Macau Property Opportunities Fund
Annual Report for the period
ended 30 June 2018

Towards Fruition

Towards Fruition conveys the satisfactory performance of Macau Property Opportunities Fund, as we look towards favourable divestments amid optimism in the region's outlook.

Abstractly depicting strong and energetic motion, the visual encapsulates the essence of Macau's economic future, one that is benefitting from the heightened economic attention on the Greater Bay Area.

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 casinos are legal.

Premium listed on the London Stock Exchange, the Company holds strategic property investments in Macau. Its current portfolio comprises prime residential assets that are valued at US$338.4 million as at 30 June 2018.

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$3.41 (258 pence)
+4.5%[1] over the year

SHARE PRICE AS AT 30 JUNE 2018
194 pence
+24% over the year

PORTFOLIO VALUATION
US$338.4 million
+2.3%[2] over the year

LOAN-TO-VALUE RATIO
34.7%
vs 39.4% as at 30 June 2017

Note: US Dollar/Sterling exchange rate used in this report is 1.321 as at 30 June 2018, unless otherwise stated.

[1] Calculation is based on using four decimal places (2018: 3.4098; 2017: 3.2618)

[2] Calculation is based on adjusted figures made to 2017 to reflect like-for-like comparisons to 2018 due to property sales during the year.

SHAREHOLDERS DISTRIBUTION
50 pence per share
Representing 62% of net profit from the sale of *Senado Square*

THE WATERSIDE
Average rental rates climbed 22.5% year-on-year
In tandem with improved occupancy level of c.70%

THE FOUNTAINSIDE
Villas and duplex units to be reconfigured into smaller apartments
To enhance saleability

ESTRADA DA PENHA AND THE WATERSIDE
Carefully managed marketing continues
Reaching out to ultra-high net worth individuals

Financial Calendar

JULY 2018
- Extension of the Company until 2019
- Change of Articles

SEPTEMBER 2018
- Announcement of annual results for the year ended 30 June 2018

OCTOBER 2018
- Third Quarter 2018 Investor Update

NOVEMBER 2018
- Annual General Meeting
- Net Asset Value Update (as at 30 September 2018)

JANUARY 2019
- Fourth Quarter 2018 Investor Update

FEBRUARY 2019
- Net Asset Value Update (as at 31 December 2018)
- Announcement of interim results for the period ending 31 December 2018

APRIL 2019
- First Quarter 2019 Investor Update

MAY 2019
- Net Asset Value Update (as at 31 March 2019)

JULY 2019
- Second Quarter 2019 Investor Update

AUGUST 2019
- Net Asset Value Update (as at 30 June 2019)

SEPTEMBER 2019
- Announcement of annual results for the year ending 30 June 2019

Chairman's Message

This year has been an exciting one for MPO. Our policy of carefully divesting assets was recognised in the formal change of the Company's investment objective of realising all the remaining assets in the portfolio, with a view to making orderly returns of capital to shareholders.

Our asset divestment programme continued to implement this policy. In March, we sold our retail redevelopment site, *Senado Square*, for HK$800 million (c.US$102 million) – a gain of 541% over its acquisition cost. The subsequent distribution to shareholders, equivalent to 50 pence per share, represented 62% of the net profit from the sale.

The shareholders' decision at the recent Extraordinary General Meeting to extend the Company's life until the end of 2019 places us in a stronger position to negotiate further satisfactory disposals. This, alongside a continuing market recovery in Macau, enhances the potential realisation of MPO's remaining assets.

MAINTAINING A STRONG CAPITAL STRUCTURE

After deploying part of the *Senado Square* proceeds to reduce debt, the Company's overall total of gross borrowings was US$148 million, compared to US$174 million a year ago. Our cash position (including deposits with lenders) rose to a healthy US$88.2 million which, following the post year-end distribution of US$50.5 million, still leaves sufficient cash to fund the operating costs of MPO going forward.

The Company continued to deliver commendable results, reflecting the quality of our assets, as well as our operating strength and financial health.

MPO's portfolio value rose 2.3%[1] over the year to reach US$338.4 million. Adjusted NAV grew 4.5% from the previous financial year end to reach US$260.6 million, equivalent to US$3.41 (258 pence) per share. IFRS NAV increased 65.2% year-on-year to US$212.8 million.

As at the end of June 2018, MPO's closing share price was 194 pence, an increase of 24% over the year and a 25% discount to Adjusted NAV per share.

STAYING COMPETITIVE AND RELEVANT

During the year, ongoing asset enhancement initiatives at our flagship asset, *The Waterside*, have seen the property achieve stable occupancy and higher rental values as it retains its position as Macau's premier residential asset.

We have also embarked on a reconfiguration programme for several large units at *The Fountainside*, which will cater to increasing demand for more compact homes. These initiatives demonstrate our continued efforts to meet changing consumer needs in the property market.

MACAU'S PROSPECTS AND SHORT-TERM UNCERTAINTIES

Macau's gross domestic product is expected to grow by 5.8% this year and 3.9% in 2019.

We are, however, mindful of rising global risks – particularly escalating US-China trade tensions and a weakening yuan – which are threatening to endanger the recovery of Macau's crucial VIP gaming segment. The possibility of China's central government further restricting capital outflows could also be detrimental to our divestment strategy.

[1] Calculation is based on adjusted figures made to 2017 to reflect like-for-like comparisons to 2018 due to property sales during the year.

LOOKING AHEAD

Notwithstanding global and regional challenges, we remain optimistic about Macau's long-term growth prospects. Integration within the Greater Bay Area, including the soon-to-open Hong Kong-Zhuhai-Macau Bridge, will improve access to Macau significantly, boosting business and visitor growth.

With Macau's property prices still trending below those of neighbouring cities, there remains much upside potential for the sector. This bodes well for MPO: Macau, with its improved economic position, remains attractive to investors, allowing us to negotiate with potential buyers from a position of strength.

Finally, this will be the last time I address you as Chairman of the Company. I will be retiring from the Board and will not be seeking re-election at the forthcoming Annual General Meeting.

I would like to express my appreciation to the Board and to shareholders for their support during my time as Chairman. I leave your Company in the safe hands of both the remaining Board members and of my successor, whose appointment to the Board will be announced in due course.

I am confident that the financial security provided by the sale of *Senado Square*, the continuing recovery in Macau, the Manager's record of delivering value, and the time afforded by the continuation vote to do so, all leave the Company in a strong position to realise its remaining assets and to return capital to shareholders.

CHRIS RUSSELL
CHAIRMAN
MACAU PROPERTY OPPORTUNITIES FUND LIMITED
21 SEPTEMBER 2018

Board of Directors

CHRIS RUSSELL
CHAIRMAN

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

THOMAS ASHWORTH
NON-EXECUTIVE DIRECTOR

Thomas Ashworth has more than 30 years of experience in finance, investment management and real estate. He began his career at HSBC in London before relocating in 1995 to Hong Kong, where he worked for several global investment banks prior to establishing a series of entrepreneurial ventures in the finance and alternative investment sectors. Encouraged by the long-term growth potential of Macau and its deeply undervalued real estate market, he identified numerous early-stage property investment opportunities in the territory, which led him to co-found Sniper Capital Limited in 2004. Mr Ashworth is a British national.

ALAN CLIFTON
NON-EXECUTIVE DIRECTOR

Alan Clifton began his career at stockbroker Kitcat & Aitken, first as an analyst, thereafter becoming a Partner and then a Managing Partner, prior to the firm's acquisition by Royal Bank of Canada. He was subsequently invited to take up the role of Managing Director, overseeing the asset management arm of Aviva plc, the UK's largest insurance group. He is currently a Director of Invesco Perpetual Select Trust and several other investment companies. Mr Clifton is a UK resident.

WILFRED WOO
NON-EXECUTIVE DIRECTOR

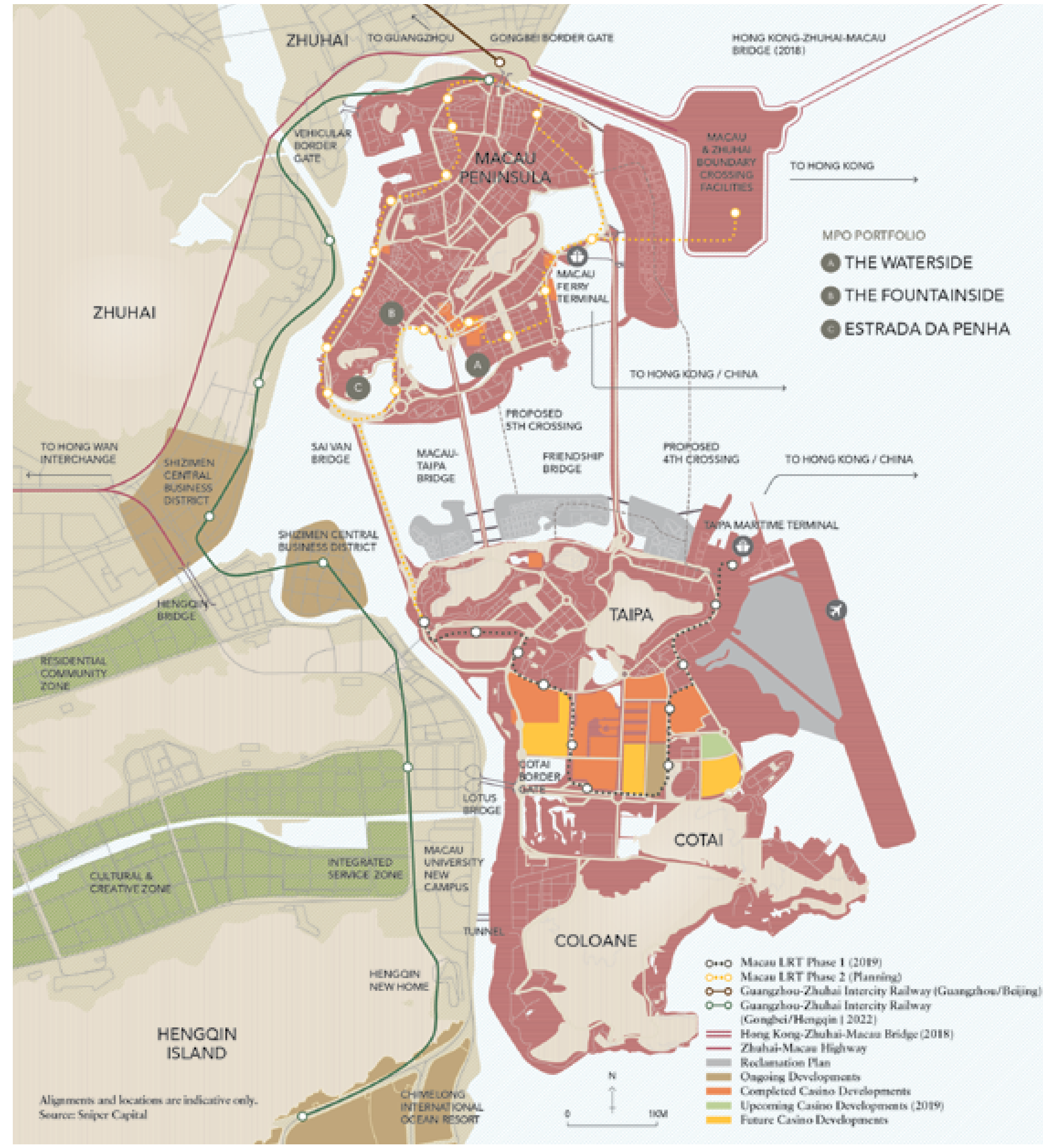
Wilfred Woo is a qualified chartered accountant who joined Coopers & Lybrand as an auditor in 1982, before becoming Chief Financial Officer in 1990 at Abbey Woods Development Limited, a real estate company listed on the Toronto Stock Exchange. He has since spent more than 25 years with the Kuok Group,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

Regional Geography

GUANGDONG-HONG KONG-MACAU GREATER BAY AREA

Regional Geography

MACAU & SURROUNDS



The Greater Bay Area: Powering Growth

SPECIAL FEATURE

1 The Economic Powerhouse

WORLD'S #1 BAY AREA BY 2030 (GDP)

US$1.58 trillion
in 2017

US$4.62 trillion
by 2030

POTENTIAL POPULATION GROWTH

68 million
in 2017

86.2 million
by 2030

POTENTIAL PROPERTY MARKET OF

6,890 million sq ft

WORTH

US$1.45 trillion
over the next 14 years

Source: Cushman & Wakefield / DSEC / EIU / HK LegCo / Morgan Stanley

2 A Boon to Macau

Infrastructural developments to boost connectivity, bringing Macau closer to mainland China's rapidly emerging middle-class population.

HONG KONG-ZHUHAI-MACAU BRIDGE TO OPEN IN 2H 2018

To create
US$1 billion
in economic benefits*
for Macau for 20 years

TOTAL ANNUAL VISITOR ARRIVALS TO REACH

40 million
by 2022, of which
4-5 million
is via the Bridge

ONCOMING HOTEL ROOM SUPPLY TO MEET DEMAND

Current
38,700 rooms
In the next 3-5 years
c.50,000 rooms
Accommodating an additional 6 million overnight visitors

MACAU'S ECONOMIC GROWTH

to grow by
5.8% in 2018
3.9% in 2019

THE WORLD'S HIGHEST GDP PER CAPITA BY 2020

US$122,489
per capita of GDP in 2018
US$143,116
per capita of GDP by 2020

ROOM FOR GROWTH IN PROPERTY PRICES

Average housing prices
11%
below 2014 peak
50%
below Hong Kong's mid- to high-end residential prices
As of June 2018

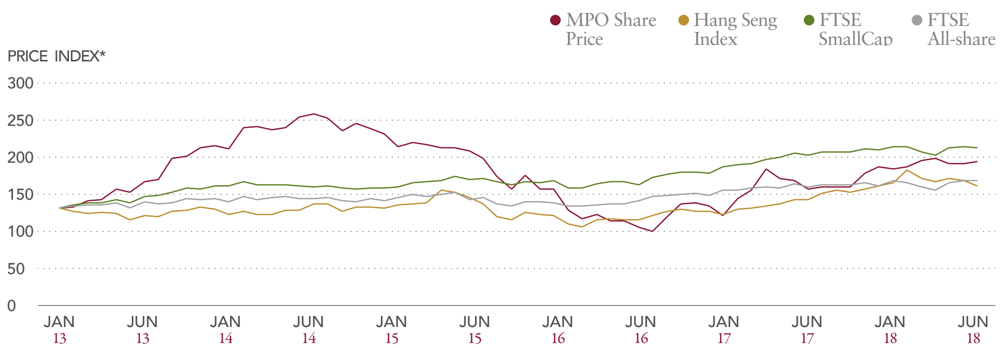
*Including direct benefits arising from vehicle operating cost saving, reduction in travel time and benefits generated from induced traffic volume, as well as indirect benefits such as induced investments.

