Macau Property Opportunities Fund
Interim Report for the six-month period ended 31 December 2016

Turning Tides

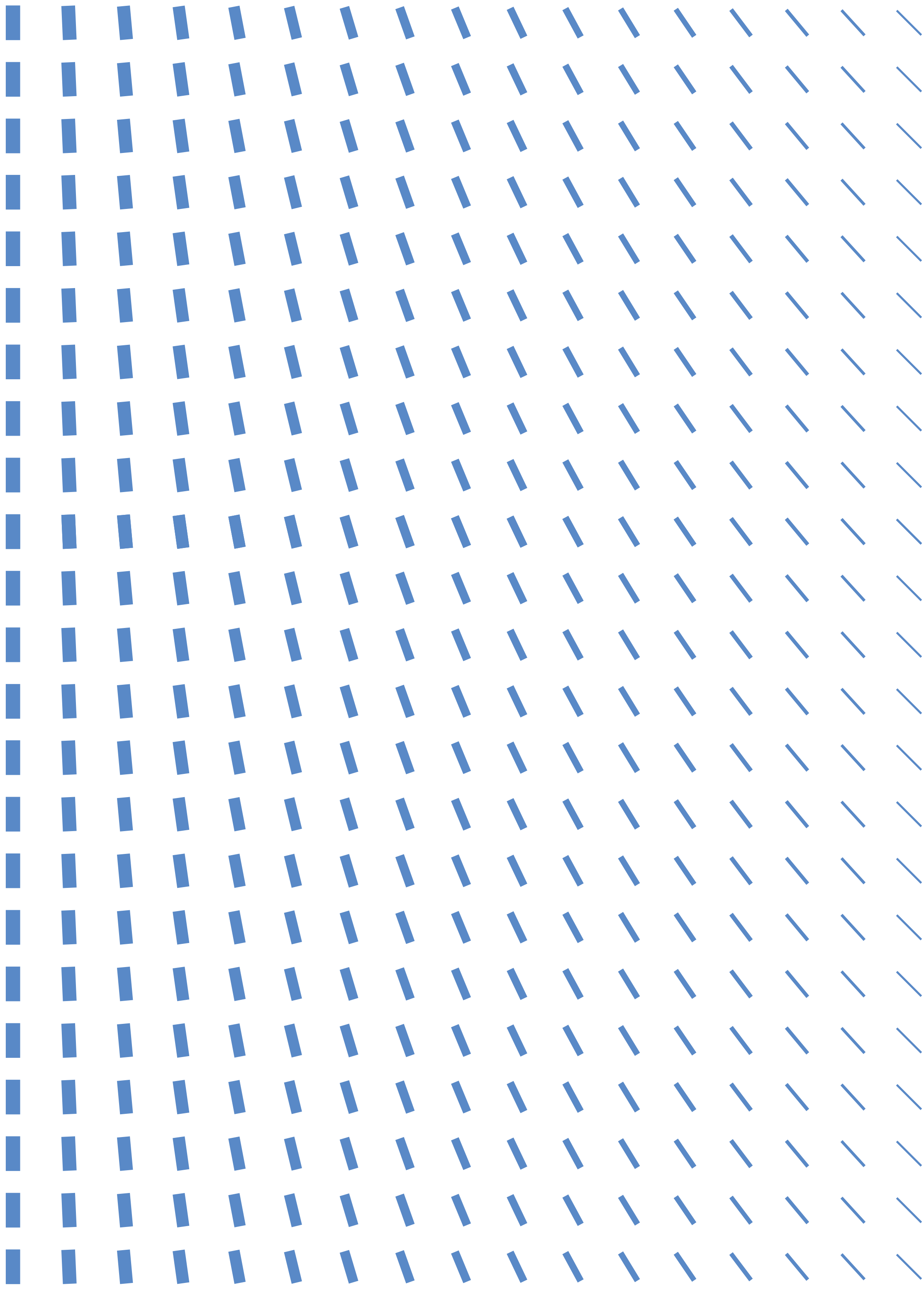
Rain, more rain
the dark is green
the green is washed
is thinned

so sunshine, more sunshine
a new colour born
a leaf fell
and my eyes with it
covered the world

something in the veins
flowing like rivers

(Hints of Spring by Iris Fan)

Remaining resilient through turbulent times, Macau is welcoming a change in winds. The strokes represent the kinetic movement of tidal waves, a natural element of Macau. Through these turning tides, there is a deep-rooted projection of gradual, steady and progressive change for Macau.



Macau Property Opportunities Fund (MPO) is a closed-end investment fund and the only quoted property fund dedicated to investing in Macau, the world's largest gaming market and the only city in China where gaming is legalised.

Premium listed on the London Stock Exchange, the Company targets strategic property investment and development opportunities in Macau. Its current portfolio comprises a mix of prime residential and retail property assets that are valued at US$405 million as at 31 December 2016.

MPO is managed by Sniper Capital Limited, an Asia-based property investment manager with a proven track record in fund management and investment advisory.

CONTENTS

Key Highlights

ADJUSTED NAV PER SHARE

US$3.03 (245 pence)

up 2.4% over the six-month period

PORTFOLIO VALUATION

US$405 million

up 2.9% over the six-month period

SHARE PRICE AS AT 31 DECEMBER 2016

120.75 pence

up 15% over the six-month period

Note: US Dollar / Sterling exchange rate used in this report is 1.234 based on the rate as at 31 December 2016, unless otherwise stated.

THE WATERSIDE

Occupancy rebounded to 49%

THE FOUNTAINSIDE

Marketing efforts continue for sale of 15 units

ESTRADA DA PENHA

Seeking to maximise exit value

SENADO SQUARE

Architectural concept plan approved

Poised For Recovery

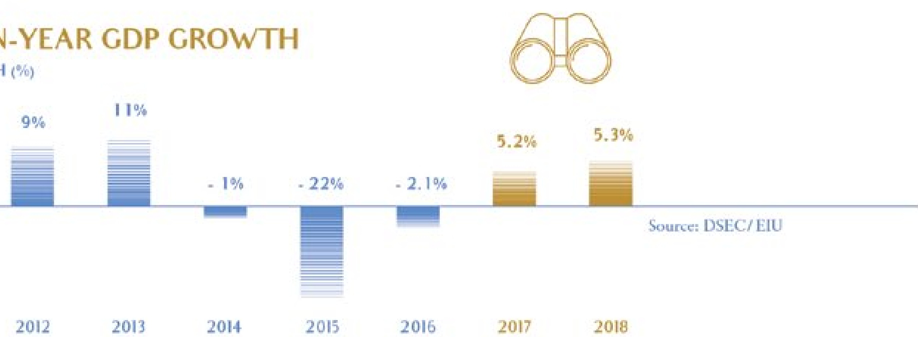
SPECIAL FEATURE

After experiencing two years of downturn, Macau is showing signs of recovery, steadily paving its way to economic sustainability from the second half of 2016.

① Recovery Indications

YEAR-ON-YEAR GDP GROWTH

REAL GROWTH (%)



IMPROVING GAMING PERFORMANCE

2015 GGR

US$29 billion

-34.3% YoY

2016 GGR

US$28 billion

-3.3% YoY

"LAS VEGASIZATION"

Government targets to increase non-gaming income to at least

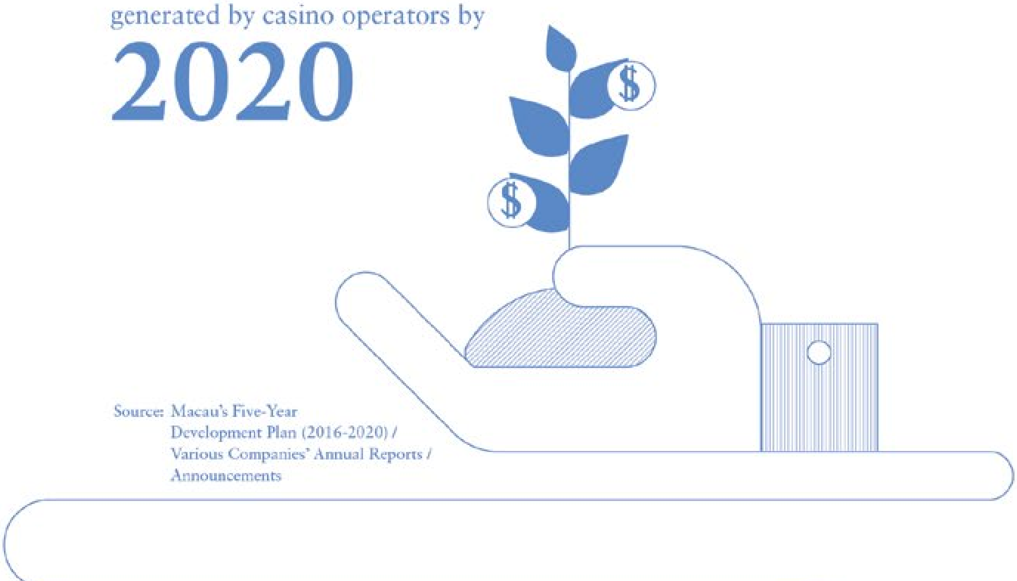
9% of the total revenues

generated by casino operators by

2020

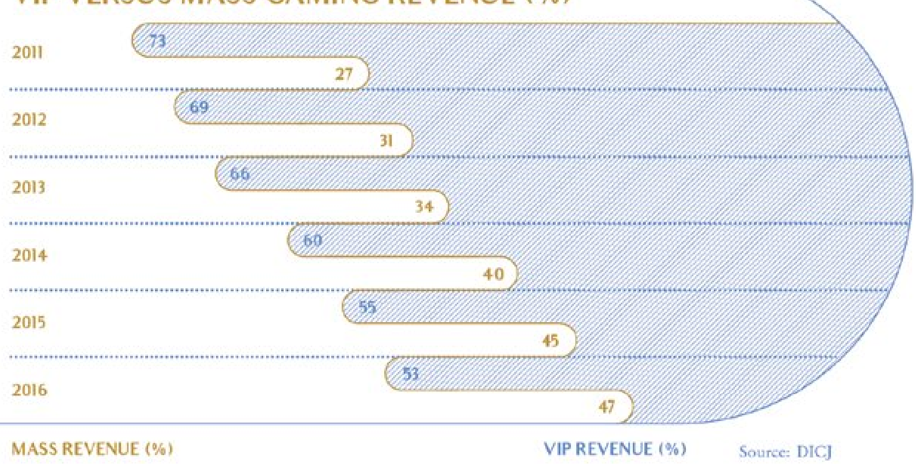
US$19.7 billion

worth of investments by new integrated resorts emphasising on non-gaming attractions



