

 Macau Property Opportunities Fund



Interim Report  
for the period ended 31 December 2006

Macau Property Opportunities Fund Limited is a closed-end investment fund registered in Guernsey and traded on the Alternative Investment Market of the London Stock Exchange.

The Company's investment policy is to provide shareholders with an attractive total return through investing in property opportunities in one of the world's fastest growing and most dynamic regions – Macau and the Western Pearl River Delta of Southern China.

The Fund is managed by Sniper Capital Limited, an independent investment manager that specialises in property investment opportunities in niche, undervalued and developing markets.

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## Highlights

- ▶ 13.8% uplift in Adjusted NAV since Admission
- ▶ 21% uplift in portfolio valuations
- ▶ Three transactions announced
- ▶ US\$148 million committed
- ▶ Eight sites currently under negotiation
- ▶ US\$1.3 billion worth of sites assessed



## About the Fund

Macau Property Opportunities Fund Limited invests in the property markets of Macau and the surrounding Western Pearl River Delta region of Southern China. It is the first listed property fund focusing exclusively on investment opportunities in these exciting and dynamic markets.

In June 2006, the Company floated on the Alternative Investment Market (AIM) of the London Stock Exchange, successfully placing 105 million new ordinary shares at £1.00 per share and raising £105 million. Its early-mover advantage and extensive local network has allowed it to rapidly execute its investment strategy. As at December 2006, MPOF had committed approximately 80% of the funds raised at its IPO, and remains well positioned to continue to invest in further opportunities that are expected to generate strong returns for its shareholders.

▶	5 June 2006 Listing Date
▶	AIM (London Stock Exchange) Market Listing
▶	105,000,000 Total Shares Issued
▶	100.00p Issue Price
▶	115.00p Latest Share Price*
▶	£120.75 million Market Capitalisation*
▶	MPO Stock Code
▶	Guernsey Country of Incorporation
▶	60% Maximum Level of Gearing
▶	0% Current Gearing Level

\* As at 9 February 2007



## About Macau

Macau is the only location in China where gaming is legal. In early 2002, the Macau government decided to break the gaming monopoly held for 40 years by casino magnate Stanley Ho, by awarding three new casino licences. This catalysed a massive influx of new foreign investment, which, as at the end of 2006, had reached a total combined commitment level of over US\$30 billion of which to date less than 15% has been spent.

Macau is situated on the south-eastern coast of China, 60km south-west of Hong Kong and 145km south of Guangzhou, the capital of Guangdong Province. The territory comprises a peninsula and two islands with a total combined area of 28.2km<sup>2</sup>. Previously a Special Territory of Portugal, Macau became a Special Administrative Region of the People's Republic of China on 20 December 1999.

SE Coast of China  
Location

508,500  
Population

95% Chinese Origin  
Ethnic Mix

28.2km<sup>2</sup>  
Land Area

Chinese and Portuguese  
Official Languages

Pataca (pegged to HK Dollar)  
Currency

Special Administrative Region of China  
Government

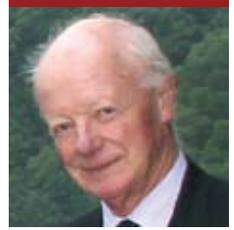
US\$26,100  
GDP Per Capita

17.1%  
GDP Growth

Gaming , Tourism, Construction  
GDP Drivers



## Chairman's Statement



This is my first opportunity to report to shareholders on the performance of Macau Property Opportunities Fund Limited (“MPOF” or “the Company”) since the Company’s shares were admitted to trading on AIM on 5 June 2006. The report covers the period ended 31 December 2006.

I am pleased to be able to inform shareholders that MPOF has made encouraging progress in the execution of its investment strategy. The Company currently has committed investments amounting to US\$148 million in three high-quality development projects in strategic locations across Macau, of which US\$43 million had been paid in cash as at 31 December 2006.

These commitments now represent 80% of the capital raised in the June 2006 AIM listing on a pre-gearing basis, well within the expected 18-month investment period. In line with one of the Company’s target investment segments, the three transactions were for residential sites. All of these are located on Macau Peninsula and each brings unique and valuable attributes to the Company’s portfolio.

