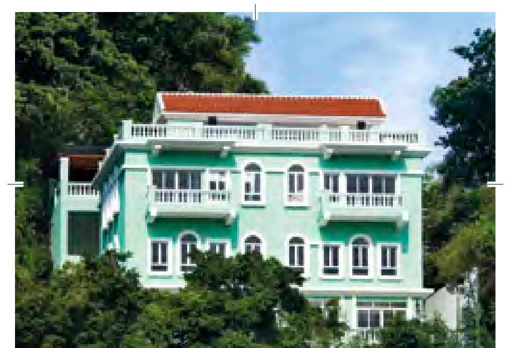
Property	Sector	Type	Current Status	No. of Units	Commitment US$ million	Gross Floor Area Square feet	Acquisition Cost US$ million	Project Dev. Cost US$ million	Uplift Based on market value Over the year	Uplift Since acquisition	Project Composition Based on market value	Market Valuation US$ million
The Waterside Tower Six of One Central Residences*	Luxury residential	Investment	Leasing and asset management	59	99	148,000	88	11	-15.3%	135.0%	52.5%	**206.6**
One Central Residences Individual units	Luxury residential	Investment	Leasing and asset management	4	10	9,400	10	N.A.	-15.1%	31.0%	3.3%	**12.9**
The Fountainside**	Low-density residential	Redevelopment	Sales phase	42	23	72,000	8	15	-14.9%	979.0%	11.4%	**45**
Estrada da Penha	Luxury private home	Investment	Sales phase	N.A.	28	12,030	27	1	-6.2%	53.6%	10.5%	**41.5**
Senado Square	Prime retail	Redevelopment	Advanced planning	N.A.	47	67,800	16	31	-18.5%	443.0%	22.2%	**87.3**
Smaller Property	Residential	Investment	Hold	N.A.	N.A.	700	0.4	N.A.	N.A.	N.A.	0.1%	**0.4**
					Total 207	**Total** 309,930	**Total** 149.4	**Total** 58	**Total** -15.1%	**Total** 171%	**Total** 100%	**Total** 393.7

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

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


The Waterside / One Central Residences


The Fountainside


Estrada da Penha


Senado Square

Manager's Report
Financial Review

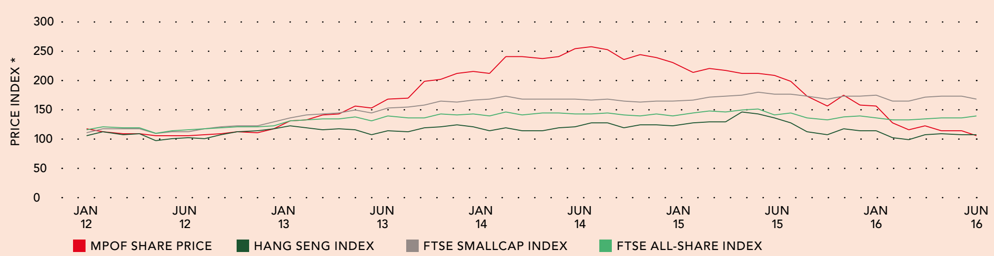
HIGHLIGHTS

	2012	2013	2014	2015	2016
NAV (IFRS) (US$ million)[1]	211.7	214.8	222.9	155.4	**106.6**
NAV per share (IFRS) (US$)[1]	2.07	2.39	2.74	2.00	**1.40**
Adjusted NAV (US$ million)[1]	296.5	336.4	397.8	308.0	**226.3**
Adjusted NAV per share (US$)[1]	2.91	3.74	4.89	3.97	**2.96**
Adjusted NAV per share (pence)[2]	185	246	286	253	**223**
Share price (pence)	105.0	153.5	254.0	209.0	**105.0**
Portfolio valuation (US$ million)	374.8	452.9	535.8	463.7	**393.7**
Loan-to-value ratio (%)	27	20	22	34	**40**

1 Figures incorporated adjustments for deferred tax provisions as discussed in Note 9.

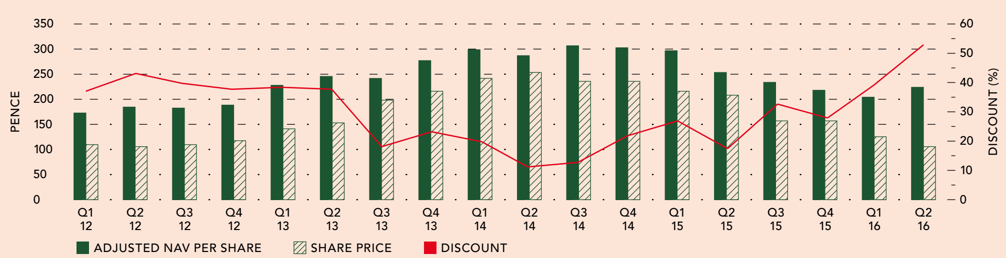
2 Based on the following US$/GBP exchange rates on 30 June: 2012: 1.571; 2013: 1.521; 2014: 1.710; 2015: 1.573; 2016: 1.326

MPOF Share Price vs. Hang Seng, FTSE SmallCap & FTSE All-Share Indices



* Rebased to MPOF share price.
Source: Bloomberg / Sniper Capital Research

Share Price Discount to Adjusted NAV



FINANCIAL REVIEW

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

Financial Results

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

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

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

Capital Management

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

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

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

Debt Allocation by Assets

Based on information as at 30 June 2016.

The Waterside offers captivating view of Macau's Nam Van and Sai Van lakes.

A newly-enhanced classic suite at *The Waterside*.

Manager's Report
Portfolio & Performance Updates

THE WATERSIDE

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

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

Performance

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

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

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

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

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

Exit Strategy

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

Other Units at One Central Residences

The Company will continue its opportunistic disposal strategy for its remaining four apartments at One Central Residences. These units do not constitute part of *The Waterside*.

THE FOUNTAINSIDE

The Fountainside, a distinctive, low-density residential development, is situated in Macau's prestigious Penha Hill district. In an effort to complement the rich heritage of the district, *The Fountainside* has retained the architectural facade of the original Macanese houses previously on site and incorporated them into its overall architectural design.

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

Performance

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

As at the end of the financial year, 27 residential units and 9 parking lots had been sold for a combined value of HK$224.5 million (US$28.9 million). The last sold unit was handed over to the buyer in August, with the receipt of HK$7.8 million (US$1 million) as final payment.

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

Exit Strategy

We aim to maximise exit value by marketing the available units to high-net-worth individuals, families and investors seeking top quality residences boasting first-class amenities.

Inspired by the famous fountain on Lilau Square, *The Fountainside* offers contemporary living in Macau's heritage-rich Penha Hill district.

A villa show suite at *The Fountainside*.

Located amid lush greenery atop the prestigious Penha Hill, *Estrada da Penha* looks out to the magnificent South China Sea.

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

ESTRADA DA PENHA

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

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

Exit Strategy

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

SENADO SQUARE

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

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

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

Exit Strategy

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

Manager's Report
Macroeconomic

HIGHLIGHTS

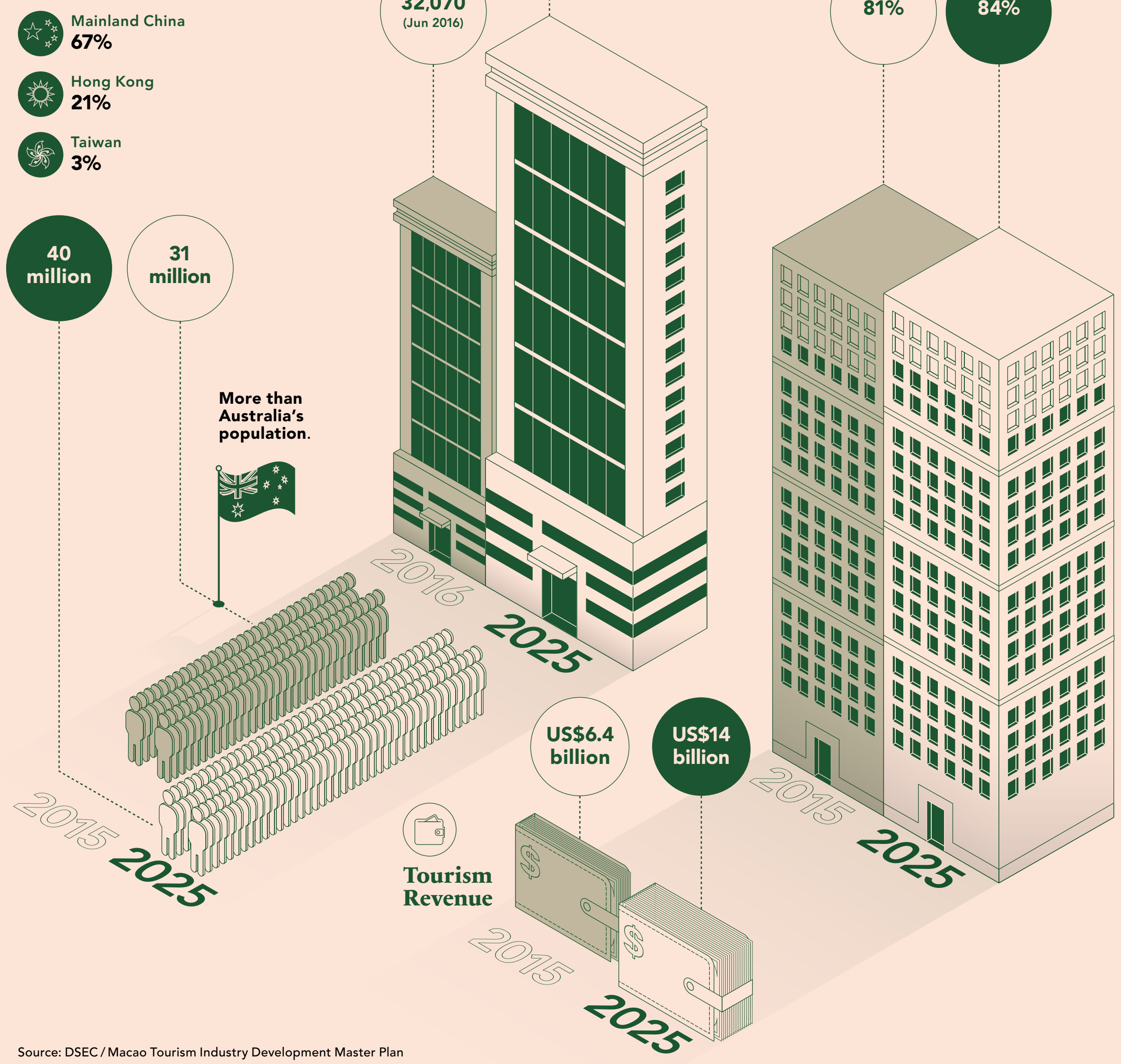
Tourism
Projected growth up to 2025

Visitor Arrivals
Top 3 Regions
(Jul 2015 to Jun 2016)

- Mainland China **67%**
- Hong Kong **21%**
- Taiwan **3%**

Hotel Rooms

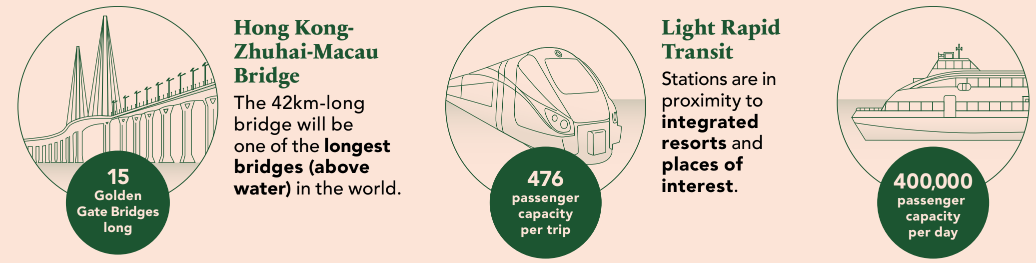
Hotel Occupancy



Source: DSEC / Macao Tourism Industry Development Master Plan

Economics
Sound fundamentals

Infrastructure



Hong Kong-Zhuhai-Macau Bridge
The 42km-long bridge will be one of the **longest bridges (above water)** in the world.

Light Rapid Transit
Stations are in proximity to **integrated resorts** and **places of interest**.

Pac On Ferry Terminal
Macau's largest ferry terminal will bring **mass-market tourists directly to Cotai resorts**.

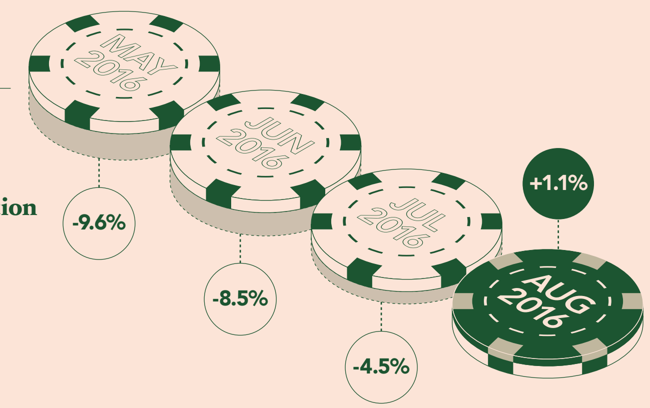
Source: DSEC / The World Bank / Sniper Capital Research

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

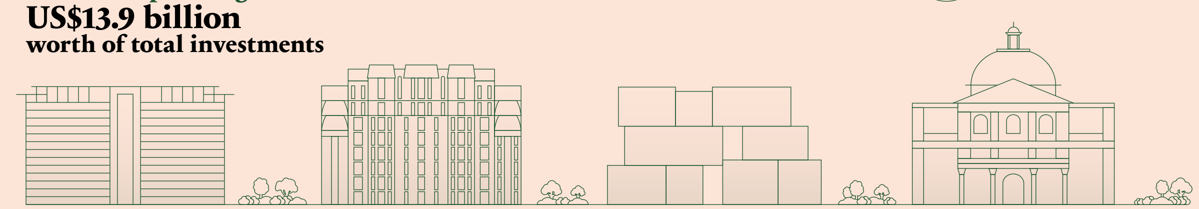
Gross Gaming Revenue
US$2.4 billion
(Aug 2016)

4× more than Las Vegas

Signs of Stabilisation



New and Upcoming Casino Resorts
US$13.9 billion
worth of total investments



Wynn Palace
Non-gaming highlights
- 1,700 hotel rooms
- SkyCabs traversing an 8-acre performance lake.