Financial Review

	2014	2015	2016	2017	2018
NAV (IFRS) (US$ million)	222.9	155.4	106.6	128.8	212.8
NAV per share (IFRS) (US$)	2.74	2.00	1.40	1.69	2.78
Adjusted NAV (US$ million)	397.8	308.0	226.3	249.3	260.6
Adjusted NAV per share (US$)	4.89	3.97	2.96	3.26	3.41
Adjusted NAV per share (pence)[1]	286	253	223	250	258
Share price (pence)	254.0	209.0	105.0	157.0	194.0
Portfolio valuation (US$ million)	535.8	463.7	393.7	425.7	338.4
Loan-to-value ratio (%)	22	34	40	39	35

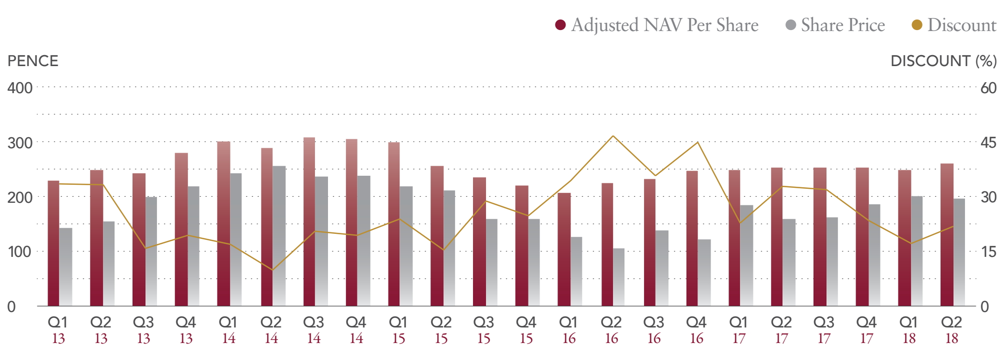
[1] Based on the following US Dollar/Sterling exchange rates on 30 June – 2014: 1.710; 2015: 1.573; 2016: 1.326; 2017: 1.303; 2018: 1.321

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



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

SHARE PRICE DISCOUNT TO ADJUSTED NAV



This financial year marked an important milestone for the Company, with the successful disposal of *Senado Square* in March, in line with our committed divestment strategy announced in 2016.

While Macau is enjoying continuing economic growth, albeit potentially at a slower pace in the remainder of 2018, the residential property market is also sustaining its gradual recovery. Against that backdrop, MPO is pleased to report an improved financial performance.

FINANCIAL RESULTS

The value of MPO's portfolio, which now comprises three main assets, was US$338.4 million as at 30 June 2018. On a like-for-like comparison, this reflects a 2.3% year-on-year (YoY) appreciation.

Adjusted Net Asset Value (NAV) grew 4.5% YoY to US$260.6 million, which translates to US$3.41 (258 pence) per share. IFRS NAV increased by 65.2% over the one-year period to US$212.8 million, or US$2.78 (211 pence) per share.

As at 30 June 2018, MPO's share price had risen 24% over the year to 194 pence, representing a 25% discount to its Adjusted NAV per share.

CAPITAL MANAGEMENT

As at 30 June 2018, MPO had a healthy balance sheet, with total assets worth US$380.3 million offsetting combined liabilities of US$167.5 million. The Company ended the financial year with a consolidated cash balance (including deposits with lenders) of US$88.2 million. Overall gross borrowings stood at US$148 million, a reduction of US$26 million from a year earlier. Consequently, the loan-to-value ratio improved to 35%, based on the financial year-end valuation.

In July and consistent with previously stated Board policy, the Company distributed to shareholders approximately US$50.5 million (GBP38.2 million) by way of a compulsory redemption of shares, resulting from the disposal of *Senado Square*. This represents 62% of the net profit from the sale, equivalent to 50 pence per share.

Part of the sales proceeds have been retained for use as working capital to support ongoing operations and to service debt, putting the Company in a strong and stable financial position.

As the Company maintains a strong focus on its divestment plan, it will also continue to ensure that the balance sheet remains healthy.

Portfolio Overview

	SECTOR	TYPE	CURRENT STATUS	NO. OF UNITS	COMMITMENT US$ million	GROSS FLOOR AREA Square feet	ACQUISITION COST US$ million	PROJECT DEV. COST US$ million	MARKET VALUATION US$ million	CHANGES Based on market value Over the year	PROJECT COMPOSITION Based on market value
The Waterside Tower Six of One Central Residences*	LUXURY RESIDENTIAL	INVESTMENT	LEASING AND ASSET MANAGEMENT	59	99.9	148,000	87.2	12.7	248.8	3.1%	73.5%
One Central Residences Strata Units	LUXURY RESIDENTIAL	INVESTMENT	OPPORTUNISTIC DIVESTMENT	2	4.3	4,130	4.3	N.A.	6.8	3.1%	2.0%
The Fountainside**	LOW-DENSITY RESIDENTIAL	REDEVELOPMENT	SALES PHASE	12	9.5	30,724	3.3	6.2	36.5	-0.9%	10.8%
Estrada da Penha	LUXURY RESIDENTIAL	INVESTMENT	DIVESTMENT PHASE	N.A.	27.8	12,030	26.7	1.1	46.0	0.6%	13.6%
Smaller Property***	RESIDENTIAL	INVESTMENT	OPPORTUNISTIC DIVESTMENT	N.A.	0.4	700	0.4	N.A.	0.3	-36.2%	0.1%
TOTAL					141.9	195,584	121.9	20	338.4	2.3%	100%

* 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 refers to the remaining units and parking spaces available for sale.

*** Smaller property was a non-core property that was originally acquired as part of a development project. The Company has entered into a sale agreement to dispose of the property at HK$2 million (US$0.3 million) which was taken as the fair value as at 30 June 2018.


The Waterside


The Fountainside


Estrada da Penha

Portfolio Updates

The Waterside

THE WATERSIDE

The Waterside has, over the years, earned an enviable reputation in Macau's luxury residential property segment as one of the territory's most desirable high-end residential addresses. A benchmark for luxury living, the 39-storey development comprises 59 residences that benefit from the finest furnishings and enjoy unrivalled views of Nam Van Lake and Macau's cityscape.

As at the end of June 2018, *The Waterside* had a committed occupancy rate of c.70%, up from 62% a year ago. A total of 26 new leases and 20 renewals were secured during the financial year, supported by the recovery in Macau's gaming industry.

Average rental rates at *The Waterside* climbed almost 22.5% over the period to HK$21.68 (US$2.78) per square foot per month. The higher rental values were spurred by the overall recovery in Macau's gaming industry, as well as our asset enhancement initiatives to ensure that the standard of apartments is maintained to the highest level.

The imminent opening of the Hong Kong-Zhuhai-Macau Bridge is expected to bring renewed dynamism to Macau's tourism and property sectors. This should yield favourable opportunities to unlock *The Waterside*'s underlying value.

STRATA UNITS AT ONE CENTRAL RESIDENCES

We are also confident that the overall upbeat macro-environment in Macau will present good opportunities for the disposal of the remaining two strata units at acceptable prices, in line with our divestment strategy.

The Fountainside

THE FOUNTAINSIDE

The Fountainside is a low-density, freehold residential development comprising 38 apartments and 4 villas, with 30 car-parking spaces, in Macau's popular Penha Hill district.

Following a sale in August 2017, the Company has maintained moderate sales momentum, disposing of a 1,640-square-foot three-bedroom apartment in April for US$1.26 million, or US$770 per square foot. Additionally, a total of 12 car-parking spaces, 9 of which were sold on collective terms, were successfully disposed of for a combined value of US$3.2 million.

At the end of the financial year, 12 units remained – including 4 villas, 2 duplexes and 6 apartments – while 10 car-parking spaces were still available for sale.

To enhance the property's saleability and to cater to the growing popularity of smaller homes among younger locals, we have proceeded to submit the architectural plans for the authorities' approval to reconfigure the property's villas and duplex units into smaller studio, one- and two-bedroom apartments.

Although we are mindful of potentially muted residential sales due to the recent property market cooling measures, we remain confident that the opening of the Hong Kong-Zhuhai-Macau Bridge, alongside positive economic growth, will improve buying sentiment, ultimately supporting our efforts to dispose of *The Fountainside*'s remaining units and parking spaces.

Estrada da Penha

ESTRADA DA PENHA

Estrada da Penha is a colonial-style villa nestled amid greenery on the crest of Macau's exclusive Penha Hill, offering sweeping views of the South China Sea and Hengqin Island. This magnificent villa has a gross floor area of approximately 12,000 square feet spread across five storeys.

As pinnacles of residential property ownership, high-value trophy homes, such as *Estrada da Penha*, typically require time to find the right buyers.

While we patiently wait to unlock the value of the asset, we are continuing to maintain the property in excellent condition by carrying out periodic enhancement works.

Macroeconomic Outlook

Macau's economy returned to growth in 2017, with expansion continuing into the first six months of 2018. Real gross domestic product (GDP) in H1 2018 rose 7.6% year-on-year (YoY) to reach MOP203.2 billion (US$25.4 billion). Although the territory's economic growth will continue in 2018, its pace is expected to slow slightly, with the Economist Intelligence Unit forecasting full-year GDP expansion of 5.8% this year and 3.9% in 2019.

SUSTAINED GROWTH IN GAMING REVENUE

Macau's gross gaming revenue (GGR) turned positive in August 2016 after a two-year downturn and has now enjoyed 24 consecutive months of gains.

In the first half of 2018, GGR totalled MOP150.2 billion (US$18.8 billion), an increase of 18.9% YoY. Thanks to a recovery in high-end demand, VIP gaming revenues grew approximately 17.7% YoY during the period, contributing to the majority of growth in aggregate GGR. In the mass gaming market, growth remained solid, improving by 20.3% YoY.

Looking ahead, GGR is forecast by Union Gaming to grow 16% YoY in 2018, followed by 12% in 2019. Breaking it down, VIP GGR is predicted by Nomura to increase by 13% in 2018 and 7% in 2019, while mass market GGR will grow by 16% in 2018 and 12% in 2019. Gaming operators are developing and expanding non-gaming businesses and offerings, including meetings, incentives, conferencing and exhibitions (MICE), F&B and entertainment facilities in order to attract more visitors.

GROWING SUPPLY OF HIGH-QUALITY RESORTS

Macau's attractiveness as a tourism and leisure destination continues to soar amid a growing number of increasingly high-quality integrated resorts.

Following the opening of the MGM Cotai resort in February, Morpheus – the flagship hotel at City of Dreams – opened its doors in June. The ribbon on the Grand Lisboa Palace is expected to be cut next year. Together, these new projects in Cotai will add approximately 4,200 rooms to Macau's stock of hotel accommodation, alongside fresh gaming capacity and non-gaming offerings. This will bring the total hotel room inventory in Macau to approximately 41,000 units, representing still great growth potential when compared with Las Vegas, which had approximately 150,000 hotel rooms as of June this year.

Macau's increased hotel room capacity has been rewarded with growth in the number of overnight tourists, who spend more per head than day-trippers. During the first half of 2018, the number of overnight visitors increased 8.3% YoY to 8.8 million, and visitors' average length of stay held stable YoY at 1.2 days. Total visitor arrivals rose 8% YoY to 16.8 million over the same period.

The new and upcoming resorts should support an increased critical mass in Cotai and further drive Macau's transformation into a leading Asian business and leisure tourism hub.

SUPPORT FOR MACAU'S LONG-TERM GROWTH

In the short term, the new resort openings this year should further stimulate tourism demand. In addition, the opening of the new Taipa Ferry Terminal in June last year and the new terminal extension at Macau International Airport in February will enhance accessibility, while making the tourist arrival experience more convenient and pleasant.

However, by far the most significant driver of growth will be the opening of the 42-kilometre Hong Kong-Zhuhai-Macau Bridge later this year, which will significantly improve accessibility for travellers within the Greater Bay Area and connectivity for international travellers and MICE visitors arriving by air via Hong Kong International Airport, the world's eighth-busiest airport in 2017.

In the medium and longer term, growing Chinese outbound tourism will continue to support Macau's expansion. According to the latest report by the China Tourism Academy, mainland Chinese tourists made more than 71.3 million outbound trips in the first six months of 2018, up 15% YoY, due to easier visa approvals and more direct international flights connecting with lower-tier Chinese cities. Hong Kong and Macau witnessed a big increase in the number of mainland Chinese tourists, accounting for a significant 45.9% share of the total outbound market. As China's middle class grows further, the expectation is for continued growth in tourism, leisure and travel in Macau.

Meanwhile, the Chinese central government's Belt and Road initiative and the Greater Bay Area integration plan will further increase the flow of goods and people in the region, driving visitation to Macau and supporting the city's economic growth.

Macau has maintained full employment in recent years, with its unemployment rate declining to 1.8% – just 6,900 people – between April and June 2018, and overall median monthly incomes reaching an all-time high of MOP16,000 (US$2,000). The territory's solid labour market will continue to support private consumption and the overall economy. Tighter regulations for financial reporting and anti-money laundering notification will boost market transparency, helping to build a more efficient and sustainable economy.

RISKS AND UNCERTAINTIES

Although Macau's economy is expected to maintain growth this year, there are potential headwinds that should be borne in mind, such as the US-China trade dispute, the volatility of the yuan, mainland Chinese policies that may dampen the VIP gaming market, Beijing's capital outflow controls and further interest rate rises.

The ongoing trade dispute between China and the US is unlikely to ease any time soon, and global markets may remain volatile. China's yuan has depreciated, with its value against the US dollar in July crossing the 6.8 line for the first time since July 2017. Currency volatility may affect Chinese outbound tourism if Chinese travellers' spending power declines. As Macau's pataca (MOP) is indirectly pegged to the US dollar via the Hong Kong dollar, Macau will become more costly for Chinese tourists if the yuan's depreciation continues, possibly affecting the territory's economic growth, including GGR, retail sales and the hotel sector.

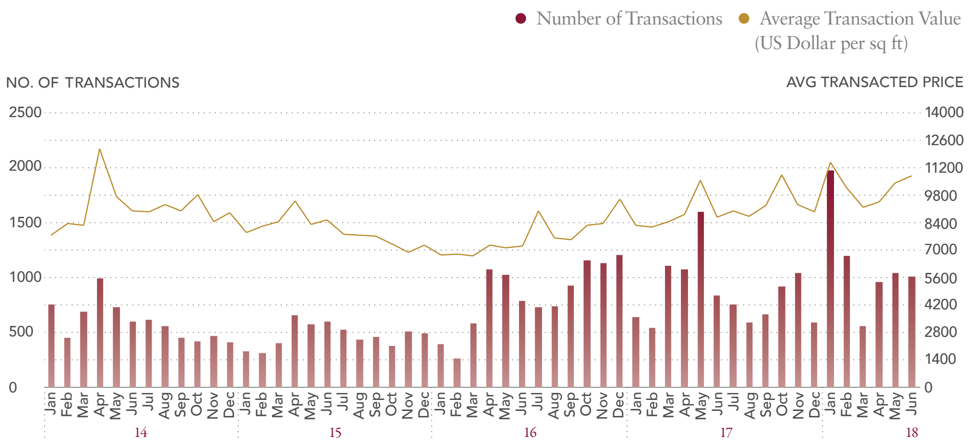
Furthermore, the US Federal Reserve is expected to continue to shrink its balance sheet and raise interest rates. Macau may then face pressure for more interest rate increases due to its indirect US dollar peg, restraining investment and the performance of asset markets.

