Macau Property Opportunities Fund

Annual Report for the year ended 30 June 2019

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$311.1 million as at 30 June 2019.

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

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Corporate Introduction

Macau Property Opportunities Fund Limited, a closed-end investment company, was incorporated and registered in Guernsey under the Companies (Guernsey) Law, 2008 (as amended) on 18 May 2006, under registration number 44813. The Company is an authorised entity under the Authorised Closed-Ended Investment Schemes Rules 2008. Premium listed on the London Stock Exchange's main board, it is also a constituent stock of the FTSE All-Share and FTSE Small Cap indices.

Sniper Capital Limited, the Manager for Macau Property Opportunities Fund, is responsible for the day-to-day management of the Company's property portfolio and the facilitation of divestment opportunities.

The Company is managed with the objective of realising the value of all remaining assets in its 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 and with a view to making an orderly return of capital to shareholders. The overriding aim is to deliver cost-effective and timely divestments of the remaining properties, to enable further returns of capital to the shareholders. The Company has ceased to make any new investments and will not undertake additional borrowings other than to refinance existing borrowings or for short-term working capital purposes.

The Board provides a diversity of experience and geographical perspective, coupled with an essential understanding of the unique features of Macau and its property market. We have assessed that we have the capacity to fulfil our obligations in the context of the latest corporate governance guidelines, taking full account of the phase that the Company is in and its clearly defined business objectives.

Pursuant to the resolutions passed at the Annual General Meeting (AGM) in 2016, the Company will be subject to an annual continuation vote. The first Continuation Resolution was passed at the General Meeting held on 5 July 2018. The next Continuation Resolution will be proposed to shareholders no later than 30 November 2019. **The Board will be recommending a continuation of the Company at the AGM.**

Currently 100% of Macau Property Opportunities Fund's investment portfolio is allocated to projects in Macau.

Key Facts

Exchange
London Stock Exchange
Main Market

Symbol
MPO

Lookup
Reuters — MPO.L
Bloomberg — MPO:LN

Domicile
Guernsey

Shares Issued
61,835,733

Shares Held in Treasury
Nil

Share Denomination
Pound Sterling,
Reporting currency US Dollars

Fee Structure
- Management Fee: 2% of Adjusted NAV payable quarterly
- Performance Fee: Payable if accumulated distributions per ordinary share exceeds high water mark of US$5.18/share

Inception Date
5 June 2006

ADVISERS & SERVICE PROVIDERS

Company Secretary and Administrator
Estera International Fund Managers (Guernsey) Limited

Corporate Broker
Liberum Capital Limited

Auditor
Ernst & Young LLP

Chairman's Message

Introduction

The past financial year has proven to be a challenging one for MPO.

In my first full year report to shareholders, I will outline the factors behind the Company's weaker financial performance, reconfirm our investment strategy and most crucially, our approach to the divestment of our remaining assets. I will also outline the measures being taken to alter our cost base ahead of a proposal to extend the life of the Company.

Government measures affecting the high-end property market

Macau's long-term growth appears assured, cemented by key projects including the Hong Kong-Zhuhai-Macau Bridge, a rapidly expanding regional railway network and a new wave of casino and hotel developments.

Nevertheless, and more important in context of performance, near term headwinds have continued to materially impact our divestment timetable and the delivery of our strategy.

While mass-market gaming and non-gaming activities continue to grow, the VIP gaming market, which is closely linked to high-end property, has slowed significantly. In addition, property speculation cooling measures in Macau and tighter capital controls in China have adversely affected higher value and multiple property ownership. This has resulted in very few high-end property transactions.

These two factors account largely for the 7.7% fall in appraised valuations over the year. Although valuations have slipped, the lack of comparable transactions should be noted, reflecting investor caution.

It remains to be seen whether the change of Chief Executive set to take place in Macau will support the property sector and relax current measures, potentially breathing life into a stalled high-end market. In previous periods where the market has slowed, we have seen optimism turn rapidly into positive investment activity following a change of sentiment driven by economic or market specific events.

External factors affecting the Macau market

Developments in the US-China trade dispute have continued to weigh on investor sentiment, and its protracted nature has negatively affected initiatives to divest our portfolio.

The dispute has accompanied changes in mainland China's economy, a weakening of the yuan, and a tightening of capital controls, the latter influencing both corporate and ultra-high-net-worth individuals' investment decisions. More recently, however, we have seen some encouraging signs both in terms of economic stimulus and renewed negotiations between China and the US.

A positive consequence is that the Company may benefit further from falling US interest rates, which, added to the excellent debt restructuring work by the Manager, will ease our debt-servicing costs, our single largest expense.

Investment objective and performance

Our investment objective remains unchanged: the orderly, well-timed disposal of our remaining assets.

Since MPO's inception, Sniper Capital — our Manager and largest shareholder — has returned US$173 million to shareholders in the form of share repurchases and distributions, equivalent to c. 91% of the capital raised at the Company's IPO.

However, despite concerted efforts, the sale of remaining assets has not been achieved in the anticipated timeframe. This is due to a sharp drop-off in transaction volumes in the high-end sector to which we are predominantly exposed.

I wish to assure investors that no complacency exists at either the Board or Manager level. Despite the challenging operating conditions, the Manager has deployed a variety of tactics aimed at achieving our investment objectives. Our properties are high quality assets for which genuine investor interest remains, and we are making a determined effort to convert that into meaningful offers.

Macau remains a very tight property market so information relating to strategy must be carefully managed. However, following the exclusive appointments of international agents for The Waterside and Estrada da Penha in previous years, the Manager has continued to broaden marketing channels and range of sales initiatives. The reconfiguration of larger units at The Fountainside to appeal to a new younger market is another example of a measure aimed at delivering sales amid a marked change in market circumstances.

The Board is both supportive of this approach and the rationale of allowing more time to achieve a satisfactory outcome.

Asset management

In current market conditions, maintaining the assets in an attractive condition and delivering positive divestment outcomes is critical. All expenditure is carefully considered, ensuring that each property will appeal to target buyers and that such expenditure is properly justified.

At *The Waterside*, tenancy levels have been managed well amid shifting demand and the tower retains its position as one of Macau's premier addresses.

At *The Fountainside*, the sale of one unit post-financial year-end was a direct result of new incentives. The other key initiative is the conversion of larger units into smaller, more affordable apartments less affected by cooling measures and mortgage threshold restrictions.

Estrada da Penha continues to attract viewings by prospective investors and we are responding to their comments by further enhancing the property's appeal in this demanding ultra-luxury market segment.

The way forward

The Manager remains focused on divestment of our remaining assets, working through difficult current conditions via a multi-channel approach.

A recent achievement has been the successful renegotiation of our debt finance terms. A 40 basis point reduction has been negotiated in the interest rate for our largest facility.

Our balance sheet and consolidated cash balance will continue to be carefully monitored as we seek to divest assets.

Management and administration costs

Since the peak of MPO's activity and valuations, there has been a 45% reduction in absolute fees paid to the Manager. Looking forward, the Board continues to adopt a determined approach to managing costs aligned to the delivery of our divestment programme.

In addition to securing lower interest rates mentioned above, the Board is in advanced discussions with the Administrator and the Manager about moderating the Company's operating costs, including their respective fee levels.

Further information will be circulated to shareholders with the notice of the AGM.

Board composition

We have carefully considered the Board composition in the context of our projected life and current governance guidance. Tom Ashworth, who is a Principal of the Manager, will not seek re-election at the next Annual General Meeting and will retire from the Board. We thank him for his significant contribution to the Company's creation and development over the past 13 years and look forward to his continuing involvement through the Manager. His retirement means we now have a fully independent Board.

At our next AGM, we will move to the annual re-election of all remaining Board members and Directors' fees will remain unchanged for a further year.

Discount management

The careful management of working capital has seen available capital deployed for our portfolio and to sustain our debt position. The discount to NAV is closely monitored.

The Board is committed to retaining the Company's London Stock Exchange listing.

Corporate governance

The Company has a narrow focus, and our strategy is simply defined within the context of a limited life and three remaining assets. An area of increased focus has been the reporting on environmental social and governance and set out in this report is the approach that has been and is followed in this important aspect of our operations.

Conclusion

There remain real risks that the US-China trade dispute will continue to affect investor sentiment and that the VIP gaming market could decline further, with a further contraction in GDP.

However, Macau has shown remarkable resilience in the past, and if the trade dispute eases and lower interest rates drive investment returns, coupled with the recognition of the relative value of Macau real estate, investor demand could return rapidly. Changes in Macau's government in December and more supportive policies could also reignite a stalled market.

The past year has unquestionably been challenging. We are also aware of the Company's time constraints and the expectations of our shareholders.

We remain determined and pragmatic in our approach and have full confidence that the Manager can complete the divestment process.

In the meantime, we are carefully conserving our resources by continuing to proactively lower our cost base wherever possible.

In our proposals for the Annual General Meeting to be held in November we will be presenting a proposal that the life of the Company is extended for a further year. This is to allow for the execution of our strategy in the context of the circumstances we have described. Your Board recommends voting for the extension of life.

MARK HUNTLEY
CHAIRMAN
MACAU PROPERTY OPPORTUNITIES FUND LIMITED
4 OCTOBER 2019

Board of Directors

MARK HUNTLEY

Chairman

Mark Huntley has over 40 years' experience in the fund and fiduciary sector. His involvement in the fund and private asset sectors has involved real estate, private equity and emerging markets investments. He has served on boards of listed and private investment funds and management/general partner entities.
He holds board appointments on ICG-Longbow Senior Secured UK Property Debt Investments Limited, Stirling Mortimer No.8 Fund UK Limited and Stirling Mortimer No.9 Fund UK Limited. Mr Huntley is a resident of Guernsey.

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 The Royal Bank of Canada. He was subsequently invited to take up the role of Managing Director of the asset management arm of Aviva plc, the UK's largest insurance group. He is currently a Director of Invesco Select Trust and several other investment companies. Mr Clifton is a UK resident.

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.

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.

Key Statistics

MACAU ECONOMY

H1 2019

Gross Domestic Product

↘2.5% YoY

2019 Forecast

↗4.3% YoY

MACAU TOURISM

H1 2019

Visitor Arrivals

20.3 million

↗20.6% YoY

H1 2019

MICE

734 events

↗12.1% YoY

685,000 participants

Q2 2019

Hotel & Guest-houses Occupancy

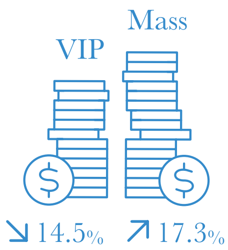
90.3%

Source: DSEC, IMF

MACAU GAMING

H1 2019 (YoY)

Gross Gaming Revenue
US$18.5 billion
↘ 0.5%



2019 Forecast (YoY)

↘ 1%
Mass: +10%
VIP: –14%

Source: DICJ, Morgan Stanley

GREATER BAY AREA INFRASTRUCTURE

Light Rail Transit

- To commence in Q4 2019
- Connecting Cotai to Macau International Airport and Pac On Ferry Terminal

Hengqin Railway Station

- Adjacent to Cotai
- Second largest underground railway station in China
- Annual capacity of 80 million passengers

Passenger Terminal Building South Extension

- To increase the annual capacity of Macau International Airport to 10 million

Qingmao Border

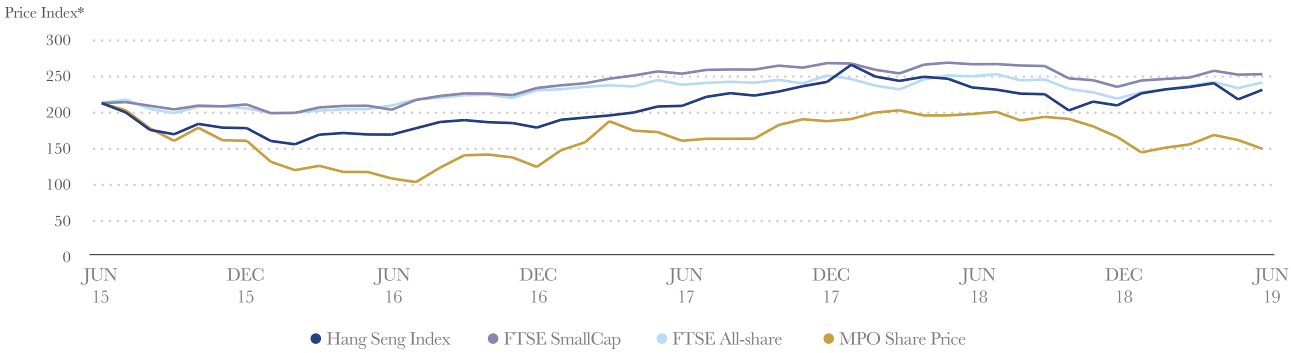
- To increase cross border capacity in the north of Macau

Financial Review

	2015	2016	2017	2018	2019
NAV (IFRS) (US$ million)	155.4	106.6	128.8	212.8	**131.1**
NAV per share (IFRS) (US$)	2.00	1.40	1.69	2.78	**2.12**
Adjusted NAV (US$ million)	308.0	226.3	249.3	260.6	**174.9**
Adjusted NAV per share (US$)	3.97	2.96	3.26	3.41	**2.83**
Adjusted NAV per share (pence)[1]	253	223	250	258	**223**
Share price (pence)	209.0	105.0	157.0	194.0	**146.0**
Portfolio valuation (US$ million)	463.7	393.7	425.7	338.4	**311.1**
Loan-to-value ratio (%)	33.7	40.3	39.4	34.7	**43.5**