The Parisian
Non-gaming highlights
- 3,000 hotel rooms
- A 162-metre Eiffel Tower replica.

MGM Cotai
Non-gaming highlights
- 1,500 hotel rooms
- Asia's first dynamic theatre and a "Spectacle Show" using 23 LED walls.

Grand Lisboa Palace
Non-gaming highlights
- 2,000 hotel rooms
- Fashion-branded luxury hotels: Palazzo Versace Hotel and Karl Lagerfeld Hotel.

Source: DICJ / Sniper Capital Research

MACROECONOMIC OUTLOOK

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

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

More than
400 mil
middle class Chinese by 2020

Mass-market gaming accounts for
49%
of total gaming revenue

Gaming – An Improved Business Model

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

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

Five-year Master Plan – Moving Towards Sustainability

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

Increase non-gaming income to at least
9%
of total casino operators' revenue

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

Macau is expected to receive
40 mil
visitors yearly by 2025

Infrastructure – Catalyst for Economic Growth

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

2018
Expected year of completion for HK-ZH-MO bridge

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

Risk and Uncertainties

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

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

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

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

Manager's Report

Property Market Overview

HIGHLIGHTS

Residential Transactions

Number of sales rebounded in Q2 2016

Source: DSEC

Demand and Supply

Strong demand from locals

Local Buyers
99%
of residential transactions
(Jun 2016)

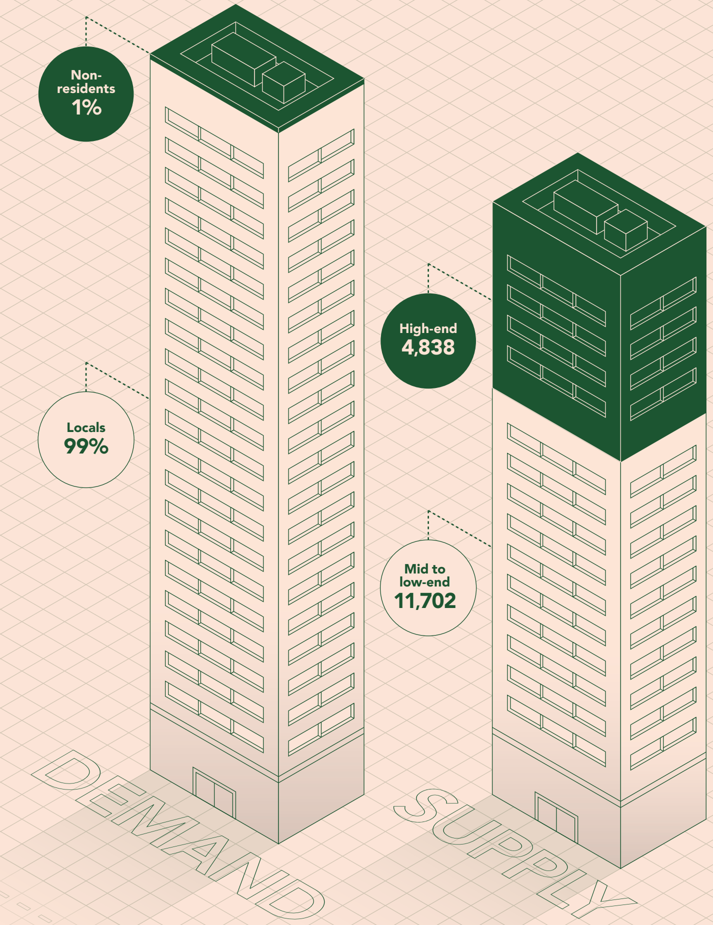
Non-resident Workers
182,459
(Jun 2016)

Supply
16,540
(2016 to 2020)

High-end
4,838

Mid to low-end
11,702

Source: DSEC / JLL



Housing Affordability

A result of rising median income

Increase in Median Income

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

Source: DSEC / Sniper Capital Research

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

PROPERTY MARKET OVERVIEW

Macau's real estate market has remained quiet for most of this year amid an uncertain economic environment. However, more recently, there has been a marked rebound in transaction volumes, which rose by 58% in the second quarter of 2016 compared to the same period last year.

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

Rising Population Drives Housing Demand

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

Non-resident Buyers:
<2%
of residential transactions

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

Capital Values:
↓40%
since April 2014

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

Property Market Cooling Measures

	Macau Resident	Non-resident
Buyer Stamp Duty (BSD)	N.A.	Non-Macau residents or businesses acquiring residential property in Macau are subject to a 10% BSD on top of existing ad valorem of stamp duty rates and SSD rates, if applicable.
Special Stamp Duty (SSD)	Transferrers of residential, commercial or office properties, car parking spaces, or properties under construction are subject to SSD at the rate of: • 20% of the property value if a property is resold within 1 year of being purchased; • 10% of the property value if a property is resold between 1 and 2 years after being purchased. SSD is also payable when transferring a stake of 80% or more in a Macau company that owns local properties.	

Source: PWC Asia Pacific Tax Notes

Loan-to-value Ceilings for Completed Residential Properties

Property Prices	Macau Resident	Non-resident
<MOP3.3 million	90% (max. MOP2.31 million)	70% (max. MOP1.98 million)
MOP3.3 to ≤6 million	70% (max. MOP3.6 million)	60% (max. MOP3 million)
MOP6 to ≤8 million	60% (max. MOP4 million)	50% (max. MOP3.2 million)
>MOP8 million	50%	40%

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

Property Prices	Macau Resident	Non-resident
<MOP6 million	70% (max. MOP3.6 million)	50% (max. MOP3.2 million)
MOP6 to ≤8 million	60% (max. MOP4 million)	50% (max. MOP3.2 million)
>MOP8 million	50%	40%

Source: Monetary Authority of Macao

Limited Housing Supply Over Next Five Years

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

4,838
high-end residential units between 2016 and 2020

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

113
invalid land contracts might further reduce housing supply

Investors' Preference for Macau Properties

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

Price gap between Macau and neighbouring cities:
↓23%
per square foot

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

Commercial Properties Remain Attractive

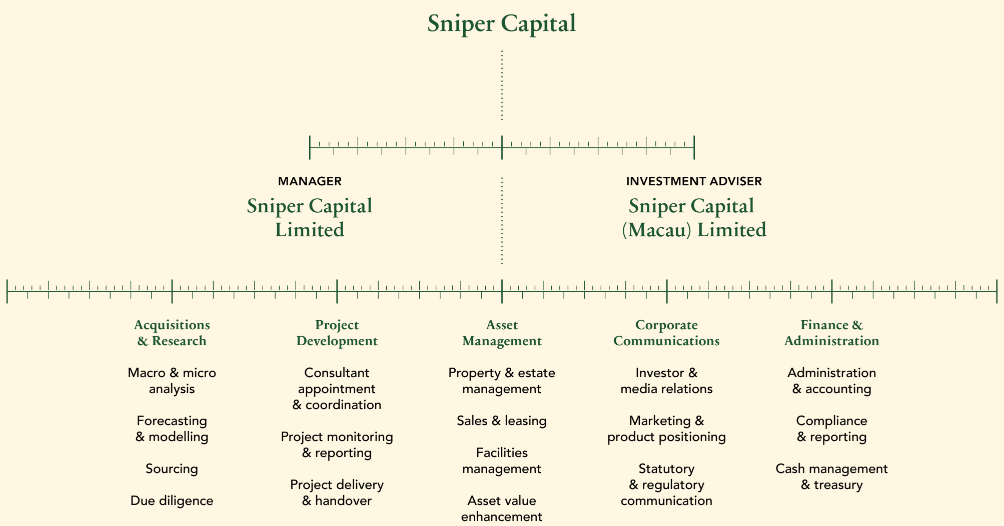
Despite the fact that retail rents are in decline, Macau's commercial property sector is still generating strong investment appetite among domestic investors and their mainland counterparts, as the number of quality commercial properties is extremely limited and, unlike residential real estate, they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

Conclusion

The property market in Macau is expected to continue to stabilise in the coming months, with a gradual improvement in prices to follow. Although a full-fledged recovery can be expected only when the economy returns to growth and gaming revenues show a sustainable pick-up, we remain confident that the long-term demographic drivers of the city's growth and its limited housing supply will provide support for the property market.

With this in mind, we will continue to strive for sustainable growth and value realisation when the right opportunities arise.

Manager & Adviser
Group Structure



Manager
The day-to-day responsibility for the management of the Macau Property Opportunities Fund's ("MPOF" or the "Company") portfolio rests with Sniper Capital Limited[1].

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

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

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

Working closely with Headland Developments Limited[2], Sniper Capital Limited ensures that all necessary project management skills and services are provided in a way that will deliver each MPOF project to the right standards and on budget.

With its 30 June 2016 holding of 12.7 million shares or 16.6% of the Company's issued share capital, Sniper Investments Limited – an investment vehicle associated with Sniper Capital Limited – is now the second largest shareholder in MPOF, which bears witness to Sniper Capital Limited's belief in the Company's long-term prospects.

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

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

For more information, please visit www.snipercapital.com

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

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

Investment Policy

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

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

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

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

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

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

Gearing
The Group has the ability to borrow, both at Company level and Special Purpose Vehicle ("SPV") level, if SPVs are used in relation to particular investments. The Group, either directly or through its SPVs, may not borrow amounts in relation to any single investment that exceed 75% of that investment's market value. When the Company is fully invested, the maximum amount of net borrowings that the Group may have as a whole (i.e. all principal amounts borrowed by the Group less the Group's cash balances) will not exceed 60% of the aggregate value of all the Group's investments at the time that any new borrowings are made. As at 30 June 2016, the Group had net borrowings that were 40% of the aggregate value of all investments held. After accounting for loan deposits, the Group had net borrowings that were 38% of the aggregate value of all investments held. The Group may be required to use its investments as security for the borrowings it puts in place.

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

Financial Statements

General Information

Directors' Report

The Directors present their report and audited financial statements of the Group for the year ended 30 June 2016. This Directors' report should be read together with Corporate Governance Report on pages 40 to 43.

Principal activities

Macau Property Opportunities Fund Limited (the "Company") is a Guernsey-registered closed-ended investment fund traded on the London Stock Exchange (the "LSE"). Following the passing of all resolutions at the Extraordinary General Meeting held on 28 June 2010, the Company's shares obtained a Premium Listing on the LSE 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 ("GFSC"). During the year, the principal activities of the Company and its subsidiaries as listed in Note 4 to the consolidated financial statements (together referred to as the "Group") were property development and investment in Macau.

Business review

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

Going concern

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

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

In accordance with provisions C1.3 and C.2.2 of the 2016 revision of the UK Corporate Governance Code (the "UK Code"), the Directors have assessed the financial prospects of the Company for the next 12 months and made an assessment of the Company's ability to continue as a going concern. As part of their assessment of the going concern of the Company, the Directors have reviewed the comprehensive cash flow forecasts prepared by the management which make assumptions based upon current and expected future market conditions, including predicted future sales of properties.

At the Extraordinary General Meeting held on 7 April 2014, the shareholders voted in favour of amending the Company's Articles of Incorporation so that the next discontinuation vote would take place no later than 31 December 2016. This was considered a suitable timeframe for the maximisation of the value of the Company's portfolio. The Directors believe that the forthcoming Discontinuation Vote does not give rise to a material uncertainty (that might cast doubt about the Company's ability to continue as a going concern) because it is highly unlikely that the vote will be carried. Shareholder support of 75% is required to pass the Discontinuation Vote; Sniper Investments Limited, with a 16.6% shareholding, and other major shareholders are supportive of the Board; and it is likely that returns from sales of properties would be lower if the Company were forced to sell as a result of discontinuation.

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

Viability statement

The Board has an on-going robust assessment process of the principal risks facing the Company, including those that would threaten its business model, future performance, solvency and liquidity. The Directors have considered each of the Company's principal risks and uncertainties detailed on pages 42 to 43. The Directors also considered the Company's policy for monitoring, managing and mitigating its exposure to these risks. This assessment involved an evaluation of the potential impact on the Company of these risks occurring. Where appropriate, the Company's financial model was subject to a sensitivity analysis involving flexing a number of key assumptions in the underlying financial forecasts in order to analyse the effect on the Company's net cash flows and other key financial ratios. In accordance with provision C.2.2 of the 2016 revision of the UK Code, the Directors have assessed the prospects of the Company over a longer period than the 12 months required by the going concern provision. The Board has conducted this review for a period covering the next three years. The Board considers three years to be an appropriate time horizon for its strategic plan, being the period over which most of the Company's properties should have completed their respective investment cycle. Based on an assessment of the principal risks facing the Company and the stress-test based assessment of the Company's prospects, the Directors have a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the three-year period of their assessment.

Share capital

Ordinary shares

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

The Company's Memorandum and Articles of Incorporation contain details relating to the rules that the Company has about the appointment and removal of Directors or amendment to the Company's Articles of Incorporation.

Results and dividends

The results for the year are set out in the consolidated financial statements on pages 58 to 61.

Authority to purchase own shares

Following the authority first granted in the Extraordinary General Meeting on 28 June 2010 and subsequently renewed at each Annual General Meeting, a resolution to provide the Company with authority to purchase its own shares will be tabled at the Annual General Meeting on 14 November 2016. The Board has publicly stated its commitment to undertake share buybacks at attractive levels of discount of the share price to Adjusted NAV. The Board intends to renew this authority at the 2016 Annual General Meeting.

