

Macau Election Special

Fernando Chui Sai On, the former Secretary for Social and Cultural Affairs, was unanimously elected to the role of Chief Executive of Macau by the 300 member, pro-Beijing electoral college. He will succeed Mr Ho Hau Wah, the current Chief Executive, on 20 December 2009.

Mr Chui expects to deliver his 2010 Policy Address and budget bill early next year and will "focus on streamlining the public administration, strengthening government officials' accountability and setting up a policy think tank to better understand public opinions and enable scientific decision making."

Improved Gaming Regulations and Diversified Macau Economy

On his personal campaign website, Mr Chui pledged to strengthen the competitive edge of the gaming sector, with plans to "revise and perfect the laws on gambling supervision" and to "establish a mechanism of fair competition". At a press conference, Mr Chui said that his government "will follow previous policies to maintain healthy development of Macau's gaming sector and maintain its advantage in Asia."

Mr Chui also expressed that he would actively develop the MICE (Meetings, Incentives, Conference and Events), logistics and education sectors.

Macau Property Sector News

Macau Residential Property Market Recovers

According to the South China Morning Post, property prices rebounded sharply on the mainland and in Hong Kong in the first half of 2009, taking prices back to their pre-crisis peak levels in Shanghai and Beijing and within 6% of last year's peak levels in Hong Kong, reflecting an underlying confidence and desire to put cash back to work.

Macau, on the other hand, has so far seen a slower rebound. Macau property transactions increased in 2Q09 and triggered a rebound in property values, though they remain 33% below the peak levels reached at the end of 2007. The slower than expected property price rebound in response to improved market sentiment is partly the result of an absence of speculative demand. In response, developers have been postponing the completion of developments and the start of new projects this year.

According to Morgan Stanley research, the bottom of the market was achieved sometime between 1Q09 and 2Q09. With residential prices back at 2006 levels, low interest rates, unemployment below 4% and growing monthly wages, affordability has improved significantly compared to the last two years. Additionally, with the high level of savings and the announced government stimulus aimed at aiding homebuyers, Macau's residential real estate sector should see an improvement in the coming months.

Testing but Stable Office Market

The overall capital values of office space have fallen 19% y-o-y in June 2009, according to the Statistics and Census Service. However, the declines have been predominantly witnessed in the second-tier office market. With a shortage of high quality, Grade-A office space, capital values for the top office properties in Macau, such as the FIT Centre, Bank of China building and AIA Tower, have remained stable in 2009. According to Jones Lang LaSalle, Grade-A office properties will remain an attractive asset class.

Brazilian Firms will Set Up in Macau to Operate in China

Macau may establish itself as a services platform to help develop business ties between Portuguese and Chinese companies. Alessandro Teixeira, chairman of the Brazilian Agency for the Promotion of Exports and Investments (Apex-Brazil), has said that Brazilian import and export companies will establish themselves in Macau in the coming years. Brazil's main exports to China are soy beans, iron ore and oil derivatives, which represented sales of US\$7.9bn in the first six months of this year. The growing trade relationship between Brazil, Macau and mainland China is set to be a positive driver for the office and logistics markets.

Macau Business Sector News

David Chow Misses US\$200m Deadline

Macau casino owner David Chow Kam-fai has missed a deadline to pay US\$200m to buy out the shareholders in his company, which owns Fisherman's Wharf in Macau. According to the South China Morning Post, the payout, set for 20th June, was meant to mark the end of a long-running dispute between Chow and investors in his Macau Legend Development business.

The investors (including Merrill Lynch, OchZiff and TPG-Axon) had originally arranged to buy the Fisherman's Wharf theme park from Chow by 31 December 2008 at 10x EBITDA. They also expected to turn a profit by merging the Landmark with Fisherman's Wharf. However, as the theme park missed financial targets, investors began questioning its real value and failed to agree amongst themselves on what the asset was worth.

The dispute was resolved in March 2009 with Chow offering to buy the shareholders out of Macau Legend Development for US\$200m, thus ending their business relationship. It is not clear why he has missed the deadline for the payment. Earlier this month, Chow announced that Fisherman's Wharf is to undergo a MOP\$ 11bn expansion and refurbishment programme.

Macau Executive Council to Cap Commission Caps

Regulation that will allow the Financial Secretary of Macau to set a cap on commissions to VIP gaming junkets will come into effect on 5 September 2009. There has been no confirmation as to the level at which the cap will be set, although most industry participants anticipate a rate of 1.25%. UBS estimates that the market is currently paying 1.3% to 1.35% as junket commission. If the all-in commission cap is successfully implemented at the expected 1.25%, VIP margins will be positively impacted by roughly 2% to 4%. On the assumption that the Macau casino industry generates close to HK\$200bn of VIP roll a month, annualised EBITDA accretion to casino operators could be in the region of US\$150m to 300m a year.