MPOF’s Accounting Net Asset Value per share (“Accounting NAV”) as at 31 December 2006 stood at US\$1.8247, whereas the Adjusted Net Asset Value per share\*\* (“Adjusted NAV”) as at that date stood at US\$2.0491. The Adjusted NAV represents a 13.8% increase over the NAV per share of US\$1.8001 at admission to AIM. This increase, achieved in the first six months of operation, demonstrates MPOF’s commitment to the acquisition of niche and undervalued assets, which can quickly contribute to shareholder value. The difference between the Adjusted NAV and the Accounting NAV is predominantly the result of the increase in value of the properties over the price paid by the Company. The independent valuers have valued the properties 21% higher than the Company’s cost of acquisition.





Consistent with its niche investment approach, the Company looks to acquire assets with distinctive characteristics and sustainability of future demand, despite the longer and more complex negotiations often involved. To date, the Manager has assessed over 50 potential acquisitions in wider Macau and a further 12 in neighbouring Zhuhai, with a combined value of over US\$1.3 billion. Going forward, the Company continues to review and assess a steady flow of very interesting projects both in Macau and Zhuhai, a number of which are undergoing active financial and legal due diligence by the Investment Manager.

I am pleased with the quality and consistency of investment proposals which the Investment Manager is presenting to the Board, and I am confident that a number of these opportunities will lead to further acquisitions in the near future.

The strong economic growth being experienced in the region and the development of the “New” Macau as its gaming industry emerges onto the world stage, are likely to create an attractive environment in the years ahead for MPOF to pursue its investment strategy of focusing on quality, location and positioning in its target market sectors.

In line with MPOF’s stated objective of delivering an attractive total return primarily from capital appreciation, the Board has not recommended the payment of a dividend.

**David Hinde**  
Chairman  
Macau Property Opportunities Fund Limited

The Adjusted NAV represents a 13.8% increase over the NAV per share of US\$1.8001 at admission to AIM. This increase, achieved in the first six months of operation, demonstrates MPOF’s commitment to the acquisition of niche and undervalued assets, which can quickly contribute to shareholder value.

\*\* NAV per share & Adjusted NAV per share as at 31 December 2006. Adjusted NAV per share is calculated by taking the NAV per share calculated under IFRS and adjusting inter alia to include the properties owned by the Company at net realisable value rather than at the lower of cost or net realisable value.

# Investment Manager's Report

Macau Property Opportunities Fund Limited is the first listed property company focusing exclusively on property investment opportunities in Macau and the surrounding Pearl River Delta Region. The Company's investment policy is to provide shareholders with an attractive total return, primarily from capital growth but with the potential for dividends over the medium to longer term.

The Company's core strategy is to capitalise on the rapid development of the gaming, tourism and Meetings, Incentives, Conventions and Exhibitions (MICE) industries in Macau, and the attendant growth in such areas as employment, local disposable incomes, visitor arrivals, working population and infrastructure spending being generated by these developments.

The Company actively takes advantage of niche and undervalued property investment opportunities that are clearly differentiated by both location and sustainability of end user demand, and which are geared into the growth sectors in Macau, and are often overlooked by larger developers or investors. The Company believes it is these focused investments, sourced through the Manager's extensive network of local contacts, where the opportunity exists to create value for investors through well-planned and executed acquisition and development strategies.

## Review of MPOF's Current Portfolio

Since admission to AIM on 5 June 2006, the Company has made three significant property acquisitions in Macau amounting to a total commitment (including estimated development costs) of US\$148 million, and has made good progress in sourcing a strong and varied pipeline of investment opportunities. The Company's strong transaction flow has been achieved primarily via the Manager's well-established local network, but also through an expanding range of relationships with local developers, financial institutions and agents.

The Company's three acquisitions to date have been on Macau Peninsula, all within the residential sector, but targeted at very different areas of this market segment.

## Portfolio Summary

Property	Sector	Type	Positioning	Status	Acquisition Cost	Open Market Valuation	Capital Commitment <sup>†</sup>
1	Residential	Redevelopment	Local Residents	Planning	US\$8.60m	US\$13.21m	US\$15.68m
2	Residential	Development	Premium Luxury	Construction	US\$86.58m	US\$101.28m	US\$86.58m
3	Residential	Redevelopment	Entry Level	Consolidating	US\$20.57m	US\$25.64m	US\$45.96m
Total					US\$115.75m	US\$140.13m	US\$148.22m

<sup>†</sup> Includes acquisition & expected redevelopment costs.