Policies adopted from time to time by the Chinese government, including smoking restrictions, the ongoing anti-corruption campaign, capital outflow controls and a new currency declaration system at the country's borders may disrupt spending patterns and affect the number of high-end tourists both domestically and from abroad.

On the gaming front, uncertainties remain, in large measure related to the fact that Macau's government has not made any announcements on the licences held by six gaming operators that are due to expire between 2020 and 2022. Any further tightening of capital outflow controls could also impact GGR, especially in the VIP segment.

Property Market Overview

MACAU RESIDENTIAL TRANSACTION VALUE AND VOLUME



Source: DSF

NEW HOUSING POLICIES

POLICY	MEASURE	
HIGHER STAMP DUTY FOR NON-FIRST-TIME PROPERTY BUYERS	• ADDITIONAL 5% STAMP DUTY ON SECOND PROPERTY • ADDITIONAL 10% STAMP DUTY ON THE THIRD PROPERTY AND ABOVE	
MORTGAGE LOAN FOR MACAU YOUNG RESIDENT# (FIRST-TIME BUYER)	≤MOP3.3 MILLION	• MAX. MORTGAGE LOAN OF 90% • FOR PRE-SALE UNIT: MAX. MORTGAGE LOAN OF 80%
	>MOP3.3 MILLION TO ≤MOP8 MILLION	MAX. MORTGAGE LOAN OF 80%
	>MOP8 MILLION	MAX. MORTGAGE LOAN OF 50%
TAX ON NON-LEASED UNITS	6%	

Young resident: A Macau resident between 21 and 44 years of age who does not own 50% or more of a property in Macau.
Source: Imprensa Oficial - Government Printing Bureau

Macau's residential property market continued to recover in 2018, underpinned by strong economic drivers and a relatively low interest rate environment.

The total number of residential transactions in the first half of 2018 saw a YoY increase of 16% to 6,790. Average selling price grew 15.5% YoY to approximately MOP10,580 (US$1,323) per square foot. The primary market has performed particularly well, with the number of pre-sale units rising 137% YoY to 2,513, accounting for more than 37% of total residential transactions during the period and prompting a rapid increase in property prices.

In February 2018, the government introduced a set of new housing policies to curb short-term speculation and mitigate the lack of affordable housing in Macau. Those measures include additional stamp duty for buyers who are non-first-time property owners, mortgage loans for young residents, and the imposition of a tax on vacant housing units.

The Monetary Authority of Macao raised its benchmark lending rate by another 25 basis points to 2.25% in June, matching a move by Hong Kong following a US Federal Reserve interest rate hike. There has been no significant impact on mortgage rates as a result of the increase, and the current interest rate remains low. Interest rates are, however, expected to rise gradually, which may affect mortgage rates and hence the performance of the property market.

GREATER BAY AREA INTEGRATION WILL HELP TO NARROW PRICE GAPS BETWEEN CITIES

Housing prices in Hong Kong have more than doubled since the depths of the global financial crisis and now stand at record-high levels. This resulted in the tightening of credit by the Hong Kong authorities to rein in signs of an overheated property market. By comparison, Macau property prices are undervalued. Macau's average housing prices are currently 11% below their 2014 peak and are still a third lower than those of Hong Kong, while for the mid- to high-end residential segment, the price gap between the two cities is 50% or more.

The Hong Kong-Zhuhai-Macau Bridge, due to open later this year, will close a gap between the eastern and western cities within the Greater Bay Area, transforming Hong Kong's Lantau Island, Macau, Hengqin and Zhuhai into a strategic tourism nexus. The bridge will reduce the journey times between cities and ensure efficient flows of people, goods and services.

Consequently, the price gap between Macau and neighbouring cities is expected to narrow, making investment in the territory's housing more attractive.

LOOKING AHEAD

The property market in Macau is expected to grow steadily in the year ahead, driven by quality new supply and gradually improving market fundamentals. Tighter regulations in the financial and real estate sectors will increase market transparency, helping the city to achieve sustainable growth in the future.

Aside from a housing policy favouring the younger generation, the opening of key infrastructure projects, such as the long-awaited Hong Kong-Zhuhai-Macau Bridge and the ShenZhong Link[1], will stimulate economic growth and improve connectivity within the Greater Bay Area. As these developments boost tourism, trade, logistics and traffic from mainland China – signalling strong momentum for future growth in Macau – they should, in turn, increase housing demand in Macau and drive up home prices in the longer term.

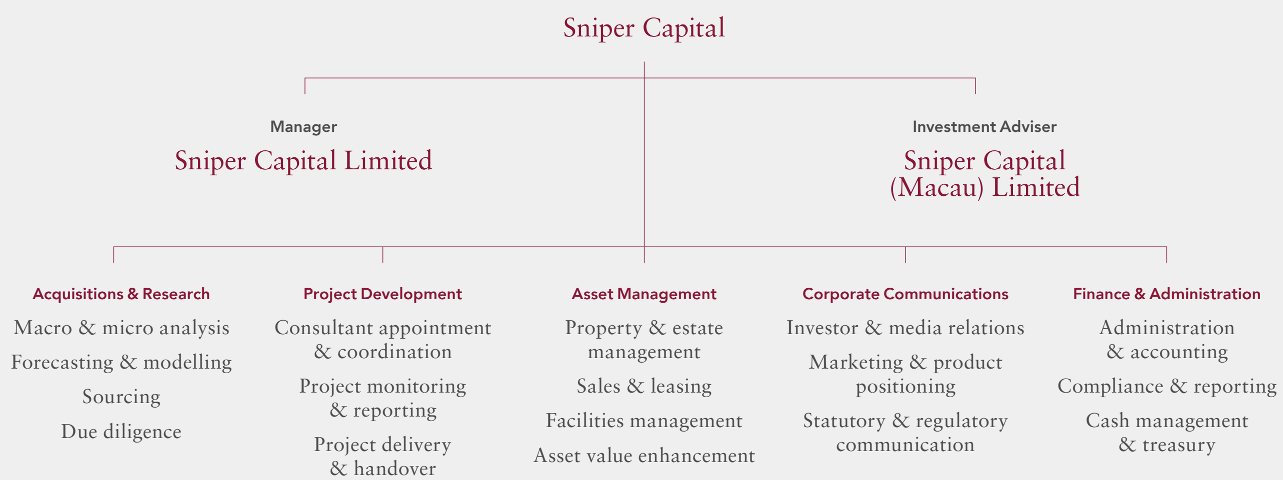
Manager:
Sniper Capital Limited
21 September 2018

[1] The ShenZhong Link, connecting the cities of Shenzhen and Zhongshan in Guangdong Province, will be 24km long and consists of two artificial islands, two bridges and an immersed tunnel that can handle vehicle traffic of 90,000 cars daily. It is due for completion by 2024.

Glossary of Sources

DSEC	THE STATISTICS AND CENSUS SERVICE (MACAU)
DSF	FINANCIAL SERVICES BUREAU (MACAU)
EIU	ECONOMIST INTELLIGENCE UNIT
HK LEGCO	LEGISLATIVE COUNCIL OF THE HONG KONG SPECIAL ADMINISTRATIVE REGION

Manager and Adviser



Manager

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

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

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

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

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

With its 30 June 2018 holding of 13.13 million shares or 17.2% of the Company's issued share capital, Sniper Investments Limited – an investment vehicle associated with Sniper Capital Limited – is now the largest shareholder in MPOF, which bears witness to Sniper Capital Limited's belief in the Company's future prospects.

The Company will be managed with the objective of realising the value of all remaining assets in the portfolio, individually, in aggregate or in any other combination of disposals or transaction structures, in a prudent manner consistent with the principles of good investment management with a view to making an orderly return of capital to shareholders over time.

Adviser

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

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

For more information, please visit www.snipercapital.com

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

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

Investment Policy

The Company's investment objective will be effected with a view to realising all of its investments in such a manner that seeks to achieve a balance between maximising the value from the Company's investments and making timely returns of capital to shareholders.

The Company may sell or otherwise realise its investments (including individually, or in aggregate or other combinations) to such persons as it chooses, but in all cases with the objective of achieving the best exit values reasonably available within reasonable time scales.

The Company will cease to make any new investments and shall not undertake additional borrowing other than to refinance existing borrowing or for short-term working capital purposes.

Any cash received by the Company as part of the realisation process will be held by the Company as cash on deposit and/or as cash equivalents prior to its distribution to shareholders, which shall be at such intervals as the Board may determine is appropriate.

Asset allocation

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

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

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

Diversification

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

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

Gearing

The Company and its subsidiaries (together referred to as the "Group") have the ability to borrow, both at Company level and Special Purpose Vehicles ("SPVs") level, if SPVs are used in relation to particular investments. The Group, either directly or through its SPVs, may not borrow amounts in relation to any single investment that exceed 75% of that investment's market value. When the Company is fully invested, the maximum amount of net borrowings that the Group may have as a whole (i.e. all principal amounts borrowed by the Group less the Group's cash balances) will not exceed 60% of the aggregate value of all the Group's investments at the time that any new borrowings are made. As at 30 June 2018, the Group had borrowings that were 35% of the aggregate value of all investments held. After accounting for cash balances, the Group had net borrowings that were 18% of the aggregate value of all investments held. The Group may be required to use its investments as security for the borrowings it puts in place.

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

Annual Report (continued)

Audit Opinion

Financial Statements

General Information

Directors' Report

The Directors present their report and audited financial statements of the Group for the year ended 30 June 2018. This Directors' report should be read together with Corporate Governance Report on pages 42 to 46.

Principal activities

Macau Property Opportunities Fund Limited (the "Company") is a Guernsey-registered closed-ended investment fund traded on the London Stock Exchange (the "LSE"). Following the passing of all resolutions at the Extraordinary General Meeting held on 28 June 2010, the Company's shares obtained a Premium Listing on the LSE Main Market on 30 June 2010.

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

Business review

A review of the business during the year, together with likely future developments, is contained in the Chairman's Message on pages 6 to 9 and in the Manager's Report on pages 16 to 32.

Going concern

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

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

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

The Company's current loan-to-value ratio of each of the properties are well below the covenants per the respective facility agreements while the Company's net borrowing level of 18% is below the overall Company level borrowing restriction of 60%. The Company has continuously adopted a prudent cash management strategy to maintain its existing loan-to-value ratios for all properties below the loan-to-value covenants.

At the Extraordinary General Meeting held on 5 July 2018, the shareholders voted in favour of a Continuation Resolution to extend the life of the Company for a further year. In accordance with the Articles of Incorporation, the Company now has until November 2019 to hold a further continuation vote on which the shareholders can vote on the future of the Company. The Directors have considered whether the continuation vote before the end of 2019 gives rise to a material uncertainty that might cast significant doubt about the Company's ability to continue as a going concern and have concluded that it does not due to the fact that the Board has the continued support of major shareholders and it is likely that returns from sales of properties would be lower if the Group were forced to sell as a result of discontinuation, given that the market is gradually improving and expected to strengthen.

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

Directors' Report (continued)

Viability statement

The Board has an on-going and robust process to assess the principal risks facing the Company, including those that would threaten its business model, future performance, solvency and liquidity. The Directors have considered each of the Company's principal risks and uncertainties, detailed on pages 45 to 46. The Directors also considered the Company's policy for monitoring, managing and mitigating its exposure to these risks. This assessment involved an evaluation of the potential impact on the Company of these risks occurring. Where appropriate, the Company's financial projection model is subject to a sensitivity analysis involving flexing a number of key assumptions in the underlying financial forecasts in order to analyse the effect on the Company's net cash flows and other key financial ratios. In accordance with provision C2.2 of the 2016 revision of the UK Code, the Directors have assessed the prospects of the Company over a longer period than the 12 months required by the going concern provision. The Board has conducted this review for a period covering the next three years. The Board considers three years to be an appropriate time horizon for its strategic plan, being the period over which most of the Company's properties should have completed their respective investment cycle, notwithstanding the outcome of the continuation vote in 2019 which is considered likely to be passed and is discussed under Going Concern above. Based on an assessment of the principal risks facing the Company and the comprehensive stress-test based assessment of the Company's cash positions and prospects, the Directors have a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the three-year period of their assessment.

Share capital

Ordinary shares

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

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

Results and dividends

The results for the year are set out in the consolidated financial statements on pages 64 to 67.

Authority to purchase own shares

Following the authority first granted in the Extraordinary General Meeting on 28 June 2010 and subsequently renewed at each Annual General Meeting, a resolution to provide the Company with authority to purchase its own shares will be tabled at the Annual General Meeting on 19 November 2018. The Board has publicly stated its commitment to undertake share buybacks at attractive levels of discount of the share price to Adjusted NAV. The Board intends to renew this authority at the 2018 Annual General Meeting.

The Company did not repurchase shares during the current and prior financial year. All shares repurchased pursuant to the buyback programme were cancelled.

Directors' Report (continued)

Significant shareholdings

As at 30 June 2018, a total of 7 shareholders each held more than 3% of the issued ordinary shares of the Company, accounting for a total of 44,601,662 shares (2017: 52,526,866) or 58.35% (2017: 68.72%) of the issued share capital. Significant shareholdings as at 30 June 2018 are detailed below:

Name of Shareholder	No. of Shares	%
Sniper Investments Limited	13,132,616	17.18
Universities Superannuation Scheme	10,500,000	13.74
Lazard Asset Management LLC	9,278,266	12.14
Rathbones	3,117,959	4.08
Milton Asset Management	2,980,300	3.90
Apollo Multi Asset Management	2,869,991	3.75
Fidelity Worldwide Investment	2,722,530	3.56
Subtotal	**44,601,662**	**58.35**
Others	31,831,302	41.65
Total	**76,432,964**	**100.00**

Significant shareholdings as at 31 August 2018, which is the most up to date available, are detailed below:

Name of Shareholder	No. of Shares	%
Sniper Investments Limited	11,341,960	18.34
Lazard Asset Management LLC	9,254,790	14.97
Universities Superannuation Scheme	8,494,683	13.74
Ironsides Partners LLC	4,631,118	7.49
Rathbones	2,474,814	4.00
Milton Asset Management	2,466,764	3.99
Apollo Multi Asset Management	2,321,872	3.75
Fidelity Worldwide Investment	2,202,575	3.56
Subtotal	**43,188,576**	**69.84**
Others	18,647,157	30.16
Total	**61,835,733**	**100.00**

Directors

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

Name	Function	Date of Appointment
Chris Russell	Chairman	8 May 2012
Thomas Ashworth	Director	18 May 2006
Alan Clifton	Director, Chairman of the Audit Committee, the Management Engagement Committee, and the Nomination and Remuneration Committee	18 May 2006
Wilfred Woo	Director	3 January 2012

Directors' Report (continued)

Directors' interests

Directors who held office during the year and had interests in the shares of the Company as at 30 June 2018 were:

	Ordinary Shares of US$0.01	
	Held at 30 June 2018	Held at 30 June 2017
Thomas Ashworth*	-	-
Alan Clifton	100,000	100,000
Wilfred Woo	-	-
Chris Russell	252,548	252,548

* Thomas Ashworth has a beneficial interest in Sniper Investments Limited, which as at the year-end held 13,132,616 shares (2017: 12,693,215).

As a result of redemptions made subsequent to 30 June 2018, Sniper Investments Limited hold 10,624,515 shares, Chris Russell 204,316 shares and Alan Clifton 80,902 shares.