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

Significant shareholdings

As at 30 June 2016, a total of 6 shareholders held more than 3% each of the issued ordinary shares of the Company, accounting for a total of 54,754,012 shares (2015: 52,586,429) or 71.64% (2015: 67.8%) of the issued share capital. Significant shareholdings as at 30 June 2016 are detailed below:

Name of shareholder	No. of shares	%
Lazard Asset Management LLC	16,522,672	21.62
Sniper Investments Limited	12,693,215	16.61
Universities Superannuation Scheme	10,500,000	13.74
Invesco Asset Management	9,549,601	12.49
Rathbones	2,893,533	3.79
Apollo Multi Asset Management	2,594,991	3.39
Subtotal	54,754,012	71.64
Others	21,678,952	28.36
Total	76,432,964	100.00

Directors

Biographies of the Directors who served during the year are detailed on pages 10 and 11.

Name	Function	Date of appointment	Date of resignation
Chris Russell	Chairman	8 May 2012	
Thomas Ashworth	Director	18 May 2006	
Alan Clifton	Director, Chairman of the Audit Committee, the Management Engagement Committee, and the Nomination and Remuneration Committee	18 May 2006	
Wilfred Woo	Director	3 January 2012	
David Hinde	Former Chairman	18 May 2006	13 November 2015

Directors' interests

Directors who held office during the year and had interests in the shares of the Company as at 30 June 2016 were:

	Ordinary shares of US$0.01	
	Held at 30-Jun-16	Held at 30-Jun-15
David Hinde*	**N/A**	60,000
Thomas Ashworth**	-	-
Alan Clifton	**100,000**	100,000
Wilfred Woo	-	-
Chris Russell	**252,548**	252,548

* David Hinde is no longer a Director as at 30 June 2016.

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

There have been no changes to the aforementioned interests since 30 June 2016.

Non-mainstream pooled investments

The Board notes the changes to the Financial Conduct Authority (FCA) ("UK Listing Rules") relating to the restrictions on the retail distribution of unregulated collective investments schemes and close substitutes which came into effect on 1 January 2014.

Following the receipt of legal advice, the Board confirms that it has conducted the Company's affairs in such a manner that the Company would have qualified for approval as an investment trust if it was resident in the United Kingdom, and that it is the Board's intention that the Company will continue to conduct its affairs in such a manner. Thus, the Company is, and the Board expects it will continue to be, outside the scope of the new restrictions and Independent Financial Advisors ("IFAs") should therefore be able to recommend ordinary shares in the Company to retail investors in accordance with the FCA relating to non-mainstream investment products.

AIFM Directive

The Directors have considered the impact of the EU Alternative Investment Fund Managers Directive (no. 2011/61/EU) ("AIFM Directive"), which was transposed into UK law in the United Kingdom on 22 July 2013 with the transitional period ended in June 2014, on the Company and its operations.

The Company is a non-EU domiciled Alternative Investment Fund which does not currently intend to market its shares within Europe, therefore the Directors consider that neither authorisation nor registration is required.

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:

	2016 US$	2015 US$
David Hinde*	**26,615**	74,333
Thomas Ashworth**	-	-
Alan Clifton	**51,266**	55,325
Timothy Henderson#	-	-
Wilfred Woo	**43,137**	46,458
Chris Russell	**58,668**	47,310
Total	**179,686**	**223,426**

* David Hinde retired on 13 November 2015.

** As disclosed in Note 19 to the consolidated financial statements, Thomas Ashworth is a shareholder and Director of Headland Developments Limited and Adept Capital Partners Services Limited, and he has a beneficial interest in and is a Director of Sniper Capital Limited and Bela Vista Property Services Limited, all of which received fees from the Group during the year.

\# Timothy Henderson retired from the Board on 8 November 2012. He is a Director of certain SPVs and received US$7,136 (2015: US$7,743) of Directors' fees during the year.

Change of control

There are no agreements that the Company considers significant and to which the Company is party, that would take effect, alter or terminate upon change of control of the Company, following a takeover bid.

Annual General Meeting

The Annual General Meeting of the Company will be held at 10am on 14 November 2016 at Lefebvre Place, Lefebvre Street, St Peter Port, Guernsey.

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 2016 Annual General Meeting to reappoint Ernst & Young LLP. Each Director believes that there is no relevant information of which the Auditor is unaware. Each has taken all steps necessary, as a Director, to be aware of any relevant audit information and to establish that Ernst & Young LLP is made aware of any pertinent information. This confirmation is given and should be interpreted in accordance with the provisions of Section 249 of the Companies (Guernsey) Law, 2008.

Subsequent events

Significant subsequent events have been disclosed in Note 25.

Financial risk management policies and objectives

Financial risk management policies and objectives are disclosed in Note 2.

Principal risks and uncertainties

Principal risks and uncertainties are discussed in the Corporate Governance Report on pages 42 to 43.

On behalf of the Board

Chris Russell
Chairman of the Board
20 September 2016

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

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

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

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

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

The Board

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

Directors' details are listed on pages 10 and 11 which set out the range of investment, financial and business skills and experience represented. Principle 1 of the AIC Code states that a Board should consider appointing 1 independent Non-Executive Director to be the senior independent Director. The Board, having taken into account its small size and that the Chairman and two 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. Thomas Ashworth will retire annually pursuant to the listing rules of the FCA and Alan Clifton will retire annually pursuant to the AIC Code, as he has now served for more than nine years as a director of the Company. A retiring Director shall be eligible for reappointment. No Director shall be required to vacate his office at any time by reason of the fact that he has attained any specific age.

The Board has considered the need for a policy regarding tenure of office; however, the Board believes that any decisions regarding tenure should consider the need for continuity and maintenance of knowledge and experience and to balance this against the need to periodically refresh board's composition and have a balance of skills, experience, age and length of service bearing in mind the limited expected life of the Company.

The Board meets at least four times a year for regular scheduled meetings and, should the nature of the activity of the Company require it, additional meetings may be held, some at short notice. At each meeting, the Board follows a formal agenda that covers the business to be discussed.

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

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

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

Performance and evaluation

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

During the year, a formal board performance appraisal was carried out. The results have been collated and reviewed whereby, it was noted that overall performance of the Board during the year had been satisfactory and that the Board is confident in its ability to continue effectively to lead the Company and oversee its affairs. The Board believes that the current mix of skills, experience, knowledge and age of the Directors is appropriate to the requirements of the Company.

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

Corporate Governance Report (continued)

Duties and responsibilities

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

The Directors have access to the advice and services of the Company Secretary and Administrator, who are responsible to the Board for ensuring that Board procedures are followed and that it complies with Guernsey Law and applicable rules and regulations of the GFSC and the LSE. Where necessary, in carrying out their duties, the Directors may seek independent professional advice at the expense of the Company. The Company maintains appropriate Directors' and Officers' liability insurance in respect of legal action against its Directors on an on-going basis.

The Board has responsibility for ensuring that the Company keeps proper accounting records, which disclose with reasonable accuracy at any time the financial position of the Company, and which enable it to ensure that the financial statements comply with the Companies (Guernsey) Law, 2008.

The Board has responsibility for ensuring that the Annual Report presents a fair, balanced and understandable assessment of the Company's position and prospects. This responsibility extends to interim and other price-sensitive public reports.

Committees of the Board

Nomination and Remuneration Committee

The Nomination and Remuneration Committee Report is on page 44.

Management Engagement Committee

The Management Engagement Committee Report is on page 45.

Audit Committee

The Audit Committee Report is on pages 46 to 48.

Meeting Attendance

Name	Scheduled board meeting (max 4)	Other board meeting (max 2)	Audit Committee meeting (max 4)	Nomination and Remuneration Committee meeting (max 1)	Management Engagement Committee meeting (max 1)
Chris Russell	4	2	4	1	1
Thomas Ashworth*	4	2	-	1	-
Alan Clifton	4	1	4	1	1
Wilfred Woo	4	2	4	1	1
David Hinde (resigned on 13 November 2015)	-	-	-	-	-

* Thomas Ashworth is not a member of the Audit Committee or the Management Engagement Committee.

Internal control and financial reporting

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

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

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. Furthermore, at each board meeting, the Board receives reports from the Company Secretary and Administrator in respect of compliance matters and duties performed on behalf of the Company.

The Board considers that an internal audit function specific to the Group is unnecessary and that the systems and procedures employed by the Administrator and Manager, including their own audit functions, provide sufficient assurance that a sound system of internal control, which safeguards the Group's assets, is maintained. Investment advisory services are provided to the Group by Sniper Capital (Macau) Limited. The Board is responsible for setting the overall investment policy and monitors the action of the Manager at regular board meetings. The Board has also delegated administration and company secretarial services to Heritage International Fund Managers Limited but retains accountability for all functions it delegates.

Management agreement

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

The Company has delegated the provision of all services to external service providers whose work is overseen by the Management Engagement Committee at its regular scheduled meetings. Each year, a detailed review of performance pursuant to their terms of engagement is undertaken by the Management Engagement Committee.

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

Relations with shareholders

The Company welcomes the views of shareholders and places great importance on communication with its shareholders. Senior members of the Manager are available at all reasonable times to meet with principal shareholders and key sector analysts. The Chairman and other Directors are also available to meet with shareholders, if required.

Reports on the views of shareholders are provided to the Board on a regular basis. The Board is also kept fully informed of all relevant market commentary on the Company by the Manager and the Corporate Broker.

All shareholders can address their individual concerns to the Company in writing at its registered address. The Annual General Meeting of the Company provides a forum for shareholders to meet and discuss issues with the Directors and the Manager. In addition, the Company maintains a website which contains comprehensive information, including company notifications, share information, financial reports, investment objectives and policy, investor contacts and information on the Board and corporate governance.

Principal risks and uncertainties

The Group's assets consist of commercial and residential property investments in Macau. Its principal risks are therefore related to the commercial and residential property market in general, but also the particular circumstance of the properties in which they are invested and where relevant, their tenants. The 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 the properties in the portfolio are insured.

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

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

The Company's principal risk factors are fully discussed in the Company's prospectus, available on the Company's website and should be reviewed by shareholders. Note 2 further describes the Group's risk management processes.

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

- Macau's real estate market is showing signs of stabilisation following two years of declining property prices. Any sustained further market decline in Macau could prevent the Group from being able to realise its assets.

- There can be no guarantee that Macau will remain the only centre in China where gambling is legal. Changes in policies of the government or changes in laws and regulations may result in the legalisation of gambling in other parts of China. This in turn may have an adverse effect on Macau's economy and property market and the favourable treatment of gambling in Macau. This is an inherent risk of investing in the Macau region and therefore cannot be mitigated or managed by the Board.

- New legislation or regulations, or different or more stringent interpretation or enforcement of existing laws or regulations, in any jurisdiction in which the Group operates, may have a material adverse effect on the Group's financial performance and returns to shareholders.

- Macau law governs the majority of the Group's agreements which relate to property investments, property ownership rights and securities. It cannot be guaranteed that the Group will be able to enforce any such agreements or that remedies will be available outside of Macau.

Macau Property Opportunities Fund Limited
Corporate Governance Report (continued)

Principal risks and uncertainties (continued)

- The Group's return on its investments and prospects are subject to economic, legal, political and social developments in Macau and China, and the Asia-Pacific region in general. In particular, the Group's return on its investments may be adversely affected by:

  – changes in Macau's and China's political, economic and social conditions;
  – changes in policies of the government or changes in laws and regulations (including the revocation or modification by the Chinese Government of Macau's SAR status and high autonomy levels), or the interpretation of laws and regulations;
  – changes in foreign exchange rates or regulations;
  – measures that may be introduced to control inflation, such as interest rate increases;
  – changes in the rate or method of taxation;
  – title and/or legal disputes with neighbouring land owners and legal disputes with architects, project managers and suppliers;
  – changes to restrictions on or regulations concerning repatriation of funds; and
  – the continuous clampdown by the People's Republic of China ("PRC") Government on corruption and money laundering.

There is a process for identifying, evaluating and managing the significant risks faced by the Group. This process (which accords with the Turnbull guidance) has been regularly reviewed and has been in place throughout the financial year and up to the date of approval of these annual accounts.

The above significant risks are mitigated and managed by the Board through continual review, policy setting and annual updating of the Group's risk matrix to ensure that procedures are in place with the intention of minimising the impact of the above mentioned risks. The Board relies on reports periodically provided by the Administrator and the Manager regarding risks that the Group faces. When required, experts are employed to gather information, including tax advisers, legal advisers and planning advisers.

To mitigate the interest rate risks on the Group's borrowing, the Group entered into interest rate derivative instruments. The Board relies on the Manager's close relationship with legal professionals in Macau, Hong Kong and China to keep abreast of any potential changes to the law and any possible impact on the Group. The Board also regularly monitors the investment environment and the management of the Group's property portfolio, and applies the principles detailed in the internal control guidance issued by the FRC. Details of the Group's internal controls are described in more detail on page 41.

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

On behalf of the Board

Chris Russell
Chairman of the Board
20 September 2016

Nomination & Remuneration Committee Report

Summary of the role of the Nomination and Remuneration Committee

The Nomination and Remuneration Committee regularly reviews the structure, size and composition (including the skills, knowledge, gender, experience and diversity) of the Board and makes recommendations to the Board with regard to any changes and also considers the appropriate levels of the Board's remuneration. The Board monitors the developments in corporate governance to ensure the Board remains aligned with best practice, especially with respect to the increased focus on diversity. The Board acknowledges the importance of diversity of experience, approach and gender, for the effective functioning of the Board and commits to supporting diversity in the boardroom. It is the Board's on-going objective to have an appropriately diversified representation. The Board also values diversity of business skills and experience because Directors with diverse skills sets, capabilities and experience gained from different geographical backgrounds enhance the Board by bringing a wide range of perspectives to the Company. The Board is satisfied with the current composition and function of its members. It is the Company's policy to give careful consideration to issues of the Board's balance and diversity when making new appointments. When appointing Board members, its priority is based on merit, but will be influenced by the strong desire to maintain the Board's diversity, including gender. The terms of reference are considered annually by the Nomination and Remuneration Committee and are then referred to the Board for approval and are available on the Company's website.

Composition of the Nomination and Remuneration Committee

The members of the Nomination and Remuneration Committee are listed on page 88.