Source: Macau's Five-Year Development Plan (2016-2020) / Various Companies' Annual Reports / Announcements

VIP VERSUS MASS GAMING REVENUE (%)



Source: DICJ

② Recovery Sustainability

HEALTHY ECONOMIC FUNDAMENTALS

UNEMPLOYMENT RATE

1.9%

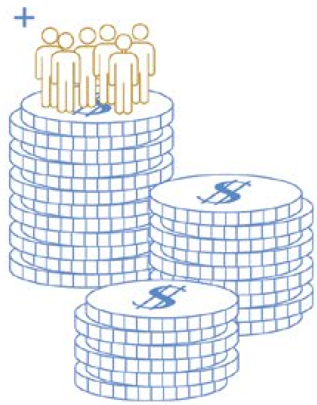
MEDIAN MONTHLY EMPLOYMENT EARNINGS

US$1,875

GDP

US$42.4 billion

down 2.1% YoY

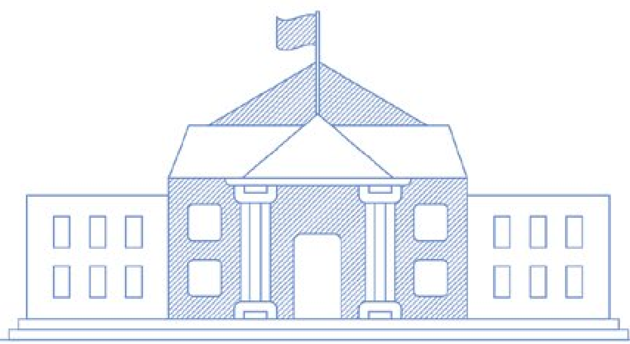


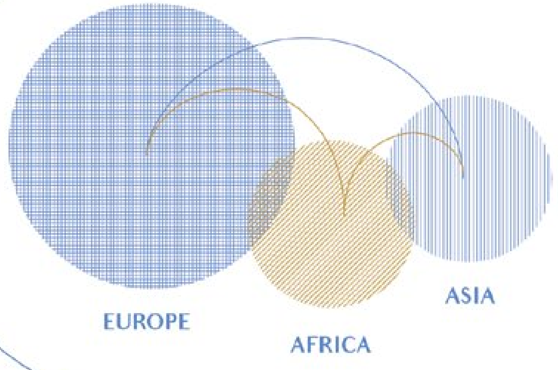
Source: DSEC

CENTRAL GOVERNMENT SUPPORT

ONE CENTRE, ONE PLATFORM

To transform Macau into a world centre of tourism and leisure, as well as a trade and service platform between Mainland China and Portuguese-speaking countries.



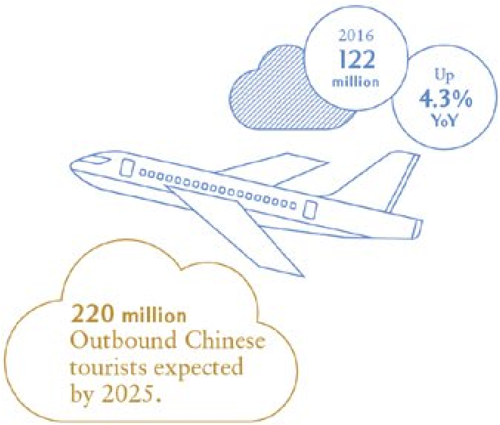


ONE BELT, ONE ROAD

Macau to participate in the initiative to promote economic co-operation among 65 countries in Asia, Africa and Europe.

(3) Macau's Growth Potential

NUMBER OF OUTBOUND TOURISTS FROM CHINA

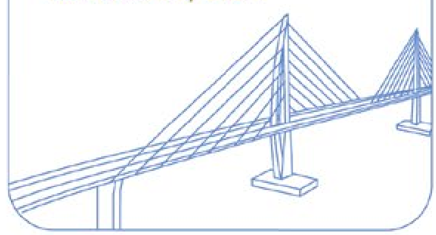


Key infrastructure projects, such as the Hong Kong-Zhuhai-Macau bridge, are nearing completion.

Forecast to drive

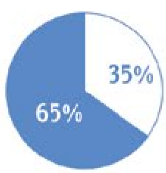
40 million

visitors per annum into Macau by 2025



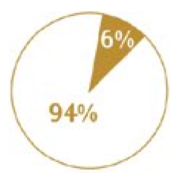
Source: Goldman Sachs / China Tourism Academy / Macau Tourism Industry Development Master Plan Consultation Paper

MACAU VERSUS LAS VEGAS



LAS VEGAS AVERAGE REVENUE SHARE

- Non-gaming
- Gaming



MACAU AVERAGE REVENUE SHARE

- Non-gaming
- Gaming

US POPULATION

325 million

13% visited Las Vegas

CHINA POPULATION

1.4 billion

1.5% visited Macau

HOTEL ROOMS IN LAS VEGAS

150,000

HOTEL ROOMS IN MACAU

36,300

Source: CLSA / DSEC / LVCVA / US Census Bureau / NBS

Chairman's Message

Macau began a long-awaited recovery in the second half of 2016, which saw positive gaming revenue growth and an expansion in quarterly gross domestic product – the first time in two years.

This positive momentum has boosted public sentiment, which in turn has stabilised property prices and enhanced transactions in the lower value end of the domestic market.

With two additional mega-resorts and major new infrastructure projects scheduled for completion in the next couple of years, Macau's competitiveness should be further enhanced despite increasing competition from the region.

CHRIS RUSSELL
CHAIRMAN

FINANCIAL PERFORMANCE

For the period under review, MPO's portfolio of properties was valued at US$405.0 million, an increase of 2.9% since 30 June 2016. Adjusted NAV as at 31 December 2016 stood at US$231.2 million, translating to US$3.03 (245 pence) per share.

The IFRS NAV increased 4.2% to US$111.1 million, with an IFRS NAV per share of US$1.45 (118 pence).

We have continued to focus on achieving an optimal debt profile with a view to maintaining a sufficient cash balance while maximising returns for shareholders. Total borrowings stood at US$178.4 million, translating to a loan-to-value ratio of 42%.

As of 31 December 2016, MPO's share price was 120.75 pence, reflecting a 50.7% discount to Adjusted NAV per share.

MAINTAINING ASSET VALUE

Against the backdrop of a challenging macroeconomic landscape, our Company has withstood the downturn. We have shifted our focus to asset enhancement to sustain the value of our portfolio.

Our marketing efforts and rental adjustments have delivered results for *The Waterside*, where occupancy had reached 49% at the period's end and has further risen to 58% as of end February 2017. Asset enhancement and marketing initiatives continue to strengthen the position of the property and support rental income.

Sales of mid-market to high-end residential properties have remained challenging amid the government's anti-speculation policies. Nevertheless, concerted efforts have been made to generate awareness and buyer interest in the *The Fountainside*, although a pickup in sales will depend very much on the economic recovery being sustained.

Estrada da Penha remains an exceptional property, given that detached houses of significant size and in such a prime location are scarce in Macau. The territory's real estate market is showing signs of stabilising, however, investors for such an asset in the premium residential segment are still adopting a wait-and-see approach.

We have made encouraging progress on *Senado Square*. The approval of the architectural concept plan in December has increased the appeal of the asset for disposal.

THE FUTURE FOR MACAU

Improving gross gaming revenues and supportive new policies from China's central government should help to stabilise Macau's economy further.

Efforts to attract more families and casual gamblers have borne fruit, with the number of overnight visitors in 2016 rising 9.8% year-on-year. This momentum is likely to continue, supported by the opening of another two new multi-billion dollar integrated resorts – the MGM Cotai in the second half of 2017 and the Grand Lisboa Palace in 2018 – which will attract more visitors and entice them to stay longer.

The VIP gaming segment has surprisingly shown some signs of a recovery, helped largely by a combination of better Chinese macroeconomic conditions and improved player confidence.

There remain uncertainties and risks. Continued rises in US interest rates and any new measures enacted by China's central government to curb capital outflows, in addition to any further property cooling measures, could subdue Macau's recovery. Nonetheless, barring unforeseen economic or political circumstances, we expect a continued improvement in property values in the short term. The Company will look to realise assets into the recovery and eventually return cash to shareholders over the next two years.