Non-mainstream pooled investments

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

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

AIFM directive

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

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

Directors' Report (continued)

Directors' remuneration

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

	2018 US$	2017 US$
Thomas Ashworth*	-	-
Alan Clifton	58,278	44,974
Wilfred Woo	48,891	38,072
Chris Russell	78,029	60,916
Total	185,198	143,962

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

Change of control

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

Annual General Meeting

The Annual General Meeting of the Company will be held at 10am on 19 November 2018 at Lefebvre Place, Lefebvre Street, St. Peter Port, Guernsey.

Independent auditors

The Audit Committee reviews the appointment of the external auditor, its effectiveness and its relationship with the Group, which includes monitoring our use of the Auditor for non-audit services and the balance of audit and non-audit fees paid. Following a review of the independence and effectiveness of our external auditor, a resolution will be proposed at the 2018 Annual General Meeting to reappoint Ernst & Young LLP. Each Director believes that there is no relevant information of which the Auditor is unaware. Each has taken all steps necessary, as a director, to be aware of any relevant audit information and to establish that Ernst & Young LLP is made aware of any pertinent information. This confirmation is given and should be interpreted in accordance with the provisions of Section 249 of the Companies (Guernsey) Law, 2008.

Subsequent events

Significant subsequent events have been disclosed in Note 26.

Financial risk management policies and objectives

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

Principal risks and uncertainties

Principal risks and uncertainties are discussed in the Corporate Governance Report on pages 45 to 46.

On behalf of the Board

Chris Russell

Chairman of the Board
21 September 2018

Corporate Governance Report

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

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

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

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

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

The Board

The Board consists of four non-executive directors, three of whom, including the Chairman, Chris Russell, are independent of the Company's Manager and Investment Adviser. Thomas Ashworth has a beneficial interest in and is a Director of Sniper Capital Limited. Sniper Capital Limited is the Manager to the Group and received fees during the year as detailed in the Consolidated Statement of Comprehensive Income and in Note 19.

Directors' details are listed on pages 10 and 11 which set out the range of investment, financial and business skills and experience represented. Principle 1 of the AIC Code states that a Board should consider appointing one independent non-executive director to be the senior independent director. The Board, having taken into account its small size and that the Chairman and two other directors are each similarly independent and non-executive, considers it unnecessary to appoint a senior independent director.

The Company's Articles of Incorporation specify that one third by number of the directors are subject to annual re-election at the Annual General Meeting of the Company. The Board has agreed that a minimum of two directors should be offered for re-election each year and that each director shall retire every three years by rotation. Thomas Ashworth will retire annually pursuant to the listing rules of the FCA and Alan Clifton will retire annually pursuant to the AIC Code, as he has now served for over 10 years as a Director of the Company. A retiring director shall be eligible for reappointment. No director shall be required to vacate his office at any time by reason of the fact that he has attained any specific age.

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

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

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

Corporate Governance Report (continued)

The Board (continued)

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

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

Performance and evaluation

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

During the year, a formal board performance appraisal was carried out by the Nomination and Remuneration Committee. Following review and collation of the results, the Board considered that the overall performance of the Board during the year had been satisfactory and that the Board is confident in its ability to continue effectively to lead the Company and oversee its affairs. The Board believes that the current mix of skills, experience, knowledge and age of the Directors is appropriate to the requirements of the Company.

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

Duties and responsibilities

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

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

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

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

Committees of the Board

Nomination and Remuneration Committee

The Nomination and Remuneration Committee Report is on pages 47 to 48.

Management Engagement Committee

The Management Engagement Committee Report is on page 49.

Audit Committee

The Audit Committee Report is on pages 50 to 53.

Corporate Governance Report (continued)

Meeting Attendance

Name	Scheduled Board Meeting (max 4)	Other Board Meeting (max 6)	Audit Committee Meeting (max 3)	Nomination and Remuneration Committee Meeting (max 1)	Management Engagement Committee Meeting (max 1)	Other Committee Meeting (max 1)
Chris Russell	4	5	3	1	1	1
Thomas Ashworth*	4	5	N/A	-	N/A	-
Alan Clifton	4	3	3	1	1	-
Wilfred Woo	4	6	3	1	1	-

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

Internal control and financial reporting

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

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

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

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

Management agreement

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

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

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

Corporate Governance Report (continued)

Relations with shareholders

The Company welcomes the views of shareholders and places great importance on communication with its shareholders. Senior members of the Manager are available at all reasonable times to meet with principal shareholders and key sector analysts. The Manager, Chairman and other Directors are not only available to meet with shareholders, but have actively done so.

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

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

Principal risks and uncertainties

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

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

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

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

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

- Macau's real estate market is gradually improving following a year of stabilising property prices. Any potential future market decline in Macau could prevent the Group from being able to realise its assets.

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

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

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

Corporate Governance Report (continued)

Principal risks and uncertainties (continued)

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

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

There is a process for identifying, evaluating and managing the principal risks faced by the Group. This process (which accords with the FRC's "Guidance on Risk Management, Internal Control and Related Financial and Business Reporting") has been regularly reviewed and has been in place throughout the financial year and up to the date of approval of these annual accounts.

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

The Board relies on the Manager's close relationship with legal professionals in Macau, Hong Kong and China to keep abreast of any potential changes to the law and any possible impact on the Group. The Board also regularly monitors the investment environment and the management of the Group's property portfolio, and applies the principles detailed in the internal control guidance issued by the FRC. Details of the Group's internal controls are described in more detail on page 44.

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

On behalf of the Board

Chris Russell
Chairman of the Board
21 September 2018

Nomination and Remuneration Committee Report

Summary of the role of the Nomination and Remuneration Committee

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

Composition of the Nomination and Remuneration Committee

The members of the Nomination and Remuneration Committee are listed on page 101.

Meetings

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

Consideration of Directors for re-election

Following discussion and having noted the schedule of Directors re-elected in each year since 2007, it was recommended by the Nomination and Remuneration Committee that Thomas Ashworth and Alan Clifton should be submitted for re-election at the Annual General Meeting to be held on 19 November 2018 as they each have over 10 years in office. Thomas Ashworth is required to be submitted for re-election in accordance with both the UK Listing Rules and the AIC Code of Corporate Governance as a non-independent Director. In addition, in accordance with the Board's re-election policy that each director shall retire every three years by rotation.

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

Nomination and Remuneration Committee Report (continued)

Overview
The Nomination and Remuneration Committee met once in the year ended 30 June 2018. Matters considered at the meeting included but were not limited to:

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

Following a review in the prior year, it was agreed to raise individual Directors' remuneration by 20%, representing an annual increase since 2010 of approximately 2.5%, which is in line with the rate of inflation over the period.

During the prior year, Directors waived any additional remuneration for the significant time commitments involved with work on a potential transaction for the Company's entire real estate portfolio. Looking ahead, additional fees to Directors reflecting exceptional further work may arise in the event of material successful transactions. No additional fees were paid to Directors, however, in respect of work done towards the successful sale of *Senado Square*.

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

On behalf of the Nomination and Remuneration Committee

Alan Clifton
Chairman of the Nomination and Remuneration Committee
21 September 2018

Management Engagement Committee Report

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

Composition of the Management Engagement Committee
The members of the Management Engagement Committee are listed on page 101.

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

Performance of the Manager
Following discussion, it is the opinion of the Management Engagement Committee that the performance of the Manager for the year ended 30 June 2018 was satisfactory and the continuing appointment of the Manager on the terms agreed is in the interests of the shareholders as a whole.

Performance of key service providers
Following discussion, it is the opinion of the Management Engagement Committee that the performance of key service providers (as detailed in Appendix 1 of the Terms of Reference of the Committee) for the year ended 30 June 2018 was satisfactory.

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

On behalf of the Management Engagement Committee

Alan Clifton
Chairman of the Management Engagement Committee
21 September 2018

Audit Committee Report

Summary of the role of the Audit Committee

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

The Audit Committee is responsible for:

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

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

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

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

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

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

Audit Committee Report (continued)

Composition of the Audit Committee

The members of the Audit Committee are:

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

Appointments to the Audit Committee will be for a period of up to three years, which is extendable, depending upon members continuing to be independent. Alan Clifton has been a member of the Audit Committee for 12 years. However, the Board and Audit Committee have satisfied themselves that Alan Clifton continues to remain independent and so have previously resolved to extend his appointment to the Audit Committee for a further year.

Financial reporting

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

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

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

Significant issues considered in relation to the financial statements

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

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

During its review of the Group's financial statements for the year ended 30 June 2018, the Audit Committee considered the following significant issues:

- valuation of investment properties and inventories;
- ownership and existence of investments properties and inventories; and
- accounting treatment for taxes incurred in multiple jurisdictions.

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

The valuation is overseen by the Investment Adviser to ensure that the values are comparable to current market values of similar properties. The valuation process and methodology are discussed with the Investment Adviser regularly during the year and with the Auditor as part of the

Audit Committee Report (continued)

Significant issues considered in relation to the financial statements (continued)
year-end audit planning. These valuations are reviewed, challenged and ultimately agreed by the Board, who possesses knowledge and understanding of the markets where the properties are situated. The Board meets with the valuer at least once a year. The factors that affect the value and ownership of the investment property and inventory are further discussed in Notes 3, 6 and 7.

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

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

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

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

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

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

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

The external auditors are required to rotate the audit partner responsible for the Group audit every five years. The current lead audit partner has been in place for three years. Ernst & Young LLP has been the external auditor since 2010. There are no contractual obligations restricting the choice of external auditor and the Company will put the audit services contract out to tender at least every 10 years, in accordance with FRC's guidance on audit retention, Paragraph 3.9. In line with the FRC's guidance on audit retention, Paragraph 3.11, this will be considered further when the audit partner rotates every five years. Under Company Law, the re-appointment of the external auditors is subject to shareholders' approval at the Annual General Meeting. The Audit Committee has provided the Board with its recommendation to the shareholders on the re-appointment of Ernst & Young LLP as external auditor for the year ending 30 June 2019. Accordingly, a resolution proposing the reappointment of Ernst & Young LLP as the Company's auditor will be put to shareholders at the 2018 Annual General Meeting.

Audit Committee Report (continued)

External audit (continued)
During the year, the Audit Committee discussed the planning, conduct and conclusions of the external audit as it proceeded. At the May 2018 Audit Committee meeting, the Committee discussed and approved the auditor's Group plan in which they identified the Group's valuation of the investment property, carrying value of inventories and revenue recognition as the key areas of risk of misstatement in the Group's financial statements.

The Audit Committee discussed these issues at the May 2018 meeting to ensure that appropriate arrangements are in place to mitigate these risks.

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

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

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

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

Non-audit services
To further safeguard the objectivity and independence of the external auditor from becoming compromised, the Audit Committee has a formal policy governing the engagement of the external auditor to provide non-audit services. This precludes Ernst & Young LLP from providing certain services such as valuation work or the provision of accounting services and also sets a presumption that Ernst & Young LLP should only be engaged for non-audit services where Ernst & Young LLP is best placed to provide the non-audit service, for example, the interim review service or specialist tax advice. Please see Note 24 for details of services provided by Ernst & Young LLP.

Overview
The Audit Committee met three times in the year ended 30 June 2018. Matters considered at these meetings included but were not limited to:

- consideration and agreement of the terms of reference of the Audit Committee for approval by the Board;
- review of the accounting policies and format of the financial statements;
- review of the 2017 Annual Report and Audited Consolidated Financial Statements for the year ended 30 June 2017;
- review of the 2017 Interim Report and Interim Condensed Consolidated Financial Statements for the 6 months ended 31 December 2017;
- review of the quarterly results announcement issued in May 2018;
- review of the audit plan and timetable for the preparation of the 2018 Annual Report and Audited Consolidated Financial Statements;
- discussions and approval of the fee for the external audit;
- assessment of the effectiveness of the external audit process as described above; and
- review of the Company's principal risks and internal controls.

As a result of its work during the year, the Audit Committee has concluded that it has acted in accordance with its terms of reference and has ensured the independence and objectivity of the external auditor. The Audit Committee has recommended to the Board that the Annual Report and Financial Statements are considered to be fair, balanced and understandable. The Audit Committee has recommended to the Board that the external auditor is re-appointed.

On behalf of the Audit Committee

Alan Clifton
Chairman of the Audit Committee
21 September 2018

Statement of Directors' Responsibilities

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

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

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

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

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

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

All companies with a Premium Listing of equity shares in the UK are required under the Listing Rules to report on how they have applied the UK Code in their annual report and financial statements.

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

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

Directors' statement under the Disclosure and Transparency Rules

- The Group's financial statements, prepared in accordance with IFRS, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group.
- The management report, which is incorporated into the Directors' Report, Manager's Report and Chairman's Message contained in the Annual Report, includes a fair review of the development and performance of the Group and of the position of the Company and the Group as a whole, together with a description of the principal risks and uncertainties they face.

Directors' statement under the UK Corporate Governance Code

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

On behalf of the Board

Chris Russell

Chairman of the Board
21 September 2018

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

Opinion

We have audited the financial statements of Macau Property Opportunities Fund Limited (the 'Company') and its subsidiaries (together the 'Group') for the year ended 30 June 2018 which comprise of the Consolidated Statement of Financial Position, the Consolidated Statement of Comprehensive Income, the Consolidated Statement of Changes in Equity, the Consolidated Statement of Cash Flows and the related Notes 1 to 26, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards as adopted by the European Union.

In our opinion, the financial statements:

- give a true and fair view of the state of the Group's affairs as at 30 June 2018 and of its profit for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards as adopted by the European Union; and
- have been properly prepared in accordance with the requirements of the Companies (Guernsey) Law, 2008.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report below. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to principal risks, going concern and viability statement

We have nothing to report in respect of the following information in the Annual Report, in relation to which the ISAs (UK) require us to report to you whether we have anything material to add or draw attention to:

- the disclosures in the Annual Report set out on pages 45 to 46 that describe the principal risks and explain how they are being managed or mitigated;
- the directors' confirmation set out on page 38 in the Annual Report that they have carried out a robust assessment of the principal risks facing the entity, including those that would threaten its business model, future performance, solvency or liquidity;
- the directors' statement set out on page 37 and 68 in the financial statements about whether they considered it appropriate to adopt the going concern basis of accounting in preparing them, and their identification of any material uncertainties to the entity's ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements;
- whether the directors' statement in relation to going concern required under the Listing Rules is materially inconsistent with our knowledge obtained in the audit; or
- the directors' explanation set out on page 38 in the Annual Report as to how they have assessed the prospects of the Group, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

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

Overview of our audit approach

Key audit matters	• Fair valuation of investment property • Carrying value of inventories • Recognition of rental income and income on sale of inventories
Audit scope	• We performed an audit of the complete financial information of the Group.
Materiality	• Overall Group materiality of $2.1m which represents 1% of Net Asset Value ('NAV').
What has changed	• Our scope of work remained the same as compared to the previous year and as communicated during our planning meeting.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in our opinion thereon, and we do not provide a separate opinion on these matters.