One Central – Artist's Impression



MPOF Property Locations

## Property 1

Property 1 was acquired by the Company in October 2006 and is a 100% interest in a prime residential redevelopment project, located in a very well-established and popular residential neighbourhood. The site is currently unoccupied and is ideally suited for a mid-rise residential development targeted towards local residents seeking to upgrade the quality of their existing accommodation and facilities. The initial architectural design and planning processes for this site are currently under way and, subject to planning approval, construction is planned to commence in 2008. It is the Company's current intention to sell all of the residential units in this project either on a pre-sale basis or on completion.

Acquisition Date	17 October 2006
Sector	Residential
Location	South-Western Macau Peninsula
Current Status	Planning
Title	Freehold
Classification	Residential/Commercial
Land Area	13,000 ft <sup>2</sup> / 1,200 m <sup>2</sup>
Acquisition Cost	US\$8.6 million
Projected Development Cost	US\$7.08 million
Total Commitment	US\$15.68 million
Positioning	Local middle-income residents
Proposed Development	Apartment block with car parking
Estimated Completion Date	End 2009

## Property 2

Property 2 was acquired by the Company in November 2006 and comprises an entire luxury residential tower (Tower Six), forming part of a high-end, mixed-use waterfront project, 'One Central', currently under construction in the heart of Macau (on-site work is currently under way on the foundations). This prestigious project is being jointly developed by two of the region's top developers: Hongkong Land and Shun Tak Holdings, and includes a 400,000 square foot premier shopping complex, a 210-room, 6-star Mandarin Oriental Hotel and a 50,000 square foot clubhouse and infinity pool for the exclusive use of residents.

Acquisition Date	13 November 2006
Sector	Residential
Location	Central Macau Peninsula
Current Status	Under construction
Title	Leasehold
Classification	Mixed-use
Gross Floor Area	148,000 ft <sup>2</sup> / 13,750 m <sup>2</sup>
Acquisition Cost	US\$86.58 million
Total Commitment	US\$86.58 million
Positioning	Premium luxury
Proposed Development	High-rise apartment tower in prime mixed-use project
Estimated Completion Date	Mid-2009

The residential portion of the project, 'One Central Residences', comprises seven residential towers, two of which have been sold *en bloc* by the developer and the remainder released and reportedly sold out to the public. Due for completion in 2009, One Central is a development of unprecedented quality and positioning, setting new standards of design, finishing and luxury which give the Company immediate participation in one of its core target segments, the premium luxury residential market. It is the Company's current intention to retain ownership of Tower Six until completion of the project.



## Property 3

Property 3 was acquired by the Company in November 2006 and is a 100% interest in a redevelopment site located in an up-and-coming area for entry-level buyers situated close to the China border in the northern part of Macau. The surrounding area is now undergoing widespread regeneration and urban renewal as demand for entry-level residential property increases and as available land in established areas becomes increasingly scarce. MPOF intends to develop the site into a multi-storey residential project designed to cater for this rapidly growing market segment of entry-level purchasers. The Company is currently in active negotiations to acquire additional parcels of land in the area to consolidate its holdings in this promising location, after which planning and architectural design processes will be initiated.

Acquisition Date	13 November 2006
Sector	Residential
Location	Northern Macau Peninsula
Current Status	Consolidating
Title	Leasehold
Classification	Residential/Retail
Land Area	20,000 ft <sup>2</sup> / 1,860 m <sup>2</sup>
Acquisition Cost	US\$20.57 million
Projected Development Cost	US\$25.39 million
Total Commitment	US\$45.96 million
Positioning	Entry-level
Proposed Development	High-rise apartment block
Estimated Completion Date	End 2009

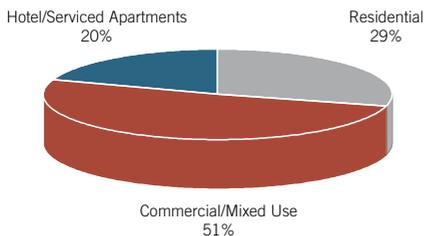


### Additional Acquisition Pipeline

The potential for attractive investment opportunities in the Company's target areas and sectors remains very strong. The Manager has assembled an attractive and sizeable deal pipeline for the Company across a variety of sectors and prime locations on which detailed assessment and due diligence is currently being carried out. In line with the Company's investment strategy, the investment focus remains on the target sectors in Macau, however, the Manager is also selectively assessing investment opportunities across the border in Zhuhai and the surrounding Pearl River Delta area.