CHRIS RUSSELL

CHAIRMAN
MACAU PROPERTY OPPORTUNITIES FUND LIMITED
2 MARCH 2017

Regional Geography

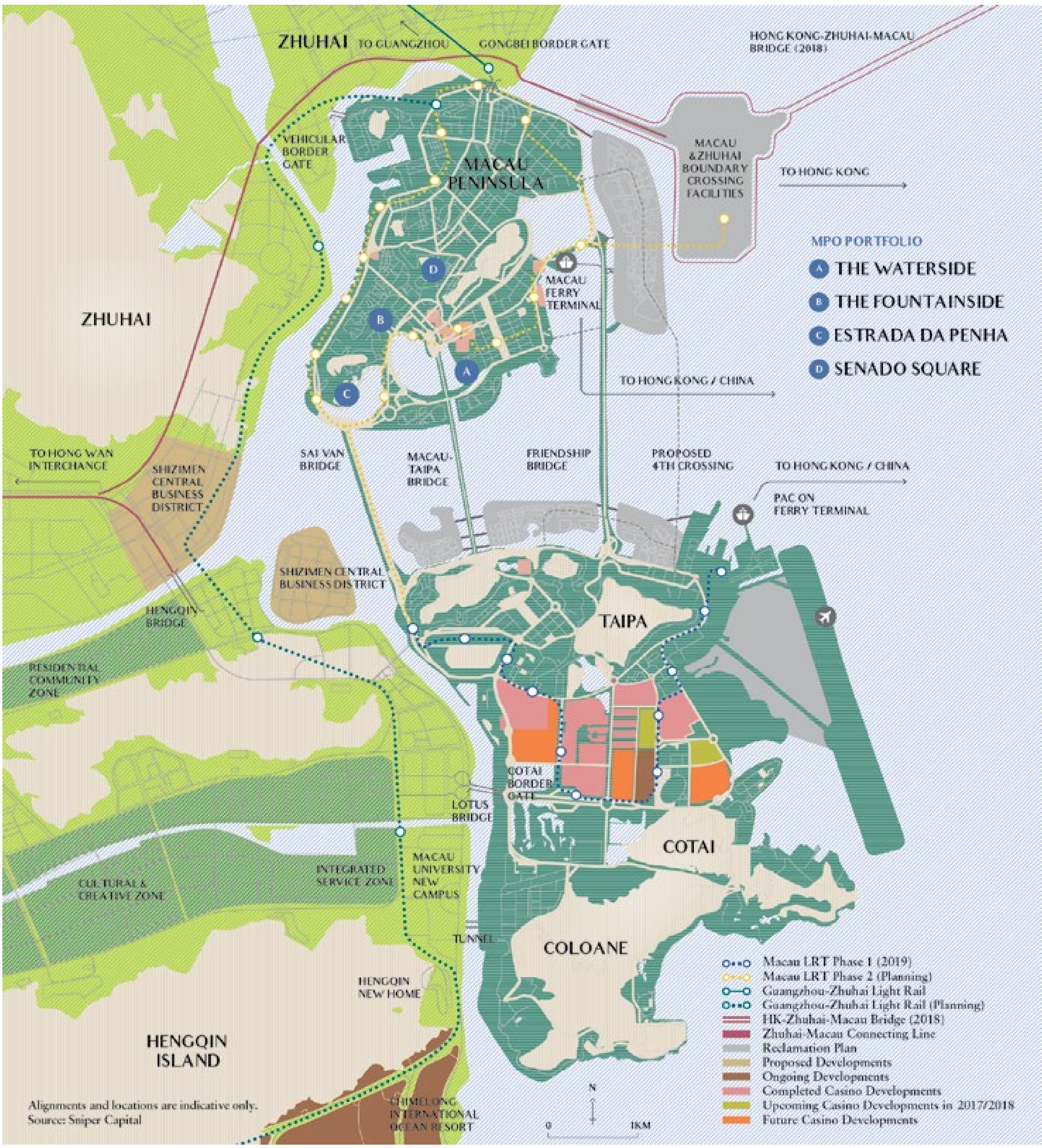
GREATER PEARL RIVER DELTA REGION

Alignments and locations are indicative only.
Intercity railway network is the main transportation system connecting the cities in the Greater PRD region.

Source: The Plan on the Development of Integrated Transportation System of Guangdong Province in the Twelfth Five-Year Plan Period

Regional Geography

MACAU & SURROUNDS



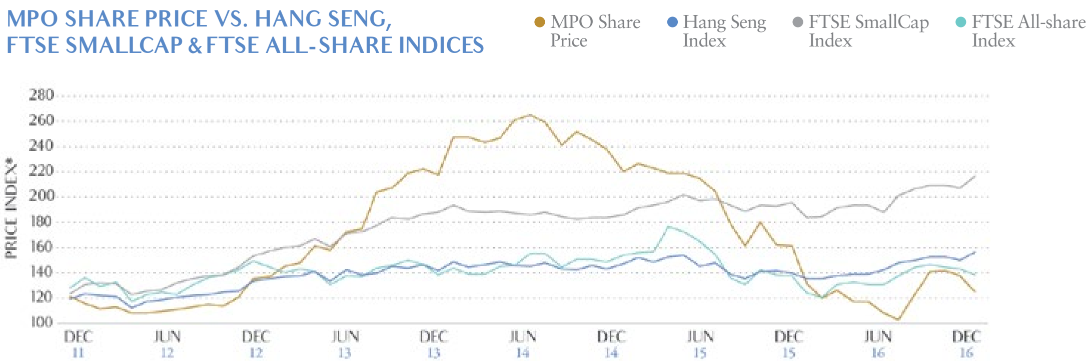
Financial Review

MANAGER'S REPORT

	31 DEC 2016	30 JUN 2016
NAV (IFRS) (US$ million)	111.1	106.6
NAV per share (IFRS) (US$)	1.45	1.40
Adjusted NAV (US$ million)	231.2	226.3
Adjusted NAV per share (US$)	3.03	2.96
Adjusted NAV per share (pence) *	245	223
Share price (pence) *	120.75	105
Share price discount to Adjusted NAV per share (%)	51	53
Portfolio valuation (US$ million)	405.0	393.7
Loan-to-value ratio (%)	42	40

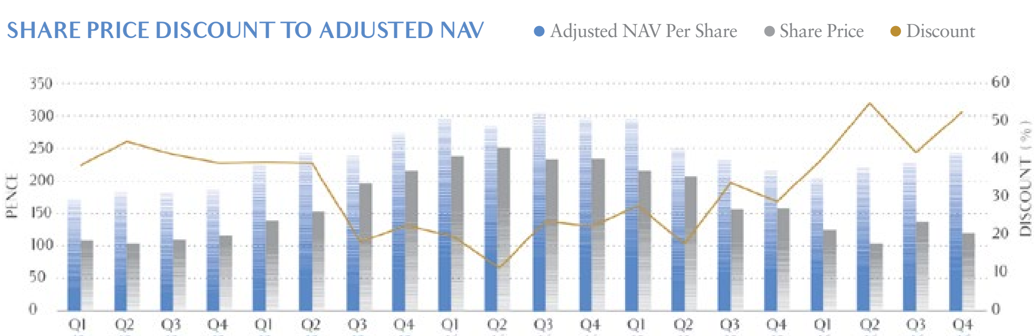
*Based on the US Dollar/Sterling exchange rates: 1.234 on 31 December 2016 and 1.326 on 30 June 2016.

MPO SHARE PRICE VS. HANG SENG, FTSE SMALLCAP & FTSE ALL-SHARE INDICES



*Re-based to MPO share price.
Source: Bloomberg / Sniper Capital

SHARE PRICE DISCOUNT TO ADJUSTED NAV



Financial Review

Following a significant two-year slowdown, Macau appears to be witnessing the early stages of an economic recovery. On the back of renewed momentum in the gaming sector, improving market fundamentals and a stabilising property market, MPO's portfolio performed creditably during the six-month period.

INTERIM FINANCIAL RESULTS

As of 31 December 2016, the value of MPO's portfolio was US$405.0 million, representing a slight appreciation of 2.9% from six months ago. Adjusted NAV was US$231.2 million, which translates to US$3.03 (245 pence) per share. This was a welcome – albeit modest – improvement of 2.4% during the second half of 2016.

Similarly, IFRS NAV increased 4.2% to US$111.1 million, or US$1.45 (118 pence) per share over the reporting period. In tandem, MPO's share price increased by 15% during the second half of the year to 120.75 pence.

CAPITAL MANAGEMENT

MPO's total assets stood at US$305.7 million as at 31 December 2016, while total liabilities were US$194.6 million.

In December, a loan facility of US$15.2 million (HK$118 million) for *Senado Square* was executed. Comprising two tranches – a term loan and a revolving loan – the two-year hybrid facility will mature in December 2018, with interest charged at a rate of 2.7% per annum over the 1-, 2- or 3-month HIBOR rate at the Group's discretion.

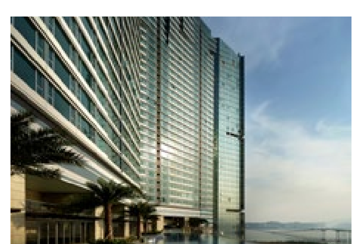
Following this drawdown, the Company's total bank borrowings stood at US$178.4 million, equating to a loan-to-value ratio of 42%. MPO's total cash balance increased to US$20.5 million, of which US$2.2 million was pledged as collateral for debt facilities.

Portfolio Overview

	SECTOR	TYPE	CURRENT STATUS	NO. OF UNITS	COMMITMENT US$ million
The Waterside Tower Six of One Central Residences*	LUXURY RESIDENTIAL	INVESTMENT	LEASING AND ASSET MANAGEMENT	59	100
One Central Residences Strata Units	LUXURY RESIDENTIAL	INVESTMENT	OPPORTUNISTIC DIVESTMENT	4	10
The Fountainside**	LOW-DENSITY RESIDENTIAL	REDEVELOPMENT	SALES PHASE	42	23
Estrada da Penha	LUXURY RESIDENTIAL	INVESTMENT	OPPORTUNISTIC DIVESTMENT	N.A.	28
Senado Square	PRIME RETAIL	REDEVELOPMENT	ADVANCE PLANNING	N.A.	47
Smaller Property	RESIDENTIAL	INVESTMENT	HOLD	N.A.	N.A.
TOTAL					208

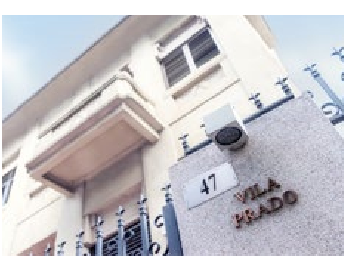
* One Central is a trademark registered in Macau SAR under the name of Basecity Investments Limited. Sniper Capital Limited, Macau Property Opportunities Fund Limited, MPOF Macau (Site 5) Limited, Bela Vista Property Services Limited and The Waterside are not associated with Basecity Investments Limited,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

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



The Waterside

GROSS FLOOR AREA Square feet	ACQUISITION COST US$ million	PROJECT DEV. COST US$ million	MARKET VALUATION US$ million	UPLIFT Based on market value		PROJECT COMPOSITION Based on market value
				Over the period	Since acquisition	
148,000	88	12	217.3	5.2%	147%	53.6%
9,400	10	N.A.	13.6	5.2%	38%	3.4%
72,000	8	15	45.0	0%	979%	11.1%
12,030	27	1	43.3	4.4%	60%	10.7%
67,800	16	31	85.4	-2.2%	431%	21.1%
700	0.4	N.A.	0.4	0%	6%	0.1%
309,930	149.4	59	405.0	2.9%	179%	100%



The Fountainside

Estrada da Penha

Senado Square

Porfolio Updates

MANAGER'S REPORT

THE WATERSIDE

The Waterside

The Waterside at One Central Residences is an upscale waterfront residential development that commands views of Nam Van Lake and Macau's cityscape. Each of its 59 suites is available for lease and exhibits elegant interior design, complemented with full furnishings.