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

Key audit matters (continued)

Risk	Our Response to the Risk	Key Observations Communicated to the Audit Committee
Fair valuation of investment property ($248.8m; 2017: $241.2m) The valuation of investment property is the key driver of the Group's net asset value and total return. Valuation of investment property requires specialist expertise and the use of significant estimates and judgements giving rise to a higher risk of misstatement. Refer to the Audit Committee Report (pages 50 to 53); Accounting policies (pages 71 to 72); and Note 6 of the Consolidated Financial Statements (pages 85 to 87)	We performed full scope audit procedures over the valuation of investment property. Audit procedures performed by component audit teams are based on instructions issued by the Group audit team. Those procedure are described below: • We documented our understanding of the processes and performed walkthrough tests to confirm our understanding of the systems and controls implemented; • We agreed the valuations recorded in the consolidated financial statements to the values reported by the management's independent specialists (the "Specialists"); • We tested all significant inputs to the valuation for consistency with underlying tenancy agreements; • We tested the calculation of gain on revaluation of the year and verified the appropriateness of the recording and reporting of these amounts; • We have engaged our real estate specialists in Hong Kong to: – verify whether the valuation methodology used was consistent with valuation best practice and appropriate under the circumstances by ensuring that the recorded fair value is within the acceptable range of values calculated by our real estate specialists; – use their knowledge of the market to compare and corroborate the market related judgements and valuation inputs (including discount rates, exit yields and sales values) used by the Specialists; and – assist us in determining whether management Specialists were appropriately qualified and independent.	We confirmed that there were no material matters arising from our audit work on the inputs used and the judgments made by the Specialists that we wished to bring to the attention of the Audit Committee. We confirmed that valuation of investment property is not materially misstated.

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

Key audit matters (continued)

Risk	Our Response to the Risk	Key Observations Communicated to the Audit Committee
Carrying value of inventory properties ($41.8m; 2017: $64.0m) Inventory properties are stated at lower of cost and net realisable value. The valuation of inventory properties is the key driver to determine the net realisable value of properties. Valuation of property requires specialist expertise and the use of significant estimates and judgements giving rise to a higher risk of misstatement. Refer to the Audit Committee Report (pages 50 to 53); Accounting policies (page 72); and Note 7 of the Consolidated Financial Statements (pages 87 to 88)	We performed full scope audit procedures over the carrying value of inventory properties. Audit procedures performed by component audit team are based on instructions issued by the Group audit team. Those procedure are described below: • We documented our understanding of the processes for valuing inventory properties and performed walkthrough tests to confirm our understanding of the systems and controls implemented; • We agreed a sample of the significant inputs used by the Specialists to value the properties, particularly development cost, projected capital expenditure, to contractual documentation and development plans and agreements and we checked their purpose, business rationale and whether allowable for inclusion in inventory under IFRS; • We have agreed additions and disposals of inventories to general ledger and tested individual items above 25% of performance materiality; • We tested headroom of market value over cost. We have not identified any material concerns that properties that have a higher risk of impairment; and • We engaged our own internal valuation experts from Hong Kong to: – use their knowledge of the market to compare and corroborate the market related judgements and valuation inputs (including discount rates, exit yields and sales values) used by the Specialists; and – assist us in determining whether the Specialists were appropriately qualified and independent.	We confirmed that there were no material matters arising from our audit work on the inputs used and the judgments made by the Specialists that we wished to bring to the attention of the Audit Committee. We confirmed that carrying value of inventory properties is not materially misstated.

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

Key audit matters (continued)

Risk	Our Response to the Risk	Key Observations Communicated to the Audit Committee
Recognition of rental income ($2.9m; 2017: $2.1m) / Income on sale of inventories ($111.8m; 2017: $6.4m) Management may seek to overstate revenue generated from rental income by changing the timing of revenue recognition and on disposal of inventory properties by overstating the selling price or lowering the cost of sales as it is a significant metric and indicator of the Group's progress giving rise to a higher risk of misstatement. Refer to the Audit Committee Report (pages 50 to 53); Accounting policies (page 74); and Note 6 and 7 of the Consolidated Financial Statements (pages 85 to 88)	• Rental income – We have agreed a sample of tenancy agreements selected based on 25% of performance materiality to amounts recorded as rental income in the general ledger and from the general ledger to tenancy agreements; – Performed analytical procedures on rental income to identify any inconsistencies in rental income patterns or rent holiday periods; and – Determined that the accounting policy for rental income was in compliance with IFRS as adopted by the EU. • Income on sale of inventories – We have re-performed calculations of the realised gain on disposal of properties by taking the selling price from final sales and purchase agreements and cost of properties sold from allocation schedule and underlying supporting documents and checked that the resulting gain on sale of properties agrees to the recorded gain in the general ledger.	We confirmed that there were no matters identified during our audit work on revenue recognition that we wished to bring to the attention of the Audit Committee. We confirmed that revenue from rental income and on disposal of properties was recognised in accordance with IFRS.

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

An overview of the scope of our audit

Tailoring the scope

Our assessment of audit risk, our evaluation of materiality and our allocation of performance materiality determine our audit scope for each entity within the Group. This enables us to form an opinion on the financial statements. In assessing the risk of material misstatement to the Group financial statements, and to ensure we had adequate quantitative coverage of significant accounts in the financial statements, we performed an audit of the complete financial information of all components covering entities within Macau, Hong Kong, BVI and the Channel Islands which represent all business units of the Group.

The audit team comprised individuals from the Channel Islands ("Group audit team") and Hong Kong ("Component audit team") and we operated as an integrated team across both jurisdictions. We performed the audit procedures and responded to the risks identified as described below.

Changes from the prior year

There has been no change in scope of our audit from prior year.

Team structure

The overall audit strategy is determined by the audit partner who is based in the Channel Islands. Since the Group's operations are principally located in Hong Kong/Macau, the audit team includes EY team members from Hong Kong.

Involvement with component team

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

In establishing our overall approach to the Group audit, we determined the type of work that needed to be undertaken at each of the components by the Group audit team, or by the component audit team from other EY global network firms operating under our instruction. We determined the appropriate level of involvement to enable us to determine that sufficient audit evidence had been obtained as a basis for our opinion on the Group as a whole.

The Group audit team, assisted by our real estate specialists in Hong Kong, performed procedures on the valuations of the Group's investment property and inventories.

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

Our application of materiality

We apply the concept of materiality in planning and performing the audit, in evaluating the effect of identified misstatements on the audit and in forming our audit opinion.

Materiality

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

We determined materiality for the Group to be $2.1 million (2017: $1.3 million), which is 1% (2017: 1%) of NAV. We believe that NAV provides us with an appropriate basis for audit materiality as it is a key published performance measure and is a key metric used by management in assessing and reporting on overall performance.

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

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

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

On the basis of our risk assessments, together with our assessment of the Group's overall control environment, our judgement was that performance materiality was 75% (2017: 75%) of our planning materiality, namely $1.6m (2017: $0.97m). We have set performance materiality at this percentage due to the investment strategy remaining consistent with our previous experience and limited identification of audit findings in previous periods.

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

We agreed with the Audit Committee that we would report to them all uncorrected audit differences in excess of $106,000 (2017: $64,000), which is set at 5% of planning materiality, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds.

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

Other information
The other information comprises the information included in the Annual Report on pages 3 to 55, including the Investment Manager's Report set out on pages 16 to 32, Directors' Report set out on pages 37 to 41 and Corporate Governance Report on pages 42 to 46, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

In this context, we also have nothing to report in regard to our responsibility to specifically address the following items in the other information and to report as uncorrected material misstatements of the other information where we conclude that those items meet the following conditions:

- **Fair, balanced and understandable set out on page 55** – the statement given by the directors that they consider the Annual Report and financial statements taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the group's performance, business model and strategy, is materially inconsistent with our knowledge obtained in the audit; or

- **Audit committee reporting set out on page 53** – the section describing the work of the audit committee does not appropriately address matters communicated by us to the audit committee; or

- **Directors' statement of compliance with the UK Corporate Governance Code set out on page 55** – the parts of the directors' statement required under the Listing Rules relating to the company's compliance with the UK Corporate Governance Code containing provisions specified for review by the auditor in accordance with Listing Rule 9.8.10R(2) do not properly disclose a departure from a relevant provision of the UK Corporate Governance Code.

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

Matters on which we are required to report by exception
We have nothing to report in respect of the following matters in relation to which the Companies (Guernsey) Law, 2008 requires us to report to you if, in our opinion:

- proper accounting records have not been kept by the Company, or proper returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the Company's accounting records and returns; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of directors
As explained more fully in the directors' responsibilities statement set out on pages 54 to 55, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at https://www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

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

Andrew Jonathan Dann, FCA
For and on behalf of Ernst & Young LLP
Guernsey, Channel Islands
21 September 2018

Note:

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

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

Consolidated Statement of Financial Position

As at 30 June 2018

	Note	2018 US$'000	2017 US$'000
ASSETS			
Non-current assets			
Investment property	6	248,763	241,193
Deposits with lenders	22	1,821	3,107
Trade and other receivables		110	111
		250,694	244,411
Current assets			
Inventories	7	41,777	63,994
Trade and other receivables	10	1,426	1,688
Deposits with lenders	22	5,098	205
Financial assets at fair value through profit or loss – interest rate swap	21	-	21
Cash and cash equivalents		81,290	13,093
		129,591	79,001
Total assets		380,285	323,412
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Share capital	12	764	764
Retained earnings		147,309	61,832
Distributable reserves		66,208	66,208
Foreign currency translation reserve		(1,507)	(18)
Total equity		212,774	128,786
LIABILITIES			
Non-current liabilities			
Deferred taxation provision	9	17,940	17,003
Taxation provision	9	742	2,260
Interest-bearing loans	8	128,438	153,775
		147,120	173,038
Current liabilities			
Trade and other payables	11	1,704	1,941
Interest-bearing loans	8	18,687	19,617
Financial liabilities at fair value through profit or loss – interest rate swap	21	-	30
		20,391	21,588
Total liabilities		167,511	194,626
Total equity and liabilities		380,285	323,412
Net Asset Value per share (US$)	18	2.78	1.69
Adjusted Net Asset Value per share (US$)	18	3.41	3.26

The accompanying notes on pages 68 to 100 are an integral part of these consolidated financial statements.

The consolidated financial statements on pages 64 to 67 were approved by the Board of Directors and authorised for issue on 21 September 2018.

Chris Russell
Director

Alan Clifton
Director

Consolidated Statement of Comprehensive Income

Year ended 30 June 2018

	Note	2018 US$'000	2017 US$'000
Income			
Income on sale of inventories	7	111,770	6,351
Rental income		2,898	2,055
Net gain from fair value adjustment on investment property	6	8,548	36,013
Other income		299	13
		123,515	44,432
Expenses			
Cost of sales of inventories	7	22,296	3,477
Management fee	20	5,503	4,867
Non-Executive Directors' fees	19	192	150
Auditors' remuneration: audit fees	24	129	101
Auditors' remuneration: non-audit fees	24	103	245
Write off of inventories to net realisable value	7	120	-
Property operating expenses	15	1,346	1,249
Sales and marketing expenses	16	1,632	250
General and administration expenses	13	1,300	1,524
Loss/(Gain) on foreign currency translation		403	(164)
		(33,024)	(11,699)
Operating profit for the year		90,491	32,733
Finance income and expenses			
Net gain on valuation of interest rate swap	21	9	95
Bank loan interest		(5,141)	(5,079)
Interest expense on interest rate swap	21	(16)	(78)
Other financing costs	14	(312)	(280)
Bank and other interest		8	1
		(5,452)	(5,341)
Profit for the year before tax		85,039	27,392
Taxation	9	438	(4,284)
Profit for the year after tax		85,477	23,108
Items that may be reclassified subsequently to profit or loss			
Exchange difference on translating foreign operations		(1,489)	(965)
Total comprehensive income for the year		83,988	22,143
Profit attributable to:			
Equity holders of the Company		85,477	23,108
Total comprehensive income attributable to:			
Equity holders of the Company		83,988	22,143
		2018 US$	2017 US$
Basic and diluted profit per ordinary share attributable to the equity holders of the Company during the year	18	1.1183	0.3023

The accompanying notes on pages 68 to 100 are an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

Year ended 30 June 2018

	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 2017	764	61,832	66,208	(18)	128,786
Profit for the year	-	85,477	-	-	85,477
Items that may be reclassified subsequently to profit or loss					
Exchange difference on translating foreign operations	-	-	-	(1,489)	(1,489)
Total comprehensive income for the year	-	85,477	-	(1,489)	83,988
Balance carried forward at 30 June 2018	764	147,309	66,208	(1,507)	212,774

	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 year	-	23,108	-	-	23,108
Items that may be reclassified subsequently to profit or loss					
Exchange difference on translating foreign operations	-	-	-	(965)	(965)
Total comprehensive income for the year	-	23,108	-	(965)	22,143
Balance carried forward at 30 June 2017	764	61,832	66,208	(18)	128,786

The accompanying notes on pages 68 to 100 are an integral part of these consolidated financial statements.

Consolidated Statement of Cash Flows

Year ended 30 June 2018

	Note	2018 US$'000	2017 US$'000
Net cash generated from/(used in) operating activities	17	104,569	(4,210)
Cash flows from investing activities			
Capital expenditure on investment property	6	(269)	(36)
Movement in pledged bank balances		(3,607)	(1,199)
Net cash used in investing activities		(3,876)	(1,235)
Cash flows from financing activities			
Proceeds from bank borrowings		59,387	15,115
Repayment of bank borrowings		(84,459)	(4,621)
Interest and bank charges paid		(6,124)	(5,439)
Net cash (used in)/generated from financing activities		(31,196)	5,055
Net movement in cash and cash equivalents		69,497	(390)
Cash and cash equivalents at beginning of year		13,093	12,741
Effect of foreign exchange rate changes		(1,300)	742
Cash and cash equivalents at end of year		81,290	13,093

The accompanying notes on pages 68 to 100 are an integral part of these consolidated financial statements.

Notes to the Consolidated Financial Statements

General information

Macau Property Opportunities Fund Limited (the "Company") is a Company incorporated and registered in Guernsey under The Companies (Guernsey) Law, 1994. This law was replaced by the Companies (Guernsey) Law, 2008 on 1 July 2008. The Company is an authorised entity under the Authorised Closed-Ended Investment Schemes Rules 2008 and is regulated by the GFSC. The address of the registered office is given on page 101.

The consolidated financial statements for the year ended 30 June 2018 comprise the financial statements of the Company and its subsidiaries (together referred to as the "Group"). The Group invests in residential and commercial property and property-related ventures primarily in Macau.

These consolidated financial statements have been approved for issue by the Board of Directors on 21 September 2018.

1. Summary of significant accounting policies

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

Basis of preparation
The consolidated financial statements have been prepared in accordance with IFRS; applicable legal and regulatory requirements of Guernsey Law and under the historical cost convention as modified by the revaluation of investment properties and derivative financial instruments.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 3. The consolidated financial statements are presented in US Dollar and all values are rounded to the nearest thousand ($'000), except where otherwise indicated.