Meetings

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

Consideration of Directors for Re-election

Following discussion and having noted the schedule of Directors re-elected in each year since 2007, it was recommended by the Nomination and Remuneration Committee that Thomas Ashworth and Alan Clifton should be submitted for re-election at the Annual General Meeting to be held on 14 November 2016.

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

Overview

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

- the structure, size and composition (including the balance of skills, knowledge, experience and diversity) of the Board and Audit Committee and the need to periodically refresh membership;
- to note guidance set out in the AIC Code;
- to consider key outcomes from the Board's evaluation process;
- to consider board's tenure and succession planning; and
- consideration of Directors for re-election.

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

On behalf of the Nomination and Remuneration Committee

Alan Clifton
Chairman of the Nomination and Remuneration Committee
20 September 2016

Management Engagement Committee Report

Summary of the role of the Management Engagement Committee

The Management Engagement Committee annually reviews the terms of the Investment Management Agreement between the Company and the Manager and to review the performance and terms of engagement of any other key service providers to the Company, as detailed in Appendix 1 of the Terms of Reference of the Committee. The terms of reference are considered annually by the Management Engagement Committee and are then referred to the Board for approval and are available on the Company's website.

Composition of the Management Engagement Committee

The members of the Management Engagement Committee are listed on page 88.

Meetings

The Management Engagement Committee meets at least once a year and otherwise as required. Meetings of the Management Engagement Committee shall be called by the Company Secretary at the request of the 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 Management Engagement 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 Management Engagement Committee and to other attendees as appropriate, at the same time.

Performance of the Manager

Following discussion, it is the opinion of the Management Engagement Committee that the performance of the Manager for the year ended 30 June 2016 was acceptable and the continuing appointment of the Manager on the terms agreed is in the interests of the shareholders as a whole.

Performance of key service providers

Following discussion, it is the opinion of the Management Engagement Committee that the performance of key service providers (as detailed in Appendix 1 of the Terms of Reference of the Committee) for the year ended 30 June 2016 was acceptable.

Overview

The Management Engagement Committee met once during the year and as a result of its work, the Management Engagement Committee has concluded that it has acted in accordance with its terms of reference.

On behalf of the Management Engagement Committee

Alan Clifton
Chairman of the Management Engagement Committee
20 September 2016

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 Code. The terms of reference are considered annually by the Audit Committee and are then referred to the Board for approval and are available on the Company's website.

The Audit Committee is responsible for:

- reviewing and monitoring the integrity of the Annual Report and Audited Consolidated Financial Statements, the Interim Report and Interim Condensed Consolidated Financial Statements of the Group, and any formal announcements relating to the Group's financial performance, and reviewing significant financial reporting judgement contained therein;
- reporting to the Board on the appropriateness of the accounting policies and practices, including critical accounting policies and practices;
- advising the Board on whether the Committee believes the annual report and accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's performance, business model and strategy;
- reviewing the Group's internal financial controls and, unless expressly addressed by the Board itself, the Group's internal control and risk management systems;
- making recommendations to the Board for a resolution to be put to the shareholders, for their approval in general meetings, on the appointment of the external auditor and the approval of the remuneration and terms of engagement of the external auditor;
- reviewing and monitoring the external auditor's independence and objectivity and the effectiveness of the audit process, taking into consideration relevant UK professional and regulatory requirements;
- developing and implementing a policy on the engagement of the external auditor to supply non-audit services, taking into account relevant guidance regarding the provision of non-audit services by the external audit firm;
- reviewing the valuations of the Company's investments prepared by the Investment Adviser, and make a recommendation to the Board on the valuation |of the Company's investments;
- meeting the external auditor to review their proposed audit programme of work and the subsequent audit report and to assess the effectiveness of the audit process and the levels of fees paid in respect of both audit and non-audit work;
- considering annually whether there is a need for the Company to have its own internal audit function; and
- reviewing and considering the UK Code, the AIC code, the AIC Guidance on Audit Committees and the Stewardship Code.

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

The Audit Committee is also required to report to the Board, identifying how it has discharged its responsibilities during the current year.

The Board has taken note of the requirement that at least one member of the Audit Committee should have recent and relevant financial experience and is satisfied that the Audit Committee is properly constituted in that respect, with all members being highly experienced; and in particular, two of its members having backgrounds as chartered accountants.

The Audit Committee reviews the information contained in the other sections of the Annual Report including the Directors' Report, Chairman's Message and the Manager's Report. The auditor reports, by exception, if the information in the other sections of the Annual Report is materially inconsistent with the information in the audited financial statements.

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

Composition of the Audit Committee

The members of the Audit Committee are:

	Date of appointment
Alan Clifton (Chairman)	23 May 2006
Wilfred Woo	27 February 2012
Chris Russell	12 September 2012

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

Financial Reporting

The primary role of the Audit Committee in relation to the financial reporting is to review with the Administrator, Investment Adviser and the Auditor on the appropriateness of the Annual Report and Audited Consolidated Financial Statements and the Interim Report and Interim Condensed Consolidated Financial Statements, concentrating on, among other matters:

- the quality and acceptability of accounting policies and practices;
- the clarity of the disclosures and compliance with financial reporting standards and relevant financial and governance reporting requirements;
- material areas in which significant judgement have been applied or there has been discussion with the auditor;
- whether the Annual Report and Audited Consolidated Financial Statements, taken as a whole, is fair, balanced and understandable and provides the information necessary for the shareholders to assess the Company's performance, business model and strategy; and
- any correspondence from regulators in relation to Company's financial reporting.

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

Significant issues considered in relation to the financial statements

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

The Audit Committee is satisfied, having received advice from professional advisers which include valuers, tax advisers and lawyers, that these sensitivities have been appropriately reflected and disclosed in the financial statements.

During its review of the Group's financial statements for the year ended 30 June 2016, the Audit Committee considered the following significant issues:

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

The risk relating to the valuation of investment properties and inventories are mitigated through use of a professionally qualified valuer to conduct the valuations in accordance with current Royal Institute of Chartered Surveyors Appraisal and Valuations Standards.

The valuation is overseen by the Investment Adviser to ensure that the values are comparable to current market values of similar properties. The valuation process and methodology are discussed with the Investment Adviser regularly during the year and with the auditor as part of the year-end audit planning and interim review processes. These valuations are reviewed, challenged and ultimately agreed by the Board, who possesses knowledge and understanding of the markets where the properties are situated. The Board meets with the valuer at least once a year. The factors that affect the value and ownership of the investment property and inventory are further discussed in Notes 3, 6 and 7.

The risks relating to the ownership and existence of investment properties and inventories are mitigated through ensuring proper title deeds for the properties are held. Asset reconciliations are performed by the Administrator with the SPV Administrator on a quarterly basis. Property searches showing ownership of each of the assets are conducted to ascertain that there are no changes in ownership.

The risks relating to taxation is mitigated through the setup of the Group structure. When taxation queries arise, an independent taxation adviser is employed to advise the Board on such issues. The factors that affect the Group's taxation position are further discussed in Note 9.

Meetings

The Audit Committee meets not less than twice a year and at such other times as the Chairman requires. Any member of the Audit Committee may request that a meeting be convened by the Company Secretary. The external auditors may request that a meeting be convened if they deem it necessary. Other Directors and third parties may be invited by the Audit Committee to attend meetings as and when appropriate.

Annual General Meeting

The Audit Committee 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 shareholders' questions on the Audit Committee's activities.

Risk Management

The Company's risk assessment process and the way in which significant business risks are managed is a key area of focus for the Audit Committee. The work of the Audit Committee was driven primarily by the Company's assessment of its principal risks and uncertainties as set out on pages 42 and 43 of the Corporate Governance Report. The Audit Committee receives reports from the Investment Adviser and Administrator on the Company's risk evaluation process and reviews changes to significant risks identified.

Internal audit

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

Audit Committee Report (continued)

External audit

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

The external auditors are required to rotate the audit partner responsible for the Group audit every five years. The current lead audit partner has been in place for one year. Ernst & Young LLP has been the external auditor since 2010. There are no contractual obligations restricting the choice of external auditor and the Company will put the audit services contract out to tender at least every 10 years. In line with the FRC's suggestions on audit tendering, this will be considered further when the audit partner rotates every five years. Under Company Law, the re-appointment of the external auditors is subject to shareholders' approval at the Annual General Meeting. The Committee has provided the Board with its recommendation to the shareholders on the re-appointment of Ernst & Young LLP as external auditor for the year ended 30 June 2016. Accordingly, a resolution proposing the reappointment of Ernst & Young LLP as the Company's auditor will be put to shareholders at the 2016 Annual General Meeting.

During the year, the Committee discussed the planning, conduct and conclusions of the external audit as it proceeded. At the June 2016 Audit Committee meeting, the Committee discussed and approved the auditor's Group plan in which they identified the Group's valuation of the investment property, carrying value of inventory properties and revenue recognition as key areas of risk of misstatement in the Group's financial statements.

The Committee discussed these issues at the June 2016 meeting to ensure that the key risk areas identified by the auditors are consistent with the risks identified by the Board and that appropriate arrangements are in place to mitigate these risks.

To fulfil its responsibility regarding the independence of the external auditor, the Audit Committee will consider:

- discussions with or reports from the external auditor describing its arrangements to identify, report and manage any conflicts of interest; and
- the extent of non-audit services provided by the external auditor.

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

- the external auditor's fulfilment of the agreed audit plan and variations from it;
- discussions or reports highlighting the major issues that arose during the course of the audit; and
- feedback from other service providers evaluating the performance of the audit team.

Non-audit services

To further safeguard the objectivity and independence of the external auditor from becoming compromised, the Audit Committee has a formal policy governing the engagement of the external auditor to provide non-audit services. This precludes Ernst & Young LLP from providing certain services such as valuation work or the provision of accounting services and also sets a presumption that Ernst & Young LLP should only be engaged for non-audit services where Ernst & Young LLP is best placed to provide the non-audit service, for example, the interim review service or specialist tax advice. Please see Note 23 for details of services provided by Ernst & Young LLP.

Overview

The Audit Committee met four times in the year ended 30 June 2016. Matters considered at these meetings included but were not limited to:

- consideration and agreement of the terms of reference of the Audit Committee for approval by the Board;
- review of the accounting policies and format of the financial statements;
- review of the 2015 Annual Report and Audited Consolidated Financial Statements for the year ended 30 June 2015;
- review of the 2015 Interim Report and Interim Condensed Consolidated Financial Statements for the 6 months ended 31 December 2015;
- review of the Interim Management Statement released in November 2015 and the quarterly results announcement issued in May 2016;
- review of the audit plan and timetable for the preparation of the 2016 Annual Report and Audited Consolidated Financial Statements;
- discussions and approval of the fee for the external audit;
- assessment of the effectiveness of the external audit process as described above; and
- review of the Company's significant risks and internal controls.

As a result of its work during the year, the Audit Committee has concluded that it has acted in accordance with its terms of reference and has ensured the independence and objectivity of the external auditor. The Audit Committee has recommended to the Board that the external auditor is re-appointed.

On behalf of the Audit Committee

Alan Clifton
Chairman of the Audit Committee
20 September 2016

Statement of Directors' Responsibilities

The Directors are responsible for preparing the annual report and accounts in accordance to applicable laws and regulations. The Companies (Guernsey) Law 2008 requires the Directors to prepare financial statements for each financial year. Under that law, the Directors are required to prepare the Group's financial statements in accordance to International Financial Reporting Standards as adopted by the European Union ("IFRS"). Under Company Law, the Directors must not approve the accounts unless they are satisfied that they give a true and fair view of the state of affairs of the Group and of the financial performance and cash flows of the Group for that period. In preparing these Group's financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgement that are reasonable and prudent;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRS are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Group's financial position and financial performance;
- state that the Group has complied with IFRS, subject to any material departures disclosed and explained in the Group's financial statements; and
- prepare the Group's financial statements on a going concern basis unless it is inappropriate to presume that the Group will continue in business.

The Directors confirm that they have complied with the above requirements in preparing the Group's financial statements.

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

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

Legislation in Guernsey 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 Code in their annual report and accounts.

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

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

Directors' Statement under the Disclosure and Transparency Rules

- The Group's financial statements, prepared in accordance with IFRS, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group.
- The management report, which is incorporated into the Directors' Report, Manager's Report and Chairman's Message contained in the annual report, includes a fair review of the development and performance of the Group and of the position of the Company and the Group as a whole, together with a description of the principal risks and uncertainties they face.
- The annual report and accounts include information required by the UK Listing Authority and for ensuring that the Company complies with the provisions of the Listing Rules and the Disclosure Rules and Transparency Rules of the UK Listing Authority, with regard to corporate governance, require the Company to disclose how it has applied the principles, and complied with the provisions of the corporate governance code applicable to the Company.

Directors' Statement under the UK Corporate Governance Code

- The Directors are responsible for preparing the annual report and Group's financial statements in accordance with applicable law and regulations. Having taken advice from the Audit Committee, the Directors consider the annual report and Group's financial statements, taken as a whole, as fair, balanced and understandable and that it provides the information necessary for shareholders to assess the Group's performance, business model and strategy.

On behalf of the Board

Chris Russell
Chairman of the Board
20 September 2016

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

1. Our opinion on the consolidated financial statements

In our opinion, Macau Property Opportunities Fund Limited's ("the Company") and its subsidiaries' (the "Group") consolidated financial statements (the "financial statements"):

- give a true and fair view of the state of the Group's affairs as at 30 June 2016 and its loss for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards as adopted by the European Union ("IFRS"); and
- have been prepared in accordance with the requirements of the Companies (Guernsey) Law 2008.

2. What we have audited

We have audited the consolidated financial statements of the Company for the year ended 30 June 2016, which comprise:

- the Consolidated Statement of Financial Position as at 30 June 2016;
- the Consolidated Statement of Comprehensive Income for the year ended 30 June 2016;
- the Consolidated Statement of Changes in Equity for the year ended 30 June 2016;
- the Consolidated Statement of Cash Flows for the year ended 30 June 2016; and
- the related Notes 1 to 25.