PERFORMANCE

As of December 2016, *The Waterside* fetched an average rent of HK$17.96 (US$2.32) per square foot per month, a decline of 9% from six months earlier. Gross rental yield was 1.7% per square foot.

The decline in average rental rates over the period was due in part to a higher number of units being let on lower floors, which typically fetch a lower per-square-foot rental rate than those on higher floors, and in part, a reflection of the overall leasing market in Macau. High-end residential rents dropped 9% year-on-year (YoY) in the whole of 2016.

As part of our tenant retention and engagement strategy, rental rates were adjusted to reflect market sentiment and attractive commission packages were introduced to incentivise third-party property agents.

As a result of this strategy, during the six-month period, 19 new leases were secured and occupancy had reached 49% by the end of December, a rebound of 11.4% from June and 19.5% higher YoY.

To augment the attractiveness of *The Waterside*, the leasing team has secured partnerships with top-tier hotels in Macau to provide exclusive dining privileges for tenants under the Waterside Club entitlement programme.

Meanwhile, asset enhancement initiatives for 39 units have been completed. Refurbishment works on other units that are currently leased will take place progressively.

We are confident that *The Waterside* is well-positioned to benefit from the expected economic recovery in 2017 and beyond.

Strata Units at One Central Residences
The Company is maintaining its strategy of aiming for a timely and opportunistic disposal of its four apartment units at One Central Residences, which are independent of *The Waterside*.

The Fountainside

The Fountainside is an exclusive residential development located in the heritage-rich Penha Hill district. It features the fusion of a traditional Portuguese façade with modern, sustainable architecture. The freehold development comprises 38 apartments and 4 villas, with 30 car parking spaces, rooftop gardens and a gym.

PERFORMANCE

While Macau's residential property market has been experiencing a gradual rebound, the improvement in sales is still largely confined to the mass-market segment, and has yet to reach the upper-middle and luxury levels.

Potential buyers in these tiers are maintaining a cautious approach to acquisitions due to the lump sum commitment involved. Cash liquidity is also a concern, with a low loan-to-value ceiling of 50% for properties worth US$1 million and above, creating a need among buyers to have more cash for down-payments. The pool of potential buyers for higher-end units has also been shrunk by the launch of a number of newer residential developments, featuring smaller units at lower price points that have generated strong interest among price-conscious investors.

As at the end of the period, 11 apartments, 4 villas and 18 car parking spaces at *The Fountainside* remained available for sale. The average sale price for the 15 residential units was HK$9,160 (US$1,174) per square foot.

Marketing efforts for *The Fountainside* continue, in preparation of a potential pickup in sales activity in 2017.

THE FOUNTAINSIDE

ESTRADA DA PENHA

Estrada da Penha

Estrada da Penha is a magnificent, colonial-style villa that covers more than 12,000 square feet, over three floors and two basements, in addition to private patios and a sheltered car porch for four vehicles.

Located atop Penha Hill, a highly sought after residential enclave in Macau, the villa offers spectacular views of the South China Sea and Hengqin Island.

While *Estrada da Penha* remains a prized trophy, due to the scarcity of detached houses in Macau and its enviable location, we are also mindful that potential buyers – among some of whom are further discouraged by the hefty lump sum – are awaiting a more favourable and settled investment climate.

We will continue to seek to maximise the asset's exit value by divesting it at an opportune time.

Senado Square

The only retail component in MPO's portfolio, *Senado Square* will be a c. 67,800-square-foot shopping mall when it is completed. The property is located in Macau's bustling central tourist precinct and UNESCO-listed heritage district.

A significant milestone was passed in December, with approval granted for the architectural concept plan. We are currently working on detailed plans, for which submission is targeted in early 2017 and approval expected in Q3 2017.

A loan facility of US$15.2 million (HK$118 million) was secured against the site in December.

The receipt of approval to proceed with the proposed planning parameters has elevated the attractiveness of the site to potential buyers. We are, therefore, exploring the optimal time frame in which to divest the asset, in line with our approach of maximising returns for our shareholders.

SENADO SQUARE

Macroeconomic Highlights & Outlook

MANAGER'S REPORT

2016 PERFORMANCE	2017 FORECAST
GDP Down 2.1% YoY	Up 5.2%
GROSS GAMING REVENUE US$28 billion down 3.3% YoY	Up 4-10%*
MASS GAMING REVENUE US$13 billion up 1.2% YoY	Up 14%*
VIP GAMING REVENUE US$15 billion down 6.9% YoY	Up 5%*

*Full range of forecasts from nine research houses.

Source: DSEC / DICJ / EIU

2016 PERFORMANCE

UNEMPLOYMENT RATE

1.9%
stable YoY

MEDIAN MONTHLY EMPLOYMENT EARNINGS

US$1,875
stable YoY

NON-RESIDENT WORKERS

177,638
down 2.2% YoY

VISITOR ARRIVALS

31 million
up 0.8% YoY

TOP 3 REGIONS

MAINLAND CHINA
66%

HONG KONG
21%

TAIWAN
3%

VISITOR EXPENDITURE

(per capita spending)

US$213
up 2.2% YoY

Source: DSEC

Macroeconomic Outlook

Macau's economy is showing signs of an ongoing recovery on the back of improving market fundamentals, rebounding gross gaming revenue (GGR) and the implementation of favourable policy measures.

Although the recovery is expected to be gradual amid various global uncertainties, market sentiment is positive with the economy forecast to grow by 5.2% in 2017 and 5.3% in 2018[1].

GAMING – SIGNS OF A REBOUND

The gaming sector continued to stabilise in the second half of 2016, with five consecutive monthly increases in revenues, following 26 months of decline. For the full year, GGR was down by only 3.3% YoY to US$28 billion, beating market expectations of a 10% YoY decline at the beginning of 2016.

Casino operators continue to focus on recreational gamblers instead of relying principally on high-stakes players. This is evident in a strategic adjustment by Wynn Palace, which initially targeted mainly premium mass-market customers, but which now also looks to the wider mass segment, following a reportedly lukewarm opening performance. The expected debut of two more integrated casinos – the MGM Cotai and the Grand Lisboa Palace in the second half of 2017 and 2018, respectively – is also expected to further boost mass-gaming and family-focused tourism services and entertainment.

[1] Forecast based on data from EIU

Looking ahead, market analysts forecast that GGR will rise by 4-10% YoY in 2017, and we are of the view that the mass-market segment will continue to perform, while high-stakes players will increasingly return to the tables.

POLICIES – FAVOURABLE MEASURES TO SUPPORT MACAU'S ECONOMIC DIVERSIFICATION

China's central government has shown strong support for Macau's positioning of itself as a key diplomatic player in the country's relations with Portuguese-speaking countries through Premier Li Keqiang's visit to the territory in October. A package of 19 measures was announced, designed to strengthen Macau's economy and transform the city into a gateway between China and the Portuguese-speaking countries.

Key measures include the hosting of an annual global tourism economic forum in Macau, setting up a Renminbi clearing centre for Portuguese-speaking countries, relocating the headquarters of the China-Portuguese Speaking Countries Cooperation and Development Fund to Macau from Beijing and allowing Macau-registered vehicles to enter the mainland Chinese city of Hengqin. In 2017, Macau will also host the China Expo Forum for International Co-operation for the first time.

The focus on Macau playing a greater geopolitical role in the southern region of China is also seen as a contrast to developments in Hong Kong, Macau's sister special administration region, which is in the midst of some political turmoil. These policies are expected to give Macau greater relevance in the region and added momentum to continue diversify its economic base.

TOURISM – DEVELOPING INTO A WORLD TOURISM AND LEISURE HUB

In an effort to propel Macau's development as a world centre for tourism and leisure, the territory's government has expressed its intention to push for the construction of more hotels and shopping malls, and a theme park.

As of December 2016, there were approximately 36,300 hotel rooms in Macau – equating to only 24% of the 150,000 rooms in Las Vegas. Coupled with an average occupancy rate of 80% and above, there are both significant potential and need for Macau to increase its room capacity further.

With the opening of the MGM Cotai and the Grand Lisboa Palace, there will be addition of some 3,500 hotel rooms – almost a 10% increase on existing supply – further supporting Macau's tourism sector, which is diversifying to better cater for family and recreational visitors.

The recent and upcoming openings of new resorts have driven visitor arrivals and increased their stay durations, creating a critical mass in Cotai. Visitor arrivals remained high at a total of 31 million in 2016, up 0.8% YoY. Mainland Chinese remained the largest visitor segment, accounting for 66% of all arrivals.

RISKS AND UNCERTAINTIES

Recent developments on the international stage, including Brexit and the outcome of the US presidential election, have created much global economic uncertainty. These issues have been exacerbated by the US Federal Reserve raising interest rates in December and signalling that there may be three further rate increases in 2017. As Macau's Pataca is indirectly pegged to the US dollar through the Hong Kong dollar, future interest rate hikes are likely to prompt Macau to also raise its benchmark interest rate. This may lead to higher borrowing costs and negatively affect investor sentiment.