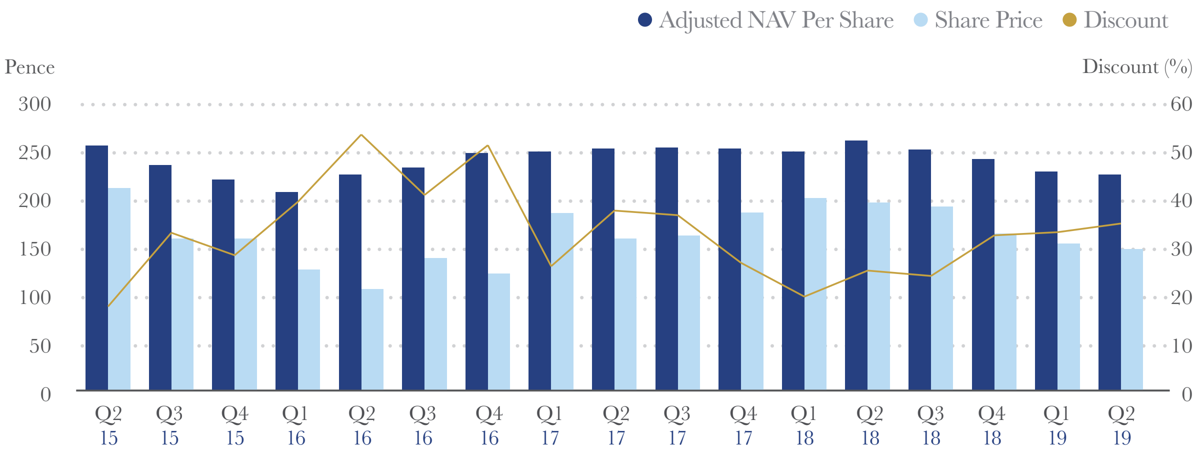
[1] Based on the following US Dollar/Sterling exchange rates on 30 June – 2015: 1.573; 2016: 1.326; 2017: 1.303; 2018: 1.321; 2019:1.270

MPO Share price Vs. Hang Seng, FTSE SmallCap & FTSE All-share Indices



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

Share Price Discount to Adjusted NAV



Macau's luxury residential property market, which had demonstrated nascent signs of a turnaround in 2018, is currently experiencing low transaction levels due to ongoing economic headwinds, tighter capital controls and lending restrictions. This has had a dampening effect on luxury property values leading to a significant drop in transactions and, in turn, delayed the Company's divestment timetable.

Financial Results

Ongoing economic headwinds coupled with tighter capital controls and tougher lending restrictions, have had an adverse impact on the Company's financial results. MPO's portfolio, comprising three main assets, was valued at US$311.1 million as at 30 June 2019, reflecting a 7.7% year-on-year (YoY) decline.

MPO's Adjusted Net Asset Value was US$174.9 million, which translates to US$2.83 (223 pence) per share, a 17.0% decrease YoY. IFRS NAV, which records inventory at cost instead of market value, was US$131.1 million, or US$2.12 (167 pence) per share, a 23.7% drop over the one-year period.

Capital Management

As at 30 June 2019, MPO's balance sheet held total assets worth US$296.5 million offsetting combined liabilities of US$165.4 million.

The Company ended the financial year with a consolidated cash balance (including deposits with lenders) of US$28.8 million, aided by the utilisation of a portion of sales proceeds from the Company's retail redevelopment site, Senado Square, which was divested in early 2018. Following the disposal, a distribution of approximately US$50.5 million was made to shareholders during the financial year by way of a compulsory redemption of shares.

Improved Debt Terms

Overall gross borrowings stood at US$147.9 million translating to a loan-to-value ratio of 43.5%, based on the financial year-end valuation.

The Company remains tightly focused on ensuring that its balance sheet stays healthy, with debt facilities frequently reviewed to obtain the most cost-efficient terms.

During the year, the Manager successfully extended a US$9.0 million credit facility for *Estrada da Penha* to mature in June 2021 on improved terms, representing approximately 50% of the total debt held against the asset. Subsequent to the year end, the Manager has secured a further improvement in its debt profile by successfully negotiating a reduction in borrowing costs for *The Waterside* and One Central Residences individual units loan facility, reducing the interest margin from 2.32% p.a. to 1.90% p.a. This loan facility represented 78% of total debt as at 30 June 2019.

Portfolio Divestments

In its role as Manager, and as the Company's largest shareholder, Sniper Capital is intently focused on achieving optimal disposals of MPO's remaining portfolio assets and returning capital to shareholders as soon as possible. In the near term, market conditions are impeding this process but we are continuing to apply a systematic and proactive approach, while managing MPO's operating costs as tightly as possible.

We are in ongoing dialogue with multiple parties seeking prime real estate assets in Macau and the Greater Bay Area. Although it is too early to determine what the outcome to these negotiations will be, we are working towards the Board's objective of achieving a substantial divestment of MPO's remaining assets at acceptable prices by the end of 2020.

Further details of our divestment status for each remaining asset can be found in the Portfolio Overview section.

We are working towards a substantial divestment of MPO's remaining assets by the end of 2020.

Portfolio Overview

Property	Sector	Type	Current status
The Waterside Tower Six of One Central Residences*	Luxury residential	Investment	Divestment phase
One Central Residences Strata units	Luxury residential	Investment	Divestment phase
The Fountainside**	Low-density residential	Redevelopment	Sales phase
Estrada da Penha	Luxury residential	Investment	Divestment phase
Total			

*
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.

No. of units	Commitment *(US$ million)*	Gross floor area *(Square feet)*	Acquisition cost *(US$ million)*	Project development cost *(US$ million)*	Market valuation *(US$ million)*	Changes *(based on market value)*		Project composition *(based on market value)*
						Over the year	Since acquisition	
59	100.2	148,000	87.2	13.0	225.9	-9.2%	159%	72.6%
2	4.3	4,130	4.3	N.A.	6.1	-9.2%	45%	2.0%
12	9.2	30,724	3.3	5.9	32.9	-7.4%	912%	10.6%
N.A.	28.0	12,030	26.7	1.3	46.2	0.4%	72%	14.8%
	141.7	194,884	121.5	20.2	311.1	-7.7%	156%	100%


The Waterside


The Fountainside


Estrada da Penha

Portfolio Updates

The Waterside

The Waterside is MPO's landmark development in the prime area of the Macau Peninsula, with 59 ultra-luxury residential apartments boasting panoramic views available for lease.

As at 30 June 2019, the occupancy level at *The Waterside* stood at 55%, down from approximately 70% a year earlier, due mainly to a slowdown in the VIP gaming market; junket operators, which make up a significant tenant group, have been negatively affected by stricter VIP gaming regulations and slowing growth in mainland China. However, the occupancy rate had recovered to 64% as at end September 2019. The average rental held steady over the financial year at US$2.8 per square foot per month, testifying to the effectiveness of our proactive approach to maintaining the rental value of the apartments.

The Waterside remains a unique and attractive asset for investors seeking exposure to Macau and the Greater Bay Area's next phase of growth. Although Macau's luxury residential property segment is currently quiet, the Company is continuing to work towards an en-bloc divestment of the asset and we are in discussions with a number of interested parties. In the event that these discussions are deemed not to be progressing on terms acceptable to the Board, a programme of strata sales of all units in the tower will be seriously considered.

Meanwhile, during the present lower-occupancy period, the Company is making enhancements to the apartments, with an allocated budget of US$0.5 million to maintain their position as the address of choice in Macau.

The Waterside

The Fountainside

The Fountainside

The Fountainside is a low-density, freehold residential development that currently comprises 42 residential units and 30 carparking spaces in Macau's sought-after Penha Hill district.

Demand for high-end residential properties such as *The Fountainside* has been muted this financial year, following stricter anti-speculation mortgage policies introduced in 2018 by Macau's government. Although buyers are motivated, they remain unable to raise sufficient financing, despite the attractive terms being offered.

The Company is therefore pursuing two divestment strategies. First, it has applied to the authorities to reconfigure the development's six largest units as 12 smaller, more marketable residences, taking advantage of demand among younger locals for such properties, as well as the home ownership and mortgage incentives available to them. The Company received architectural approval in May and submitted a full submission in September, for which approval is expected in H1 2020.

For the other units, the Board has approved an incentives package which during the year resulted in the sale of three car parking spaces and six motorcycle parking spaces for a combined HK$7,270,000. Since the year end, five motorcycle parking spaces were sold in July and one car parking space, and a residential unit were disposed of in August for a total of HK$15,061,000. Eleven residential units and two car parking spaces are currently available for sale. Further apartment sales remain the Company's highest priority and attractive commission packages have been offered to motivate agents.

Estrada da Penha

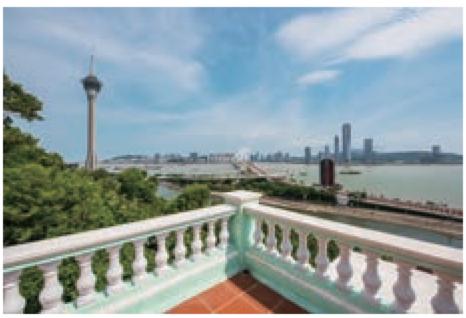
Estrada da Penha is a prestigious, colonial-style villa nestled among lush greenery atop Penha Hill — an exclusive and highly desirable residential enclave. With sweeping bay views, this magnificent villa has a gross floor area of more than 12,000 square feet spread across five storeys.

The luxury segment of Macau's property sector has remained particularly quiet. Potential purchasers — namely, ultra high net worth investors – have been especially cautious following volatility in global markets and amid the US-China trade dispute, and have proved unwilling to commit to big-ticket items.

Nevertheless, with the opening of the Hong Kong-Zhuhai-Macau Bridge last year, and the imminent opening of the Hengqin railway station adjacent to Macau, improved connectivity and shortened travel times among 11 cities in the Greater Bay Area may boost the appeal of Macau's high-end properties.

To maintain and improve the appeal of the property, renovation works have been undertaken in response to feedback from prospective buyers. The Manager has formulated bespoke divestment structures catering to the various requirements of potential purchasers, and continues to work closely with its local and regional network to promote *Estrada da Penha*. The Board is open to offers that are close to the property's valuation.

The Company recently extended a US$9.0 million term loan, representing approximately 50% of the total debt held against *Estrada da Penha*, for a further two years on improved terms.



Estrada da Penha

Macroeconomic Outlook

Positive but slower GDP growth

Macau's economic growth slowed in the second half of 2018, and in the first half of 2019 GDP contracted 2.5% YoY in real terms, ending an uptrend that had lasted for 10 consecutive quarters.

The slowdown was due to several factors. First, China's GDP growth slowed to 6.2% YoY in Q2 2019, its lowest level in three decades. Secondly, the ongoing US-China trade dispute has been an additional dampener. And, thirdly, volatility in global markets has also had an adverse effect on Macau.

However, the GDP contraction is likely to be temporary. The International Monetary Fund forecasts that Macau's economy will continue to grow, by 4.3% in 2019 and 4% annually over the medium term.

Gross gaming revenue flat, mass-market overtakes VIP segment

In H1 2019, Gross Gaming Revenue (GGR) declined by a modest 0.5% YoY to US$18.5 billion, with mass-market GGR surging 17.3% YoY to a market share of more than 50%. This marks the first time that the mass-market segment has overtaken the VIP counterpart, which contracted by 14.5%.

VIP gaming has faced significant challenges since 2014. Its biggest clients — high-rollers from mainland China — have been impacted by the Chinese central government's clampdown on corruption and by tighter capital controls. A weaker Chinese currency and deteriorating US-China trade relations have also dampened growth. The VIP segment's main facilitators — junket operators — have been subject to stricter regulation of their business, and a number of them have relocated part of their operations to other Asian jurisdictions with more relaxed regulations and lower taxes.

Analysts are cautious about 2019 GGR expansion, with forecasts ranging from flat growth to moderate declines. Morgan Stanley recently raised its mass-market GGR growth expectations for 2019 from 7% YoY to 10%, while downgrading its VIP growth forecast from -6% YoY to -14%, leading to a full-year 2019 decline of 1%.

Gaming operators uncertain about concession renewals

Uncertainty surrounding the renewal of Macau's six gaming concessions has contributed to an air of caution about the future expansion of gaming operations. The concessions are set to expire in June 2022 and there is speculation that the three concessions held by subsidiaries of US companies — Wynn Resorts, Las Vegas Sands and MGM Resorts International — may become bargaining chips in the US-China trade dispute.

Macau's government has been tight-lipped about the renewals, and about applicable terms and conditions, due to the upcoming swearing-in of Macau's new chief executive, Ho Iat Seng in December. The incoming administration will be responsible for holding fresh tenders for gaming concessions, and for policies governing the industry among other major responsibilities.

There has been much speculation over potential new policy considerations. Possible measures include an expansion of the number of concessions, a shortening of their duration and an increase in gaming taxes.