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

3. Overview of our audit approach

Risks of material misstatement	• Valuation of investment property • Carrying value of inventory properties • Revenue recognition
Audit scope	• We have performed an audit of the consolidated financial statements of the Group.
Materiality	• Overall materiality of US$1.1 million (2015: US$3.1 million) which represents 1% (2015: 2%) of NAV.
What has changed	Our scope of work remained the same as compared to the previous year and as communicated during planning meeting with the exception of the following: • Change in materiality – We have reassessed the materiality level during the execution stage taking into account both qualitative and quantitative considerations, particularly the decline in market values of the properties. We have deemed it appropriate to adjust the materiality level from 2% of NAV to 1% of NAV. • Ownership of investment property and inventory properties – Ownership of investment property and inventory properties was considered as significant risk in prior year. Given that there was no property purchased in the year, it is no longer considered to be a significant risk in the current year. • Improper accounting treatment for income taxes – In the prior year, improper accounting treatment for income taxes was considered to be a significant risk due to significant unresolved uncertainties. As a result of these uncertainties, it is no longer considered to be a significant risk in the current year. • Carrying value of inventory properties – Inventory properties are carried in the financial statements at lower of cost or net reliable value. Calculation of net realisable value involves estimates and judgements. As a result of reductions in market values and a consequential reduction in the net realisable value, we have determined that there is an increased risk of a misstatement of the carrying value of inventory properties and as a result have determined that it is a significant risk in the current year.

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

3. Overview of our audit approach (continued)

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

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

Risk	Our response to the risk	What we concluded to the Audit Committee
Fair valuation of investment property (**US$206.6 million; 2015: US$243.8 million**) The valuation of investment property is the key driver of the Group's net asset value and total return. Valuation of investment property requires specialist expertise and the use of significant estimates and judgement, giving rise to a higher risk of misstatement. Refer to the Audit Committee Report (pages 46 to 48) and Note 6 of the financial statements (pages 75 and 76)	We performed full scope audit procedures over the valuation of investment property. Audit procedures performed by Component audit teams are based on instructions issued by the Group audit team. Those procedure are described below: • We documented our understanding of the processes, policies and methodologies used by management for valuing investment property and performed walkthrough tests to confirm our understanding of the systems and controls implemented. • We agreed the valuations recorded in the consolidated financial statements to the values reported by the Group's independent Specialists. • We tested the inputs to the valuation for consistency with underlying tenancy agreements. • We involved our real estate expert in Hong Kong to assess whether the assumptions in relation to the market related inputs were reasonable. • We tested the calculation of profit/loss on revaluation of the year and assessed the appropriateness of the recording and reporting of these amounts. • We engaged our own internal valuation experts from Hong Kong to: – use their knowledge of the market to assess and corroborate the market related judgement and valuation inputs (including discount rates, exit yields and sales values) used by the Specialists; and – assist us in determining whether the Specialists were appropriately qualified and independent.	We confirmed that there were no material matters arising from our audit work on the inputs used and the judgment made by the Specialists that we wished to bring to the attention of the Audit Committee. We confirmed that investment property is not materially misstated.

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

3. Overview of our audit approach (continued)

Risk	Our response to the risk	What we concluded to the Audit Committee
Carrying value of inventory properties (**US$67.4 million; 2015: US$67.3 million**) Inventory properties are stated at lower of cost and Net Realisable Value ("NRV"). The valuation of inventory properties is the key driver to determine the NRV of properties. Valuation of property requires specialist expertise and the use of significant estimates and judgement, giving rise to a higher risk of misstatement. Refer to the Audit Committee Report (pages 46 to 48) and Note 7 of the financial statements (page 76)	We performed full scope audit procedures over the carrying value of inventory properties. Audit procedures performed by Component audit teams are based on instructions issued by the Group audit team. Those procedures are described below: • We documented our understanding of the processes, policies and methodologies used by management for valuing inventory properties and performed walkthrough tests to confirm our understanding of the systems and controls implemented. • We agreed a sample of the significant inputs used by the Specialists to value the properties, particularly development cost, projected capex, to contractual documentation and development plans and agreements. • We tested the arithmetical accuracy of the calculations prepared by the Specialists for the main assumptions in the model, by reperforming a sample of their calculations. • We engaged our own internal valuation experts from Hong Kong to: – use their knowledge of the market to assess and corroborate the market related judgement and valuation inputs (including discount rates, exit yields and sales values) used by the Specialists; and – assist us in determining whether the Specialists were appropriately qualified and independent.	We confirmed that there were no material matters arising from our audit work on the inputs used and the judgment made by the Specialists that we wished to bring to the attention of the Audit Committee. We confirmed that carrying value of inventory properties is not materially misstated.
Recognition of rental income (**US$2.1 million; 2015: US$4.3 million**) **/realised gain on disposal of properties** (**US$1.0 million; 2015: US$27.9 million**) Management may seek to overstate revenue generated from rental income and on disposal of inventory properties, as it is a significant metric and indicator of the Group's progress, giving rise to a higher risk of misstatement. Refer to Note 1 of the financial statements (page 66)	• Rental income – We have agreed a sample of tenancy agreements to amounts recorded as rental income. – Performed analytical procedures on rental income to identify any inconsistencies in rental income patterns or holiday periods. – Determined that the accounting policy for rental income was in compliance with IFRS. • Property realisation – We have re-performed calculations of the realised gain on disposal of properties. – Inspected the documentation supporting the sales price (i.e. Sale and Purchase Agreement).	We confirmed that there were no matters identified during our audit work on revenue recognition that we wished to bring to the attention of the Audit Committee. We confirmed that revenue from rental income and on disposal of properties was recognised in accordance with IFRS.

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

4. Our application of materiality

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

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

We determined planning materiality for the Group to be US$1.1 million (2015: US$3.1 million), which is 1% (2015: 2%) of NAV. This provided a basis for determining the nature, timing and extent of risk assessment procedures, identifying and assessing the risk of material misstatement and determining the nature, timing and extent of further audit procedures.

It was considered inappropriate to determine materiality based on the Group's profit before tax, as the primary performance measures of the Group for internal and external reporting are based on equity.

We believe that NAV provides us with an appropriate basis for audit materiality, as it is a key published performance measure and is a key metric used by management in assessing and reporting on overall performance.

4.2. Performance materiality
Performance materiality is the application of materiality at the individual account or balance level. It is set at an amount to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality.

On the basis of our risk assessments, together with our assessment of the Group's overall control environment, our judgement was that performance materiality was 75% (2015: 75%) of our planning materiality, namely US$0.80 million (2015: US$2.3 million). Our objective in adopting this approach was to ensure that total uncorrected and undetected audit differences in the financial statements did not exceed our materiality level.

4.3. Reporting threshold
An amount below which identified misstatements is considered as being clearly trivial.

We agreed with the Audit Committee that we would report to them all uncorrected audit differences in excess of US$53,000 (2015: $155,000), which is set at 5% of planning materiality, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds.

We evaluate any uncorrected misstatements against both the quantitative measures of materiality discussed above and in light of other relevant qualitative considerations in forming our opinion.

Macau Property Opportunities Fund Limited

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

5. Scope of the audit of the financial statements

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

5.1. Tailoring the scope
We performed audit procedures on accounts within the Group, that we considered had the potential for the greatest impact on the significant accounts in the financial statements, either because of the size of the accounts or their risk profile.

5.2. Involvement with Component teams
Team structure
The overall audit strategy is determined by the opinion signatory who is based in the Channel Islands. Since the Group's operations are principally in Hong Kong/Macau, the audit team includes EY team members from Hong Kong. The Group audit team visited Hong Kong during the current year. Whilst in Hong Kong, we focused our time on the significant risks and judgemental areas of the audit.

Involvement with Component teams
In establishing our overall approach to the Group audit, we determined the type of work that needed to be undertaken at the components by the Group audit team, or by the Component team operating under our instruction. We determined the appropriate level of involvement to enable us to be satisfied that sufficient audit evidence had been obtained as a basis for our opinion on the Group as a whole. The Group audit team, assisted by our internal valuation specialists in Hong Kong, performed procedures on the valuations of investment property.

The Group audit team interacted regularly with the Component teams, where appropriate, during various stages of the audit, reviewed key working papers and were responsible for the scope and direction of the audit process. This, together with the additional procedures performed at group level, gave us appropriate audit evidence for our opinion on the Group's financial statements.

6. Respective responsibilities of Directors and Auditor

As explained more fully in the Statement of Directors' Responsibilities set out on page 49, the Directors are responsible for the preparation of the Group's financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

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

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

7. Matters on which we are required to report by exception

ISAs (UK and Ireland) reporting	We are required to report to you if, in our opinion, financial and non-financial information in the annual report is: • materially inconsistent with the information in the audited financial statements; or • apparently materially incorrect based on, or materially inconsistent with, our knowledge of the Group acquired in the course of performing our audit; or • otherwise misleading. In particular, we are required to report whether we have identified any inconsistencies between our knowledge acquired in the course of performing the audit and the Directors' Statement that they consider the annual report and accounts taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the entity's performance, business model and strategy; and whether the annual report appropriately addresses those matters that we communicated to the Audit Committee that we consider should have been disclosed.	We have no exceptions to report.
Listing Rules review requirements	We are required by Listing Rules to review: • the Directors' Statement in relation to going concern and longer-term viability, set out on page 37; and • the part of the Corporate Governance Statement relating to the Group's compliance with the provisions of the UK Corporate Governance Code specified for our review.	We have no exceptions to report.
Companies (Guernsey) Law 2008 reporting	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.	We have no exceptions to report.

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

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

ISAs (UK and Ireland) reporting	We are required to give a statement as to whether we have anything material to add or to draw attention to in relation to: • the Directors' confirmation in the annual report that they have carried out a robust assessment of the principal risks facing the entity, including those that would threaten its business model, future performance, solvency or liquidity; • the disclosures in the annual report that describe those risks and explain how they are being managed or mitigated; • the Directors' Statement in the financial statements about whether they considered it appropriate to adopt the going concern basis of accounting in preparing them, and their identification of any material uncertainties to the entity's ability to continue to do so over a period of at least 12 months from the date of approval of the financial statements; and • the Directors' explanation in the annual report as to how they have assessed the prospects of the entity, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the entity will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.	We have nothing material to add or to draw attention to.

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

Note:

1. The maintenance and integrity of the Group's website is the responsibility of the Directors; the work carried out by the Auditors does not involve consideration of these matters and, accordingly, the Auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.

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

Consolidated Statement of Financial Position

As at 30 June 2016

	Note	2016 US$'000	2015 US$'000
ASSETS			
Non-current assets			
Investment property	6	**206,595**	243,810
Deposits with lenders	21	**2,113**	1,941
Financial assets at fair value through profit or loss – interest rate swap	20	**-**	174
Trade and other receivables		**111**	111
		208,819	246,036
Current assets			
Inventories	7	**67,410**	67,288
Trade and other receivables	10	**1,096**	3,279
Deposits with lenders	21	**-**	709
Cash and cash equivalents		**12,741**	28,749
		81,247	100,025
Total assets		**290,066**	346,061
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Share capital	12	**764**	775
Retained earnings		**38,724**	84,375
Distributable reserves		**66,208**	69,213
Foreign currency translation reserve		**947**	1,084
Total equity		**106,643**	155,447
LIABILITIES			
Non-current liabilities			
Deferred taxation provision	9	**12,782**	17,385
Taxation provision	9	**2,409**	4,924
Interest-bearing loans	8	**149,018**	146,769
Financial liabilities at fair value through profit or loss – interest rate swap	20	**23**	-
		164,232	169,078
Current liabilities			
Taxation provision	9	**2,514**	-
Trade and other payables	11	**1,891**	1,773
Interest-bearing loans	8	**14,705**	19,194
Financial liabilities at fair value through profit or loss – interest rate swap	20	**81**	569
		19,191	21,536
Total liabilities		**183,423**	190,614
Total equity and liabilities		**290,066**	346,061
Net Asset Value per share (US$)	17	**1.40**	2.00
Adjusted Net Asset Value per share (US$)	17	**2.96**	3.97

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

The consolidated financial statements on pages 58 to 61 were approved by the Board of Directors and authorised for issue on 20 September 2016.