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

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

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

The Directors, after the continuation resolution was passed at a General Meeting of the Company on 5 July 2018 to extend the Fund's life until November 2019, assessed whether the continuation vote before the end of 2019 gives rise to a material uncertainty that might cast significant doubt about the Fund's ability to continue as a going concern. The Directors have also considered the going concern assumption outside the primary going concern horizon. The Directors expect to receive continuation support from major shareholders and 50% of shareholder support is required to ensure continuation; and it is likely that returns from the sale of properties would be lower if the Fund was forced to sell as a result of discontinuation and it is therefore commercially sensible for the Fund to continue in business. Therefore, 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 2019 agreed at the General Meeting on 5 July 2018 and the Directors' assessment of the Group's committed banking facilities and expected continuing compliance with related covenants.

Notes to the Consolidated Financial Statements (continued)

1. Summary of significant accounting policies (continued)

New and amended standards and interpretations applied
The following amendments to existing standards and interpretations were effective for the year ended 30 June 2018 and therefore were applied in the current year but, with the exception of the amendments to IAS 7 outlined below, either they were not applicable to or did not have a material impact on the Group:

- IAS 7 Disclosure Initiative – amendments to IAS 7
- IAS 12 Amendments regarding recognition of deferred tax asset for unrealised losses – amendments to IAS 12
- Annual improvements 2014-2016 cycle

The adoption of amendments to IAS 7 has resulted in increased narrative disclosures in the current year in relation to the table of reconciliation of financial liabilities held at the year end.

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

		Effective dates
IFRS 9	Financial instruments	1 January 2018
IFRS 15	Revenue from contracts with customers	1 January 2018
IFRS 16	Leases	1 January 2019

The Directors anticipate the adoption of these standards and interpretations in the period of initial application will not have a material impact on the financial statements of the Group. IFRS 9 and IFRS 15 will be adopted and applied in the Annual Report for the year ended 30 June 2019.

IFRS 9 Financial instruments
In July 2014, the IASB issued the final version of IFRS 9 Financial Instruments that replaced IAS 39 Financial Instruments: Recognition and Measurement and all previous versions of IFRS 9. IFRS 9 brings together all three aspects of the accounting for financial instruments project: classification and measurement, impairment and hedge accounting. IFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted. Except for hedge accounting, retrospective application is required but providing comparative information is not compulsory. For hedge accounting, the requirements are generally applied prospectively, with some limited exceptions.

a) Classification and measurement
The Group does not expect a significant impact on its balance sheet or equity from applying the classification and measurement requirements of IFRS 9.

The Group's deposits with lenders and trade and other receivables are deemed to meet the criteria for amortised cost measurement under IFRS 9 as they are held for the purpose of collecting cash flows and provide fixed cash flows on fixed days. These are currently recorded as loans and receivables under IAS 39 with no impact noted upon adoption of IFRS 9.

The Group's current and non-current loan liabilities with banks are held to collect contractual cash flows and are expected to give rise to cash flows representing solely payments of principal and interest. The Group analysed the contractual cash flow characteristics of those instruments and concluded that they meet the criteria for amortised cost measurement under IFRS 9. Therefore, reclassification of these instruments is not required. Trade and other payables are currently recorded as other financial liabilities under IAS 9 and will be classified as amortised cost under IFRS 9 with no impact noted.

Notes to the Consolidated Financial Statements (continued)

1. Summary of significant accounting policies (continued)

IFRS 9 Financial instruments (continued)

b) Impairment

IFRS 9 requires the Company to record expected credit losses on all of its debt securities, loans and trade receivables, either on a 12-month or lifetime basis. The Group has determined that, due to the nature of the institutions with which the cash and cash equivalents and deposits with lenders are held with and the low level of trade and receivables held, the probability of default is very low and the loss allowance is deemed negligible at year end.

IFRS 15 Revenue from contracts with customers

IFRS 15 replaces IAS 18 Revenue and establishes a five-step model to account for revenue arising from contracts with customers. In addition, guidance on interest and dividend income has been moved from IAS 18 to IFRS 9 without significant changes to the requirements. There is anticipated to be no impact of adopting IFRS 15 for the Company.

IFRS 16 Leases

IFRS 16 was issued in January 2016 and requires lessees to account for all leases under a single on-balance sheet model in a similar way to finance leases under IAS 17. Lessor accounting is substantially unchanged from today's accounting under IAS 17. Lessors will continue to classify all leases using the same classification principle as in IAS 17 and distinguish between two types of leases: operating and finance leases. The standard requires lessees and lessors to make more extensive disclosures than under IAS 17. IFRS 16 is effective for annual periods beginning on or after 1 January 2019, however early adoption is permitted. The Company currently has no leases and expects adopting this standard to have no impact.

Consolidation

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

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

Segment reporting

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

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

Foreign currency translation

a) Presentation currency

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

b) Transactions and balances

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

Notes to the Consolidated Financial Statements (continued)

1. Summary of significant accounting policies (continued)

Foreign currency translation (continued)

b) Transactions and balances (continued)

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

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

c) Group companies

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

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

Foreign currency translation reserve

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

Investment property

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

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

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

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

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

Notes to the Consolidated Financial Statements (continued)

1. Summary of significant accounting policies (continued)

Fair value measurements
The Group measures certain financial instruments such as derivatives, and non-financial assets such as investment property, at fair value at the end of each reporting period.

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

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

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

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

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

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

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

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

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

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

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

Notes to the Consolidated Financial Statements (continued)

1. Summary of significant accounting policies (continued)

Interest rate swaps
The Group uses derivative financial instruments such as interest rate swaps to hedge its risk associated with interest rate fluctuations.

Derivative financial instruments are initially recognised at fair value on the date on which a contract is entered into, and are subsequently measured at fair value and presented as financial assets or liabilities at fair value through profit or loss. Related realised and unrealised gains and losses are included in net gains/(losses) on financial assets/liabilities at fair value through profit or loss.

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

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

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

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

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

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

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

Notes to the Consolidated Financial Statements (continued)

1. Summary of significant accounting policies (continued)

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

Deposits with lenders
Deposits with lenders comprise cash held at bank that is pledged for loan covenants and are recognised as current and non-current assets.

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

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

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

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

Sale of completed property
A property is regarded as sold when the significant risks and returns have been transferred to the buyer, which is normally on unconditional exchange of contracts. On disposal, a property that is held by a single-asset subsidiary and when disposal is achieved through the sale of such subsidiary and where it is judged as an asset disposal, the proceeds from disposal thereof are recognised in income and net assets disposed of, excluding long-term debt, are recognised in cost of sales in expenses. For conditional exchanges, sales are recognised only when all the significant conditions are satisfied.

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

Borrowings
Borrowings are recognised initially at fair value, net of transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down and are subsequently measured at amortised cost using the effective interest method.

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

Notes to the Consolidated Financial Statements (continued)

1. Summary of significant accounting policies (continued)

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

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

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

Distributable reserves
Distributable reserves consist of the Group's retained earnings that may be legally paid out in the form of a dividend. Payments to shareholders from reserves can be seen as a distribution of accumulated profit.

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

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

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

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

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

Notes to the Consolidated Financial Statements (continued)

2. Financial risk management, policies and objectives

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

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

Market risk

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

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

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

a) Foreign exchange risk

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures. Foreign exchange risk arises from future commercial transactions, recognised monetary assets and liabilities and net investments in foreign operations. The Group's policy is not to enter into any currency hedging transactions. The tables on the next page summarise the Group's exposure to foreign currency risk as at 30 June 2018 and 30 June 2017. The Group's financial assets and liabilities are included in the table, categorised by their currency at their carrying amount in US\$'000. In the current economic climate, management's assessment of a reasonable possible change in foreign exchange rates would be up to a 1% increase/decrease for Hong Kong Dollar ("HK\$")/US\$, due to the HK\$ being pegged to the US\$, and up to a 10% increase/decrease for all other currencies.

The table on the next page presents financial assets and liabilities denominated in foreign currencies held by the Group as at 30 June 2018 and 30 June 2017, and can be used to monitor foreign currency risk as at that date.

At 30 June 2018, if Sterling weakened/strengthened by 10% against US\$ with all other variables held constant, the net assets and movement in (loss)/gain on foreign currency translation would have been US\$5,028,000 lower/higher (2017: US\$14,000 higher/lower). The significant movement is due to high quantities of Sterling being held on a temporary basis in anticipation of the distribution to be paid in July 2018. Any movement would have no other effect on the remaining equity components of the Group. There are no material transactions that would have effect on the profit/loss for the year. The HK\$ is pegged to the US\$ with the Hong Kong Monetary Authority pledging to keep the exchange rate within a trading band of 5 Hong Kong cents either side of HK\$7.80 per dollar. The foreign exchange risk is considered minimal and as such the Company does not actively manage against this risk. If the HK\$ weakened/strengthened by 1% against the US\$ with all other variables held constant, the net assets and movement in foreign currency translation reserve would have been US\$1,104,000 higher/lower (2017: US\$1,572,000 higher/lower). Any movement would have no other effect on the remaining equity components of the Group. There are no material transactions that would have effect on the profit/loss for the year.

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

As the HK\$ is pegged to the US\$ and the MOP is fixed to the US\$, the foreign exchange risk of these currencies is considered minimal as under the normal course of business the Group has minor exposure to other currencies.

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

Notes to the Consolidated Financial Statements (continued)

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

Market risk (continued)

a) Foreign exchange risk (continued)

	US\$ US\$'000	£ US\$'000	HK\$ US\$'000	Other currencies US\$'000	Total US\$'000
As at 30 June 2018					
Trade and other receivables (excluding prepayments)	-	-	3	110	113
Cash and cash equivalents	-	50,504	30,715	71	81,290
Deposits with lenders	-	-	6,919	-	6,919
Total financial assets	-	50,504	37,637	181	88,322
Trade and other payables	139	226	11	1,328	1,704
Interest-bearing loans	-	-	148,045	-	148,045
Total financial liabilities	139	226	148,056	1,328	149,749
Net financial position	(139)	50,278	(110,419)	(1,147)	(61,427)

	US\$ US\$'000	£ US\$'000	HK\$ US\$'000	Other currencies US\$'000	Total US\$'000
As at 30 June 2017					
Trade and other receivables (excluding prepayments)	-	-	468	111	579
Cash and cash equivalents	-	20	13,016	57	13,093
Deposits with lenders	-	-	3,312	-	3,312
Financial assets at fair value through profit or loss	-	-	21	-	21
Total financial assets	-	20	16,817	168	17,005
Trade and other payables	178	158	8	1,597	1,941
Interest-bearing loans	-	-	174,000	-	174,000
Financial liabilities at fair value through profit or loss	-	-	30	-	30
Total financial liabilities	178	158	174,038	1,597	175,971
Net financial position	(178)	(138)	(157,221)	(1,429)	(158,966)

Notes to the Consolidated Financial Statements (continued)

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

Market risk (continued)

b) Cash flow and fair value interest rate risk

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

Under the terms of the swap contracts, if the swap rates were to increase/decrease by 1% with all other variables held constant, this would have resulted in the post-tax profit being US$177,000 higher/US$136,000 lower in the prior year. Any movement would have no other effect on the remaining equity components of the Group.

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

The Group's interest rate risk is managed by the Manager, in accordance with policies and procedures in place and can be mitigated through the use of interest rate swaps (see Note 21). The Group's overall positions and exposures are monitored on a quarterly basis by the Board of Directors.

If interest rates had been 1% higher/lower and all other variables were held constant, the Group's profit for the year would have decreased/increased by US$598,000 (2017: profit for the year decreased/increased by US$1,576,000) (based on the interest bearing net financial liability per the table below before factoring in impact of interest rate swaps held). This is mainly due to the Group's exposure to interest-bearing loans.

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

	Interest Bearing US$'000	Non-interest Bearing US$'000	Total US$'000
As at 30 June 2018			
Trade and other receivables (excluding prepayments)	-	113	113
Cash and cash equivalents	81,290	-	81,290
Deposits with lenders	6,919	-	6,919
Total financial assets	88,209	113	88,322
Trade and other payables	-	1,704	1,704
Interest-bearing loans	148,045	-	148,045
Total financial liabilities	148,045	1,704	149,749

Notes to the Consolidated Financial Statements (continued)

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

Market risk (continued)

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

	Interest Bearing US$'000	Non-interest Bearing US$'000	Total US$'000
As at 30 June 2017			
Trade and other receivables (excluding prepayments)	-	579	579
Cash and cash equivalents	13,093	-	13,093
Deposits with lenders	3,312	-	3,312
Financial assets at fair value through profit or loss	21	-	21
Total financial assets	16,426	579	17,005
Trade and other payables	-	1,941	1,941
Interest-bearing loans	174,000	-	174,000
Financial liabilities at fair value through profit or loss	30	-	30
Total financial liabilities	174,030	1,941	175,971

The Group has entered into various interest rate swaps as disclosed in Note 21.

Credit risk

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

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

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

Credit Rating	2018 US$'000	2017 US$'000
AA-	60	738
A+	80,400	9,615
A	642	1,931
A-	16	16
BBB+	167	775
BBB	5	18
	81,290	13,093

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

Credit Rating	2018 US$'000	2017 US$'000
A+	6,691	3,107
A	228	205
	6,919	3,312

Notes to the Consolidated Financial Statements (continued)

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

Credit risk (continued)

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

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

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

Liquidity risk

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

Of the Group's total exposure to banks of US$88,209,000 (2017: US$16,405,000), deposits amounting to US$6,919,000 (2017: US$3,312,000) have been pledged to secure banking facilities, of which US$1,821,000 (2017: US$3,107,000) relates to long-term banking facilities, and are, therefore, classified as non-current assets. Pledged bank balances represent deposits pledged to the banks to secure the banking facilities granted to the Group.

As at 30 June 2018, the Group has term loan facilities with Hang Seng Bank, Industrial and Commercial Bank of China (Macau) Limited, and Banco Tai Fung for its investments in *The Waterside*, individual units in One Central Residences, *Estrãda da Penha* and *The Fountainside*. The Group's liquidity position is monitored by the Manager and is reviewed quarterly by the Board of Directors. Please refer to Note 8 for details of the facilities.

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

As at 30 June 2018	On Demand US$'000	Less than 3 Months US$'000	3 to 12 Months US$'000	1 to 2 Years US$'000	2 to 5 Years US$'000	Over 5 Years US$'000	Total US$'000
Trade and other receivables (excluding prepayments)	-	3	-	110	-	-	113
Cash and cash equivalents	81,290	-	-	-	-	-	81,290
Deposits with lenders	-	5,098	-	-	1,821	-	6,919
Total financial assets	81,290	5,101	-	110	1,821	-	88,322
Trade and other payables	-	601	1,103	-	-	-	1,704
Interest-bearing loans	-	11,678	13,371	29,634	107,397	-	162,080
Total financial liabilities	-	12,279	14,474	29,634	107,397	-	163,784
Net financial position	81,290	(7,178)	(14,474)	(29,524)	(105,576)	-	(75,462)

Notes to the Consolidated Financial Statements (continued)

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

Liquidity risk (continued)

As at 30 June 2017	On Demand US$'000	Less than 3 Months US$'000	3 to 12 Months US$'000	1 to 2 Years US$'000	2 to 5 Years US$'000	Over 5 Years US$'000	Total US$'000
Trade and other receivables (excluding prepayments)	-	464	4	111	-	-	579
Cash and cash equivalents	13,093	-	-	-	-	-	13,093
Deposits with lenders	-	-	205	271	2,836	-	3,312
Financial assets at fair value through profit or loss	-	-	21	-	-	-	21
Total financial assets	13,093	464	230	382	2,836	-	17,005
Trade and other payables	-	917	1,024	-	-	-	1,941
Interest-bearing loans	-	1,412	23,786	52,850	108,921	-	186,969
Financial assets at fair value through profit or loss	-	-	30	-	-	-	30
Total financial liabilities	-	2,329	24,840	52,850	108,921	-	188,940
Net financial position	13,093	(1,865)	(24,610)	(52,468)	(106,085)	-	(171,935)

The table below analyses the Group's changes in financial liabilities arising from financing activities.