At a regional level, Macau is facing keen competition in the gaming market from countries including Cambodia, Japan, Singapore, South Korea, the Philippines and Vietnam. These destinations are capitalising on China's anti-graft crackdown, which has affected GGR in Macau, and they are seeking opportunities to develop their gaming industries to attract more Chinese gamblers and tourists – assisted by their relative geographical proximity to China. South Korea, for instance, has started to set up casinos targeting mass-market gamblers with lower minimum bets, and Japan has legalised casino gambling at integrated resorts that include hotels and entertainment facilities.

In Macau, an immediate deterrent to growth is inadequate government planning and execution of transportation systems, which face challenges keeping pace with the city's growing population and the rising number of tourists. Questions over whether the Taipa section of the Light Rail Transit will be operational by 2019 as scheduled have put further focus on infrastructure issues.

Per-capita spending by mainland visitors in Macau rose by 0.5% YoY in 2016. With China tightening capital controls as the value of the Renminbi comes under downward pressure, mainland consumers may reduce their spending – a potential headwind for the tourism industry. The cap on each ATM withdrawal amount in Macau, seen as a careful measure aimed at safeguarding against capital outflow abuses, will also impact how gamblers move and use cash in Macau.

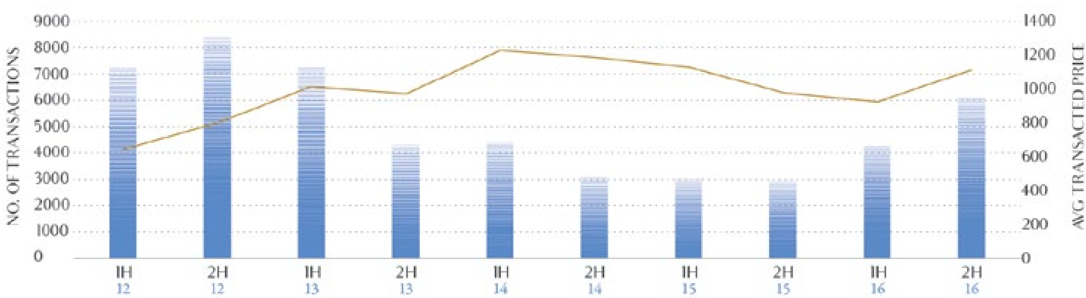
Property Market Overview

MANAGER'S REPORT

MACAU RESIDENTIAL TRANSACTION VALUE AND VOLUME

(Over a six-month period)

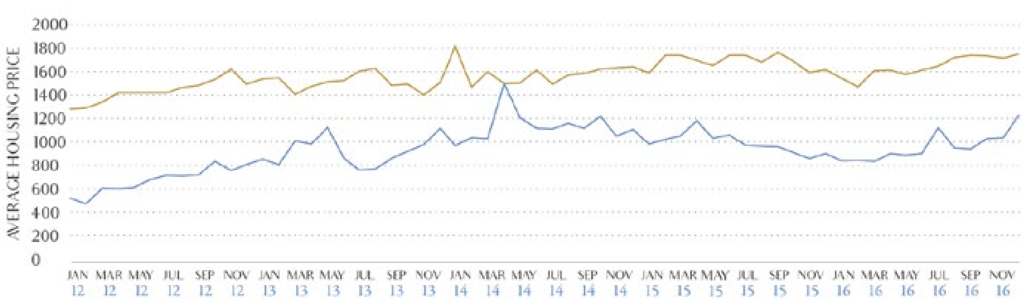
● Number of transactions ● Average transacted price (US$ per square foot)



Source: DSF

AVERAGE HOUSING PRICE (US$ PER SQUARE FOOT)

● Hong Kong ● Macau



Source: RVD / DSF

Macau's residential property market was stable over the reporting period, with home prices remaining at approximately 21% below their peak in 2014. The market was supported mainly by a number of successful off-plan sales in the second half of 2016.

The number of residential units transacted in December increased by 142% YoY to 1,211, while average housing prices for the month rose 32% YoY to MOP9,644 (US$1,206) per square foot. Prices and activity levels are expected to continue to gradually improve in 2017 alongside a recovering economy.

STRONG DEMAND FROM LOCAL AND MAINLAND CHINESE

According to DSEC, local residents currently account for more than 90% of Macau's residential sales, including both new and secondary-market properties. Demand for larger units is supported by wealthy local families and mainland Chinese buyers.

Macau residents are becoming noticeably more wealthy, with local residents' bank deposits hitting new records in December 2016, increasing by 12.6% from a year earlier to MOP519 billion (US$65 billion). With China fully focused on cooling its overheated property market, it is likely that mainland Chinese capital will flow into Macau's real estate market – given its relatively attractive prices, compared to neighbouring Chinese cities and Hong Kong.

GOVERNMENT POLICY SUPPRESSES PURCHASING POWER

The implementation of both the buyers' stamp duty to discourage purchases by foreign investors and the special stamp duty to cool the resale property segment has effectively deterred speculation in the real estate market.

Current mortgage loan regulations limit most loans to only 50-60% of home prices, requiring domestic purchasers to make hefty cash down-payments. This has created a situation in which many purchasers are unable to afford down-payments, even though they are capable of servicing their mortgage commitments.

Additionally, given that the loan-to-value ratio for high-end properties amounts to 50% for Macau residents and 40% for foreigners, and amid little support for second mortgages by financial institutions, barriers to entry in the high-end residential sector have been raised further, potentially capping the number of transactions.

The government has also expressed a strong determination to keep the real estate market in check. In its policy address, it emphasised that it would release property cooling measures that take effect immediately – and without advance notice – should the property market deviate from what it described as "healthy development".

LOOKING AHEAD

On the back of strong support from the central government, Macau looks set to enter into a phase of sustainable growth – gradually transforming from a gaming hub into a multi-faceted tourism and leisure destination.

Further openings of large-scale integrated resorts will see more foreign workers entering Macau, which in turn, is likely to drive leasing demand. The impending resort openings, coupled with the launch of the Free Yacht Travel Scheme and the entry permit of eligible Macau-registered vehicles into Hengqin, will also lead to new tourism and consumption patterns.

Given Macau's nascent economic recovery and the completion of major infrastructure developments in the next two years, we are optimistic about the prospects for the city's property market, which is expected to continue to recover in 2017.

Directors' Statement of Responsibilities

The Directors are responsible for preparing this half-yearly financial report in accordance with applicable law and regulations.

The Directors confirm that to the best of their knowledge:

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

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

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

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

On behalf of the Board

Chris Russell
Chairman
2 March 2017

Independent Review Report to Macau Property Opportunities Fund Limited

Introduction

We have been engaged by Macau Property Opportunities Fund Limited to review the interim condensed consolidated financial statements in the interim financial report for the six months ended 31 December 2016, which comprise the Interim Condensed Consolidated Statement of Financial Position, the Interim Condensed Consolidated Statement of Comprehensive Income, the Interim Condensed Consolidated Statement of Changes in Equity, the Interim Condensed Consolidated Statement of Cash Flows and the related notes 1 to 13. We have read the other information contained in the interim financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

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

Directors' Responsibilities

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

As disclosed in note 1, the annual financial statements of the Group are prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union.

The interim condensed consolidated financial statements included in this interim financial report have been prepared in accordance with International Accounting Standard 34, 'Interim Financial Reporting', as adopted by the European Union.

Our Responsibility

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

Scope of Review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed interim consolidated financial statements in the interim report for the six months ended 31 December 2016 are not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union and with the Disclosure and Transparency Rules of the United Kingdom's Financial Conduct Authority.

Ernst & Young LLP
Guernsey, Channel Islands
2 March 2017

Interim Condensed Consolidated Statement of Financial Position (Unaudited)

As at 31 December 2016

	Note	Unaudited 31 Dec 2016 US$'000	Unaudited 31 Dec 2015 US$'000	Audited 30 June 2016 US$'000
ASSETS				
Non-current assets				
Investment property	3	**217,264**	208,383	206,595
Deposits with lenders	4	**2,169**	2,958	2,113
Financial assets at fair value through profit or loss - interest rate swap	6	**69**	120	-
Trade and other receivables		**111**	111	111
		219,613	211,572	208,819
Current assets				
Inventories	5	**67,596**	67,346	67,410
Trade and other receivables		**52**	1,333	1,096
Deposits with lenders	4	**-**	232	-
Financial assets at fair value through profit or loss - interest rate swap	6	**141**	-	-
Cash and cash equivalents		**18,293**	17,512	12,741
		86,082	86,423	81,247
Total assets		**305,695**	297,995	290,066
EQUITY				
Capital and reserves attributable to the Company's equity holders				
Share capital		**764**	764	764
Retained earnings		**43,137**	47,404	38,724
Distributable reserves		**66,208**	66,208	66,208
Foreign currency translation reserve		**1,008**	1,137	947
Total equity		**111,117**	115,513	106,643
LIABILITIES				
Non-current liabilities				
Deferred taxation provision	12	**13,235**	13,078	12,782
Taxation provision	12	**-**	3,749	2,409
Interest-bearing loans	7	**148,830**	162,614	149,279
Financial liabilities at fair value through profit or loss - interest rate swap	6	**-**	-	23
		162,065	179,441	164,493
Current liabilities				
Taxation provision	12	**2,149**	-	2,514
Trade and other payables		**1,478**	1,352	1,891
Interest-bearing loans	7	**28,886**	1,501	14,444
Financial liabilities at fair value through profit or loss - interest rate swap	6	**-**	188	81
		32,513	3,041	18,930
Total liabilities		**194,578**	182,482	183,423
Total equity and liabilities		**305,695**	297,995	290,066
Net Asset Value per share (US$)	9	**1.45**	1.51	1.40
Adjusted Net Asset Value per share (US$)	9	**3.03**	3.21	2.96

The interim condensed consolidated financial statements were approved by the Board of Directors and authorised for issue on 2 March 2017.

The notes on pages 44 to 54 form part of these interim condensed consolidated financial statements.