Chris Russell
Director

Alan Clifton
Director

Consolidated Statement of Comprehensive Income

Year ended 30 June 2016

	Note	2016 US$'000	2015 US$'000
Income			
Income on sale of inventories	7	**1,045**	27,906
Rental income		**2,109**	4,311
Net loss from fair value adjustment on investment property	6	**(38,227)**	(62,048)
Other income		**4**	11
		(35,069)	(29,820)
Expenses			
Cost of sales of inventories	7	**254**	11,004
Management fee	19	**5,528**	8,117
Non-Executive Directors' fees	18	**187**	231
Auditors' remuneration: audit fees	23	**103**	90
Auditors' remuneration: non-audit fees	23	**32**	32
Property operating expenses	15	**1,271**	1,687
Sales and marketing expenses		**77**	202
General and administration expenses	13	**1,155**	1,490
Loss on foreign currency translation		**75**	194
		(8,682)	(23,047)
Operating loss for the year		**(43,751)**	(52,867)
Finance income and expenses			
Net gain on valuation of interest rate swap	20	**291**	265
Bank loan interest		**(4,827)**	(3,901)
Interest expense on interest rate swap	20	**(581)**	(1,035)
Other financing costs	14	**(324)**	(506)
Bank and other interest		**-**	2
		(5,441)	(5,175)
Loss for the year before tax		**(49,192)**	(58,042)
Taxation	9	**3,541**	5,515
Loss for the year after tax		**(45,651)**	(52,527)
Items that may be reclassified subsequently to profit or loss			
Exchange difference on translating foreign operations		**(137)**	(5)
Total comprehensive loss for the year		**(45,788)**	(52,532)
Loss attributable to:			
Equity holders of the Company		**(45,651)**	(52,527)
Total comprehensive loss attributable to:			
Equity holders of the Company		**(45,788)**	(52,532)

	Note	2016 US$	2015 US$
Basic and diluted loss per ordinary share attributable to the equity holders of the Company during the year	17	**(0.5961)**	(0.6661)

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

Consolidated Statement of Changes in Equity

Year ended 30 June 2016

	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 2015		**775**	**84,375**	**69,213**	**1,084**	**155,447**
Loss for the year		-	(45,651)	-	-	(45,651)
Items that may be reclassified subsequently to profit or loss						
Exchange difference on translating foreign operations		-	-	-	(137)	(137)
Total comprehensive loss for the year		-	**(45,651)**	-	**(137)**	**(45,788)**
Share buyback	12	(11)	-	(3,005)	-	(3,016)
Balance carried forward at 30 June 2016		**764**	**38,724**	**66,208**	**947**	**106,643**

	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 2014		814	136,902	84,049	1,089	222,854
Loss for the year		-	(52,527)	-	-	(52,527)
Items that may be reclassified subsequently to profit or loss						
Exchange difference on translating foreign operations		-	-	-	(5)	(5)
Total comprehensive loss for the year		-	(52,527)	-	(5)	(52,532)
Share buyback	12	(39)	-	(14,836)	-	(14,875)
Balance carried forward at 30 June 2015		775	84,375	69,213	1,084	155,447

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

Consolidated Statement of Cash Flows

Year ended 30 June 2016

	Note	2016 US$'000	2015 US$'000
Net cash used in operating activities	16	**(4,904)**	(38,497)
Cash flows from investing activities			
Capital expenditure on investment property	6	**(1,237)**	(103)
Movement in pledged bank balances		**537**	6
Proceeds from disposal of investment property		-	6,452
Net cash (used in)/generated from investing activities		**(700)**	6,355
Cash flows from financing activities			
Proceeds from bank borrowings		**36,266**	51,441
Repayment of bank borrowings		**(38,367)**	(13,622)
Share buyback	12	**(3,016)**	(14,875)
Interest and bank charges paid		**(5,400)**	(5,654)
Net cash (used in)/generated from financing activities		**(10,517)**	17,290
Net movement in cash and cash equivalents		**(16,121)**	(14,852)
Cash and cash equivalents at beginning of year		**28,749**	43,528
Effect of foreign exchange rate changes		**113**	73
Cash and cash equivalents at end of year		**12,741**	28,749

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

Notes to the Consolidated Financial Statements

General information

Macau Property Opportunities Fund Limited (the "Company") is a Company incorporated and registered in Guernsey under The Companies (Guernsey) Law, 1994. This law was replaced by the Companies (Guernsey) Law, 2008 on 1 July 2008. The Company is an authorised entity under the Authorised Closed-Ended Investment Schemes Rules 2008 and is regulated by the GFSC. The address of the registered office is given on page 88.

The consolidated financial statements for the year ended 30 June 2016 comprise the financial statements of the Company and its subsidiaries (together referred to as the "Group"). The Group invests in residential and commercial property and property-related ventures primarily in Macau.

These consolidated financial statements have been approved for issue by the Board of Directors on 20 September 2016.

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 IFRS; 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. The consolidated financial statements are presented in US Dollar and all values are rounded to the nearest thousand ($'000), except where otherwise indicated.

Certain comparative prior year amounts are restated due to reclassification adjustments in accordance with IAS 1.

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

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

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

At the Extraordinary General Meeting held on 7 April 2014, the shareholders voted in favour of amending the Company's Articles of Incorporation so that the next discontinuation vote would take place no later than 31 December 2016. This was considered a suitable timeframe for the maximisation of the value of the Company's portfolio. The Directors believe that the forthcoming Discontinuation Vote does not give rise to a material uncertainty (that might cast doubt about the Company's ability to continue as a going concern) because it is highly unlikely that the vote will be carried. Shareholder support of 75% is required to pass the Discontinuation Vote; Sniper Investments Limited, with a 16.6% shareholding, and other major shareholders are supportive of the Board; and it is likely that returns from sales of properties would be lower if the Company were forced to sell as a result of discontinuation.

The Directors believe it is appropriate to prepare the financial statements of the Group on a going concern basis based upon existing cash resources, the forecasts described above, the expected extension of the life of the Company and the Directors' assessment of the Group's committed banking facilities and expected continuing compliance with related covenants.

New and amended standards and interpretations adopted by the Group
There have been no new standards or amendments to existing standards applicable during the current year.

New and amended standards and interpretations not applied
The following new and amended standards and interpretations in issue are applicable to the Group but are not yet effective or have not been adopted by the European Union and therefore, have not been adopted by the Group:

Notes to the Consolidated Financial Statements (continued)

1. Summary of significant accounting policies (continued)

		Effective dates no earlier than
IFRS 9	Financial instruments	1 January 2018
IFRS 15	Revenue from contracts with customers	1 January 2018
IFRS 11	Accounting for acquisitions of interests in Joint Operations amendments	1 January 2016
IAS 1	Disclosure Initiative – amendments to IAS 1	1 January 2016
IFRS 19	Leases	1 January 2019
Various	Amendments to IFRS 10, IFRS 12 and IAS 28: Investment Entities: Applying Consolidation Exemption	1 January 2016

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

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

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

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

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

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

b) Transactions and balances
Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the date of the transaction. Foreign exchange gains and losses – resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies – are recognised in the Consolidated Statement of Comprehensive Income.

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

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

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

i) assets and liabilities for each statement of financial position are presented at the closing rate at the date of that statement of financial position;
ii) income and expenses for each statement of comprehensive income are translated at average exchange rates;
iii) all resulting exchange differences are recognised as a separate component of other comprehensive income; and
iv) on disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in profit or loss.

Foreign currency translation reserve
Foreign currency differences arising on translation of foreign operations into the Group's presentation currency are recognised in other comprehensive income and presented in the foreign currency translation reserve in equity.

1. Summary of significant accounting policies (continued)

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

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

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

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

Fair value measurements
The Group measures certain financial instruments such as derivatives, and non-financial assets such as investment property, at fair value at the end of each reporting period. Also, fair values of financial instruments measured at amortised cost are disclosed in the financial statements.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- in the principal market for the asset or liability; or
- in the absence of a principal market, in the most advantageous market for the asset or liability.

The Group must be able to access the principal or the most advantageous market at the measurement date. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use, or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs significant to the fair value measurement as a whole:

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

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

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

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

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

Fair value of interest rate swaps
The Group's derivative financial instruments are financial assets and liabilities at fair value through profit and loss.

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

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

1. Summary of significant accounting policies (continued)

Inventories
Properties and land that are being held or developed for future sale are classified as inventories. In the opinion of the Board, inventories are held with a view to short term sale in the ordinary course of business. They are individually carried at the lower of cost and NRV. NRV 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.

Borrowing costs
Borrowing costs incurred for the purpose of acquiring, constructing or producing a qualifying asset, such as investment property or inventory, 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. All other borrowing costs are expensed in the period in which they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds. The interest capitalised is calculated using the Group's weighted average cost of borrowing after adjusting for borrowing associated with specific developments. Where borrowings are associated with specific developments, the amount capitalised is the gross interest incurred on those borrowings less any investment income arising from their temporary investment.

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

Losses are recognised in the Consolidated Statement of Comprehensive Income. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through the Consolidated Statement of Comprehensive Income.

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 of such indication exists, then the asset's recoverable amount is estimated. The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell.

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

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

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

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

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

1. Summary of significant 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
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.

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, a property that is held by a single-asset subsidiary and when disposal is achieved through the sale of such subsidiary and where it is judged as an asset disposal, the proceeds from disposal thereof are recognised in income and net assets disposed of, excluding long-term debt, are recognised in cost of sales in expenses. For conditional exchanges, sales are recognised only when all the significant conditions are satisfied.

Sale of property under development
Where property is under development and an agreement has been reached to sell such property when construction is complete, and where the Directors determine the 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 and are subsequently measured at amortised cost using the effective interest method.

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

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

Finance costs comprise interest expense on borrowings. Interest expense is recognised using the effective interest rate method in the Consolidated Statement of Comprehensive Income.

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

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

Taxes
Current income tax
Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the reporting date. Current income tax relating to items recognised directly in equity is recognised in equity and not in the Consolidated Statement of Comprehensive Income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

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

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

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

As a result of the discussion of the IFRS Interpretations Committee in its July 2014 meeting relating to deferred taxation for a single asset held by a corporate wrapper, the Group has recognised the deferred tax liability for the taxable temporary timing difference relating to the investment property carried at fair value.

2. Financial risk management, policies and objectives

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

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

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

The Group's market risk is managed by the Manager in accordance with policies and procedures in place as disclosed in the Group's prospectus which is available on the Group's website. The Group's overall market position is 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 rates and changes in foreign currency rates.

a) Foreign exchange risk
The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures. Foreign exchange risk arises from future commercial transactions, recognised monetary assets and liabilities and net investments in foreign operations. The Group's policy is not to enter into any currency hedging transactions. The tables on the next page summarise the Group's exposure to foreign currency risk as at 30 June 2016 and 30 June 2015. The Group's financial assets and liabilities are included in the table, categorised by their currency at their carrying amount in US$'000. In the current economic climate, management's assessment of a reasonable possible change in foreign exchange rates would be up to a 1% increase/decrease for Hong Kong Dollar ("HK$")/US$, due to the HK$ being pegged to the US$, and up to a 10% increase/decrease for all other currencies.

The table on the next page presents financial assets and liabilities denominated in foreign currencies held by the Group as at 30 June 2016 and 30 June 2015, and can be used to monitor foreign currency risk as at that date.

At 30 June 2016, if Sterling weakened/strengthened by 10% against US$ with all other variables held constant, the post-tax loss for the year and movement in foreign currency translation reserve would have been US$11,000 higher/lower (2015: US$32,000 higher/lower). Any movement would have no other effect on the remaining equity components of the Group. The HK$ is pegged to US$ 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$7.80 per dollar. If the HK$ weakened/strengthened by 1% against the US$ with all other variables held constant, the post-tax loss for the year and movement in foreign currency translation reserve would have been US$1,489,000 higher/lower (2015: US$1,329,000 higher/lower). Any movement would have no other effect on the remaining equity components of the Group.

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

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

Market risk (continued)

a) Foreign exchange risk (continued)

	US$'000	£'000	HK$'000	Other currencies '000	Total US$'000
As at 30 June 2016					
Trade and other receivables (excluding prepayments)	-	-	1,013	111	1,124
Cash and cash equivalents	-	66	12,638	37	12,741
Deposits with lenders	-	-	2,113	-	2,113
Total financial assets	**-**	**66**	**15,764**	**148**	**15,978**
Trade and other payables	114	172	23	1,582	1,891
Interest-bearing loans	-	-	164,514	-	164,514
Financial liabilities at fair value through profit or loss	-	-	104	-	104
Total financial liabilities	**114**	**172**	**164,641**	**1,582**	**166,509**
Net financial position	**(114)**	**(106)**	**(148,877)**	**(1,434)**	**(150,531)**

	US$'000	£'000	HK$'000	Other currencies '000	Total US$'000
As at 30 June 2015					
Trade and other receivables (excluding prepayments)	-	-	3,190	111	3,301
Cash and cash equivalents	1	41	28,511	196	28,749
Deposits with lenders	-	-	2,650	-	2,650
Financial assets at fair value through profit or loss	-	-	174	-	174
Total financial assets	1	41	34,525	307	34,874
Trade and other payables	-	362	59	1,352	1,773
Interest-bearing loans	-	-	166,770	-	166,770
Financial liabilities at fair value through profit or loss	-	-	569	-	569
Total financial liabilities	-	362	167,398	1,352	169,112
Net financial position	1	(321)	(132,873)	(1,045)	(134,238)

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$556,000 higher/US$468,000 lower (2015: US$968,000 higher/US$1,046,000 lower). Any movement would have no other effect on the remaining equity components of the Group.

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

The Group's interest rate risk is managed by the Manager, in accordance with policies and procedures in place and mitigated through the use of interest rate swaps (see Note 20). The Group's overall positions and exposures are monitored on a quarterly basis by the Board of Directors.

If interest rates had been 1% higher and all other variables were held constant, the Group's loss for the year would have increased by US$1,497,000 (2015: US$1,354,000) (based on the interest bearing net financial liability per the table below). This is mainly due to the Group's exposure to interest-bearing loans. The majority of loans are hedged, see details on the next page.

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

	Interest bearing US$'000	Non-interest bearing US$'000	Total US$'000
As at 30 June 2016			
Trade and other receivables (excluding prepayments)	-	1,124	1,124
Cash and cash equivalents	12,741	-	12,741
Deposits with lenders	2,113	-	2,113
Total financial assets	**14,854**	**1,124**	**15,978**
Trade and other payables	-	1,891	1,891
Interest-bearing loans	164,514	-	164,514
Financial liabilities at fair value through profit or loss	-	104	104
Total financial liabilities	**164,514**	**1,995**	**166,509**

	Interest bearing US$'000	Non-interest bearing US$'000	Total US$'000
As at 30 June 2015			
Trade and other receivables (excluding prepayments)	-	3,301	3,301
Cash and cash equivalents	28,749	-	28,749
Deposits with lenders	2,650	-	2,650
Financial assets at fair value through profit or loss	-	174	174
Total financial assets	31,399	3,475	34,874
Trade and other payables	-	1,773	1,773
Interest-bearing loans	166,770	-	166,770
Financial liabilities at fair value through profit or loss	-	569	569
Total financial liabilities	166,770	2,342	169,112

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

2. Financial risk management, policies and objectives (continued)

Credit risk

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

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

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

Credit Rating	2016 US$'000	2015 US$'000
AA-	**273**	2,679
A+	**2,411**	28
A	**15**	17
A-	**16**	22,617
BBB+	**12,117**	6,058
BBB	**22**	-
	14,854	31,399

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

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

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

Liquidity risk

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

Of the Group's total exposure to banks of US$14,854,000 (2015: US$31,399,000), deposits amounting to US$2,113,000 (2015: US$2,650,000) have been pledged to secure banking facilities, of which US$2,113,000 (2015: US$1,941,000) relates to long-term banking facilities, and are, therefore, classified as non-current assets. Pledged bank balances represent deposits pledged to the banks to secure the banking facilities granted to the Group.

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

The table on the right analyses the Group's financial assets and liabilities into relevant maturity profiles based on the remaining period at the Consolidated Statement of Financial Position date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows (including interest payments).