In a demonstration of resilience, gaming operators have nevertheless pushed ahead with some of their expansion plans. They may be keen to show Macau's government their support for non-gaming tourism and the wider benefits to the economy generally ahead of their licence renewal applications.

Construction of SJM Holdings' US$5 billion Grand Lisboa Palace is expected to reach completion this year, with around 2,000 rooms spread among three hotels. The resort is expected to start operations by late 2020.

Sands China will rebrand its Cotai Central as a new integrated resort destination at an estimated cost of US$2.2 billion. The planned revamp includes the Four Seasons Tower Suites Macao, offering 290 additional premium suites, and British-themed resort The Londoner, which is expected to open its doors in 2020–21.

Wynn Macau has announced plans to add two hotel towers to its Wynn Palace Casino Resort. At an estimated cost of US$2 billion, construction of the first phase — which includes a 650-room hotel tower — and the Crystal Pavilion — featuring an art museum, a state-of-the-art theatre and a destination food hall — is expected to begin in 2021 and reach completion in 2024.

Galaxy Entertainment Group has started upgrading the gaming floors at its flagship Galaxy Macau resort as part of a US$190 million effort that also includes revamps of three properties. At Cotai, Galaxy Macau's third phase is progressing. The group is targeting the meetings, incentives, conferences and exhibitions (MICE) market with 400,000 square feet of convention space, a 16,000-seat arena and an additional 1,500 rooms set to come to market by early 2021.

Melco Resorts will upgrade its City of Dreams complex on Cotai, a programme that includes renovating and refurbishing two hotels and VIP gaming areas. Meanwhile MGM China has been adding more high-end accommodation at its Cotai integrated resort and conducting ongoing refurbishment works at the MGM Macau property.

Macau tourism grows and diversifies

Visitor arrivals to Macau hit a record high of 35.8 million in 2018 and increased 20.6% YoY to 20.3 million in H1 2019, putting the city on track for yet another record year of tourist arrivals.

The city had 119 hotels and guesthouses as of the end of June, providing a total of around 39,000 guest rooms. The average hotel and guest-houses occupancy rate stood at 90.3% in Q2 2019. The average guest stay remained stable at 1.5 nights.

The government's efforts to diversify Macau's tourism revenues are gradually yielding results. The MICE segment is picking up, with 734 events held in H1 2019, up 12.1% YoY and attracting 685,000 participants.

Improved connectivity to and within Macau

Chinese central government investment in Greater Bay Area (GBA) infrastructure has improved connectivity to and within Macau. In the first half of 2019, the number of day-trippers to Macau shot up 34% YoY to 10.8 million, thanks mostly to the Hong Kong-Zhuhai-Macau Bridge, which makes it easy for GBA residents to travel to the city for the day.

The bridge also offers visitors arriving via Hong Kong International Airport quicker and more convenient access to Macau than the ferry. It is potentially a long term game changer for Macau's MICE sector.

Within Macau, the Light Rail Transit is expected to commence operations in Q4 2019, with the Taipa-Cotai line connecting the Cotai strip to Macau International Airport and the Pac On Ferry Terminal.

Connectivity to Macau will also dramatically improve with the completion of new and expanded gateways in the coming months. These include the opening of Hengqin Station near Cotai, the second largest underground railway station in China incorporating a state-of-the-art cross-border facility with an annual capacity of up to 80 million people, upgrades at Macau International Airport which will expand capacity to 10 million passengers annually, and the opening of the Qingmao border crossing which will increase cross border capacity in the north of Macau.

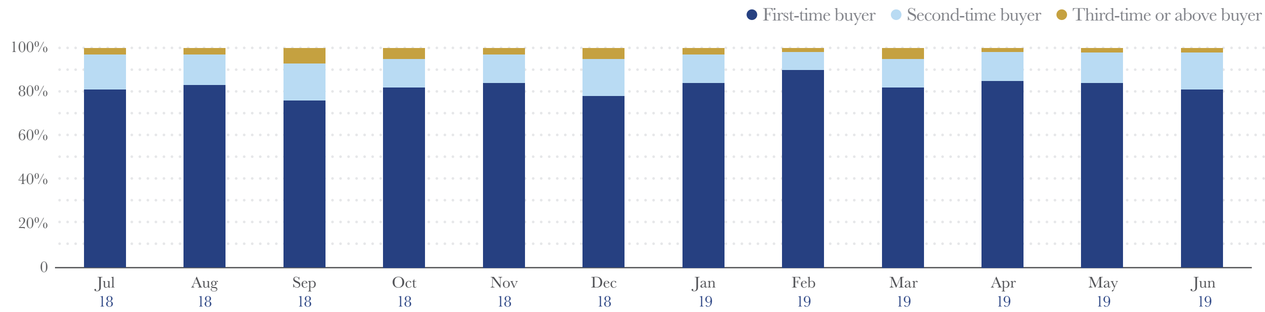
Next Chief Executive to take office in December 2019

Ho Iat Seng, a businessman and former president of Macau's Legislative Assembly, was elected as the city's next Chief Executive in August. He is expected to be sworn in by Chinese President Xi Jinping in December, when the current Chief Executive, Fernando Chui Sai On, steps down. Ho will serve an initial five-year term, which may be extended for another five years upon completion of his first term.

Macau faces a degree of uncertainty until Ho takes office and the policies of the territory's next government become clearer. A key sector of the economy affected by that uncertainty is the gaming industry, whose concession holders are seeking clarity over their licences, which expire in June 2022. The real estate sector has also been vocal in its calls for the incoming chief executive to introduce new, real estate-friendly policies.

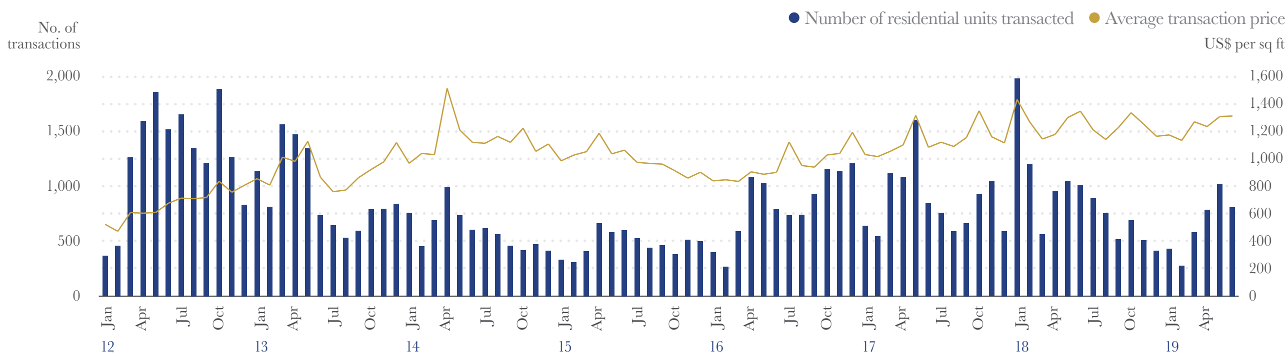
Property Market Overview

Residential Property Transactions by Buyer Type



Source: DSF

Residential Property Transactions and Prices



Source: DSF

Residential property slower off the blocks but picks up pace in Q2

This year saw a slow start to residential real estate sales, with transactions declining 78% YoY in the first two months – due mainly to a bumper 2018, when buyers rushed to purchase property ahead of the introduction of government anti-speculation measures early in the year.

Since March, however, the market has gathered momentum on the back of new launches in the affordable segment of the residential sector. A total of 2,623 residential units were sold in Q2 2019, which was 13% less than the same period last year but represented an increase of 102% quarter on quarter.

In the first half of 2019, the number of residential transactions totalled 3,920, a drop of 42% YoY.

Luxury residential segment still subdued

Although the residential property market continues to be dominated by first-time buyers seeking homes priced under MOP8 million (approximately US$1 million), who accounted for more than 83% of all transactions in H1 2019, at the other end of the spectrum, at which MPO operates, the secondary market for high-end properties remains subdued.

Capital controls imposed by Beijing, restricting the outflow of yuan from mainland China, have impacted luxury property purchases by Chinese investors in Macau, as well as other investment destinations. In Macau, this has been compounded by anti-speculation measures that have made mortgage terms more restrictive and driven up property purchase costs for investors. Coupled with broader uncertainties, these have prompted reluctance among potential buyers to make new investments and commitments involving large sums.

Commercial property market holding steady

In the commercial sector, the market for office properties held steady. In H1 2019, the overall office vacancy rate was maintained at 7%. Rental values in the overall office market were up 3.1% at the end of June 2019 compared to December 2018, while rentals of Grade A offices were stable.

The market for retail properties also remained steady during the same period, with overall rental values stable in H1 2019 compared to the end of 2018, while overall retail capital values fell slightly by 0.4%.

Neighbouring GBA markets offer opportunities

In Hong Kong, protests against a controversial extradition bill have affected local businesses and tourism, and have spilled over to impact sentiment in Hong Kong's mass residential market, with slower capital value growth in July. Office leasing momentum remained weak, with rents falling 0.1% month on month in July.

In contrast, Zhuhai's property market remained healthy after the easing of housing regulations in May. In July, sales of residential units increased 181.6% YoY, based on data from real estate agent Centaline Macau. A number of domestic developers are showing increasing interest in Zhuhai's property market, supporting investor confidence.

In Hengqin, the real estate market received a boost from the easing of restrictions on sales of property to Hong Kong and Macau residents, and the completion of major infrastructure in the GBA. With a slew of tourist attractions progressively opening in Hengqin, the property sector will receive a continued boost from increased tourist arrivals. Residential sales transactions reflected this dynamic, totalling 428 in July, a record high not seen since September 2016.

Looking ahead

The economic outlook for Macau's luxury property segment is both challenging and uncertain. Growth in mainland China's economy is at its lowest level since economic opening began several decades ago, and the US-China trade dispute shows few signs of abating. The ongoing unrest in Hong Kong may also have a temporary negative impact on Macau's economy and property market.

Yet encouraging signs remain.

China's central bank has cut its required reserve ratio and Beijing has announced tax and fee cuts to boost the economy. The central bank also recently indicated a willingness to continue to introduce monetary easing measures, as required, to maintain growth.

With improved connectivity and infrastructure in place, Macau's economy can be expected to grow and diversify, cementing the territory's appeal as an international investment, business and tourism destination. This should ultimately lead to a resurgence in demand for mid-range and high-end residential properties, providing a boost to the Company's divestment programme.

Manager:
Sniper Capital Limited
4 October 2019

Environmental, Social and Governance Report

1 About This Report

This Environmental, Social and Governance Report (the "ESG Report") has been prepared with reference to The Ten Principles of United Nations Global Compact (UNGC). The ESG Report elaborates the environmental and social responsibility measures and performances of Macau Property Opportunities Fund Limited (the "Group" or "we") from 1 July 2018 to 30 June 2019. For details on corporate governance, please refer to the Corporate Governance Report of the annual report.

1.1 Core Business of the Group

During the year under review, the Group invests in residential and commercial properties and properties-related ventures primarily in Macau.

1.2 Report Boundary

The ESG Report focuses on the environmental and social responsibility performances of our core business during the year under review. The reported results cover our properties in Macau during the year under review, which are listed below:

- *The Waterside*
- *One Central Residences*
- *The Fountainside*
- *Estrada da Penha*

1.3 Overall ESG Approach

The Board understands the significance of ESG and has incorporated ESG-related risks into the Group's risk management. The overall ESG approach is aimed at creating profit for shareholders in a responsible manner while taking into consideration environment, and social responsibility and supply chain management.

Our ESG Approach is developed based on The Ten Principles of UNGC. UNGC is a voluntary multi stakeholder platform which convenes multinational companies to align against The Ten Principles covering human rights, labour, environment and anti-corruption standards. Our Board is committed to reflect the basic concepts of fairness, honesty and respect for people and the environment in our business actions.

The Ten Principles are:

Human Rights

1. Businesses should support and respect the protection of internationally proclaimed human rights; and
2. Businesses must make sure that they are not complicit in human rights abuses.

Labour

3. Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;
4. Businesses should support the elimination of all forms of forced and compulsory labour;
5. Businesses should support the effective abolition of child labour; and
6. Businesses should support the elimination of discrimination in respect of employment and occupation;

Environment

7. Businesses should support a precautionary approach to environmental challenges;
8. Businesses should undertake initiatives to promote greater environmental responsibility; and
9. Businesses should encourage the development and diffusion of environmentally friendly technologies;

Anti-Corruption

10. Businesses should work against corruption in all its forms, including extortion and bribery

2 Environment

2.1 Commitment Principle

We strive to adopt environmental-friendly practices during our business operations so as to minimize the negative impacts on the environment and natural resources. We comply strictly with all the applicable environmental laws and regulations. Different environmental protection measures are implemented at the key stages of property development, along with the incorporation of green building designs and implementation of responsible construction practices in our work sites. We also uphold the principles of recycle and reuse at our properties.

2.2 Initiatives and Performances

Property Design

The environmental impact of a building can be traced back to as early as its design phase. We acknowledge this impact and aim to reduce the buildings' future consumption of water and electricity by referencing green building designs when it is applicable and practicable. We follow local green building requirements, which take into consideration green design elements like building materials, indoor air quality, site selection and energy considerations. Examples of green building designs and features are provided as follows:

- Preserve and retain the cultural heritage façade of the historical building;
- Incorporation of passive building designs to improve ventilation and optimise sunlight exposure;
- Use of water-efficient fixtures;
- Greening of rooftops; and
- Use of renewable energy features such as solar energy.