In addition to the completed transactions, 65 sites with a combined acquisition value of US\$1.3 billion have been reviewed and assessed by the Manager. Of these, eight sites with a combined value in excess of US\$220 million are at various stages of assessment, negotiation of terms and due diligence. These sites include industrial, retail, residential, hotel and mixed-use projects both in Macau and across the border in neighbouring Zhuhai. Two of these sites are from the potential investment opportunities presented in the Company's Admission document, where the acquisition process has been lengthened by complex title issues.

Acquisition Pipeline (by Value)



The Manager remains cautious of the middle-market residential sector across Macau, continuing to focus on its core areas:

- residential projects in well-established neighbourhoods
- super-luxury residential projects in prime locations
- entry-level residential projects
- retail projects in well-established neighbourhoods
- leisure/commercial projects in strategic locations
- affordable hotel and serviced apartment projects in key locations.

The Manager believes that the Company has sufficient capital at the present time for the completion of the current owned and targeted acquisitions and, in addition, is in discussions with a number of institutions for the arrangement of debt financing for the development and redevelopment of all such projects.

### Property Market Overview

The residential property market picked up significantly in the fourth quarter of 2006, with activity driven largely by the launch of several key residential projects. The highest profile of these launches was the premium luxury development 'One Central Residences', being developed jointly by Hongkong Land and Shun Tak Holdings, where the public sales surpassed all expectations. All units released to the public are reported to have been sold out within 10 days of the public launch, despite an anticipated two-year sales programme. Since then, several secondary transactions are reported to have taken place at prices 10-15% higher, further reinforcing the impact these new projects are having on overall market demand and sentiment.

## Investor demand appears to be continuing apace in Macau, both from those investors in search of Macau residency as well as financial investors from across Asia.

The public sale of One Central did not include any units in Tower Six, which was acquired in full by the Company. It is the Company's current intention to retain this asset until completion of the project in 2009.

Investor demand appears to be continuing apace in Macau, both from those investors in search of Macau residency as well as financial investors from across Asia. Buying sentiment was also boosted by a 25 basis point drop in lending rates in November and continued double-digit growth in household income for the year. In the residential leasing market, expatriate numbers continue to swell in the Territory, putting upward pressure on rentals, and gradually restoring yields to more realistic levels as achieved rents catch up with capital values.

The Manager believes that future property prices and sentiment will be heavily influenced by 'milestone' events in the ongoing creation of the new Macau. The successful launch of One Central is one of the first of many such milestones. The opening of the much anticipated Venetian Macau and the first large conventions due to be staged at the new Venetian Convention Centre, both scheduled for the second half of 2007, will likely be the next high-profile events to receive significant international coverage. In addition, the announcements of new projects such as the recent US\$3 billion Virgin Casino project will continue to bring attention and profile to the dramatic developments under way in the Macau market.

In the retail sector, Las Vegas Sands Corp. continues to surprise the market, with over 400 retailers reportedly now committed to The Venetian Macau shopping mall, representing 80% of the 1.2 million square feet of space available. The influx of top international retailers in this and other projects is set to dramatically change Macau's retailing landscape and will drive the strong anticipated growth in the Territory's non-gaming revenues. The other sector expected to have a very significant impact on the Territory's non-gaming revenues is the MICE industry, which is anticipated to grow dramatically from a very low base once the Venetian Macau conference and convention centre opens for business in the third quarter of 2007. It is unofficially reported that the response from organisers for this new state-of-the-art facility has already been very strong.