Liquidity risk (continued)

As at 30 June 2016	On demand US$'000	Less than 3 months US$'000	3 to 12 months US$'000	1 to 2 years US$'000	2 to 5 years US$'000	Over 5 years US$'000	Total US$'000
Trade and other receivables (excluding prepayments)	-	1,006	7	111	-	-	1,124
Cash and cash equivalents	12,741	-	-	-	-	-	12,741
Deposits with lenders	-	-	-	-	2,113	-	2,113
Total financial assets	**12,741**	**1,006**	**7**	**111**	**2,113**	**-**	**15,978**
Trade and other payables	-	1,211	680	-	-	-	1,891
Interest-bearing loans	-	2,690	16,978	43,370	115,808	-	178,846
Financial liabilities at fair value through profit or loss	-	38	43	23	-	-	104
Total financial liabilities	**-**	**3,939**	**17,701**	**43,393**	**115,808**	**-**	**180,841**
Net financial position	**12,741**	**(2,933)**	**(17,694)**	**(43,282)**	**(113,695)**	**-**	**(164,863)**

As at 30 June 2015	On demand US$'000	Less than 3 months US$'000	3 to 12 months US$'000	1 to 2 years US$'000	2 to 5 years US$'000	Over 5 years US$'000	Total US$'000
Trade and other receivables (excluding prepayments)	-	3,183	7	111	-	-	3,301
Cash and cash equivalents	28,749	-	-	-	-	-	28,749
Deposits with lenders	-	-	709	-	1,941	-	2,650
Financial assets at fair value through profit or loss	-	-	-	47	127	-	174
Total financial assets	28,749	3,183	716	158	2,068	-	34,874
Trade and other payables	-	821	952	-	-	-	1,773
Interest-bearing loans	-	5,317	18,421	31,184	82,804	44,240	181,966
Financial liabilities at fair value through profit or loss	-	258	311	-	-	-	569
Total financial liabilities	-	6,396	19,684	31,184	82,804	44,240	184,308
Net financial position	28,749	(3,213)	(18,968)	(31,026)	(80,736)	(44,240)	(149,434)

2. Financial risk management, policies and objectives (continued)

Fair value hierarchy
Financial investments measured at fair value
IFRS 13 requires disclosure of fair value measurements by level as discussed in Note 1.

The Group's interest rate swaps have been classified within Level 2, which makes use of a model with inputs that are directly or indirectly observable market data. The following table presents the value carried on the Consolidated Statement of Financial Position by level within the valuation hierarchy as at 30 June 2016:

	As at 30 June 2016 US$'000	As at 30 June 2015 US$'000
Non-current assets	-	174
Non-current liabilities	**(23)**	-
Current liabilities	**(81)**	(569)
Net interest rate swap liabilities	**(104)**	(395)

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

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

For all financial instruments, other than those recognised at fair value or whose fair value is disclosed within these financial statements, carrying value of the financial asset/liability is an approximation of their fair value.

Capital risk management
The Group's objectives, when managing capital, are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders, and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

During the year ended 30 June 2016, there were no borrowings other than the Group's loan facilities in place which are classified as interest bearing loans in the Consolidated Statement of Financial Position.

Discount management policy
The Board's intention is to apply an active discount management policy, buying back shares if there is a significant discount of share price to Adjusted Net Asset Value ("Adjusted NAV") for a sustained period of time, subject to cash flow operating needs of the Company. During the year, the Company has purchased 1,101,000 (2015: 3,881,036) ordinary shares at a weighted average price of 176.64p (2015: 237.75p) as per Note 12. All of the shares bought back were cancelled.

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

The Board remains committed to an active discount management policy.

3. Critical accounting estimates, assumptions and judgement

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

a) Fair value of the investment property, NRV and Adjusted NAV are based on the current market valuation provided by Savills, an independent valuer. Savills is required to make assumptions on establishing the current market valuation. The most significant assumptions (as described further in Note 6), relate to estimating costs to complete property under development, future income streams and discount rates applicable to 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 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 (see Note 7), is assessed with reference to market prices at the reporting date for similar completed property, less estimated costs to complete construction and less an estimate of the time value of money to the date of completion.

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

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

4. Subsidiaries

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

Macau (Site 1) Limited	MPOF Macau (Site 2) Limited
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, the following Hong Kong companies – Goldex Properties Limited and Honway Properties Limited – were liquidated. The following BVI companies – Multi Gold International Limited and Gainsun Investments Limited – were liquidated after their underlying properties were disposed of. Please refer to Note 7 for further details of inventories disposed of during the year.

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

5. Segment reporting

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

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

This segment includes residential, commercial and mixed-use properties. Furthermore, there are multiple individual properties that are held within each property type. However, the CODM considers, on a regular basis, the operating results and resource allocation of the aggregated position of all property types as a whole, as part of their 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 represent more than 10% of Group's revenues. Revenues represented by rental income were US$2,109,000 for the year ended 30 June 2016 (2015: US$4,311,000).

6. Investment property

	2016 US$'000	2015 US$'000
At the beginning of the year	**243,810**	306,575
Capital expenditure on property*	**1,237**	(631)
Fair value adjustment	**(38,227)**	(62,048)
Exchange difference	**(225)**	(86)
Balance at end of the year	**206,595**	243,810

* Stamp duty expenditure relating to the purchase of *The Waterside* had been capitalised in the year ended 30 June 2014. During the prior year, the stamp duty was settled at an amount equal to US$734,000, less than estimated initially. This amount has been removed from the asset cost as at 30 June 2015.

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

The valuation process is initiated by the Investment Adviser who appoints a suitably qualified valuer to conduct the valuation of the investment property. The results are overseen by the Investment Adviser. Once satisfied with the valuations based on their expectations, the Investment Adviser reports the results to the Board. The Board reviews the latest valuation based on their knowledge of the property market and compares these to previous valuations. The Group's investment properties were revalued at 30 June 2016 by independent, professionally-qualified valuer, Savills. The valuation has been carried out in accordance with the current Royal Institution of Chartered Surveyors (RICS) Appraisal and Valuation Standards to calculate the market value of the investment properties in their existing state and physical condition, with the assumptions that:

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

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

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

Rental income arising from *The Waterside* of US$2,109,000 (2015: US$4,311,000) was received during the year. Direct operating expenses of US$967,000 (2015: US$1,400,000) arising from *The Waterside* that generated rental income were incurred during the year. Direct operating expenses during the year arising from vacant units totalled US$325,000 (2015: US$159,000).

There are no disposals of investment property during the year.

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

	Property information	Carrying amount / fair value as at 30 Jun 2016 US$'000	Valuation technique	Input	Unobservable and observable inputs used in determination of fair values	Other key information
Name	*The Waterside*	206,595	Term and Reversion Analysis	Term rent (inclusive of management fee and furniture)	HK$19.5 psf	Age of building
Type	Residential/ Completed apartments			Term yields (exclusive of management fee and furniture)	1.6% – 2.4%	Remaining useful life of building
Location	One Central Tower 6 Macau			Reversionary rent (exclusive of management fee and furniture)	HK$19.0 psf	
				Reversionary yield	2.0%	

6. Investment property (continued)

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

If the estimated reversionary rent increased/decreased by 5% (and all other assumptions remained the same), the fair value of *The Waterside* would increase or decrease by US$10 million.

If the term or revisionary yield increased/decreased by 5% (and all other assumptions remained the same), the fair value of *The Waterside* would decrease by US$10 million or increase by US$11 million.

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

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

7. Inventories

Cost	2016 US$'000	2015 US$'000
Balance brought forward	**67,288**	54,351
Additions	**438**	23,955
Disposals	**(254)**	(11,004)
Exchange difference	**(62)**	(14)
Balance carried forward	**67,410**	67,288

During the prior year, the Group purchased a luxury private house located in Macau's exclusive neighbourhood of Penha Hill for a total acquisition cost of HK$182,320,000 (US$23,500,000) (inclusive of stamp duty and all other fees and expenses). The acquisition was complementary to the Group's portfolio given that the property adjoined the Group's existing property *The Green House*. *The Green House*, together with this newly acquired property, is now named as *Estrada da Penha*.

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

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

Under IFRS, inventories are valued at the lower of cost and NRV. The carrying amounts for inventories as at 30 June 2016 amounts to US$67,410,000 (2015: US$67,288,000). NRV as at 30 June 2016 as determined by independent, professionally-qualified valuer, Savills, was US$185,211,000 (2015: US$217,655,000).

3 car parking spaces and 1 motorcycle parking space (2015: 27 units and 5 car parking spaces) were sold during the year for a total consideration of US$1.0 million (HK$8.1 million) (2015: US$27.9 million (HK$216.4 million)) against a total cost of US$0.2 million (HK$2.0 million) (2015: US$11.0 million (HK$85.6 million)), which resulted in a net profit of US$0.8 million (HK$6.1 million) (2015: US$16.9 million (HK$130.8 million)) after all associated fees and transaction costs.

8. Interest-bearing loans

	2016 US$'000	2015 US$'000
Bank loans – Secured		
- Current portion	**14,705**	19,194
- Non-current portion	**149,018**	146,769
	163,723	165,963

The Group has a term loan facility with Hang Seng Bank for *The Waterside* and the individual units in One Central Residences. On 4 November 2015, a new tranche of the facility was executed for HK$282 million (US$36.4 million) (Tranche 5) to finance the principal instalments of the previous tranches, up to the end of 2017.

8. Interest-bearing loans (continued)

As at 30 June 2016, three tranches remained outstanding. Tranche 1 had been fully repaid during the year (2015: HK$79.4 million (US$10.2 million)); Tranche 3 had an outstanding balance of HK$572 million (US$73.7 million) (2015: HK$750 million (US$96.7 million)); and Tranche 4 had an outstanding balance of HK$76 million (US$9.8 million) (2015: HK$100 million (US$12.9 million)); and Tranche 5 had an outstanding balance of HK$281 million (US$36.3 million) (2015: HK$nil (US$nil)). Interest is paid quarterly on this loan facility. As at 30 June 2016, the loan-to-value ratio for the Hang Seng One Central facility was 57.98% (2015: 46.28%).

The interest rates applicable to Tranche 3, Tranche 4 and Tranche 5 of the term loan are 2.25% per annum, 2.35% per annum and 2.35% per annum, respectively, over the 1-, 2- or 3-month HIBOR rate, the choice of rate is at the Group's discretion. The term loans mature on 19 September 2020. The principal is to be repaid in half-yearly instalments commencing 19 March 2018 with 50% of the principal due upon maturity. The loan-to-value covenant is 60%. The facility is secured by means of a first registered legal mortgage over *The Waterside* and the individual residential units owned by the Group at One Central Residences as well as a pledge of all income from the units. The Company is the guarantor for the credit facility. In addition, the Group is required to maintain a cash reserve equal to six months' interest with the lender. Early prepayment covenant for sales proceeds out of the individual One Central Residence units will be waived, subject to the Group maintaining a loan-to-value ratio of not more than 50% on the facility.

During the prior year, the Group executed a loan facility with the Industrial and Commercial Bank of China (Macau) Limited to refinance the credit facility with OCBC Wing Hang Limited (Macau) (previously known as Banco Weng Hang S.A.) in relation to *The Fountainside* redevelopment project. The facility amount is HK$220 million (US$28.4 million) with a tenor of 3 years to mature in March 2018. Full amount of the facility was drawdown in March 2015 to repay the OCBC Wing Hang facility. Interest is charged at 3% per annum over the 3-month HIBOR rate. The principal is to be repaid in half-yearly instalments commencing 12 months after drawdown date with 50% of the principal due upon maturity. The loan-to-value covenant is 60%. The facility is secured by means of a first registered legal mortgage over all unsold units and car parking spaces of *The Fountainside* as at the loan facility date as well as a pledge of all income from the units and the car parking spaces. The Company is the guarantor for the credit facility.

As at 30 June 2016, the facility had an outstanding balance of HK$198.1 million (US$25.5 million) (2015: HK$214.4 million (US$27.7 million)). Sales proceeds of US$nil (2015: US$0.3 million) was pledged with the lender. As at 30 June 2016, the loan-to-value ratio for *The Fountainside* facility was 56.76% (2015: 49.33%).

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

Banco Tai Fung
The loan facility with Banco Tai Fung has a term of 3 years and the facility amount is HK$70 million. Interest is charged at 3.2% per annum over the 6-month HIBOR rate and repayment is due in full at maturity in June 2017. As at 30 June 2016, the facility had an outstanding balance of HK$70 million (US$9.0 million) (2015: HK$70 million (US$9.0 million)). This facility is secured by a first legal mortgage over the property as well as a pledge of all income from the property. The Group is the guarantor for this term loan. Interest is paid monthly on this loan facility. As at 30 June 2016, the loan-to-value ratio for this facility was 47.62% (2015: 44.59%).

ICBC Macau
The loan facility with Industrial and Commercial Bank of China (Macau) Limited was executed on 11 December 2014. The term of the loan is 3 years and the facility amount is HK$79 million. Interest is charged at 3.2% per annum over the 3-month HIBOR rate and repayment is due in full at maturity in December 2017. As at 30 June 2016, the facility had an outstanding balance of HK$79 million (US$10.2 million) (30 June 2015: HK$79 million (US$10.2 million)). This facility is secured by a first legal mortgage over the property as well as a pledge of all income from the property. The Group is the guarantor for this term loan. In addition, the Group is required to maintain a cash reserve equal to six months' interest with the lender. Interest is paid monthly on this loan facility. As at 30 June 2016, the loan-to-value ratio for this facility was 45.14% (2015: 42.47%).

Bank loan interest paid during the year was US$4,827,000 (2015: US$4,126,000), including US$nil (2015: US$225,000) capitalised during the year (see Note 7).

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

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

The estimated fair value of fixed interest bearing loans is based on discounted cash flows using prevailing market interest rates for debts with similar credit risk and maturity. As at 30 June 2016, the fair value of the interest-bearing loans was US$378,000 lower than the carrying value of the financial liabilities (2015: the fair value of the financial liabilities was US$57,000 higher than the carrying value of the financial liabilities).