Interim Condensed Consolidated Statement of Comprehensive Income (Unaudited)

For the six-month period from 1 July 2016 to 31 December 2016

	Note	Unaudited 6 months 1 Jul 2016 - 31 Dec 2016 US$'000	Unaudited 6 months 1 Jul 2015 - 31 Dec 2015 US$'000	Audited 12 months 1 Jul 2015 - 30 Jun 2016 US$'000
Income				
Income on sale of inventories	5	-	1,045	1,045
Rental income		896	1,104	2,109
Net gain/(loss) from fair value adjustment on investment property	3	10,231	(35,923)	(38,227)
Other income		11	4	4
		11,138	(33,770)	(35,069)
Expenses				
Cost of sales of inventories	5	-	254	254
Management fee	11	2,391	3,108	5,528
Non-executive directors' fees	11	74	106	187
Auditors' remuneration: audit fees		71	66	103
Auditors' remuneration: non-audit fees		152	25	32
Property operating expenses		602	512	1,271
Sales and marketing expenses		39	43	77
General and administration expenses		682	544	1,155
Loss on foreign currency translation		25	72	75
		(4,036)	(4,730)	(8,682)
Operating profit/(loss) for the period/year		7,102	(38,500)	(43,751)
Finance income and expenses				
Net gain on valuation of interest rate swap	6	314	327	291
Bank loan interest	7	(2,398)	(2,374)	(4,827)
Interest expense on interest rate swap	6	(70)	(393)	(581)
Other financing costs		(141)	(187)	(324)
		(2,295)	(2,627)	(5,441)
Profit/(Loss) for the period/year before tax		4,807	(41,127)	(49,192)
Taxation		(394)	4,156	3,541
Profit/(Loss) for the period/year after tax		4,413	(36,971)	(45,651)
Items that may be reclassified subsequently to profit or loss				
Exchange difference on translating foreign operations		61	53	(137)
Total comprehensive income/(loss) for the period/year		4,474	(36,918)	(45,788)
Profit/(Loss) attributable to:				
Equity holders of the Company		4,413	(36,971)	(45,651)
Total comprehensive income/(loss) attributable to:				
Equity holders of the Company		4,474	(36,918)	(45,788)

	Note	Unaudited 6 months 1 Jul 2016 - 31 Dec 2016 US$	Unaudited 6 months 1 Jul 2015 - 31 Dec 2015 US$	Audited 12 months 1 Jul 2015 - 30 Jun 2016 US$
Basic and diluted earnings/(loss) per Ordinary Share attributable to the equity holders of the Company during the period/year	8	0.0577	(0.4818)	(0.5961)

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

The notes on pages 44 to 54 form part of these interim condensed consolidated financial statements.

Interim Condensed Consolidated Statement of Changes in Equity (Unaudited)

Movement for the six-month period from 1 July 2016 to 31 December 2016 (Unaudited)

	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 2016	**764**	**38,724**	**66,208**	**947**	**106,643**
Profit for the period	-	4,413	-	-	4,413
Items that may be reclassified subsequently to profit or loss					
Exchange difference on translating foreign operations	-	-	-	61	61
Total comprehensive income for the period	-	4,413	-	61	4,474
Balance carried forward at 31 December 2016	**764**	**43,137**	**66,208**	**1,008**	**111,117**

Movement for the six-month period from 1 July 2015 to 31 December 2015 (Unaudited)

	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 period	-	(36,971)	-	-	(36,971)
Items that may be reclassified subsequently to profit or loss					
Exchange difference on translating foreign operations	-	-	-	53	53
Total comprehensive loss for the year	-	(36,971)	-	53	(36,918)
Share buyback	(11)	-	(3,005)	-	(3,016)
Balance carried forward at 31 December 2015	764	47,404	66,208	1,137	115,513

Movement for the year from 1 July 2015 to 30 June 2016 (Audited)

	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	(11)	-	(3,005)	-	(3,016)
Balance carried forward at 30 June 2016	764	38,724	66,208	947	106,643

The notes on pages 44 to 54 form part of these interim condensed consolidated financial statements.

Interim Condensed Consolidated Statement of Cash Flows (Unaudited)

For the six-month period from 1 July 2016 to 31 December 2016

	Note	Unaudited 6 months 1 Jul 2016 - 31 Dec 2016 US$'000	Unaudited 6 months 1 Jul 2015 - 31 Dec 2015 US$'000	Audited 12 months 1 Jul 2015 - 30 Jun 2016 US$'000
Net cash used in operating activities	10	**(4,771)**	(2,085)	(4,904)
Cash flows from investing activities				
Capital expenditure on investment property	3	**(342)**	(444)	(1,237)
Movement in pledged bank balances		**(56)**	(540)	537
Net cash used in investing activities		**(398)**	(984)	(700)
Cash flows from financing activities				
Proceeds from bank borrowings		**15,215**	36,302	36,266
Repayment of bank borrowings		**(1,431)**	(38,070)	(38,367)
Share buyback		**-**	(3,016)	(3,016)
Interest and bank charges paid		**(3,016)**	(3,347)	(5,400)
Net cash generated from/(used in) financing activities		**10,768**	(8,131)	(10,517)
Net movement in cash and cash equivalents		**5,599**	(11,200)	(16,121)
Cash and cash equivalents at beginning of period/year		**12,741**	28,749	28,749
Effect of foreign exchange rate changes		**(47)**	(37)	113
Cash and cash equivalents at end of period/year		**18,293**	17,512	12,741

The notes on pages 44 to 54 form part of these interim condensed consolidated financial statements.

Notes to the Interim Condensed Consolidated Financial Statements (Unaudited)

For the six-month period from 1 July 2016 to 31 December 2016

General information

Macau Property Opportunities Fund Limited (the "Company") is a Company incorporated and registered in Guernsey under The Companies (Guernsey) Law, 1994. This law was replaced by the Companies (Guernsey) Law, 2008 on 1 July 2008. The Company is an authorised entity under the Authorised Closed-Ended Investment Schemes Rules 2008 and is regulated by the Guernsey Financial Services Commission. The address of the registered office is given on Page 55.

The interim condensed consolidated financial statements for the six months ended 31 December 2016 comprise the interim financial statements of the Company and its subsidiaries (together referred to as the "Group"). The Group invests in residential and commercial properties and property-related ventures primarily in Macau.

There have been no change to the Group's principal risks and uncertainties in the six-month period to 31 December 2016 and the Board of Directors does not anticipate any changes to the principal risks and uncertainties in the second half of the year. Principal risks and uncertainties are further discussed in the Manager's Report on Page 33.

The interim condensed consolidated financial statements are presented in US Dollars ("US$") and are rounded to the nearest thousand ($'000).

These interim condensed consolidated financial statements have been approved for issue by the Board of Directors on 2 March 2017.

1. Significant accounting policies

Basis of accounting

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

The interim condensed consolidated financial statements have been prepared in accordance with International Accounting Standard ("IAS") 34, Interim Financial Reporting. The same accounting policies and methods of computation are followed in the interim financial statements as compared with the annual financial statements. The interim condensed consolidated financial statements do not include all information and disclosures required in the annual financial statements and should be read in conjunction with the Group's annual financial statements as of 30 June 2016. The interim report has been reviewed, not audited, by the Auditor.

New and amended standards and interpretations applied

The following amendments to existing standards and interpretations were effective for the year ended 30 June 2017 and therefore were applied in the current interim period, but either they were not applicable to or did not have a material impact on the Group:

- IAS 1 Disclosure Initiative – amendments to IAS 1
- IFRS 11 Accounting for acquisitions of interests in Joint Operations amendments
- Amendments to IFRS 10, IFRS 12 and IAS 28; Investment Entities: Applying Consolidation Exemption
- Annual improvements 2012-2014 cycle
- Amendments to IAS 19; Employee Benefits

Notes to the Interim Condensed Consolidated Financial Statements (Unaudited) (continued)

For the six-month period from 1 July 2016 to 31 December 2016

1. Significant accounting policies (continued)

Basis of accounting (continued)

Going concern

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 as at 31 December 2016, 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.

The Directors believe it is appropriate to prepare the financial statements of the Group on the going concern basis based upon existing cash resources, the forecasts described above, the extension of the life of the Company until the end of 2018 following the failure of the discontinuation vote at the Annual General Meeting on 14 November 2016 and the Directors' assessment of the Group's committed banking facilities and expected continuing compliance with related covenants.

Seasonal and cyclical variations

The Group does not operate in an industry where significant or cyclical variations as a result of seasonal activity are experienced during the financial year.

2. Segment reporting

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

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

Notes to the Interim Condensed Consolidated Financial Statements (Unaudited) (continued)

For the six-month period from 1 July 2016 to 31 December 2016

3. Investment property

	Unaudited 1 Jul 2016 - 31 Dec 2016 US$'000	Unaudited 1 Jul 2015 - 31 Dec 2015 US$'000	Audited 1 Jul 2015 - 30 Jun 2016 US$'000
At beginning of the period/year	**206,595**	243,810	243,810
Capital expenditure on property	**342**	444	1,237
Fair value adjustment	**10,231**	(35,923)	(38,227)
Exchange difference	**96**	52	(225)
Balance at end of the period/year	**217,264**	208,383	206,595

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 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 valuations based on its knowledge of the property market and compare these to previous valuations.

The Group's investment properties were revalued at 31 December 2016 by independent, professionally-qualified valuers: Savills (Macau) Limited. The valuation has been carried out in accordance with the current Royal Institution of Chartered Surveyors (RICS) Appraisal and Valuation Standards to calculate the market value of the investment properties in their existing state and physical condition, with the assumptions that:

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

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

See Note 12 in relation to deferred tax liabilities on investment property.

Capital expenditure in the period relates to the fit-out costs for *The Waterside*.

Rental income arising from *The Waterside* of US$896,000 (6 months ended 31 December 2015: US$1,104,000, 12 months ended 30 June 2016: US$2,109,000) was received during the period. Direct operating expenses of US$461,000 (6 months ended 31 December 2015: US$251,000, 12 months ended 30 June 2016: US$967,000) arising from *The Waterside* that generated rental income were incurred during the six-month period. Direct operating expenses during the period arising from vacant units totalled US$166,000 (6 months ended 31 December 2015: US$171,000, 12 months ended 30 June 2016: US$325,000).