We improve indoor air quality through introducing the air purifying equipment. We also implement measures capable of monitoring temperature and humidity in residential units and thus enhance the living conditions for residents.

Construction Sites

The construction process has a direct impact on the environment due to the generation of air emissions, wastewater discharge and construction waste. We strictly follow local government requirements to properly reduce and manage the environmental impact of our construction sites, and continued to focus on the following key construction site management aspects:

- Regularly communicate with construction contractors to ensure they are updated on local environmental laws and regulations and comply with these laws and regulations;
- Properly manage the dust and air emission at our construction sites as per local regulatory requirements;
- Properly dispose of construction wastes and recycle construction wastes as practicable;
- Use qualified vendors for the proper disposal of hazardous wastes;
- Treat wastewater at our work sites prior to discharge; and
- Regularly visit construction contractors to see if they have conducted adequate environmental, safety and health inspections.

Property Management

Various green measures have been adopted in our properties to improve the overall environmental performance. For example,

- Energy efficiency: we have been able to reduce our energy consumption by (i) replacing lighting fixtures with LEDs, (ii) reducing the amount of lighting used in common areas; and (iii) installing air-conditioning systems with energy efficiency labelling in accordance with local requirements.
- Tenants' engagement: our tenants are encouraged to minimize their resource consumption (electricity, water and material use) and are provided with recycling facilities to reduce waste.
- Rechargeable battery recycling: we have placed public collection points for rechargeable battery recycling. Certain materials in rechargeable batteries, such as cadmium, are hazardous to human health and the environment. We encourage our residents to recycle them rather than risk them seeping into the environment.

An effective environmental management system has been implemented in our practices. Some of our main environmental objectives regarding property management are as follows:

- Use of pesticides and cleansing agents in accordance to relevant regulations, aiming for zero incidents regarding their use and storage; and
- Manage community wastewater, waste and noise according to local standards.

Regulatory Compliance

During the year under review, we were not aware of any non-compliance with environmental regulatory requirements that may significantly impact the Group's business.

3 Social Responsibility and Supply Chain Management

The Group strongly believes that quality property is a gateway to quality living. The Group strives to provide quality property through innovation and delicacy, as well as operates with sincerity to provide customers with a tasteful lifestyle. Through such efforts, we aim to improve the living quality of our tenants and become trusted partners of consumers.

3.1 Supply Chain Management

During the process of property construction, we carefully appoint external contractors by taking into consideration various factors such as human rights protection, non-discrimination of employment and occupation, environmental protection, construction safety and product safety. While selecting contractors for our property construction, we seek for those who are familiar with the environmental, social and safety requirements and in line with our concerns over abolition of child labour and anti-corruption. We establish close contacts with the contractors on all constructions and sourcing affairs. We organise regular meetings to facilitate two-way communications. In addition, we regularly perform assessment of contractors based on environmental and social risks.

3.2 Quality Services

To ensure the consistently high quality in our property management services, we aim to:

- Develop quality properties that embrace innovation and enhance the neighbourhood;
- Provide sincere service and constantly improve our property management;
- Strive for high standards by building scientific and standardised property management, and achieve customer satisfaction; and
- Provide a tasteful living environment for our residents.

3.3 Protection of Privacy

To ensure the well-being of our tenants, we communicate regularly with them through satisfaction surveys in order to identify potential areas for improvement. We keep customers' information confidential and access to information is restricted. During the year under review, there were no reported non-compliances regarding product responsibility.

Regulatory Compliance

During the year under review, we were not aware of any non-compliance with supply chain management that may significantly impact the Group's business.

Glossary of Sources

DSEC	THE STATISTICS AND CENSUS SERVICE (MACAU)
DSF	FINANCIAL SERVICES BUREAU (MACAU)
DICJ	THE GAMING INSPECTION AND COORDINATION BUREAU
IMF	INTERNATIONAL MONETARY FUND

Manager and Adviser

Sniper Capital

Manager
Sniper Capital Limited

Investment Adviser
Sniper Capital (Macau) Limited

Research & Transaction
- Macro & micro analysis
- Forecasting & modelling
- Deal sourcing
- Due diligence
- Divestment

Project Development
- Consultant appointment & coordination
- Project monitoring & reporting
- Project delivery & handover

Asset Management
- Property & estate management
- Sales & leasing
- Facilities management
- Asset value enhancement

Corporate Communications
- Investor & media relations
- Marketing & product positioning
- Statutory & regulatory communication

Finance & Administration
- Administration & accounting
- Compliance & reporting
- Cash management & treasury

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] and Bela Vista Property Services Limited[3], 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 August 2019 holding of 11.46 million shares or 18.54% of the Company's issued share capital, Sniper Investments Limited – an investment vehicle associated with Sniper Capital Limited – is the largest shareholder in MPOF, which bears witness to Sniper Capital Limited's belief in the Company.

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 divestment 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.

3 Thomas Ashworth and Martin Tacon, Directors of Sniper Capital Limited, are Directors and have a beneficial interest in Bela Vista Property Services Limited which therefore constitutes a related party of the Company.

Manager and Adviser *(continued)*

Investment Policy

The Company is 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.

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 has ceased to make any new investments and will 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 considers appropriate.

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 2019. This Directors' report should be read together with Corporate Governance Report on pages 51 to 55.

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 4 to 9 and in the Manager's Report on pages 14 to 35.

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, (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 38% is below the overall Company level borrowing restriction of 60%. The Company has 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. In addition, it is likely that returns from sales of properties would be lower if the Group were forced to sell as a result of a failed continuation vote, given the less favourable sales prices associated with a forced sale.

The Directors are satisfied, based upon the forecasts described above, their assessment of the Group's committed banking facilities, expected continuing compliance with related covenants and the recent negotiation of loan facilities, 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 a robust assessment process of the principal risks facing the Company, including those that would threaten its business model, future performance, solvency and liquidity. The Directors consider each of the Company's principal risks and uncertainties during the quarterly Board meeting. The Directors also considered the Company's policy for monitoring, managing and mitigating its exposure to these risks. This assessment involved an evaluation of the potential impact on the Company of these risks occurring. Where appropriate, the Company's financial model was subject to a sensitivity analysis involving flexing a number of key assumptions in the underlying financial forecasts in order to analyse the effect on the Company's net cash flows and other key financial ratios. The Board expects the loan facilities which mature within the next 12 months will be re-financed.

In accordance with provision C.2.2 of the 2016 revision of the UK Code, the Directors have assessed the prospects of the Company over a longer period than the 12 months required by the going concern provision. The Board has conducted this review for a period covering the next three years including review of a comprehensive 3 years cash flow projection together with adverse scenario to stress test the cash positions of MPO. The Board considers three years to be an appropriate time horizon for its divestment plan, being the period over which most of the Company's properties should have disposed of. Based on an assessment of the principal risks facing the Company and the stress testing based assessment of the Company's prospects, the Directors have a reasonable expectation that the Company will be able to continue in operation (subject to continuation vote) 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 73 to 76.

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, 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 2019 Annual General Meeting.

On 24 July 2018, a compulsory redemption of 14,597,231 shares was made for US$50.5 million, pro-rated amongst shareholders as at that date. All shares repurchased in the compulsory redemption were cancelled. The Company did not repurchase any shares during the prior financial year.

Directors' Report *(continued)*

Significant shareholdings

As at 30 June 2019, a total of 8 shareholders each held more than 3% of the issued ordinary shares of the Company, accounting for a total of 44,062,142 shares (2018: 44,601,662) or 71.26% (2018: 58.35%) of the issued share capital. Significant shareholdings as at 30 June 2019 are detailed below:

Name of shareholder	No. of shares	%
Sniper Investments Limited	11,341,960	18.34
Lazard Asset Management LLC	10,446,030	16.89
Universities Superannuation Scheme	8,494,683	13.74
Ironsides Partners	3,770,772	6.10
Milton Asset Management	2,855,000	4.62
Apollo Multi Asset Management	2,757,706	4.46
Fidelity Worldwide Investment	2,355,642	3.81
Rathbones	2,040,349	3.30
Subtotal	**44,062,142**	**71.26**
Others	17,773,591	28.74
Total	**61,835,733**	**100.00**

Significant shareholdings as at 30 August 2019, which is the most up to date available, are detailed below:

Name of shareholder	No. of shares	%
Sniper Investments Limited	11,463,312	18.54
Lazard Asset Management LLC	10,386,630	16.80
Universities Superannuation Scheme	8,494,683	13.74
Apollo Multi Asset Management	3,881,312	6.27
Ironsides Partners	3,770,772	6.10
Miton Asset Management	2,913,000	4.71
Fidelity Worldwide Investment	2,355,642	3.81
Subtotal	**43,265,351**	**69.97**
Others	18,570,382	30.03
Total	**61,835,733**	**100.00**

Directors

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

Name	Function	Date of appointment	Date of resignation
Mark Huntley	Chairman, Chairman of the Management Engagement Committee and the Chairman of the Disclosure and Communications Committee	3 October 2018	–
Thomas Ashworth	Director	18 May 2006	–
Alan Clifton	Director, Chairman of the Audit and Risk Committee and the Nomination and Remuneration Committee	18 May 2006	–
Wilfred Woo	Director	3 January 2012	–
Chris Russell	Former Chairman	8 May 2012	12 November 2018

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 2019 were:

	Ordinary Shares of US$0.01	
	Held at 30 June 2019	**Held at 30 June 2018**
Thomas Ashworth*	–	–
Alan Clifton	**80,902**	100,000
Wilfred Woo	**–**	–
Mark Huntley	**–**	–
Chris Russell**	**N/A**	252,548

* Thomas Ashworth has a beneficial interest in Sniper Investments Limited, which as at the year-end held 11,341,960 shares (2018: 13,132,616).

** Chris Russell was no longer a Director as at 30 June 2019.

There have been no changes to the aforementioned interests since 30 June 2019.

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' 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:

	2019 US$	**2018 US$**
Thomas Ashworth*	**–**	–
Alan Clifton	**56,130**	58,278
Wilfred Woo	**46,494**	48,891
Mark Huntley**	**49,007**	–
Chris Russell***	**30,492**	78,029
Total	**182,123**	**185,198**

* 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.

** Mark Huntley appointed to Board on 3 October 2018 and appointed as Chairman on 12 November 2018.

*** Chris Russell retired on 12 November 2018.

Directors' Report *(continued)*

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 during November 2019 at Floor 2, Trafalgar Court, Les Banques, St Peter Port, Guernsey.

Independent auditors

The Audit and Risk Committee reviews the appointment of the external auditor, its effectiveness and its relationship with the Group, which includes monitoring the 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 the external auditor, a resolution will be proposed at the 2019 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 page 54.

On behalf of the Board

Mark Huntley
Chairman of the Board
4 October 2019

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 and was amended in February 2016. 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.

From July 1, 2019, the Group has had to comply with the UK Corporate Governance Code 2018 (the "2018 Code"). In February 2019, the AIC issued an updated AIC Code (the "2019 AIC Code") which addresses all of the principles set out in the 2018 Code. An explanation of how the Company has complied with the 2019 AIC Code will be included in the Group's 30 June 2020 annual report.

The Board

The Board consists of four non-executive directors, three of whom, including the Chairman, Mark Huntley, 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 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.

All Directors will retire annually in accordance with the 2019 AIC Code. A retiring director shall be eligible for reappointment. No director shall be required to vacate his office at any time by reason of the fact that he has attained any specific age.

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

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

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

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

Corporate Governance Report *(continued)*

As part of the Board's succession planning and ahead of Mr. Russell's planned retirement, the Nomination & Remuneration Committee, in consultation with the Board, was charged with recruiting a new chairman. The Nomination & Remuneration Committee commenced an appointment process. Mr. Huntley's breadth of experience and in-depth knowledge of the Company was acknowledged by the Board and his ability to assist the Company in achieving its realisation strategy going forward was recognised. Therefore, given the high calibre of the candidate, the Nomination & Remuneration Committee did not have to engage an external recruitment consultancy. 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 and Risk Committee, the Nomination and Remuneration Committee, the Management Engagement Committee, the Disclosure and Communications 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. Given the stage of life of the Company, the Board considered it sufficient to undertake its own evaluation rather than appointing an external facilitator.

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 page 56.

Management Engagement Committee

The Management Engagement Committee Report is on page 58.

Audit and Risk Committee

The Audit and Risk Committee Report is on page 59.

Corporate Governance Report *(continued)*

Meeting Attendance

Name	Scheduled Board Meeting (max 4)	Other Board Meeting (max 3)	Audit and Risk Committee Meeting (max 3)	Nomination and Remuneration Committee Meeting (max 2)	Management Engagement Committee Meeting (max 1)	Other Committee Meetings (max 2)
Mark Huntley (appointed to Board on 3 October 2018 and appointed as Chairman on 12 November 2018)	3	3	2	1	–	1
Thomas Ashworth*	4	2	N/A	1	N/A	1
Alan Clifton	4	2	3	2	1	1
Wilfred Woo	4	3	3	2	1	–
Chris Russell (retired on 12 November 2018)	1	1	1	2	1	1

* Thomas Ashworth is not a member of the Audit and Risk 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 and Risk 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.