	1 July 2017 US$'000	Cashflows US$'000	Foreign Exchange Movement US$'000	Other US$'000	Profit and Loss US$'000	30 June 2018 US$'000
Current interest-bearing loans	19,857	(6,019)	(46)	5,214	-	19,006
Non-current interest-bearing loans	154,143	(19,053)	(837)	(5,214)	-	129,039
Loan arrangement fees	(608)	(601)	-	-	289	(920)
Net interest-bearing loans	173,392	(25,673)	(883)	-	289	147,125
Interest payable	569	(5,523)	-	-	5,163	209
Total	173,961	(31,196)	(883)	-	5,452	147,334

	1 July 2016 US$'000	Cashflows US$'000	Foreign Exchange Movement US$'000	Other US$'000	Profit and Loss US$'000	30 June 2017 US$'000
Current interest-bearing loans	14,705	(4,621)	(62)	9,835	-	19,857
Non-current interest-bearing loans	149,809	15,115	(946)	(9,835)	-	154,143
Loan arrangement fees	(791)	(86)	-	-	269	(608)
Net interest-bearing loans	163,723	10,408	(1,008)	-	269	173,392
Interest payable	850	(5,353)	-	-	5,072	569
Total	164,573	5,055	(1,008)	-	5,341	173,961

The 'Other' column includes the effect of reclassification of non-current portion of interest-bearing loans to current due to the passage of time. The Group classifies interest paid as cash flows from financing activities.

The above table does not include amortised loan arrangement fees.

Notes to the Consolidated Financial Statements (continued)

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

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

The Group's interest rate swaps have been classified within Level 2, which makes use of a model with inputs that are directly or indirectly observable market data. The following table presents the value carried on the Consolidated Statement of Financial Position by level within the valuation hierarchy as at 30 June 2018:

	As at 30 June 2018 US$'000	As at 30 June 2017 US$'000
Current assets	-	21
Current liabilities	-	(30)
Net interest rate swap liabilities	-	(9)

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

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

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

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

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

During the year ended 30 June 2018, there were no borrowings other than the Group's loan facilities in place which are classified as interest bearing loans in the Consolidated Statement of Financial Position.

Notes to the Consolidated Financial Statements (continued)

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

Capital risk management (continued)
Discount management policy
The Board closely monitors the discount to Adjusted Net Asset Value ("Adjusted NAV") at which the Company's shares trade and has sought shareholders' approval of powers to buy shares in the market to moderate the volatility of the discount. These powers will be sought again at the forthcoming Annual General Meeting. The Board is also very mindful of the working capital operating needs of the Company when considering buying back its shares in the market.

During the year, the Company purchased nil (2017: Nil) ordinary shares.

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

The Board remains committed to an active discount management policy.

3. Critical accounting estimates, assumptions and judgement

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

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

b) Inventory is stated at the lower of cost and NRV. NRV for completed inventory property is assessed with reference to market conditions and prices existing at the reporting date, and is determined by the Group, having taken suitable external advice and in the light of recent market transactions. NRV in respect of inventory property under construction (see Note 7), is assessed with reference to market prices at the reporting date for similar completed property, less estimated costs to complete construction and less an estimate of the time value of money to the date of completion. This is an accounting estimate.

c) Significant management judgement is required to determine the amount of deferred tax liabilities that can be recognised, based upon the likely timing and the level of future taxable temporary differences, together with future tax planning strategies. This is an accounting judgement.

The Group did not make any critical accounting judgements, other than as described above, in the year ended 30 June 2018 or the year ended 30 June 2017.

Notes to the Consolidated Financial Statements (continued)

4. Subsidiaries

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

- MPOF Macau (Site 2) Limited
- MPOF Macau (Site 6) Limited
- Braga Companhia Limitada
- Castelo Branco Companhia Limitada
- MPOF Macau (Site 5) Limited
- The Fountainside Company Limited
- The Waterside Company Limited

During the year, Macau (Site 1) Limited and Portalegre Companhia Limitada were disposed of as part of the sale of *Senado Square*. Please refer to Note 7 for details of the disposal.

During the year, the following BVI companies: Poly Advance Management Limited and Worthy Way Limited were liquidated. The following Hong Kong companies: Elite Gain Limited, Glory Properties Limited and Pacific Asia Properties Limited were liquidated.

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

	Ownership	Incorporation		Ownership	Incorporation
MPOF Macau (Site 2) Limited	100%	Macau	MPOF (6B) Limited	100%	Guernsey
MPOF Macau (Site 5) Limited	100%	Macau	Bream Limited	100%	Guernsey
MPOF Macau (Site 6) Limited	100%	Macau	Cannonball Limited	100%	Guernsey
The Waterside Company Limited	100%	Macau	Civet Limited	100%	Guernsey
Braga Companhia Limitada	100%	Macau	Gorey Hills International Limited	100%	BVI
The Fountainside Company Limited	100%	Macau	Hillsleigh Holdings Limited	100%	BVI
Castelo Branco Companhia Limitada	100%	Macau	Jin Mei International Limited	100%	BVI
MPOF (Penha) Limited	100%	Guernsey	Mega League Investments Limited	100%	BVI
MPOF (Taipa) Limited	100%	Guernsey	Smooth Run Group Limited	100%	BVI
MPOF (Jose) Limited	100%	Guernsey	China City Properties Limited	100%	Hong Kong
MPOF (Sun) Limited	100%	Guernsey	East Base Properties Limited	100%	Hong Kong
MPOF (Guia) Limited	100%	Guernsey	Eastway Properties Limited	100%	Hong Kong
MPOF (Antonio) Limited	100%	Guernsey	New Perfect Properties Limited	100%	Hong Kong
MPOF (6A) Limited	100%	Guernsey	Weltex Properties Limited	100%	Hong Kong

Notes to the Consolidated Financial Statements (continued)

5. Segment reporting

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

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

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

Information about major customers
The Group does not have any customers or rental agreements which represent more than 10% of Group's revenues. Revenues represented by rental income were US$2,898,000 for the year ended 30 June 2018 (2017: US$2,055,000).

6. Investment property

	2018 US$'000	2017 US$'000
At the beginning of the year	241,193	206,595
Capital expenditure on property	269	36
Fair value adjustment	8,548	36,013
Exchange difference	(1,247)	(1,451)
Balance at end of the year	248,763	241,193

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

The valuation process is initiated by the Investment Adviser who appoints a suitably qualified valuer to conduct the valuation of the investment property. The results are overseen by the Investment Adviser. Once satisfied with the valuations based on their expectations, the Investment Adviser reports the results to the Board. The Board reviews the latest valuation based on their knowledge of the property market and compares these to previous valuations. The Group's investment properties were revalued at 30 June 2018 by independent, professionally-qualified valuer, Savills. The valuation has been carried out in accordance with the current Royal Institution of Chartered Surveyors (RICS) Appraisal and Valuation Standards to calculate the market value of the investment properties in their existing state and physical condition, with the assumptions that:

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

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

Notes to the Consolidated Financial Statements (continued)

6. *Investment property (continued)*

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

Rental income arising from *The Waterside* of US$2,898,000 (2017: US$2,055,000) was received during the year. Direct operating expenses of US$1,010,000 (2017: US$954,000) arising from *The Waterside* that generated rental income were incurred during the year. Direct operating expenses during the year arising from vacant units totalled US$195,000 (2017: US$284,000).

There are no disposals of investment property during the year.

The following tables show the inputs used in valuing the investment property which is classified as Level 3 in the fair value hierarchy:

	Property information	Carrying amount / fair value as at 30 Jun 2018 US$ '000	Valuation technique	Input	Unobservable and observable inputs used in determination of fair values	Other key information
Name	*The Waterside*	248,763	Term and Reversion Analysis	Term rent (inclusive of management fee and furniture)	HK$19.7 psf	Age of building
Type	Residential/ Completed apartments			Term yield (exclusive of management fee and furniture)	1.4% - 2.2%	Remaining useful life of building
Location	One Central Tower 6 Macau			Reversionary rent (exclusive of management fee and furniture)	HK$19.7 psf	
				Reversionary yield	1.7%	

	Property information	Carrying amount / fair value as at 30 June 2017 US$'000	Valuation technique	Input	Unobservable and observable inputs used in determination of fair values	Other key information
Name	*The Waterside*	241,193	Term and Reversion Analysis	Term rent (inclusive of management fee and furniture)	HK$17.1 psf	Age of building
Type	Residential/ Completed apartments			Term yield (exclusive of management fee and furniture)	1.4% - 2.2%	Remaining useful life of building
Location	One Central Tower 6 Macau			Reversionary rent (exclusive of management fee and furniture)	HK$17.1 psf	
				Reversionary yield	1.7%	

Notes to the Consolidated Financial Statements (continued)

6. *Investment property (continued)*

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

If the estimated reversionary rent increased/decreased by 5% (and all other assumptions remained the same), the fair value of *The Waterside* would increase or decrease by US$12 million.

If the term or revisionary yield increased/decreased by 5% (and all other assumptions remained the same), the fair value of *The Waterside* would decrease by US$12 million or increase by US$13 million.

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

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

7. *Inventories*

Cost	2018 US$'000	2017 US$'000
Balance brought forward	63,994	67,410
Additions	462	457
Disposals	(22,236)	(3,459)
Exchange difference	(323)	(414)
Balance carried forward	41,897	63,994
Adjustment to net realisable value		
Balance brought forward	-	-
Write-down to net realisable value	(120)	-
Balance carried forward	(120)	-
Carrying amounts	41,777	63,994

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

Finance costs of US$369,000 (2017: US$317,000) relating to *Senado Square* loan facility were capitalised during the year, including US$369,000 (2017: US$287,000) of interest capitalised to the property.

Under IFRS, inventories are valued at the lower of cost and NRV. The carrying amounts for inventories as at 30 June 2018 amounts to US$41,777,000 (2017: US$63,994,000). NRV as at 30 June 2018 as determined by independent, professionally-qualified valuer, Savills, was US$89,627,000 (2017: US$182,670,000).

Two residential units, twelve car parking spaces and five motorcycle parking spaces of *The Fountainside* and one individual unit of One Central Residences (2017: one unit of *The Fountainside* and one individual unit of One Central Residences) were sold during the year for a total consideration of US$9.5 million (HK$74.7 million) (2017: US$6.4 million (HK$49.3 million)) against a total cost of US$4.6 million (HK$36.1 million) (2017: US$3.5 million (HK$27.0 million)) which resulted in a net profit of US$4.9 million (HK$38.6 million) (2017: US$2.9 million (HK$22.3 million)) after all associated fees and transaction costs.

Notes to the Consolidated Financial Statements (continued)

7. Inventories (continued)

During the year, certain subsidiaries of the Company entered into a Promissory Transfer Agreement to sell the *Senado Square* project through the transfer of the entire issued share capital of Macau (Site 1) Limited and the assignment of shareholder loans to the purchaser for a consideration of US$102.2 million (HK$800 million) pursuant to the Circular. The total costs of the *Senado Square* project at disposal was US$17.7 million (HK$138.4 million). The transaction was completed on 26 March 2018 and resulted in a net profit of US$84.5 million (HK$661.6 million). Agent commission associated with the sale amounted to US$1.3 million (HK$10 million).

Inventory was written down during the year following the agreement to sell the Smaller Property for HK$2.0 million (US$255,000) post year end.

8. Interest-bearing loans

Bank loans – Secured	**2018 US$'000**	2017 US$'000
Current portion	18,687	19,617
Non-current portion	128,438	153,775
	147,125	173,392

The Group has a term loan facility with Hang Seng Bank for *The Waterside* and the individual units in One Central Residences. On 19 March 2018, a new tranche of the facility was executed for HK$428 million (US$54.5 million) (Tranche 6) to finance the principal instalments of the previous tranches up to the beginning of 2020, to refinance the loan outstanding of *Senado Square*, and to provide bank guarantee to facilitate the Company to dispose of *Senado Square*. Please see Note 23 for details of the bank guarantee.

As at 30 June 2018, four tranches remained outstanding. Tranche 3 had an outstanding balance of HK$329 million (US$42.0 million) (2017: HK$572 million (US$73.7 million)); Tranche 4 had an outstanding balance of HK$50 million (US$6.4 million) (2017: HK$76 million (US$9.7 million)); Tranche 5 had an outstanding balance of HK$172 million (US$21.9 million) (2017: HK$281 million (US$36.0 million)); and Tranche 6 had an outstanding balance of HK$348 million (US$44.3 million) (2017: nil). As at 30 June 2018, the loan-to-value ratio for the Hang Seng One Central facility was 44.85% (2017: 47.36%).

The interest rates applicable to Tranche 3, Tranche 4, Tranche 5 and Tranche 6 of the term loan are 2.25% per annum, 2.35% 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. Tranche 3, Tranche 4 and Tranche 5 mature on 19 September 2020 and repayment is due in full. Tranche 6 matures on 19 September 2022 and the principal is to be repaid in half-yearly instalments commencing 19 September 2020 with 25% 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.

The Group had a two-year loan facility with Hang Seng Bank for *Senado Square* redevelopment project as of 30 June 2017. The total facility amount was HK$118 million (US$15.2 million) divided into 2 tranches: Tranche A was a term loan facility for an amount of HK$59 million (US$7.6 million) for refinancing the property acquisition cost; Tranche B was 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 and was fully repaid in March 2018. Interest was charged at 2.7% per annum over the 1-, 2- or 3-month HIBOR rate. The choice of rate was at the Group's discretion. As at 30 June 2017, the loan-to-value ratio for *Senado Square* facility was 17.82%.

Notes to the Consolidated Financial Statements (continued)

8. Interest-bearing loans (continued)

The Group has a HK$220 million (US$28.0 million) term loan facility with the Industrial and Commercial Bank of China (Macau) Limited in relation to *The Fountainside* redevelopment project with a tenor revised from 3 years to 5 years and to be matured in March 2020. Interest is charged at 3% per annum over the 3-month HIBOR rate. The principal is to be repaid in half yearly instalment commencing 5 September 2017 with 50% of the principal due upon maturity. The loan-to-value covenant is 60%. The facility is secured by means of a first registered legal mortgage over all unsold units and car parking spaces of *The Fountainside* as at the loan facility date as well as a pledge of all income from the units and the car parking spaces. The Company is the guarantor for the credit facility.

As at 30 June 2018, the facility had an outstanding balance of HK$113.3 million (US$14.4 million) (2017: HK$162 million (US$20.8 million)). Sales proceeds of US$nil (2017: US$nil) were pledged with the lender. As at 30 June 2018, the loan-to-value ratio for *The Fountainside* facility was 39.47% (2017: 47.79%).