Notes to the Interim Condensed Consolidated Financial Statements (Unaudited) (continued)

For the six-month period from 1 July 2016 to 31 December 2016

3. Investment property (continued)

The table below shows the assumptions used in valuing the investment properties which are classified as Level 3 in the fair value hierarchy:

	Property information	Carrying amount / fair value as at 31 December 2016: US$'000	Valuation technique	Input	Unobservable and observable inputs used in determination of fair values	Other key information
Name	*The Waterside*	217,264	Term and reversion analysis	Term rent (inclusive of management fee and furniture)	HK$17.30 psf (30 June 2016: HK$19.50 psf)	Age of building
Type	Completed apartments			Term yield (exclusive of management fee and furniture)	1.4% - 2.2% (30 June 2016: 1.6% - 2.4%)	Remaining useful life of building
Location	One Central Tower 6 Macau			Reversionary rent (exclusive of management fee and furniture)	HK$16.20 psf (30 June 2016: HK$19.00 psf)	
				Reversionary yield	1.80% (30 June 2016: 2.00%)	

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

If the estimated reversionary rent increased/decreased by 5% (and all other assumptions remained the same), the fair value of *The Waterside* would increase by US$11 million (6 months ended 31 December 2015: US$10 million, 12 months ended 30 June 2016: US$10 million) or decrease by US$11 million (6 months ended 31 December 2015: US$10 million, 12 months ended 30 June 2016: US$10 million).

If the term and reversionary yields or discount rates increased/decreased by 5% (and all other assumptions remained the same), the fair value of *The Waterside* would decrease by US$10 million (6 months ended 31 December 2015: US$10 million, 12 months ended 30 June 2016: US$10 million) or increase by US$11 million (6 months ended 31 December 2015: US$11 million, 12 months ended 30 June 2016: US$11 million).

The same valuation method was deployed in June 2016 and December 2016.

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 transfer between levels during the period or a change in valuation technique since the last period.

Notes to the Interim Condensed Consolidated Financial Statements (Unaudited) (continued)

For the six-month period from 1 July 2016 to 31 December 2016

4. Deposits with lenders

Pledged bank balances represents deposits pledged to the Group's bankers to secure the banking facilities and interest rate swaps granted to the Group. Deposits amounting to US$2.2 million (31 December 2015: US$3.0 million, 30 June 2016: US$2.1 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.

	Unaudited 31 Dec 2016 US$'000	Unaudited 31 Dec 2015 US$'000	Audited 30 Jun 2016 US$'000
Pledged for loan covenants	**2,169**	2,958	2,113
Pledged for interest rate swaps	**-**	232	-
	2,169	3,190	2,113

5. Inventories

	Unaudited 1 Jul 2016 - 31 Dec 2016 US$'000	Unaudited 1 Jul 2015 - 31 Dec 2015 US$'000	Audited 1 Jul 2015 - 30 Jun 2016 US$'000
Cost			
Balance brought forward	**67,410**	67,288	67,288
Additions	**155**	296	438
Disposals	**-**	(254)	(254)
Exchange difference	**31**	16	(62)
Balance carried forward	**67,596**	67,346	67,410

Additions include capital expenditure, development costs and capitalisation of financing costs. Financing costs of US$47,000 (6 months ended 31 December 2015: US$nil, 12 months ended 30 June 2016: US$nil) relating to *Senado Square* loan facility were capitalised during the period, including US$17,000 (6 months ended 31 December 2015: US$nil, 12 months ended 30 June 2016: US$nil) of interests capitalised to the property.

Under IFRS, inventories are valued at the lower of cost and net realisable value. The carrying amounts for inventories as at 31 December 2016 amounts to US$67,596,000 (6 months ended 31 December 2015: US$67,346,000, 12 months ended 30 June 2016: US$67,410,000). Net realisable value as at 31 December 2016 as determined by independent, professionally-qualified valuer, Savills (Macau) Limited, was US$185,830,000 (6 months ended 31 December 2015: US$195,343,000, 12 months ended 30 June 2016: US$185,211,000).

No sales of inventories were recorded for the six months ended 31 December 2016. For the six months ended 31 December 2015, and the 12 months ended 30 June 2016, three car parking spaces and one motorcycle parking space of *The Fountainside* were sold for a total consideration of US$1.0 million (HK$8.1 million) against a total cost of US$0.2 million (HK$2.0 million) which resulted in a net profit of US$0.8 million (HK$6.1 million) after all associated fees and transaction costs.

Notes to the Interim Condensed Consolidated Financial Statements (Unaudited) (continued)

For the six-month period from 1 July 2016 to 31 December 2016

6. Interest rate swaps

During the period, the Group paid net interest to the banks of US$70,000 (6 months to 31 December 2015: US$393,000, 12 months to 30 June 2016: US$581,000) as shown in financing expenses on the consolidated statement of comprehensive income.

The swaps are treated as financial assets at fair value through profit or loss with a net period end value of US$210,000 (31 December 2015: financial liability of US$68,000, 30 June 2016: financial liability of US$104,000). For the period ended 31 December 2016, a fair value gain of US$314,000 (6 months ended 31 December 2015: US$327,000, 12 months ended 30 June 2016: US$291,000) arising from the net interest rate swaps has been recognised in the consolidated statement of comprehensive income.

All swaps held are categorised in Level 2 of the fair value hierarchy. There was no transfer between Levels 1, 2 and 3 or changes in valuation techniques during the period. The swaps have been valued on the basis of discounting future cash flows at prevailing interest rates.

There was no change in the counterparty credit risk during the period.

Standard Chartered Bank

The Group had interest rate swaps with Standard Chartered Bank to mitigate risks associated with the variability of cash flows arising from interest rate fluctuations, all of which matured during the year ended 30 June 2016.

The total notional amount of the interest rate swap for the year ended 30 June 2016 and the period ended 31 December 2015 was HK$500,000,000 and HK$100,000,000, respectively, being a notional amount of HK$100,000,000 for each swap.

Under these swap, 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. The Group placed HK$1,800,000 (US$232,000) as at 31 December 2015 with Standard Chartered Bank as a pledged deposit to secure the interest rate swap facilities.

Hang Seng Bank

The Group also has 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$250,000,000 (31 December 2015: HK$250,000,000, 30 June 2016: HK$250,000,000), the tenor of the swap is five years with a 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 fixed rate of 1.00% per annum.

Notes to the Interim Condensed Consolidated Financial Statements (Unaudited) (continued)

For the six-month period from 1 July 2016 to 31 December 2016

7. Interest-bearing loans

	Unaudited 31 Dec 2016 US$'000	Unaudited 31 Dec 2015 US$'000	Audited 30 Jun 2016 US$'000
Bank loans - Secured			
- Current portion	**28,886**	1,501	14,444
- Non-current portion	**148,830**	162,614	149,279
	177,716	164,115	163,723

The Group has a term loan facility with Hang Seng Bank for *The Waterside* and the individual residential units at 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 for up to the end of 2017.

As at 31 December 2016, three tranches remained outstanding. Tranche 3 had an outstanding balance of HK$572 million (US$73.8 million) (31 December 2015: HK$572 million (US$73.8 million), 30 June 2016: HK$572 million (US$73.7 million)); Tranche 4 had an outstanding balance of HK$76 million (US$9.8 million) (31 December 2015: HK$76 million (US$9.8 million), 30 June 2016: HK$76 million (US$9.8 million)); and Tranche 5 had an outstanding balance of HK$281 million (US$36.3 million) (31 December 2015: HK$281 million (US$36.3 million), 30 June 2016: HK$281 million (US$36.3 million)). As at 31 December 2016, the loan-to-value ratio for the Hang Seng One Central facility was 51.90%.

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 loan matures 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 Residences units will be waived, subject to the Group maintaining a loan-to-value ratio of not more than 50% on the facility.

During the period ended 31 December 2016, the Group executed a two-year loan facility with Hang Seng Bank for *Senado Square* redevelopment project. The total facility amount is HK$118 million (US$15.2 million) divided into 2 tranches: Tranche A is a term loan facility for an amount of HK$59 million (US$7.6 million) for refinancing the property acquisition cost; Tranche B is a revolving loan facility for an amount of HK$59 million (US$7.6 million) for general working capital needs. The full amount of the facility was drawndown in December 2016. Interest is charged at 2.7% per annum over the 1-, 2- or 3-month HIBOR rate. The choice of rate is at the Group's discretion. The facility will mature on 10 December 2018 and the principal is to be repaid by one lump sum at maturity. The loan-to-value covenant is two-tier, on a stand-alone basis: 45% and in aggregate with the One Central facility: 60%. The facility is secured by means of a first registered legal mortgage over the Group's interest in *Senado Square* as well as a pledge of all sales proceeds. The Company and MPOF Macau (Site 5) Limited are the joint guarantor for the loan facility. In addition, the Group is required to maintain a cash reserve equal to six months' interest with the lender. As at 31 December 2016, the loan-to-value ratio for *Senado Square* facility was 17.82%.

The Group has a HK$220 million (US$28.4 million) term loan facility with the Industrial and Commercial Bank of China (Macau) Limited in relation to *The Fountainside* redevelopment project with a tenor of three years to mature in March 2018. 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 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 31 December 2016, the facility had an outstanding balance of HK$187 million (US$24.1 million) (31 December 2015: HK$200.7 million (US$25.9 million), 30 June 2016: HK$198.1 million (US$25.5 million)). Sales proceeds of US$nil (31 December 2015: US$0.1 million, 30 June 2016: US$nil) were pledged with the lender. As at 31 December 2016, the loan-to-value ratio for *The Fountainside* facility was 53.58%.

Notes to the Interim Condensed Consolidated Financial Statements (Unaudited) (continued)

For the six-month period from 1 July 2016 to 31 December 2016

7. Interest-bearing loans (continued)

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 three 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 31 December 2016, the facility had an outstanding balance of HK$70 million (US$9.0 million) (31 December 2015: HK$70 million (US$9.0 million), 30 June 2016: 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. Interest is paid monthly on this loan facility. As at 31 December 2016, the loan-to-value ratio for this facility was 45.75%.