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.

Corporate Governance Report *(continued)*

Relations with shareholders (continued)
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. The Manager and Board also engage with shareholders on an ongoing basis. 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.

- The Group's loan refinancing may not be available in the future due to reduced lending appetite from banks and a change in market sentiment.

- 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.

- 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.

Corporate Governance Report *(continued)*

Emerging risks

Emerging risks have been identified by the Board through a process of evaluating which of the principal risks have increased materially through the year and/or are expected to significantly grow. Any such emerging risks are likely to cause disruption to the Group's business. If ignored, there could be significant impact on the Group's financial performance and future performance but, if recognised, they could provide opportunities for transformation. In the current year, the following two significant emerging risks have been identified:

- The Group's strategic objectives, linked to a widening of the discount and the continuation vote in the Annual General Meeting in November 2019; and

- Economic changes particularly associated with the political demonstrations against the government in Hong Kong and the resultant impact upon the Macanese economy and the resultant impact on the Macanese property market.

There is a process for identifying, evaluating and managing the principal and emerging 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 and emerging 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. Some risks are, however, beyond the Board or Managers' ability to mitigate.

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 53.

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

On behalf of the Board

Mark Huntley
Chairman of the Board
4 October 2019

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. The Board acknowledges the importance of diversity of experience, approach and gender for the effective functioning of a board and commits to supporting diversity in the boardroom. 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 functioning of its members. It is the Company's policy to give careful consideration to issues of the Board's balance and diversity when appointing board members, but its priority is to appoint based on merit, notwithstanding a strong desire to maintain the Board's diversity. 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 108.

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

All Directors will retire annually in accordance with the 2019 AIC Code. 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 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 twice in the year ended 30 June 2019. 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 and Risk Committee and the need periodically to 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.

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
4 October 2019

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 108.

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 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 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 2019 was satisfactory and the continuing appointment of the Manager on the terms agreed is in the interests of the shareholders as a whole.

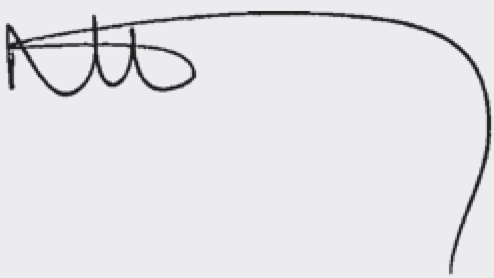
Performance of key service providers

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 2019 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



Mark Huntley
Chairman of the Management Engagement Committee
4 October 2019

Audit and Risk Committee Report

Summary of the role of the Audit and Risk Committee

The Audit and Risk Committee is appointed by the Board from the non-executive directors of the Company. The Audit and Risk 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 and Risk Committee and are then referred to the Board for approval and are available on the Company's website.

The Audit and Risk 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 and Risk 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 and Risk 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 and Risk Committee should have recent and relevant financial experience and is satisfied that the Audit and Risk Committee is properly constituted in that respect, with all members having relevant sector experience, and in particular, one of its members having a background as a chartered accountant.

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

Audit and Risk Committee Report *(continued)*

Composition of the Audit and Risk Committee

The members of the Audit and Risk Committee are:

	Date of appointment	Date of resignation
Alan Clifton (Chairman)	23 May 2006	–
Wilfred Woo	27 February 2012	–
Mark Huntley	12 November 2018	–
Chris Russell	12 September 2012	12 November 2018

Appointments to the Audit and Risk 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 and Risk Committee for 13 years. However, the Board and Audit and Risk Committee have satisfied themselves that Alan Clifton continues to remain independent and so have previously resolved to extend his appointment to the Audit and Risk Committee for a further year.

Financial Reporting

The primary role of the Audit and Risk 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 and Risk Committee considers reports from the Administrator and Investment Adviser and also reports from the Auditor on the outcomes of their annual audit. The Audit and Risk 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 and Risk 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 and Risk 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 2019, the Audit and Risk Committee considered the following significant issues:

- going concern and viability in relation to the continuation vote in November 2019 and availability of loan refinancing;
- 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 going concern and viability is mitigated through communications with major shareholders, ongoing management of cash resources, regular monitoring of compliance with loan covenants and re-negotiation with lender banks prior to loan maturities, as evidenced by the recent renegotiation in relation to a loan as secured on the property at Estrada da Penha which matured in June 2019 and was refinanced until June 2021.

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.

Audit and Risk Committee Report *(continued)*

Significant issues considered in relation to the financial statements (continued)

The valuation is overseen by the Investment Adviser to ensure that the values are comparable to current market values of similar properties. The valuation process and methodology are discussed with the Investment Adviser regularly during the year and with the Auditor as part of the year-end audit planning. 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 and Risk Committee meets not less than twice a year and at such other times as the Chairman requires. Any member of the Audit and Risk 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 and Risk Committee to attend meetings as and when appropriate.

Annual General Meeting

The Audit and Risk Committee Chairman, or other members of the Audit and Risk Committee appointed for the purpose, shall attend each Annual General Meeting of the Company, prepared to respond to shareholders' questions on the Audit and Risk 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 and Risk Committee. The work of the Audit and Risk 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 and Risk Committee receives reports from the Investment Adviser and Administrator on the Company's risk evaluation process and reviews changes to principal risks identified, including emerging risks.

Internal audit

The Audit and Risk Committee considers at least once a year whether or not there is a need for an internal audit function. Currently, the Audit and Risk 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. During the year, an ISAE 3402 report was produced for the Administrator, Estera International Fund Managers (Guernsey) Limited. The Audit and Risk Committee also considers the review of controls of the service organisations.

External audit

During the year, the Audit and Risk 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 and Risk 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 four 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. 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 and Risk 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 2020. Accordingly, a resolution proposing the re-appointment of Ernst & Young LLP as the Company's auditor will be put to shareholders at the 2019 Annual General Meeting.

During the year, the Audit and Risk Committee discussed the planning, conduct and conclusions of the external audit as it proceeded. At the May 2019 Audit and Risk 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 and Risk Committee discussed these issues at the May 2019 meeting to ensure that appropriate arrangements are in place to mitigate these risks.

Audit and Risk Committee Report *(continued)*

External audit (continued)
To fulfil its responsibility regarding the independence of the external auditor, the Audit and Risk 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 and Risk 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 safeguard the objectivity and independence of the external auditor from becoming compromised, the Audit and Risk 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 and Risk Committee met three times in the year ended 30 June 2019. Matters considered at these meetings included but were not limited to:

- consideration and agreement of the terms of reference of the Audit and Risk Committee for approval by the Board;
- review of the accounting policies and format of the financial statements;
- review of the 2018 Annual Report and Audited Consolidated Financial Statements for the year ended 30 June 2018;
- review of the 2018 Interim Report and Interim Condensed Consolidated Financial Statements for the 6 months ended 31 December 2018;
- review of the quarterly results announcement issued in May 2019;
- review of the audit plan and timetable for the preparation of the 2019 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, emerging risks and internal controls.

As a result of its work during the year, the Audit and Risk 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 and Risk Committee has recommended to the Board that the Annual Report and Financial Statements are considered to be fair, balanced and understandable. The Audit and Risk Committee has recommended to the Board that the external auditor is re-appointed.

On behalf of the Audit and Risk Committee

Alan Clifton
Chairman of the Audit and Risk Committee
4 October 2019

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 Company and the undertakings included in the consolidation taken as a whole.

- 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 business and of the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties they face.

Statement of Directors' Responsibilities *(continued)*

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 and Risk 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

Mark Huntley
Chairman of the Board
4 October 2019

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 2019 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 2019 and of its loss 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 page 54 that describe the principal risks and explain how they are being managed or mitigated;
- the directors' confirmation set out on page 47 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 pages 46 and 77 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 47 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.

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 • Going concern assumption
Audit scope	• We performed an audit of the complete financial information of the Group.
Materiality	• Overall Group materiality of $1.3m (2018: $2.1m) which represents 1% (2018: 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.

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

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.

Risk	Our response to the risk	Key observations communicated to the Audit and Risk Committee
Fair valuation of investment property ($225.9m; 2018: 248.8m) *Refer to the Audit and Risk Committee Report (pages 59 to 62); Accounting policies (page 81) and Note 6 of the Consolidated Financial Statements (pages 94 to 96)* 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.	We performed full scope audit procedures over the valuation of investment property. Audit procedures performed by component audit team are based on instructions issued by the Group audit team. Those procedures 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 agreed the significant inputs in the valuation that were sourced from tenancy agreements to a sample of individual tenancy agreements and agreed the other significant inputs from the Specialists market research data; • We tested the calculation of the loss on revaluation for the year and verified that the recording and reporting of these amounts was in compliance with IFRS as adopted by the EU; • We engaged our own internal valuation specialists from Hong Kong (and London to perform high level review) to: • verify whether the valuation methodology used was consistent with valuation market 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 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 Specialists that we wished to bring to the attention of the Audit and Risk Committee. We confirmed that 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 and Risk Committee
Carrying value of inventory properties ($41.5m; 2018: $41.8m) *Refer to the Audit and Risk Committee Report (pages 59 to 62); Accounting policies (page 82); and Note 7 of the Consolidated Financial Statements (pages 96 to 97)* 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.	We performed full scope audit procedures over the valuation of inventory properties. Audit procedures performed by component audit team are based on instructions issued by the Group audit team. Those procedures 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, in particular development cost, projected capital expenditure, to contractual documentation and development plans and agreements, and checked their purpose, business rationale and whether allowable for inclusion in inventory under IFRS as adopted by the EU; • We have agreed additions and disposals of inventories to general ledger and tested individual items above our testing threshold; • We checked market value was greater than cost. We have not identified any inventory properties that have a risk of impairment; and • We engaged our own internal valuation specialists from Hong Kong (and London to perform high level review) to corroborate the disclosed fair values of inventory properties by: • using 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 • assisting 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 and Risk Committee. We confirmed that the 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 and Risk Committee
Recognition of rental income ($2.8m; 2018: $2.9m)/Income on sale of inventories ($1.8m; 2018: $111.8m) *Refer to the Audit and Risk Committee Report (pages 59 to 62); Accounting policies (page 85); and Note 6 and 7 of the Consolidated Financial Statements (pages 94 to 97)* 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 return giving rise to a higher risk of misstatement.	**Rental income** • We have agreed a sample of tenancy agreements selected based on our testing threshold 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 agreed the proceeds of all disposals of inventories to each individual sale and purchase agreement.	We confirmed that there were no matters identified during our audit work on revenue recognition that we wished to bring to the attention of the Audit and Risk Committee. We confirmed that revenue from rental income and on disposal of properties was recognised in accordance with IFRS.
Going concern assumption in the financial statements may not be appropriately at year end *Refer to the Audit and Risk Committee Report (pages 59 to 62); and Note 1 of the Consolidated Financial Statements (page 77).* Under International Standards on Auditing (UK), we are required to consider the appropriateness of management's use of the going concern assumption in the preparation of the financial statements. The shareholders of the Company are expected to hold a Continuation Vote in November 2019 to decide whether to continue the operations of the Company by requiring 50% vote to past the resolution to continue the life of the Fund. The ability of the fund to refinance the loan facilities which are due to mature in the next 12 months.	• We have read the board's assessment of going concern and challenged the key assumptions in the cash flow forecasts checking the details against the supporting documents (i.e. loan agreements, minutes of meeting) obtained from our audit work; • We have discussed with management their meetings with the principal shareholders regarding their intention to vote in the forth-coming continuation vote; • We have read loan agreements, checked the calculation of the covenant compliance for the loans, including the adherence to minimum Loan-to-Value ratios, and have discussed with management their meetings with the banks with regards to the extension or re-financing of existing loans which are maturing in the next 12 months; • We have read the board minutes with a view to identifying any matters which may impact on the going concern assessment; and • We have read the adequacy of the relevant disclosures made by management in relation to the Company's going concern and viability statement and checked compliance with relevant financial reporting standards and LSE requirements.	Based on the procedures performed, we concurred with management's conclusion that the going concern assumption is deemed appropriate in the preparation of the financial statements.

In current year, we included a key audit matter in relation to going concern assumption due to the continuation vote in November 2019 and ability of the fund to refinance loan facilities.

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 EY 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 audit 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 $1.3 million (2018: $2.1 million), which is 1% (2018: 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)*

An overview of the scope of our audit (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% (2018:75%) of our planning materiality, namely $1m (2018: $1.6m). 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 and Risk Committee that we would report to them all uncorrected audit differences in excess of $66,000 (2018: $106,000), 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 1 to 64, including the Investment Manager's Report set out on pages 14 to 35, Directors' Report set out on pages 46 to 50 and Corporate Governance Report on pages 51 to 55, 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 64** — 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 and Risk committee reporting set out on page 61** — the section describing the work of the Audit and Risk committee does not appropriately address matters communicated by us to the Audit and Risk Committee; or

- **Directors' statement of compliance with the UK Corporate Governance Code set out on page 64** — 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 63 to 64 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.