As anticipated, the office sector in Macau remains sluggish, with demand showing few signs of absorbing existing supply or driving rental expectations upwards, except in prime locations. As a result, this is a sector that the Company still views with caution.

On the political front, the recent investigations into the activities of some Macanese government officials is viewed as a long-term positive by the Company since it is likely to ensure transparency, fairness and efficiency in the planning and regulatory processes. In the short term, however, the uncertainty created by such investigations may slow down certain approval processes within government, although the Company has not experienced any such delays to date.



Announcements of new integrated resort projects across Macau continue unabated. Recent news included the confirmation, by Wynn Macau, of a second hotel block following the success of its initial phase. Furthermore, the Galaxy StarWorld casino and hotel opened on the Macau Peninsula to much acclaim and initial success. More recently, Macau Studio City announced a US\$4 billion, six million square foot development project adjacent to The Venetian on the Cotai Strip. This project will include a leisure resort alongside facilities for television and cinema production, retail outlets, gaming, various types of entertainment and hotels.

During January 2007, there have been two more significant developments announced: firstly, the Genting/Star Cruises/SJM casino to be developed opposite Wynn Macau on the Macau Peninsula; and, secondly, Richard Branson's announcement of a proposed US\$3 billion Virgin Casino being planned for construction on the Cotai Strip, although the exact location of this project is as yet unconfirmed.

### Infrastructure

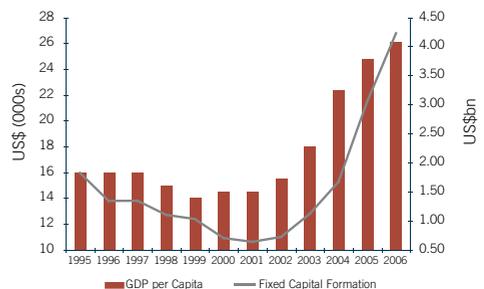
Macau infrastructure projects continue apace in order to keep up with the rapid development in the gaming and tourism sectors. The proposed Macau-Taipa tunnel has secured approval for construction, which is due to commence in October 2007, and work has also reached completion on a new border crossing with China. The initial proposed plans for the Macau light rail project were recently released and it is understood that the final routing should soon be announced following a consultation process. The Manager believes this project is an important part of the overall public infrastructure plan and will contribute greatly towards easing current and future traffic congestion, as well as creating value in new locations as the system approaches operation.

### Economic Overview

The Macau economy continues to benefit from the booming gaming and tourism industries. Real GDP grew by 17.1% in Q3 2006, mainly driven by exports of gaming services and tourism receipts. Gaming receipts and fixed capital formation remained as the key drivers, with gaming receipts increasing by 22% YoY in Q4 2006. Gross fixed capital formation grew by 39.2% YoY to 3Q 2006.

The employment situation remained favourable on the back of the buoyant economy and the unemployment rate fell to 3.5% in Q4 2006. The continued strong demand for labour has resulted in sizeable pay rises across the job market. The median monthly employment income in Q3 2006 rose by 16.3% compared with the same quarter in 2005, further improving the already high housing affordability levels of the local population. In addition, the arrival of expatriate workers continued apace, increasing 64% YoY to 64,673 at the end of 2006.

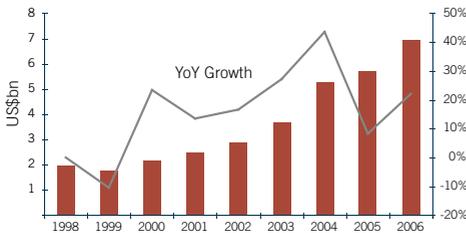
### Macau GDP per Capita & Fixed Capital Formation



Source: DSEC, Macau

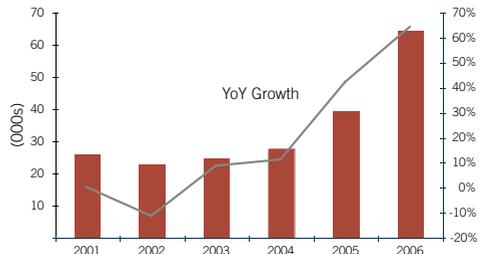
The Macau economy continues to benefit from the booming gaming and tourism industries.