ICBC Macau

The loan facility with Industrial and Commercial Bank of China (Macau) Limited has a term of three 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 31 December 2016, the facility had an outstanding balance of HK$79 million (US$10.2 million) (31 December 2015: HK$79 million (US$10.2 million), 30 June 2016: 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 Company 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 31 December 2016, the loan-to-value ratio for this facility was 43.17%.

Bank loan interest paid during the period was US$2,415,000 (6 months period ended 31 December 2015: US$2,374,000, 12 months period ended 30 June 2016: US$4,827,000), including US$17,000 (31 December 2015: US$nil, 30 June 2016: US$nil), capitalised during the period (see Note 5). As at 31 December 2016, the carrying amount of interest-bearing loans included unamortised prepaid loan arrangement fee of US$659,000 (31 December 2015: US$926,000, 30 June 2016: US$791,000).

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 31 December 2016, the fair value of the financial liabilities was US$188,000 lower than the carrying value of the financial liabilities (31 December 2015: US$289,000 lower than the carrying value of the financial liabilities, 30 June 2016: US$378,000 lower than the carrying value of the financial liabilities).

The Group's interest-bearing loans have been classified within Level 2 as they have observable inputs from similar loans. There have been no transfers between levels during the period or a change in valuation technique since last period.

8. Basic and diluted earnings/(loss) per Ordinary Share

Basic and diluted earnings/(loss) per equivalent Ordinary Share is based on the following data:

	Unaudited 6 months 1 Jul 2016 - 31 Dec 2016	Unaudited 6 months 1 Jul 2015 - 31 Dec 2015	Audited 12 months 1 Jul 2015 - 30 Jun 2016
Profit/(Loss) for the period/year (US$'000)	**4,413**	(36,971)	(45,651)
Weighted average number of Ordinary Shares ('000)	**76,433**	76,733	76,584
Basic and diluted earnings/(loss) per share (US$)	**0.0577**	(0.4818)	(0.5961)

Notes to the Interim Condensed Consolidated Financial Statements (Unaudited) (continued)

For the six-month period from 1 July 2016 to 31 December 2016

9. Net asset value reconciliation

	Unaudited 31 Dec 2016 US$'000	Unaudited 31 Dec 2015 US$'000	Audited 30 Jun 2016 US$'000
Net assets attributable to ordinary shareholders	**111,117**	115,513	106,643
Uplift of inventories held at cost to market value	**120,111**	129,971	119,672
Adjusted Net Asset Value	**231,228**	245,484	226,315
Number of Ordinary Shares Outstanding ('000)	**76,433**	76,433	76,433
NAV per share (IFRS) (US$)	**1.45**	1.51	1.40
Adjusted NAV per share (US$)	**3.03**	3.21	2.96
Adjusted NAV per share (£)*	**2.45**	2.18	2.23

* US$:GBP rates as at relevant period end

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

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

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

There are no potentially dilutive instruments in issue.

10. Cash flows from operating activities

	Unaudited 6 months 1 Jul 2016 - 31 Dec 2016 US$'000	Unaudited 6 months 1 Jul 2015 - 31 Dec 2015 US$'000	Audited 12 months 1 Jul 2015 - 30 Jun 2016 US$'000
Cash flows from operating activities			
Profit/(Loss) for the period/year before tax	**4,807**	(41,127)	(49,192)
Adjustments for:			
Net gain on valuation of interest rate swap	**(314)**	(327)	(291)
Net (gain)/loss from fair value adjustment on investment property	**(10,231)**	35,923	38,227
Net finance costs	**2,609**	2,950	5,732
Operating cash flows before movements in working capital	**(3,129)**	(2,581)	(5,524)
Effect of foreign exchange rate changes	**61**	53	(137)
Movement in trade and other receivables	**1,044**	1,947	2,183
Movement in trade payables, provision and other payables	**238**	(143)	77
Movement in inventories	**(155)**	(42)	(184)
Taxation paid	**(2,830)**	(1,319)	(1,319)
Net change in working capital	**(1,703)**	443	757
Net cash used in operating activities	**(4,771)**	(2,085)	(4,904)

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

Notes to the Interim Condensed Consolidated Financial Statements (Unaudited) (continued)

For the six-month period from 1 July 2016 to 31 December 2016

11. Related party transactions

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

	Unaudited 6 months 1 Jul 2016 - 31 Dec 2016 US$'000	Unaudited 6 months 1 Jul 2015 - 31 Dec 2015 US$'000	Audited 12 months 1 Jul 2015 - 30 Jun 2016 US$'000
Directors' fees	74	106	187

The Directors are considered to be the key management personnel (as defined under IAS 24) of the Company. Directors' fees outstanding as at 31 December 2016 was US$37,000 (31 December 2015: US$49,000, 30 June 2016: US$39,000).

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 management fees during the period as detailed in the Interim Condensed Consolidated Statement of Comprehensive Income. Management fees are paid quarterly in advance and amounted to US$2,391,000 (6 months to 31 December 2015: US$3,108,000, 12 months to 30 June 2016: US$5,528,000) at a fee of 2.0% per annum of the Net Asset Value, as adjusted to reflect the Property Investment Valuation Basis. Thomas Ashworth received no Directors' fees from the Group.

No performance fee was accrued at period end as the previous high watermark had not been surpassed (6 months to 31 December 2015: US$nil, 12 months to 30 June 2016: US$nil). No performance fee was paid during the period (6 months to 31 December 2015: US$nil, 12 months to 30 June 2016: US$nil).

Thomas Ashworth is a shareholder and Director of Adept Capital Partners Services Limited. Adept Capital Partners Services Limited provides administrative services to the Macanese, Hong Kong and British Virgin Islands SPVs and received fees during the period of US$50,000 of which US$nil was outstanding at the period end (6 months to 31 December 2015: US$50,000 of which US$nil was outstanding, 12 months to 30 June 2016: US$101,000 of which US$nil was outstanding).

The Group has a Development Management Services Agreement with a development management company named Headland Developments Limited ("Headland"). Thomas Ashworth has beneficial interest in and is a Director of Headland and therefore constitutes a related party of the Group. During the period, Development Management Services fees of HK$nil (US$nil) (6 months to 31 December 2015: HK$nil (US$nil), 12 months to 30 June 2016: HK$nil (US$nil)) were capitalised in investment property and HK$66,000 (US$8,000) (6 months to 31 December 2015: HK$20,000 (US$3,000), 12 months to 30 June 2016: HK$170,000 (US$22,000)) were capitalised in inventories. As at 31 December 2016, US$1,000 (31 December 2015: US$3,000, 30 June 2016: US$5,000) was outstanding.

The Group has a Project Management Services Agreement with a property management company named Bela Vista Property Services Limited ("Bela Vista"). Thomas Ashworth has beneficial interest in and is a Director of Bela Vista and therefore constitutes a related party of the Group. During the period, Project Management Services fees of US$nil (6 months to 31 December 2015: US$nil, 12 months to 30 June 2016: US$62,000) were capitalised in investment property. As at 31 December 2016, US$nil (31 December 2015: US$nil, 30 June 2016: US$62,000) was outstanding.

All intercompany loans and related interest are eliminated on consolidation.

Notes to the Interim Condensed Consolidated Financial Statements (Unaudited) (continued)

For the six-month period from 1 July 2016 to 31 December 2016

12. Taxation provision

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

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

	Unaudited 31 Dec 2016 US$'000	Unaudited 31 Dec 2015 US$'000	Audited 30 Jun 2016 US$'000
Current liabilities			
People's Republic of China tax authorities provision	-	-	2,514
Provisions for Macanese taxation	**2,149**	-	-
	2,149	-	2,514
Non-current liabilities			
People's Republic of China tax authorities provision	-	1,514	-
Deferred taxation	**13,235**	13,078	12,782
Provisions for Macanese taxation	-	2,235	2,409
	15,384	16,827	17,705

People's Republic of China tax authorities provision

As at 31 December 2015 and 30 June 2016, tax provision has been made against the potential tax charge by the People's Republic of China tax authorities on the gain on disposal of the *APAC Logistics Centre* and *Cove Residences*. During the year ended 30 June 2016, an interim payment of HK$6,278,000 (US$810,000) was made to partially settle the tax liability to the PRC tax authorities. On 25 August 2016, the Group has submitted the final tax return to the PRC tax authorities and the final assessed tax liability totalled HK$19 million (US$2.45 million) was fully settled on 26 August 2016.

Deferred taxation

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

Provision for Macanese taxations

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

Tax charge

The tax charge for the period of US$394,000 (6 months to 31 December 2015: tax credit of US$4,156,000, 12 months to 30 June 2016: tax credit of US$3,541,000) comprised a deferred tax charge of US$447,000 (6 months to 31 December 2015: deferred tax credit of US$4,311,000, 12 months to 30 June 2016: deferred tax credit of US$4,587,000) arising from the increase in the value of investment property and a reversal in the tax authorities provision for the People's Republic of China of US$53,000 (6 months to 31 December 2015: US$nil, 12 months to 30 June 2016: increase in provision of US$1,000,000). For the six months to 31 December 2016, there was no provision for Macanese taxes at a rate of 12% (6 months to 31 December 2015: US$nil, 12 months to 30 June 2016: US$46,000). For the six months to 31 December 2015, property tax expenses of US$155,000 reduced the tax credit balance.

13. Subsequent events

There have been no significant events occurring after the reporting date of the Interim Report for the period ended 31 December 2016.

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Alan Clifton
Wilfred Woo

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Glossary of Sources

DICJ	GAMING INSPECTION AND COORDINATION BUREAU (MACAU)
DSEC	THE STATISTICS AND CENSUS SERVICE (MACAU)
DSF	FINANCIAL SERVICES BUREAU (MACAU)
EIU	ECONOMIST INTELLIGENCE UNIT
LVCVA	LAS VEGAS CONVENTION AND VISITORS AUTHORITY
NBS	NATIONAL BUREAU OF STATISTICS OF CHINA
RVD	RATING AND VALUATION DEPARTMENT (HONG KONG)

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Macau Property Opportunities Fund

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