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

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
4 October 2019

Notes:

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

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 2019

	Note	2019 US$'000	2018 US$'000
ASSETS			
Non-current assets			
Investment property	6	**225,885**	248,763
Deposits with lenders	22	**1,608**	1,821
Trade and other receivables		**110**	110
		227,603	250,694
Current assets			
Inventories	7	**41,453**	41,777
Trade and other receivables	10	**192**	1,426
Deposits with lenders	22	**235**	5,098
Cash and cash equivalents		**26,980**	81,290
		68,860	129,591
Total assets		**296,463**	380,285
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Share capital	12	**618**	764
Retained earnings		**115,438**	147,309
Distributable reserves		**15,791**	66,208
Foreign currency translation reserve		**(788)**	(1,507)
Total equity		**131,059**	212,774
LIABILITIES			
Non-current liabilities			
Deferred taxation provision	9	**15,083**	17,940
Taxation provision	9	**804**	742
Interest-bearing loans	8	**123,855**	128,438
		139,742	147,120
Current liabilities			
Trade and other payables	11	**2,286**	1,704
Interest-bearing loans	8	**23,376**	18,687
		25,662	20,391
Total liabilities		**165,404**	167,511
Total equity and liabilities		**296,463**	380,285
Net Asset Value per share (US$)	18	**2.12**	2.78
Adjusted Net Asset Value per share (US$)	18	**2.83**	3.41

The accompanying notes on pages 77 to 107 are an integral part of these consolidated financial statements.

The consolidated financial statements on pages 73 to 76 were approved by the Board of Directors and authorised for issue on 4 October 2019.

Mark Huntley
Director

Alan Clifton
Director

Consolidated Statement of Comprehensive Income

Year ended 30 June 2019

	Note	2019 US$'000	2018 US$'000
Income			
Income on sale of inventories	7	**1,183**	111,770
Rental income		**2,770**	2,898
Net gain from fair value adjustment on investment property	6	**–**	8,548
Other income		**5**	299
		3,958	123,515
Expenses			
Net loss from fair value adjustment on investment property	6	**24,357**	–
Cost of sales of inventories	7	**542**	22,296
Management fee	20	**4,491**	5,503
Non-Executive Directors' fees	19	**189**	192
Auditors' remuneration: audit fees	24	**108**	129
Auditors' remuneration: non-audit fees	24	**–**	103
Write off of inventories to net realisable value	7	**–**	120
Property operating expenses	15	**1,297**	1,346
Sales and marketing expenses	16	**168**	1,632
General and administration expenses	13	**832**	1,300
Loss on foreign currency translation		**49**	403
		(32,033)	(33,024)
Operating (loss)/profit for the year		**(28,075)**	90,491
Finance income and expenses			
Net gain on valuation of interest rate swap	21	**–**	9
Bank loan interest		**(6,514)**	(5,141)
Interest expense on interest rate swap	21	**–**	(16)
Other financing costs	14	**(324)**	(312)
Bank and other interest		**29**	8
		(6,809)	(5,452)
(Loss)/Profit for the year before tax		**(34,884)**	85,039
Taxation	9	**3,013**	438
(Loss)/Profit for the year after tax		**(31,871)**	85,477
Items that may be reclassified subsequently to profit or loss			
Exchange difference on translating foreign operations		**719**	(1,489)
Total comprehensive (loss)/income for the year		**(31,152)**	83,988
(Loss)/Profit attributable to:			
Equity holders of the Company		**(31,871)**	85,477
Total comprehensive (loss)/income attributable to:			
Equity holders of the Company		**(31,152)**	83,988

		2019 US$	2018 US$
Basic and diluted (loss)/profit per ordinary share attributable to the equity holders of the Company during the year	18	**(0.5124)**	1.1183

The accompanying notes on pages 77 to 107 are an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

Year ended 30 June 2019

	Note	Share capital US$'000	Retained earnings US$'000	Distributable reserves US$'000	Foreign currency translation reserve US$'000	Total US$'000
Balance brought forward at 1 July 2018		**764**	**147,309**	**66,208**	**(1,507)**	**212,774**
Loss for the year		**–**	**(31,871)**	**–**	**–**	**(31,871)**
Items that may be reclassified subsequently to profit or loss						
Exchange difference on translating foreign operations		**–**	**–**	**–**	**719**	**719**
Total comprehensive loss for the year		**–**	**(31,871)**	**–**	**719**	**(31,152)**
Share buy back	12	**(146)**	**–**	**(50,417)**	**–**	**(50,563)**
Balance carried forward at 30 June 2019		**618**	**115,438**	**15,791**	**(788)**	**131,059**

	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

The accompanying notes on pages 77 to 107 are an integral part of these consolidated financial statements.

Consolidated Statement of Cash Flows

Year ended 30 June 2019

	Note	2019 US$'000	2018 US$'000
Net cash (used in)/generated from operating activities	17	**(1,965)**	104,569
Cash flows from investing activities			
Capital expenditure on investment property	6	**(502)**	(269)
Movement in pledged bank balances		**5,076**	(3,607)
Net cash generated from/(used in) investing activities		**4,574**	(3,876)
Cash flows from financing activities			
Proceeds from bank borrowings		**10,239**	59,387
Repayment of bank borrowings		**(11,059)**	(84,459)
Share buy back		**(50,563)**	–
Interest and bank charges paid		**(5,738)**	(6,124)
Net cash used in financing activities		**(57,121)**	(31,196)
Net movement in cash and cash equivalents		**(54,512)**	69,497
Cash and cash equivalents at beginning of year		**81,290**	13,093
Effect of foreign exchange rate changes		**202**	(1,300)
Cash and cash equivalents at end of year		**26,980**	81,290

The accompanying notes on pages 77 to 107 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 108.

The consolidated financial statements for the year ended 30 June 2019 comprise the financial statements of the Company and its subsidiaries (together referred to as the "Group"). The Group has investments in residential property in Macau.

These consolidated financial statements have been approved for issue by the Board of Directors on 4 October 2019.

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.

Statement of compliance

The financial statements have been prepared in accordance with the IFRS, which comprise standards and interpretations approved by the International Accounting Standards Board, together with applicable legal and regulatory requirements of Guernsey Law and the GFSC.

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 basis, except for financial assets and liabilities held at fair value through profit or loss ("FVPL") and investment properties that have been measured at fair value.

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 Dollars 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 note that 50% of shareholder support is required to ensure continuation. It is likely that returns from the sale of properties would be lower if the Fund was forced to sell as a result of a failed continuation vote 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 given 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.

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 2019 and therefore were applied in the current year but either they were not applicable to or did not have a material impact on the Group. The nature and the impact of each new standard and amendment is described below:

IFRS 9 Financial instruments

The Group adopted IFRS 9 Financial Instruments on its effective date of 1 July 2018. IFRS 9 replaces IAS 39 Financial Instruments: Recognition and Measurement and introduces new requirements for classification and measurement, impairment and hedge accounting. IFRS 9 is not applicable to items that have already been derecognised at 1 July 2018, the date of initial application.

a) *Classification and measurement*

The Group has assessed the classification of financial instruments as at the date of initial application and has applied such classification retrospectively. Based on that assessment:

- The Group's deposits with lenders, and trade and other receivables, previously classified as loans and receivables, are held to collect contractual cash flows and give rise to cash flows representing solely payments of principal and interest. Thus, such continue to be measured at amortised cost under IFRS 9.

- The classification of financial liabilities under IFRS 9 remains broadly the same as under IAS 39. The main impact on measurement from the classification of liabilities under IFRS 9 relates to the element of gains or losses for financial liabilities designated as at FVPL attributable to changes in credit risk. IFRS 9 requires that such element be recognised in other comprehensive income, unless this treatment creates or enlarges an accounting mismatch in profit or loss, in which case, all gains and losses on that liability (including the effects of changes in credit risk) should be presented in profit or loss. The Group has not designated any financial liabilities at FVPL. Therefore, this requirement has not had an impact on the Group.

b) *Impairment*

IFRS 9 requires the Group to record expected credit losses ("ECL") on all its deposits with lenders and trade and other 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 other receivables held, the probability of default is very low and the loss allowance is deemed negligible at year end.

c) *Hedge accounting*

The Group has not applied not applied hedge accounting under IAS 39 nor will it apply hedge accounting under IFRS 9.

Impact of adoption of IFRS 9

The classification and measurement requirements of IFRS 9 have been adopted retrospectively as of the date of initial application on 1 July 2018. However, the Group has chosen to take advantage of the option not to restate comparatives. Therefore, the 30 June 2018 figures are presented and measured under IAS 39. The following table shows the original measurement categories in accordance with IAS 39 and the new measurement categories under IFRS 9 for the Group's financial assets and financial liabilities as at 1 July 2018:

Financial assets

1 July 2018	IAS 39 classification	IAS 39 measurement US$'000	IFRS 9 classification	IFRS 9 measurement US$'000
Deposits with lenders	Loans and receivables	6,919	Amortised cost	6,919
Trade and other receivables	Loans and receivables	1,536	Amortised cost	1,536

1. Summary of significant accounting policies (continued)

Impact of adoption of IFRS 9 (continued)

Financial liabilities

1 July 2018	IAS 39 classification	IAS 39 measurement US$'000	IFRS 9 classification	IFRS 9 measurement US$'000
Trade and other payables	Other financial liabilities	1,704	Amortised cost	1,704
Interest-bearing loans	Amortised cost	147,125	Amortised cost	147,125

In line with the characteristics of the Group's financial instruments as well as its approach to their management, the Group neither revoked nor made any new designations on the date of initial application. IFRS 9 has not resulted in changes in the carrying amount of the Group's financial instruments due to changes in measurement categories. All financial assets that were classified as loans and receivables and measured at amortised cost continue to remain so.

In addition, the application of the ECL mode under IFRS 9 has not significantly changed the carrying amounts of the Group's amortised cost financial assets. No ECL allowance has been recorded against the Group's cash and cash equivalents, deposits with lenders and trade and other receivables. No impairment was also recorded under IAS 39.

The carrying amounts of amortised cost instruments continued to approximate these instruments' fair values on the date of transition after transitioning to IFRS 9.

IFRS 15 Revenue from contracts with customers

The Group adopted IFRS 15 Revenue from contracts with customers on its effective date. IFRS 15 establishes a five-step model to account for revenue arising from contracts with customers and requires that revenue be recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

IFRS 15 requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract. In addition, the standard requires extensive disclosures.

The Group adopted IFRS 15 using the modified retrospective method of adoption with the date of initial application of 1 July 2018. Under this method, the standard can be applied either to all contracts at the date of initial application or only to contracts that are not completed at this date. The Group elected to apply the standard to all contracts as at 1 July 2018.

Although the application of IFRS 15 has impacted on the classification of certain items in the consolidated financial statements, it has had no impact on the financial performance of the Group. Hence, no cumulative effect of the initial application of IFRS 15 was recognised as an adjustment to the opening balance of retained profits as at 1 July 2018. The comparative information was not restated and continues to be reported under IAS 18 and related interpretations. The adoption of the IFRS 15 has had no significant financial effect on the consolidated financial statements.

New and amended standard and interpretation not applied

The following new and amended standard and interpretation in issue is applicable to the Group but is not yet effective or has not been adopted by the European Union and therefore has not been adopted by the Group:

		Effective date
IFRS 16	Leases	1 January 2019

The Directors anticipate the adoption of this standard and interpretation in the period of initial application will not have a material impact on the consolidated financial statements of the Group.

1. Summary of significant accounting policies (continued)

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, although early adoption is permitted. The Group currently has only operating leases and only acts as lessor and therefore expects adopting this standard to have no impact other than more extensive disclosures.

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 properties 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 shown in US Dollars ("US$") which is the Group's presentation currency.

b) *Transactions and balances*

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

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

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

1. Summary of significant accounting policies (continued)

Foreign currency translation (continued)

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.

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.

1. Summary of significant accounting policies (continued)

Fair value measurements (continued)
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 (Macau) Limited ("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.

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 net realisable value ("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.

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
Policy effective from 1 July 2018
The Group holds only trade and other receivables with no financing component and which have maturities of less than 12 months at amortised cost and, as such, has chosen to apply an approach similar to the simplified approach for ECL under IFRS 9 to all its trade and other receivables. Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date.

The Group's approach to ECLs reflects a probability-weighted outcome, the time value of money and reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

1. Summary of significant accounting policies (continued)

Impairment (continued)

Financial assets (continued)

Policy effective from 1 July 2018 (continued)

The Group uses the provision matrix as a practical expedient to measuring ECLs on trade and other receivables and deposits with lenders, based on days past due for groupings of receivables with similar loss patterns. Receivables are grouped based on their nature. The provision matrix is based on historical observed loss rates over the expected life of the receivables and is adjusted for forward-looking estimates.

Policy effective before 1 July 2018

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.

Financial instruments

In the current period, the Group has adopted IFRS 9 Financial Instruments. See pages 78 to 79 for explanations of the impact. Comparative figures for the year ended 30 June 2018 have not been restated. Therefore, financial instruments in the comparative period are still accounted for in accordance with IAS 39 Financial Instruments: Recognition and Measurement.

i) Classification

Policy effective from 1 July 2018 (IFRS 9)

Financial assets

The Group classifies its financial assets as subsequently measured at amortised cost or measured at fair value through profit or loss on the basis of both:

- The entity's business model for managing the financial assets
- The contractual cash flow characteristics of the financial assets

Financial assets measured at amortised cost

Deposits with lenders and trade and other receivables are measured at amortised cost if it is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial liabilities

Financial liabilities measured at amortised cost

This category includes all financial liabilities, other than those measured at FVPL. The Group includes in this category interest-bearing loans and trade and other payables.