Macau Gaming Receipts



Source: DSEC, Macau

Foreign Workers in Macau

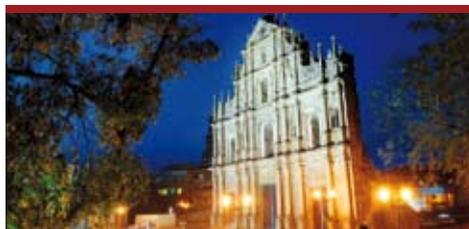


Source: DSEC, Macau

Key Economic Statistics

	Period	Figure	YoY % Change
Unemployment Rate	Q4 2006	3.5%	-0.5%
CPI	2006	108.42	+5.15%
Visitor Arrivals	2006	21,998,122	+17.6%
Gaming Receipts	2006	US\$6.96 billion	+22.0%
Median Monthly Employment Income	Q3 2006	US\$871	+16.3%
Real GDP	Q3 2006	US\$3.44 billion	+17.06%
GDP Per Capita (estimate)	2006	US\$26,100	+7.3%
Retail Sales Value	Q3 2006	US\$332 million	+21.2%
Population	Q3 2006	508,500	+5.4%

Source: DSEC, Macau



### Financial Review

The Company's interim financial statements as at 31 December 2006 have been prepared in accordance with International Financial Reporting Standards (IFRS), and as such, the three properties acquired by the Company to date have been valued at the lower of cost and net realisable value. This treatment results in an Accounting NAV per share for the Company of US\$1.8247 compared to an NAV per share on admission to AIM of US\$1.8001. The main contributor to this increase is the interest income earned on cash balances held by the Company.

The three properties acquired to date were revalued by international valuers as at 31 December 2006 and the open market valuation of these properties is stated on page 7 of this interim report. The Adjusted NAV resulting from this valuation is US\$2.0491. This represents an uplift of 13.8% to the NAV per share on admission to AIM, and reflects the Company's ability to execute according to its investment strategy and acquire niche sites at very attractive prices.

The actual expenses of Admission and the Placing payable by the Company were £3.98 million, which was less than the anticipated £4.1 million as stated in the Listing documents.

	US\$	£
NAV per Share at Admission <sup>#</sup>	1.8001	0.9621
NAV per Share <sup>##</sup>	1.8247	0.9324
Adjusted NAV per Share <sup>##</sup>	2.0491	1.0471
Adjusted NAV Uplift	12.3%	12.3%
Adjusted NAV Uplift Since Admission	13.8%	8.8%

# Using US\$/£ exchange rate of 1.871.

## Using US\$/£ exchange rate of 1.957 as of 31 December 2006.

### Valuation

A valuation of all the Company's property holdings was carried out as at 31 December 2006 by Savills (Macau) Limited. Savills is one of the leading international property advisers, with over 140 offices and associates across the UK, Continental Europe, Asia Pacific, and Africa and with a strong presence in Hong Kong and Macau.

Savills' valuation has been used in the determination of the fair market value of the Company's property interests and, hence, has been used in the calculation of the NAV and Adjusted NAV of the Company. 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 properties in their existing state and physical condition.

### Outlook

Since admission to trading on AIM, MPOF has capitalized on its first mover advantage to secure its position as a leading investor in the Macau property market.

Looking ahead, the Company continues to identify a strong flow of attractive investment opportunities which should further contribute to NAV growth and build on the Company's initial success.

Tom Ashworth / Martin Tacon  
Principals  
Sniper Capital Limited

## Consolidated Balance Sheet (Unaudited)

### At 31 December 2006

ASSETS	Notes	2006 US\$'000
<hr/>		
Non-current assets		–
<hr/>		
<hr/>		
Current assets		
Inventories	3	56,376
Trade and other receivables	4	575
Prepayments		30
Cash and cash equivalents		148,706
		<hr/>
		205,687
<hr/>		
Total assets		205,687
<hr/>		
<b>EQUITY</b>		
Capital and reserves attributable to the Company's equity-holders		
Share capital	6	1,050
Distributable reserves		187,960
Revaluation reserves		–
Retained earnings	8	2,584
<hr/>		
Total equity		191,594
<hr/>		
<b>LIABILITIES</b>		
Current liabilities		
Trade and other payables	5	14,093
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Total liabilities		14,093
<hr/>		
Total equity and liabilities		205,687
<hr/>		

The financial statements were approved by the Board of Directors and authorised for issue on 15 February 2007.