The fair value of the Company's interest-bearing loans have been classified within Level 2 of the fair value hierarchy (Note 1), as they have observable inputs from similar loans. There have been no transfers between levels during the period or a change in valuation technique since the last period.

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 £1,200 (US$1,742) (2015: £1,200 (US$1,914)).

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

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

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

The Macanese SPVs are liable to Macau property tax in respect of their ownership of Macau properties. Taxation will be charged at the higher of 10% (2015: 10%) of any rent received or 6% (2015: 6%) of the official ratable rentable value. Newly built residential buildings or commercial buildings are exempt from property tax for four years and six years, respectively (such time running from the month after the occupancy permit is issued) for properties located in Macau peninsula and outlying islands. Macau complementary taxes are generally levied on income and profits arising in or derived from commercial and/or industrial activities carried on in Macau. There is no distinction made between a "revenue profit" and "capital profit" under the Macau complementary tax regulations. Accordingly, all income booked by a Macau corporate taxpayer, including gains on sale of investment/immovable property, will be subject to complementary tax. In general, gains on the disposal of shares in a Macau company (such as an SPV of the Company) should not attract Macau complementary tax.

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

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

	2016 US$'000	2015 US$'000
Current liabilities		
PRC tax authorities provision	**2,514**	-
Non-current liabilities		
PRC tax authorities provision	-	2,324
Deferred taxation	**12,782**	17,385
Provisions for Macanese taxations	**2,409**	2,600
	15,191	22,309

9. Taxation (continued)

PRC tax authorities provision
As at 30 June 2016, due to disposal during the year ended 30 June 2014 of the *APAC Logistics Centre* and *Cove Residence* in Zhuhai, China, the Group is in the process of finalising the tax assessment with the PRC tax authorities. The provision has arisen due to the profit on the disposal. The Group has received taxation advice as to the potential charge that may be imposed by the PRC tax authorities. The provision amount as at 30 June 2016 reflects the expected outcome of the tax charge and is expected to be settled within one year. The Group is unlikely to be reimbursed for this provision. During the year, an interim payment of HK$6,278,000 (US$810,000) was made against this provision to the PRC tax authorities.

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

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

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

Tax Reconciliation
No tax reconciliation has been presented because the Company is exempt from taxation in Guernsey (except as described above). The tax credit for the year of US$3,541,000 (2015: tax credit of US$5,515,000) comprised a deferred tax credit of US$4,587,000 (2015: US$7,453,000), arising from the reduction in the value of investment property offset by a provision for Macanese taxes of US$46,000 (2015: US$1,938,000) at a rate of 12% and an increase in the tax authorities provision for the PRC of US$1,000,000 (2015: US$nil).

10. Trade and other receivables

Current assets	2016 US$'000	2015 US$'000
Trade receivables	1,013	3,189
Prepayments	83	90
	1,096	3,279

11. Trade and other payables

Current liabilities	2016 US$'000	2015 US$'000
Accruals	454	385
Other payables	1,437	1,388
	1,891	1,773

Other payables principally comprise outstanding amounts for operating expenses.

12. Share capital

Ordinary shares	2016 US$'000	2015 US$'000
Authorised:		
300 million ordinary shares of US$0.01 each	**3,000**	3,000
Issued and fully paid:		
76.4 million (2015: 77.5 million) ordinary shares of US$0.01 each	**764**	775

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

Ordinary shares repurchase
During the year, under the authority first granted in the Extraordinary General Meeting of 28 June 2010 and renewed at each Annual General Meetings thereafter, the Company repurchased 1,101,000 (2015: 3,881,036) ordinary shares or 1.05% (2015: 3.70%) of the originally issued shares, totalling US$3,016,000 (2015: US$14,875,000) at an average share price of 176.64p (2015: 237.75p). All shares bought back under the buyback programme were at market value and were cancelled.

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

	Number of Shares	Repurchase Price Per Share *
Total shares repurchased/average price at beginning of year	27,466,036	163.72
12 August 2015	550,000	184.00
19 August 2015	129,000	171.00
21 August 2015	122,000	171.00
28 August 2015	150,000	170.24
4 September 2015	150,000	165.50
Total shares repurchased/average price during the current year	1,101,000	176.64
Total shares repurchased/average price at end of year	28,567,036	164.22

* Price in pence Sterling

The Board has publicly stated its commitment to undertake share buybacks at attractive levels of discount of the share price to Adjusted NAV. In order to continue this strategy, the Board intends to renew this authority at the 2016 Annual General Meeting.

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13. General and administration expenses

General and administration expenses	2016 US$'000	2015 US$'000
Legal and professional	**317**	372
Holding Company administration	**262**	344
Guernsey SPV administration	**131**	172
BVI, Hong Kong & Macanese SPV administration	**101**	99
Insurance costs	**19**	19
Listing fees	**21**	24
Printing & postage	**44**	54
Other operating expenses	**260**	406
	1,155	1,490

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

14. Other financing costs

Financing costs	2016 US$'000	2015 US$'000
Bank charges	**11**	161
Loan arrangement fees	**313**	345
	324	506

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

15. Property operating expenses

Property operating expenses	2016 US$'000	2015 US$'000
Property management fee	**742**	693
Property taxes	**275**	677
Utilities	**18**	35
Other property expenses	**236**	282
	1,271	1,687

16. Cash flows from operating activities

Cash flows from operating activities	2016 US$'000	2015 US$'000
Loss for the year before tax	**(49,192)**	(58,042)
Adjustments for:		
Net gain on valuation of interest rate swap	**(291)**	(265)
Net loss from fair value adjustment on investment property	**38,227**	62,048
Net finance costs	**5,732**	5,440
Operating cash flows before movements in working capital	**(5,524)**	9,181
Effects of foreign exchange rate changes	**(137)**	(5)
Movement in trade and other receivables	**2,183**	(3,028)
Movement in trade payables, provision and other payables	**77**	(31,933)
Movement in inventories	**(184)**	(12,712)
Taxation paid	**(1,319)**	-
Net change in working capital	**757**	(47,673)
Net cash used in operating activities	**(4,904)**	(38,497)

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. For both year ends, there are no cash equivalents held by the Group.

17. Basic and diluted loss per ordinary share and net asset value per share

The basic and diluted loss per equivalent ordinary share is based on the loss attributable to equity holders for the year of US$45,651,000 (2015: loss of US$52,527,000) and on the 76,583,767 (2015: 78,862,869) weighted average number of ordinary shares in issue during the year.

	30 June 16			30 June 15		
	Loss Attributable US$'000	Weighted Average No. of Shares '000s	EPS US$	Loss Attributable US$'000	Weighted Average No. of Shares '000s	EPS US$
Basic and diluted	**(45,651)**	**76,584**	**(0.5961)**	(52,527)	78,863	(0.6661)

Net asset value reconciliation	2016 US$'000	2015 US$'000
Net assets attributable to ordinary shareholders	**106,643**	155,447
Uplift of inventories held at cost to market value	**119,672**	152,565
Adjusted NAV	**226,315**	308,012
Number of ordinary shares outstanding ('000)	**76,433**	77,534
NAV per share (IFRS) (US$)	**1.40**	2.00
Adjusted NAV per share (US$)	**2.96**	3.97
Adjusted NAV per share (£)*	**2.23**	2.53

The NAV per share is arrived at by dividing the net assets as at the date of the Consolidated Statement of Financial Position, by the number of ordinary shares in issue at that date.

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

The Adjusted NAV per share is arrived at by dividing the Adjusted NAV as at the date of the Consolidated Statement of Financial Position, by the number of ordinary shares in issue at that date.

There are no potentially dilutive shares in issue.

* US$:GBP rate as at 30 June 2016 is 1.326 (2015: 1.573).

18. Related party transactions

Directors of the Company are all non-executive and by way of remuneration, receive only an annual fee which is denominated in Sterling.

	2016 US$'000	2015 US$'000
Directors' fees	**187**	231

The Directors are considered to be the key management personnel (as defined under IAS 24) of the Company. Director's fees outstanding as at 30 June 2016 was US$39,461 (2015: US$58,578).

Thomas Ashworth has a beneficial interest in and is a Director of Sniper Capital Limited. Sniper Capital Limited is the Manager to the Group and received fees during the year, as detailed in the Consolidated Statement of Comprehensive Income and 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 BVI SPVs and received fees during the year as detailed in Note 13.

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

The Group has a Development Management Services Agreement with a development management company named Headland Developments Limited ("Headland"). Thomas Ashworth has a beneficial interest in and is a Director of Headland 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.

The Group has a Project Management Services Agreement with a property management company named Bela Vista Property Services Limited ("Bela Vista"). Thomas Ashworth has a beneficial interest in and is a director of Bela Vista and therefore, constitutes a related party of the Group. Project Management Services fees capitalised in investment property 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 the Company 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. During the prior year, an amendment was made to the Investment Management Agreement relating to the definition of net asset value on which the fee is calculated. The definition of net asset value changed to include an 'add-back' of deferred taxation to the Adjusted NAV, subject to a claw-back provision, as the Directors are of the opinion that such a liability will not be payable by the Group in the future. Management fees paid for the year totalled US$5,528,000 (2015: US$8,117,000) with US$nil outstanding as at 30 June 2016 (2015: US$nil).

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

Payment of the performance fee is subject to:

i) the achievement of a performance hurdle condition: Adjusted NAV per ordinary share at the end of the relevant performance period must exceed an amount equal to the US Dollar equivalent of the Placing Price increased at a rate of 10% per annum on a compounding basis up to the end of the relevant performance period (the "performance hurdle"); and
ii) the achievement of a 'high water mark': Adjusted NAV per ordinary share at the end of the relevant performance period must be higher than the highest previously reported Adjusted NAV per ordinary share at the end of a performance period in relation to which a performance fee, if any, was last earned.

If the basic performance hurdle is met, and the high water mark 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 water mark (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 2016, no performance fee was accrued (2015: US$nil) by the Group. During the year ended 30 June 2016, a performance fee of US$nil was paid (2015: US$23,964,000) by the Group. This performance fee is based on the basic performance hurdle.

The Manager's appointment 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 three months (or six months in the case of one only) of such event, to cause to be made available the services of a competent replacement(s) of equivalent skill and experience. The Management Agreement may also be terminated with immediate effect by either the Manager or the Company if the other party has gone into liquidation, administration or receivership or has committed a material breach of the Management Agreement.

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

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

During the year, development management services fees of US$nil (HK$nil) (2015: US$nil (HK$nil)) were capitalised in investment property and US$22,000 (HK$170,000) (2015: US$113,000 (HK$875,000)) were capitalised in inventories. As at 30 June 2016, US$5,000 (2015: US$nil) was outstanding.

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

During the year, project management services fees of US$62,399 (HK$484,143) (2015: US$nil (HK$nil)) were capitalised in investment property. As at 30 June 2016, US$62,399 (2015: US$nil) was outstanding.

20. Interest rate swaps

During the year, the Group paid a net interest of US$581,000 (2015: US$1,035,000) to the bank, as shown in financing expenses on the Consolidated Statement of Comprehensive Income.

The swaps are treated as net financial liabilities at fair value through profit or loss with a year end value of US$104,000 (2015: US$395,000). For the year ended 30 June 2016, a fair value gain of US$291,000 (2015: US$265,000) arising from the net interest rate swaps has been recognised in the Consolidated Statement of Comprehensive Income.

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

Standard Chartered Bank
The Group entered into five interest rate swaps with Standard Chartered Bank to mitigate risks associated with the variability of cash flows arising from interest rate fluctuations. All of the interest rate swaps matured during the year, with the earliest maturity date being 6 August 2015 and the latest being 20 May 2016.

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

Under these swaps, the Group received quarterly interest at variable rates of 3-month HIBOR and paid quarterly interest at fixed rates ranging from 1.395% to 2.09% per annum.

In the prior year, the Group placed HK$5,500,000 (US$709,500) with Standard Chartered Bank as a pledged deposit to secure the interest rate swap facilities.

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

The notional amount for the interest rate swap is HK$250 million, the tenor of the swap is 5 years with maturity date on 19 March 2018. Under this swap, the Group receives quarterly interest at variable rates of 3-month HIBOR and pays quarterly interest at a fixed rate of 1% per annum.

21. Deposits with lenders

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

	2016 US$'000	2015 US$'000
Pledged for loan covenants	**2,113**	1,941
Pledged for interest rate swaps	-	709
	2,113	2,650

22. Commitments and contingencies

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

23. Auditors' remuneration

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

Auditors' remuneration was broken down as follows:

	2016 US$'000	2015 US$'000
Ernst & Young LLP group audit	**103**	90
Ernst & Young LLP group interim review (non-audit)	**25**	27
Non Ernst & Young LLP subsidiary auditors' remuneration	**7**	5
	135	122

24. Operating leases – Group as lessor

The Group has entered into leases on its property portfolio.

Future minimum rentals receivable under non-cancellable operating leases as at 30 June 2016 are as follows:

Residential	2016 US$'000	2015 US$'000
Within 1 year	**902**	1,145
After 1 year, but not more than 5 years	**46**	-
Total future rental income	**948**	1,145

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

25. Subsequent events

There were no significant events occurring after the reporting date of the annual report for the year ended 30 June 2016.

Directors & Company Information

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

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Alan Clifton (Chairman)
Wilfred Woo
Chris Russell

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

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Alan Clifton (Chairman)
Thomas Ashworth
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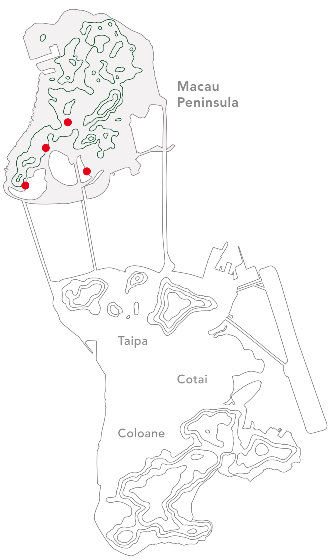
Macau Property Opportunities Fund

www.mpofund.com



The topographic contours, hills, lakes, and locations of MPOF's properties in Macau Peninsula are featured on the cover of the annual report.