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 originally had a term of three years and the facility amount is HK$70 million which expired in June 2017 and was subsequently renewed for another term of two years. Interest was originally charged at 3.2% per annum over the 6-month HIBOR rate and was revised to 2.3% per annum over the 3-month HIBOR rate in June 2017 and repayment is due in full at maturity in June 2019. As at 30 June 2018, the facility had an outstanding balance of HK$70 million (US$8.9 million) (2017: HK$70 million (US$9.0 million)). This facility is secured by a first legal mortgage over the property as well as a pledge of all income from the property. The Group is the guarantor for this term loan. Interest is paid monthly on this loan facility. As at 30 June 2018, the loan-to-value ratio for this facility was 42.42% (2017: 42.94%).

ICBC Macau
The loan facility with Industrial and Commercial Bank of China (Macau) Limited originally had a term of three years and the facility amount is HK$79 million which expired in December 2017 and was subsequently renewed for another term of two years. Interest was originally charged at 3.2% per annum over the 3-month HIBOR rate and was revised to 2.3% per annum over the 3-month HIBOR rate in December 2017 and repayment is due in full at maturity in December 2019. As at 30 June 2018, the facility had an outstanding balance of HK$79 million (US$10.1 million) (30 June 2017: HK$79 million (US$10.1 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 30 June 2018, the loan-to-value ratio for this facility was 40.31% (2017: 40.72%).

Bank loan interest incurred during the year was US$5,141,000 (2017: US$5,079,000), including US$369,000 (2017: US$287,000) capitalised during the year (see Note 7).

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

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

The estimated fair value of fixed interest bearing loans is based on discounted cash flows using prevailing market interest rates for debts with similar credit risk and maturity. As at 30 June 2018, the fair value of the interest-bearing loans was US$141,000 higher than the carrying value of the financial liabilities (2017: the fair value of the interest-bearing loans was US$84,000 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 the last period.

Notes to the Consolidated Financial Statements (continued)

9. Taxation

The Company is exempt from taxation in Guernsey under the provisions of The Income Tax (Exempt Bodies) (Guernsey) Ordinances, 1989 to 1992, and is charged an annual exemption fee of £1,200 (US$1,687) (2017: £1,200 (US$1,462)).

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

i) not exempted under the Revenue (Profits Tax Exemption for Offshore Funds) Ordinance 2006 (the "Ordinance") ; and
ii) treated as carrying on a trade or business in Hong Kong either on its own account or through any person as an agent.

No accrual has been made for Hong Kong profits tax, as the Board believes that no such tax exposure exists at the end of the reporting year (2017: US$ nil).

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

The Macanese SPVs are liable to Macau property tax in respect of their ownership of Macau properties. Taxation will be charged at the higher of 10% (2017: 10%) of any rent received or 6% (2017: 6%) of the official ratable rentable value. Newly built residential buildings or commercial buildings were exempted from property tax for four years and six years, respectively (such time running from the month after the occupancy permit is issued) for properties located in Macau peninsula and outlying islands. Macau Complementary Taxes are generally levied on income and profits arising in or derived from commercial and/or industrial activities carried on in Macau. There is no distinction made between a "revenue profit" and "capital profit" under the Macau complementary tax regulations. Accordingly, all income booked by a Macau corporate taxpayer, including gains on sale of investment/immovable property, will be subject to complementary tax. In general, gains on the disposal of shares in a Macau company (such as an SPV of the Company) should not attract Macau complementary tax.

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

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

	2018 US$'000	2017 US$'000
Non-current liabilities		
Deferred taxation	17,940	17,003
Provisions for Macanese taxations	742	2,260
	18,682	19,263

Notes to the Consolidated Financial Statements (continued)

9. Taxation (continued)

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

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

Tax Reconciliation

	2018 US$'000	2017 US$'000
Accounting profit before tax	85,039	27,392
Exempt from income tax in Guernsey	-	-
Movement in deferred tax charge provision	(1,026)	(4,322)
Movement in provision for Macanese taxations	1,464	(15)
Movement in provision for PRC taxation	-	53
At the effective income tax rate of (0.5%) (2017: 15.6%)	**438**	(4,284)

The movement in provision for Macanese taxation of US$1,464,000 relates primarily to the write back of an overprovision of complimentary taxation in prior year. The differences between the taxation credit for the year and the movement in taxation provisions are due to the foreign exchange movements and Macanese taxation paid during the year.

10. Trade and other receivables

Current assets	2018 US$'000	2017 US$'000
Trade receivables	3	468
Prepayments	1,423	1,220
	1,426	1,688

11. Trade and other payables

Current liabilities	2018 US$'000	2017 US$'000
Accruals	386	351
Other payables	1,318	1,590
	1,704	1,941

Other payables principally comprise outstanding amounts for operating expenses.

Notes to the Consolidated Financial Statements (continued)

12. Share capital

Ordinary shares	2018 US$'000	2017 US$'000
Authorised:		
300 million ordinary shares of US$0.01 each	3,000	3,000
Issued and fully paid:		
76.4 million (2017: 76.4 million)		
ordinary shares of US$0.01 each	764	764

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

The Board has publicly stated its commitment to undertake share buybacks at attractive levels of discount of the share price to Adjusted NAV. In order to continue this strategy, the Board intends to renew this authority at the 2018 Annual General Meeting.

13. General and administration expenses

General and administration expenses	2018 US$'000	2017 US$'000
Legal and professional	457	747
Holding Company administration	294	269
Guernsey SPV administration	147	134
BVI, Hong Kong, & Macanese SPV administration	78	91
Insurance costs	15	17
Listing fees	15	17
Printing & postage	57	32
Other operating expenses	237	217
	1,300	1,524

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

Notes to the Consolidated Financial Statements (continued)

14. Other financing costs

Financing costs	2018 US$'000	2017 US$'000
Bank charges	23	11
Loan arrangement fees	289	269
	312	280

As at 30 June 2018, unamortised loan arrangement fees were US$920,000 (2017: US$608,000). These have been netted off against the interest bearing loans and also split between current and non-current.

15. Property operating expenses

Property operating expenses	2018 US$'000	2017 US$'000
Property management fee	705	742
Property taxes	327	247
Utilities	17	26
Other property expenses	297	234
	1,346	1,249

16. Sales and marketing expenses

Sales and marketing expenses	2018 US$'000	2017 US$'000
Agent commission	1,562	204
Marketing	70	46
	1,632	250

Notes to the Consolidated Financial Statements (continued)

17. Cash flows from operating activities

Cash flows from operating activities	2018 US$'000	2017 US$'000
Profit for the year before tax	85,039	27,392
Adjustments for:		
Net gain on valuation of interest rate swap	(9)	(95)
Net gain from fair value adjustment on investment property	(8,548)	(36,013)
Write off of inventories to net realisable value	120	-
Net finance costs	5,461	5,436
Operating cash flows before movements in working capital	82,063	(3,280)
Effects of foreign exchange rate changes	403	(965)
Movement in trade and other receivables	263	(592)
Movement in trade payables, provision and other payables	422	468
Movement in inventories	21,774	3,002
Net change in working capital	22,459	2,878
Taxation paid	(356)	(2,843)
Net cash generated from/(used in) operating activities	104,569	(4,210)

Cash and cash equivalents (which are presented as a single class of assets on the face of the Consolidated Statement of Financial Position) comprise cash at bank and other short-term, highly-liquid investments with a maturity of three months or less. For both year ends, there are no cash equivalents held by the Group.

Notes to the Consolidated Financial Statements (continued)

18. Basic and diluted earnings per ordinary share and net asset value per share

The basic and diluted earnings per equivalent ordinary share is based on the profit attributable to equity holders for the year of US$85,477,000 (2017: US$23,108,000) and on the 76,432,964 (2017: 76,432,964) weighted average number of ordinary shares in issue during the year.

	30 June 2018			30 June 2017		
	Profit Attributable US$'000	Weighted Average No. of Shares '000s	EPS US$	Profit Attributable US$'000	Weighted Average No. of Shares '000s	EPS US$
Basic and diluted	85,477	76,433	1.1183	23,108	76,433	0.3023

Net asset value reconciliation	2018 US$'000	2017 US$'000
Net assets attributable to ordinary shareholders	212,774	128,786
Uplift of inventories held at cost to market value	47,850	120,521
Adjusted NAV	260,624	249,307
Number of ordinary shares outstanding ('000)	76,433	76,433
NAV per share (IFRS) (US$)	2.78	1.69
Adjusted NAV per share (US$)	3.41	3.26
Adjusted NAV per share (£)*	2.58	2.50

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

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

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

There are no potentially dilutive shares in issue.

* US$:GBP rate as at 30 June 2018 is 1.321 (2017: 1.303).

Notes to the Consolidated Financial Statements (continued)

19. Related party transactions

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

	2018 US$'000	2017 US$'000
Directors' fees	192	150

The Directors are considered to be the key management personnel (as defined under IAS 24) of the Company. Director's fees outstanding as at 30 June 2018 were US$39,289 (2017: US$38,752).

Thomas Ashworth has a beneficial interest in and is a Director of Sniper Capital Limited. Sniper Capital Limited is the Manager to the Group and received fees during the year, as detailed in the Consolidated Statement of Comprehensive Income and on the basis described in Note 20.

Management fees paid for the year totalled US$5,503,000 (2017: US$4,867,000) with US$nil outstanding as at 30 June 2018 (2017: US$nil) (see Note 20). Management fees of US$1,271,000 have been prepaid as at 30 June 2018 (2017: US$1,137,000).

No performance fee was accrued at the year end (2017: US$nil). No performance fee was paid during the year (2017: US$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 BVI SPVs and received fees during the year as detailed in Note 13.

The Group has a Development Management Services Agreement with a development management company named Headland Developments Limited ("Headland"). Thomas Ashworth has a beneficial interest in and is a Director of Headland and therefore, constitutes a related party of the Group. Development Management Services fees capitalised in investment property and inventories during the year are detailed in Note 20.

The Group has a Project Management Services Agreement and an Agency Services Agreement with a property management company named Bela Vista Property Services Limited ("Bela Vista"). Thomas Ashworth has a beneficial interest in and is a Director of Bela Vista and therefore, constitutes a related party of the Group. Project Management Services fees capitalised in investment property during the year are detailed in Note 20.

Notes to the Consolidated Financial Statements (continued)

20. Material contracts

Management fee
Under the terms of an appointment made by the Board of Directors of the Company on 23 May 2006, Sniper Capital Limited was appointed as Manager to the Group. The Manager is paid quarterly in advance, a fee of 2.0% of the net asset value, as adjusted to reflect the Property Investment Valuation Basis. During the year ended 30 June 2015, an amendment was made to the Investment Management Agreement relating to the definition of net asset value on which the fee is calculated. The definition of net asset value changed to include an 'add-back' of deferred taxation to the Adjusted NAV, subject to a claw-back provision, as the Directors are of the opinion that such a liability will not be payable by the Group in the future. Management fees paid for the year totalled US$5,503,000 (2017: US$4,867,000) with US$nil outstanding as at 30 June 2018 (2017: US$nil).

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

Payment of the performance fee is subject to:

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

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

In the year ended 30 June 2018, no performance fee was accrued (2017: US$nil) by the Group. During the year ended 30 June 2018, a performance fee of US$nil was paid (2017: US$nil) by the Group. This performance fee is based on the basic performance hurdle.

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

Notes to the Consolidated Financial Statements (continued)

20. Material contracts (continued)

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

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

During the year, development management services fees of US$nil (HK$nil) (2017: US$nil (HK$nil)) were capitalised in investment property and US$13,000 (HK$100,000) (2017: US$17,000 (HK$133,000)) were capitalised in inventories. As at 30 June 2018, US$nil (2017: US$1,000) was outstanding.

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

During the year, project management services fees of US$nil (HK$nil) (2017: US$10,146 (HK$78,806)) were capitalised in investment property. As at 30 June 2018, US$nil (2017: US$nil) was outstanding.

Agency Services Agreement
The Group and Bela Vista entered into an Agency Services Agreement, under which Bela Vista provides agency services to the Group in respect of the sales of residential units and car and motorbike parking spaces of *The Fountainside* as well as the individual units in One Central Residences. Bela Vista is paid an agency services fee based on a percentage of the total sales considerations. Such percentage will be reviewed annually by the Board.

During the year, agency services fees of US$96,069 (HK$751,800) (2017: US$38,352 (HK$297,890)) were paid. As at 30 June 2018, US$nil (2017: US$nil) was outstanding.

Notes to the Consolidated Financial Statements (continued)

21. Interest rate swaps

During the year, the Group paid a net interest of US$16,000 (2017: US$78,000) to the bank as shown in financing expenses on the Consolidated Statement of Comprehensive Income.

The swaps are treated as net financial liabilities at fair value through profit or loss with a year end value of US$nil (2017: US$9,000) following maturity of the final swap on 19 March 2018. For the year ended 30 June 2018, a fair value gain of US$9,000 (2017: US$95,000) arising from the net interest rate swaps has been recognised in the Consolidated Statement of Comprehensive Income.

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

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

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

The Board does not currently expect to enter into any further interest rate swaps.

22. Deposits with lenders

Pledged bank balances represent deposits pledged to the banks to secure the banking facilities granted to the Group. Deposits amounting to US$1.8 million (2017: US$3.1 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.

	2018 US$'000	2017 US$'000
Non-current	1,821	3,107
Current	5,098	205
Pledged for loan covenants	**6,919**	3,312

Notes to the Consolidated Financial Statements (continued)

23. Commitments and contingencies

As at 30 June 2018, the Group had agreed a consultancy contract with an architectural firm and is consequently committed to future capital expenditure in respect of inventories of US$89,000 (2017: US$nil).

As at 30 June 2018, a bank guarantee of HK$80 million (US$10.2 million) has been provided to the purchaser of *Senado Square* for a period of six months after completion on 26 March 2018, against any debts, taxes or miscellaneous fees and payments that may arise. Upon the expiry of the bank guarantee in September 2018, the Company and one of its Macanese subsidiaries will jointly provide a corporate guarantee of HK$20 million (US$2.6 million) to insure the purchaser against the same items as above for a further period of six months.

24. Auditors' remuneration

All fees payable to the auditors relate to audit services. During the year, US$103,000 (2017: US$93,000) was paid to Ernst and Young LLP in Guernsey in relation to non-audit services. During the prior year, US$152,000 was paid to Ernst and Young Tax Services Limited in Hong Kong for tax advice in relation to the disposal of *APAC Logistics Centre and Cove Residence*.

Auditors' remuneration was broken down as follows:

	2018 US$'000	2017 US$'000
Audit fees	129	101
Non-audit fees	103	245
	232	346

25. Operating leases – Group as lessor

The Group has entered into leases on its property portfolio.

Future minimum rentals receivable under non-cancellable operating leases as at 30 June 2018 are as follows:

Residential	**2018 US$'000**	2017 US$'000
Within 1 year	1,783	1,229
After 1 year, but not more than 5 years	-	-
Total future rental income	1,783	1,229

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

As at 30 June 2018, lease incentives on which the Group was lessor amounted to US$76,000 with rent free liabilities of US$19,000.

26. Subsequent events

A compulsory redemption of 14,597,231 shares was made for US$50.5 million, pro-rated amongst shareholders as at that date, by the Group on 24 July 2018.

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Alan Clifton
Wilfred Woo

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Wilfred Woo
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