## Consolidated Income Statement (Unaudited)

### Period ended 31 December 2006

	Notes	2006 US\$'000
Revenue		–
<b>Expenses</b>		–
Investment Manager's fee	12	(2,142)
Professional fees		(25)
Non-Executive Directors' fees		(139)
Directors' expenses		(20)
Insurance costs		(22)
Audit fees		(11)
Administrative expenses		(200)
Other operating expenses		(188)
<b>Operating loss</b>		(2,747)
Bank and other interest		5,290
Gains/(Losses) on foreign currency exchange		41
<b>Profit before tax</b>		2,584
Tax		–
<b>Profit for the period</b>		2,584
Attributable to:		
Equity-holders of the Company		2,584
		<b>2,584</b>
		2006 US\$
<b>Basic and diluted earnings per share</b>		
for profit attributable to the equity-holders		
of the Company during the period	10	0.0246

## Consolidated Statement of Changes in Equity (Unaudited)

### Period ended 31 December 2006

Movements during the period	Share capital US\$'000	Share premium US\$'000	Revenue reserve US\$'000	Distributable reserve US\$'000	Foreign exchange US\$'000	Total US\$'000
Share premium on issue	1,050	195,410	–	–	–	196,460
Cancellation of share premium (see Note 7)	–	(195,410)	–	195,410	–	–
Placing fees and formation costs	–	–	–	(7,450)	–	(7,450)
Net profit	–	–	2,543	–	41	2,584
Balance carried forward at 31 December 2006	1,050	–	2,543	187,960	41	191,594

## Consolidated Cash Flow Statement (Unaudited)

### Period ended 31 December 2006

	Notes	2006 US\$'000
Net cash generated from operating activities	9	(2,546)
Cash flows from investing activities		
Expenditure on inventories		(42,522)
Interest received		4,723
Net cash used in investing activities		(37,799)
Financing activities		
Dividends paid		–
Proceeds on issue of shares		189,010
Net cash used in financing activities		189,010
Net increase/(decrease) in cash and cash equivalents		148,665
Cash and cash equivalents at beginning of period		–
Effect of foreign exchange rate changes		41
Cash and cash equivalents at end of period		148,706

# Notes to the Consolidated Financial Statements (Unaudited)

## Period ended 31 December 2006

### General Information

Macau Property Opportunities Fund Limited is a company incorporated and registered in Guernsey under the Companies (Guernsey) Law, 1994 (as amended) on 18 May 2006. The address of the registered office is given on the inside back cover.

### 1. Significant accounting policies

#### Basis of Accounting

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS). The financial statements have been prepared on the historical cost basis.

#### Consolidation

The consolidated financial statements incorporate the financial statements of the Company and special-purpose entities controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of a special-purpose entity so as to obtain benefits from its activities.

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

#### Inventories

Properties that are being held or developed for future sale are classified as inventories at their deemed cost. They are carried at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business less cost to complete redevelopment and selling expenses.

#### Foreign Currency Translation

##### a. Functional and presentation currency

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

##### b. Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. 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 income statement.

#### Segmental Reporting

The Directors are of the opinion that the Group is engaged in a single segment of business, being property investment and related business. The Group invests in commercial property and property-related ventures primarily in Macau and potentially in the Western Pearl River Delta region.

## Notes to the Consolidated Financial Statements (Unaudited)

### Period ended 31 December 2006 (continued)

#### 2. Subsidiaries

All special-purpose vehicles are owned 100% by Macau Property Opportunities Fund Limited. The following subsidiaries have a year end of 31 December to coincide with the Macanese tax year:

MPOF Macau (Site 1) Limited	MPOF Macau (Site 2) Limited	MPOF Macau (Site 3) Limited
MPOF Macau (Site 4) Limited	MPOF Macau (Site 5) Limited	MPOF Macau (Site 6) Limited
MPOF Macau (Site 7) Limited	MPOF Macau (Site 8) Limited	MPOF Macau (Site 9) Limited
MPOF Macau (Site 10) Limited		

#### 3. Inventories

	2006 US\$'000
Cost of properties	56,376
	56,376

Cost of properties includes payments due on Tower Six of One Central Residences in the next 12 months totalling HK\$101,008,000 (US\$12,988,000). Macau Property Opportunities Fund Limited is guarantor for its subsidiary company in respect of this property. The total of the guarantee is HK\$572,379,000 (US\$73,596,000), of which HK\$101,008,000 (US\$12,988,000) is due within the next 12 months, and the balance is due on completion of the property development.