1. Summary of significant accounting policies (continued)

Financial instruments (continued)

i) Classification (continued)

Policy effective before 1 July 2018 (IAS 39)

The Group classifies its financial assets and financial liabilities at initial recognition into the following categories, in accordance with IAS 39.

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.

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.

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.

Trade and other payables

Payables and accruals are recognised initially at fair value plus transaction costs and are subsequently measured at amortised cost using the effective interest rate method.

ii) Recognition

The Group recognises a financial asset or a financial liability when it becomes a party to the contractual provisions of the instrument.

Purchases or sales of financial assets that require deliver of assets within the time frame generally established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Group commits to purchase or sell the assets.

iii) Initial measurement

Financial assets and liabilities (other than those classified as at FVPL) are measured initially at their fair value plus any directly attributable incremental costs of acquisition or issue.

iv) Subsequent measurement

After initial measurement, the Company's deposits with lenders and trade and other receivables are measured at amortised cost using the effective interest method less any allowance for impairment. Gains and losses are recognised in profit or loss when the deposits with lenders and trade and other receivables are derecognised or impaired, as well as through the amortisation process.

Financial liabilities, other than those classified as at FVPL, are measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the liabilities are derecognised, as well as through the amortisation process.

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability and of allocating and recognising the interest income or interest expense in profit or loss over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial asset or financial liability to the gross carrying amount of the financial asset or to the amortised cost of the financial liability. When calculating the effective interest rate, the Group estimates cash flows considering all contractual terms of the financial instruments but does not consider ECL. The calculation includes all fees paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

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.

1. Summary of significant accounting policies (continued)

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. Revenue from sales of completed properties and properties under development is within the scope of IFRS 15 and revenue from rental income is within the scope of IAS 17.

Rental income
Rental income from operating leases is recognised as 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.

Policy effective from 1 July 2018 (IFRS 15)
Sale of completed property
Revenue from sale of completed properties is recognised when effective control of ownership of the properties is transferred to the buyer, which is on unconditional exchange of contracts and change of title on the property. Where the sales contract stipulates payments that cross over reporting period, revenue is recognised over the period of the contract by reference to the progress towards complete satisfaction of each performance obligation. This is determined based on the actual cost incurred to date to estimated total cost for each contract. The proceeds from disposal are recognised in income and net assets disposed of are recognised in cost of sales in expenses.

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, which is on the unconditional exchange of contracts and change of title on the property. Where the sales contract stipulates payments that cross over reporting periods, revenue is recognised over the period of the contract by reference to the progress towards complete satisfaction of each performance obligation.

Policy effective before 1 July 2018 (IAS 18)
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.

Sale of subsidiary
Revenue from the sale of a subsidiary is recognised when effective control of ownership of the subsidiary is transferred to the buyer. The proceeds from disposal are recognised in income and net assets disposed of are recognised in cost of sales in expenses.

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 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.

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, 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.

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

Market risk (continued)

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 below summarise the Group's exposure to foreign currency risk as at 30 June 2019 and 30 June 2018. 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 below presents financial assets and liabilities denominated in foreign currencies held by the Group as at 30 June 2019 and 30 June 2018, and can be used to monitor foreign currency risk as at that date.

At 30 June 2019, if Sterling weakened/strengthened by 10% against US$ with all other variables held constant, the loss for the year would have been US$13,000 lower/higher (2018: profit of US$5,028,000 lower/higher). The HK$ 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$1,192,000 higher/lower (2018: US$1,104,000 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.

	US$ US$'000	£ US$'000	HK$ US$'000	Other currencies US$'000	Total US$'000
As at 30 June 2019					
Trade and other receivables (excluding prepayments)	**–**	**–**	**4**	**110**	**114**
Cash and cash equivalents	**–**	**38**	**26,856**	**86**	**26,980**
Deposits with lenders	**–**	**–**	**1,843**	**–**	**1,843**
Total financial assets	**–**	**38**	**28,703**	**196**	**28,937**
Trade and other payables	**104**	**165**	**16**	**2,001**	**2,286**
Interest-bearing loans	**–**	**–**	**147,852**	**–**	**147,852**
Total financial liabilities	**104**	**165**	**147,868**	**2,001**	**150,138**
Net financial position	**(104)**	**(127)**	**(119,165)**	**(1,805)**	**(121,201)**

	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)

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

Market risk (continued)

b) Cash flow and fair value interest rate risk

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 loss for the year would have increased/decreased by US$1,190,000 (2018: profit for the year decreased/increased by US$598,000) (based on the interest bearing net financial liability per the table below. This is mainly due to the Group's exposure to interest-bearing loans.

The 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 2019			
Trade and other receivables (excluding prepayments)	**–**	**114**	**114**
Cash and cash equivalents	**26,980**	**–**	**26,980**
Deposits with lenders	**1,843**	**–**	**1,843**
Total financial assets	**28,823**	**114**	**28,937**
Trade and other payables	**–**	**2,286**	**2,286**
Interest-bearing loans	**147,852**	**–**	**147,852**
Total financial liabilities	**147,852**	**2,286**	**150,138**

	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

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

Credit risk

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

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

The Group's cash and cash equivalents have the following ratings from Fitch and Moody's Ratings:

Credit Rating	2019 US$'000	2018 US$'000
AA	**25,844**	–
AA-	**207**	60
A+	**679**	80,400
A	**–**	642
A-	**16**	16
BBB+	**231**	167
BBB	**3**	5
	26,980	81,290

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

Credit Rating	2019 US$'000	2018 US$'000
AA	**1,608**	–
A+	**235**	6,691
A	**–**	228
	1,843	6,919

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.

The Group's financial assets subject to the ECL model within IFRS 9 are cash and cash equivalents, deposits with lenders and trade and other receivables. There is not considered to be any concentration of credit risk within these assets.

None of the Group's financial assets are past their due date and the adoption of the ECL model for impairment under IFRS 9 has not had a material impact on the Group.

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

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.

Deposits amounting to US$1,843,000 (2018: US$6,919,000) have been pledged to secure banking facilities, of which US$1,608,000 (2018: US$1,821,000) 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 2019, 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, *The Fountainside* and *Estrada da Penha*. The Group's liquidity position is monitored by the Manager and is reviewed quarterly by the Board. 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 2019	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)	**–**	**4**	**–**	**110**	**–**	**–**	**114**
Cash and cash equivalents	**26,980**	**–**	**–**	**–**	**–**	**–**	**26,980**
Deposits with lenders	**–**	**–**	**235**	**–**	**1,608**	**–**	**1,843**
Total financial assets	**26,980**	**4**	**235**	**110**	**1,608**	**–**	**28,937**
Trade and other payables	**–**	**1,282**	**1,004**	**–**	**–**	**–**	**2,286**
Interest-bearing loans	**–**	**3,297**	**26,958**	**91,856**	**36,947**	**–**	**159,058**
Total financial liabilities	**–**	**4,579**	**27,962**	**91,856**	**36,947**	**–**	**161,344**
Net financial position	**26,980**	**(4,575)**	**(27,727)**	**(91,746)**	**(35,339)**	**–**	**(132,407)**

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)

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

Liquidity risk (continued)

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

	1 July 2018 US$'000	Cashflows US$'000	Foreign Exchange Movement US$'000	Other US$'000	Profit and Loss US$'000	30 June 2019 US$'000
Current interest-bearing loans	**19,006**	**(10,128)**	**104**	**14,697**	**–**	**23,679**
Non-current interest-bearing loans	**129,039**	**9,308**	**523**	**(14,697)**	**–**	**124,173**
Loan arrangement fees	**(920)**	**(21)**	**–**	**–**	**320**	**(621)**
Net interest-bearing loans	**147,125**	**(841)**	**627**	**–**	**320**	**147,231**
Interest payable	**209**	**(5,717)**	**–**	**–**	**6,489**	**981**
Total	**147,334**	**(6,558)**	**627**	**–**	**6,809**	**148,212**

	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

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.

Fair value hierarchy

Financial investments measured at fair value

IFRS 13 requires disclosure of fair value measurements by level as discussed in Note 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 2019, 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.

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 ended 30 June 2018, the Company did not purchase any ordinary shares under the discount management policy.

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.

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.

3. Critical accounting estimates, assumptions and judgements

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 and assumption.

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 2019 or the year ended 30 June 2018.

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 and are the only subsidiaries which do not have the same year end as the Company:

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

During the year, BVI company: Jin Mei International Limited was liquidated and Hong Kong company: New Perfect Properties Limited was liquidated. The following Guernsey companies: MPOF (6A) Limited, MPOF (6B) Limited, MPOF (Penha) Limited and MPOF (Taipa) Limited were liquidated. The following Macanese companies: MPOF Macau (Site 6) Limited and Braga Companhia Limitada were liquidated.

No sales of investment property or inventories resulted in the loss of control of a subsidiary in the current year.

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	Cannonball Limited	100%	Guernsey
MPOF Macau (Site 5) Limited	100%	Macau	Civet Limited	100%	Guernsey
The Waterside Company Limited	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	Mega League Investments Limited	100%	BVI
MPOF (Jose) Limited	100%	Guernsey	Smooth Run Group Limited	100%	BVI
MPOF (Sun) Limited	100%	Guernsey	China City Properties Limited	100%	Hong Kong
MPOF (Guia) Limited	100%	Guernsey	East Base Properties Limited	100%	Hong Kong
MPOF (Antonio) Limited	100%	Guernsey	Eastway Properties Limited	100%	Hong Kong
Bream Limited	100%	Guernsey	Weltex Properties Limited	100%	Hong Kong

5. Segment reporting

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

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

This segment 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$2,770,000 for the year ended 30 June 2019 (2018: US$2,898,000).

6. *Investment property*

	2019 US$'000	2018 US$'000
At the beginning of the year	**248,763**	241,193
Capital expenditure on property	**502**	269
Fair value adjustment	**(24,357)**	8,548
Exchange difference	**977**	(1,247)
Balance at end of the year	**225,885**	248,763

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

The valuation process is initiated by the Investment Adviser who appoints a suitably qualified valuer to conduct the valuation of the investment property. The results are overseen by the Investment Adviser. Once satisfied with the valuations based on their expectations, the Investment Adviser reports the results to the Board. The Board reviews the latest 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 2019 by an 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 principal 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 the local market conditions existing at the reporting date.

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

Rental income arising from *The Waterside* of US$2,770,000 (2018: US$2,898,000) was received during the year. Direct operating expenses of US$1,070,000 (2018: US$1,010,000) arising from rented units were incurred during the year. Direct operating expenses during the year arising from vacant units totalled US$257,000 (2018: US$195,000).

There are no disposals of investment property during the year.

Cash and cash equivalents of US$1,608,000 (2018: US$6,691,000) were pledged in relation to investment property as at 30 June 2019.

6. Investment property (continued)

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 2019 US$'000	Valuation technique	Input	Unobservable and observable inputs used in determination of fair values	Other key information
Name	***The Waterside***	**225,885**	**Term and Reversion Analysis**	**Term rent (inclusive of management fee and furniture)**	**HK$21.5 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$17.8 psf**	
				Reversionary yield	**1.7%**	

	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%	

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$11 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$11 million or increase by US$12 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	2019 US$'000	2018 US$'000
Balance brought forward	**41,897**	63,994
Additions	**42**	462
Disposals	**(664)**	(22,236)
Exchange difference	**178**	(323)
Balance carried forward	**41,453**	41,897
Adjustment to net realisable value		
Balance brought forward	**(120)**	–
Write-back/(Write-down) to net realisable value	**120**	(120)
Balance carried forward	**–**	(120)
Carrying amounts	**41,453**	41,777

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

Under IFRS, inventories are valued at the lower of cost and NRV. The carrying amounts for inventories as at 30 June 2019 amounts to US$41,453,000 (2018: US$41,777,000). The market value as at 30 June 2019 as determined by the independent, professionally-qualified valuer, Savills, was US$85,256,000 (2018: US$89,627,000). The NRV as at 30 June 2019 was US$84,404,000 (2018: US$88,731,000).

Three car parking spaces and six motorcycle parking spaces at *The Fountainside* and the Smaller Property (2018: two residential units, twelve car parking spaces and five motorcycle parking spaces of *The Fountainside* and one individual unit of One Central Residences) were sold during the year for a total consideration of US$1.2 million (HK$9.3 million) (2018: US$9.5 million (HK$74.7 million)) against a total cost of US$0.6 million (HK$4.3 million) (2018: US$4.6 million (HK$36.1 million)) which resulted in a net profit of US$0.6 million (HK$5.0 million) (2018: US$4.9 million (HK$38.6 million)) after all associated fees and transaction costs.

During the year ended 30 June 2018, 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 were 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). Finance costs of US$369,000 relating to *Senado Square* loan facility were capitalised during the prior year, including US$369,000 of interest capitalised to the property.

7. Inventories (continued)

Inventory was written down during the year ended 30 June 2018 following the agreement to sell the Smaller Property for HK$2,000,000 (US$255,000) in July 2018. The write down was reversed during the year to 30 June 2019 following the completion of the sale.

Cash and cash equivalents of US$235,000 (2018: US$228,000) were pledged in relation to inventories as at 30 June 2019.

8. Interest-bearing loans

Bank loans – Secured	**2019 US$'000**	**2018 US$'000**
– Current portion	**23,376**	18,687
– Non-current portion	**123,855**	128,438
	147,231	147,125

There are interest-bearing loans with three banks:

The Group has a loan facility for *The Waterside* and the individual units in One Central Residences:

Hang Seng Bank
The Group has a term loan facility with Hang Seng Bank for *The Waterside* and the individual units in One Central Residences. As at 30 June 2019, four tranches remained outstanding. Tranche 3 had an outstanding balance of HK$300 million (US$38.4 million) (2018: HK$329 million (US$42.0 million)); Tranche 4 had an outstanding balance of HK$40 million (US$5.1 million) (2018: HK$50 million (US$6.4 million)); Tranche 5 had an outstanding balance of HK$132 million (US$16.9 million) (2018: HK$172 million (US$21.9 million)); and Tranche 6 had an outstanding balance of HK$428 million (US$54.8 million) (2018: HK$348 million (US$44.3 million)).

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%. As at 30 June 2019, the loan-to-value ratio for the Hang Seng One Central facility was 49.65% (2018: 44.85%). 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 has a loan facility for *The Fountainside*:

ICBC Macau
The Group has a HK$220 million (US$28.2 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 mature 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 instalments 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 2019, the facility had an outstanding balance of HK$106.0 million (US$13.6 million) (2018: HK$113.3 million (US$14.4 million)). As at 30 June 2019, sales proceeds of US$5,000 (2018: US$nil) were pledged with the lender. As at 30 June 2019, the loan-to-value ratio for *The Fountainside* facility was 41.25% (2018: 39.47%).

8. Interest-bearing loans (continued)

The Group has two loan facilities for *Estrada da Penha*:

Banco Tai Fung

The loan facility with Banco Tai Fung originally had a term of two years and the facility amount was HK$70 million. The facility expired in June 2019 and was subsequently renewed for another term of two years. Interest was charged at 2.3% per annum over the 3-month HIBOR rate in June 2017 and was revised to Prime Rate minus 1.375% per annum in June 2019. Repayment is due in full at maturity in June 2021. As at 30 June 2019, the facility had an outstanding balance of HK$70 million (US$9.0 million) (2018: 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 Company is the guarantor for this term loan. Interest is paid monthly on this loan facility. As at 30 June 2019, the loan-to-value ratio was 42.42% (2018: 42.42%). There is no loan-to-value covenant for this loan.

ICBC Macau

The loan facility with Industrial and Commercial Bank of China (Macau) Limited has a term of two years. Interest is 2.3% per annum over the 3-month HIBOR rate and repayment is due in full at maturity in December 2019. As at 30 June 2019, the facility had an outstanding balance of HK$79 million (US$10.1 million) (30 June 2018: 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. The loan-to-value covenant is 60%. As at 30 June 2019, the loan-to-value ratio for this facility was 40.31% (2018: 40.31%).

Bank Loan Interest

Bank loan interest incurred during the year was US$6,514,000 (2018: US$5,141,000), including US$nil (2018: US$369,000) capitalised during the year (see Note 7).

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

Fair Value

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 2019, the fair value of the interest-bearing loans was US$101,000 higher than the carrying value of the financial liabilities (2018: the fair value of the interest-bearing loans was US$141,000 higher 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.

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$1,531) (2018: £1,200 (US$1,687)).

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 (2018: 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 8% (2018: 10%) of any rent received or 6% (2018: 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.

	2019 US$'000	2018 US$'000
Non-current liabilities		
Deferred taxation	**15,083**	17,940
Provisions for Macanese taxations	**804**	742
	15,887	18,682

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 and has been calculated at a rate of 12%.

Provisions for Macanese taxations

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

Tax Reconciliation

	2019 US$'000	2018 US$'000
Accounting (loss)/profit before tax	**(34,884)**	85,039
Exempt from income tax in Guernsey	**–**	–
Movement in deferred tax charge provision	**2,923**	(1,026)
Movement in provision for Macanese taxations	**90**	1,464
At the effective income tax rate of 8.7% (2018: (0.5%))	**3,013**	438

The differences between the taxation credit for the year and the movement in taxation provisions are due to the foreign exchange rate movements and Macanese taxation paid during the year.

10. Trade and other receivables

Current assets	2019 US$'000	2018 US$'000
Trade receivables	**4**	3
Prepayments	**188**	1,423
	192	1,426

11. Trade and other payables

Current liabilities	2019 US$'000	2018 US$'000
Accruals	**290**	386
Other payables	**1,996**	1,318
	2,286	1,704

Other payables principally comprise outstanding amounts for operating expenses.

Notes to the Consolidated Financial Statements (continued)

12. Share capital

Ordinary shares	**2019 US$'000**	**2018 US$'000**
Authorised:		
300 million ordinary shares of US$0.01 each	**3,000**	3,000
Issued and fully paid:		
61.8 million (2018: 76.4 million) ordinary shares of US$0.01 each	**618**	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 2019 Annual General Meeting.

On 24 July 2018, a compulsory redemption of 14,597,231 shares was made for US$50.5 million, pro-rated amongst shareholders as at that date. The compulsory redemption has reduced the share capital by US$146,000 and the retained earnings by US$50,417,000. No redemption of shares was made during the prior year.

13. General and administration expenses

General and administration expenses	**2019 US$'000**	**2018 US$'000**
Legal and professional	**145**	457
Holding Company administration	**263**	294
Guernsey SPV administration	**132**	147
BVI, Hong Kong, & Macanese SPV administration	**63**	78
Insurance costs	**15**	15
Listing fees	**15**	15
Printing & postage	**18**	57
Other operating expenses	**181**	237
	832	1,300

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

14. Other financing costs

Financing costs	**2019 US$'000**	**2018 US$'000**
Bank charges	**4**	23
Loan arrangement fees	**320**	289
	324	312

As at 30 June 2019, unamortised loan arrangement fees were US$621,000 (2018: US$920,000). 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	2019 US$'000	2018 US$'000
Property management fee	**691**	705
Property taxes	**411**	327
Utilities	**15**	17
Other property expenses	**180**	297
	1,297	1,346

16. Sales and marketing expenses

Sales and marketing expenses	2019 US$'000	2018 US$'000
Agent commission	**159**	1,562
Marketing	**9**	70
	168	1,632

17. Cash flows from operating activities

Cash flows from operating activities	2019 US$'000	2018 US$'000
(Loss)/Profit for the year before tax	**(34,884)**	85,039
Adjustments for:		
Net gain on valuation of interest rate swap	**–**	(9)
Net loss/(gain) from fair value adjustment on investment property	**24,357**	(8,548)
(Write-back)/Write-down of inventories to net realisable value	**(120)**	120
Net finance costs	**6,809**	5,461
Operating cash flows before movements in working capital	**(3,838)**	82,063
Effects of foreign exchange rate changes	**49**	403
Movement in trade and other receivables	**1,234**	263
Movement in trade and other payables	**(25)**	422
Movement in inventories	**622**	21,774
Net change in working capital	**1,831**	22,459
Taxation paid	**(7)**	(356)
Net cash (used in)/generated from operating activities	**(1,965)**	104,569

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.

18. Basic and diluted (loss)/earnings per ordinary share and net asset value per share

The basic and diluted (loss)/earnings per equivalent ordinary share is based on the loss attributable to equity holders for the year of US$31,871,000 (2018: profit of US$85,477,000) and on the 62,195,665 (2018: 76,432,964) weighted average number of ordinary shares in issue during the year.

	30 June 2019			30 June 2018		
	Loss Attributable US$'000	Weighted Average No. of Shares '000s	Loss Per Share US$	Profit Attributable US$'000	Weighted Average No. of Shares '000s	Earnings Per Share US$
Basic and diluted	**(31,871)**	**62,196**	**(0.5124)**	85,477	76,433	1.1183

Net asset value reconciliation	2019 US$'000	2018 US$'000
Net assets attributable to ordinary shareholders	**131,059**	212,774
Uplift of inventories held at cost to market value	**43,803**	47,850
Adjusted NAV	**174,862**	260,624
Number of ordinary shares outstanding ('000)	**61,836**	76,433
NAV per share (IFRS) (US$)	**2.12**	2.78
Adjusted NAV per share (US$)	**2.83**	3.41
Adjusted NAV per share (£)*	**2.23**	2.58

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 before any tax consequences or adjustments.

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 2019 is 1.270 (2018: 1.321).

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.

	2019 US$'000	2018 US$'000
Directors' fees	**189**	192

Directors' fees include fees paid to Timothy Henderson, a former Director of the Company and current Director of certain SPVs, of US$7,000 (2018: US$7,000). 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 2019 were US$38,000 (2018: US$39,000).

Thomas Ashworth has a beneficial interest in and is a Director of Sniper Capital Limited. Sniper Capital Limited is the Manager to the Group and received 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$4,491,000 (2018: US$5,503,000) with US$nil outstanding as at 30 June 2019 (2018: US$nil) (see Note 20). Management fees of US$nil have been prepaid as at 30 June 2019 (2018: US$1,271,000).

No performance fee was accrued at the year end (2018: US$nil). No performance fee was paid during the year (2018: US$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.

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$4,491,000 (2018: US$5,503,000) with US$nil outstanding as at 30 June 2019 (2018: US$nil).

20. Material contracts (continued)

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 2019, no performance fee was accrued (2018: US$nil) by the Group. During the year ended 30 June 2019, a performance fee of US$nil was paid (2018: 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.

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) (2018: US$nil (HK$nil)) were capitalised in investment property and US$nil (HK$nil) (2018: US$13,000 (HK$100,000)) were capitalised in inventories. As at 30 June 2019, US$nil (2018: US$nil) was outstanding.

20. Material contracts (continued)

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) (2018: US$nil (HK$nil)) were capitalised in investment property. As at 30 June 2019, US$nil (2018: US$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$5,000 (HK$36,000) (2018: US$96,000 (HK$752,000)) were paid. As at 30 June 2019, US$nil (2018: US$nil) was outstanding.

21. Interest rate swaps

For the year ended 30 June 2018, the Group paid a net interest of US$16,000 to the bank as shown in financing expenses on the Consolidated Statement of Comprehensive Income.

The swaps were treated as net financial liabilities at fair value through profit or loss with a year end value of US$nil 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 arising from the net interest rate swaps were 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 previously 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 was HK$250 million, the tenor of the swap was 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. No further interest rate swaps have been entered into.

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$1.6 million (2018: US$1.8 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.

	2019 US$'000	2018 US$'000
Non-current	**1,608**	1,821
Current	**235**	5,098
Pledged for loan covenants	**1,843**	6,919

Notes to the Consolidated Financial Statements *(continued)*

23. *Commitments and contingencies*

As at 30 June 2019, 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$90,000 (2018: US$89,000).

As at 30 June 2018, a bank guarantee of HK$80 million (US$10.2 million) was 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 payment that may have arisen. Upon the expiry of the bank guarantee in September 2018, the Company and one of its Macanese subsidiaries provided a corporate guarantee of HK$20 million (US$2.6 million) to insure the purchaser against the same items as per above for a further period of six months. The corporate guarantee expired in March 2019.

24. *Auditors' remuneration*

All fees payable to the auditors relate to audit services. During the year, US$nil (2018: US$103,000) was paid to Ernst and Young LLP in Guernsey in relation to non-audit services.

Auditors' remuneration was broken down as follows:

	2019 US$'000	2018 US$'000
Audit fees	**108**	129
Non-audit fees	**–**	103
	108	232

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 2019 are as follows:

Residential	2019 US$'000	2018 US$'000
Within 1 year	**1,618**	1,783
After 1 year, but not more than 5 years	**10**	–
Total future rental income	**1,628**	1,783

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

As at 30 June 2019, lease incentives on which the Group was lessor amounted to US$39,000 (2018: US$76,000) with rent free liabilities of US$17,000 (2018: US$19,000).

26. *Subsequent events*

At the Annual General Meeting on 25 November 2019, the Company will hold a continuation vote on which the shareholders will vote on whether to extend the lifecycle of the Company.

Directors and Company Information

Directors
Mark Huntley (Chairman) (appointed to Board on 3 October 2018, appointed as Chairman on 12 November 2018)
Thomas Ashworth
Alan Clifton
Wilfred Woo
Chris Russell (retired at AGM on 12 November 2018)

Audit and Risk Committee
Alan Clifton (Chairman)
Wilfred Woo
Mark Huntley
Chris Russell (retired at AGM on 12 November 2018)

Management Engagement Committee
Mark Huntley (Chairman)
Alan Clifton
Wilfred Woo
Chris Russell (retired at AGM on 12 November 2018)

Nomination and Remuneration Committee
Alan Clifton (Chairman)
Thomas Ashworth
Wilfred Woo
Mark Huntley
Chris Russell (retired at AGM on 12 November 2018)

Disclosure and Communications Committee
Mark Huntley (Chairman)
Thomas Ashworth

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Company Registration Number 44813

Macau Property Opportunities Fund