#### 4. Trade and other receivables

	2006 US\$'000
Trade debtors	8
Interest receivable	567
	575

Other receivables do not carry any interest and are short term in nature, and are accordingly stated at their nominal value.

## 5. Trade and other payables

	2006 US\$'000
Payments due for acquired property	13,854
Trade and other payables	239
	14,093

The trade payable for acquired property represents contractual instalments of HK\$101,008,000 (US\$12,988,000) that are due within the next 12 months on the purchase of Tower Six of One Central Residences, as well as agent's commissions of HK\$6,734,000 (US\$866,000) that are due on the acquisition of this property.

Other payables principally comprise amounts outstanding for ongoing costs. The Directors consider that the carrying amount of trade and other payables approximates to their fair value.

## 6. Share capital

	2006 US\$'000
Authorised:	
300 million ordinary shares of US\$0.01 each	3,000
Issued and fully paid:	
105 million ordinary shares of US\$0.01 each	1,050

The Company has one class of ordinary shares which carry no right to fixed income.

## 7. Share premium

In accordance with the Listing prospectus and under Guernsey Statute, an application was made to the Royal Court of Guernsey to have the share premium cancelled and re-designated as a distributable reserve.

## Notes to the Consolidated Financial Statements (Unaudited)

### Period ended 31 December 2006 (continued)

#### 8. Retained earnings

	US\$'000
Balance at beginning of period	–
Dividends paid	–
Net profit for the period	2,584
Balance at 31 December 2006	2,584

#### 9. Notes to the cash flow statement

	2006 US\$'000
Operating loss from continuing operations	(2,747)
Adjustments for:	
Increase/(Decrease) in provisions	–
	(2,747)
Operating cash flows before movements in working capital	
Decrease/(Increase) in receivables	(38)
Increase/(Decrease) in payables	239
Cash generated by operations	(2,546)
Interest paid	–
Net cash from operating activities	(2,546)

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

#### 10. Basic and diluted earnings per ordinary share

The basic and diluted profit per equivalent ordinary share is based on the profit attributable to equity-holders for the period of US\$2,584,000 and on 105,000,000 weighted average number of ordinary shares in issue during the period.

#### 11. Related party transactions

Transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this Note.

## 12. Material contracts

Under the terms of an appointment made by the Board on 23 May 2006, Sniper Capital Limited (“SCL”) was appointed as Investment Manager to the Company. The Investment Manager is paid a fee of 2.0% of the Net Asset Value, as adjusted to reflect the Property Investment Valuation Basis payable quarterly in advance. In addition, SCL is entitled to receive a Performance Fee of 20% of any return above the Basic Performance Hurdle as stated in the prospectus. A further 15% Super Performance Fee is payable if the Super Performance Hurdle is met, as stated in the prospectus.

The first calculation period ends on 30 June 2007 and no accrual is made in the financial statements for the Performance Fee or Super Performance Fee.

## Notes

# Directors and Company Information

## Directors

David Hinde (Chairman)  
Tom Ashworth  
Richard Barnes  
Alan Clifton  
Tim Henderson

## Audit Committee

Alan Clifton (Chairman)  
Richard Barnes  
Tim Henderson

## Registered Office

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Guernsey GY1 4HY

## Investment Manager

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Offshore Incorporations Centre  
Road Town  
British Virgin Islands

## Investment Adviser

Sniper Capital Management Limited  
918 Avenida da Amizade  
14/F, World Trade Centre  
Macau

## Administrator & Company Secretary

Heritage International Fund Managers Limited  
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## Nominated Adviser & Broker

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## Financial Adviser

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## Public Relations

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## Auditors

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