Speymill Macau Property Company plc was established to invest primarily in high quality residential properties in Macau. The Company will also pursue selective commercial investments to capture expected ancillary Macau service sector growth. The Company listed on AIM on 17 November 2006 raising US\$80m and raised a further US\$70m in May 2007. The Company's objective is to provide shareholders with an attractive overall return to be achieved primarily through long-term capital growth. The Manager is Speymill Property Group Limited, the Investment Adviser is Speymill Property Group (Far East) Limited and the Property Adviser is Avila Capital Limited. The Manager, Investment Adviser and Property Adviser are responsible for identifying investment opportunities. The Manager is a wholly owned subsidiary of Speymill Group Plc (AIM: SYG). The Investment Adviser is a wholly owned subsidiary of the Manager.

To read previous editions of Speymill Macau Monthly Monitor, please go to: www.speymillmacau.com (News & Reporting, Miscellaneous)

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Macau Business Sector News

Diversity—the Key to Extending a Decade of Prosperity

Macau's largest annual trade and economic event, the 14th Macau International Trade and Investment Fair (MIF) is set to take place in October with this year's theme being: Diversity—the Key to Extending a Decade of Prosperity. The MIF aims to highlight Macau's advantages as a trade and economic service platform as well as to promote economic diversification in the city and its advanced regional and cross-regional cooperation and exchange opportunities. The event will feature around 1,000 booths over an exhibition area of approximately 26,000 square metres.

SMEs Get Support Boost

The credit guarantee scheme for small and medium sized enterprises (SME) has been changed by the government, providing each beneficiary with a credit guarantee equal to 70% of the loan approved by participating banks. The maximum guarantee offered will be up to MOP\$ 3.5m. Under the previous scheme, the credit guarantee was equal to 50% of the approved loan up to a maximum of MOP\$ 1.5m.

Las Vegas Sands Chooses Barclays and Goldman Sachs

Las Vegas Sands has appointed Barclays plc and Goldman Sachs Group Inc to handle a US\$ 2.5bn IPO of its Macau assets in Hong Kong. As part of the company's efforts to strengthen its financial position, LVS has secured commitments for up to US\$ 600m of capital through the sale of exchangeable bonds. The bonds will be mandatorily exchangeable into common stocks pending the IPO on the Hong Kong Stock Exchange.

Macau Economic Data

Record Gaming Revenue in August

According to Morgan Stanley research, August gaming revenues came in at a record MOP 11.27bn (US\$ 1.41bn), up 17% y-o-y. This is the second month of positive y-o-y growth after July gaming revenues posted a y-o-y growth of 3%.

Total Visitation Down 14.8% y-o-y in July

According to the Census and Statistics Services, visitor arrivals into Macau dropped 14.9% y-o-y in July 2009 but were up 20.4% over the previous month. From January to July 2009, overall visitor arrivals are down 11.9% over the same period in 2008. Visitors from mainland China and Hong Kong accounted for 49.3% and 32.2% of total visitors, respectively.

Inflation Still on the Up

July 2009 inflation was up 0.19% y-o-y over July 2008. The price index for Clothing & Footwear was up 6.67% while the index for Food & Non-Alcoholic Beverages went up 3.22%. The large 13.86% increase in the price index of Alcoholic Beverages & Tobacco was mainly due to the substantial increase of excise on tobacco.

Companies with Macau Property Business Exposure

Company	Ticker	Market Cap (millions) ⁽⁴⁾	Price as at 27/08/09	Change since 01/01/09	Change since 17/11/06
Speymill Macau Property Co plc ⁽¹⁾	MCAU:LN	US\$85.86	US\$0.74	206%	-27%
Macau Property Opportunities Fund Ltd.	MPO:LN	US\$144.67	£0.85	49%	-15%
Wynn Resorts Ltd.	WYNN:US	US\$6,938.71	US\$56.36	33%	-40%
Las Vegas Sands Corp.	LVS:US	US\$9,653.92	US\$14.92	147%	-84%
Melco PBL Entertainment (Macau) Ltd. ⁽²⁾	MPEL:US	US\$3,315.52	US\$6.30	99%	-71%
Polytec Asset Holding Ltd.	208:HK	US\$681.43	HK\$1.19	138%	-53%
Shun Tak Holding Ltd.	242:HK	US\$1,461.93	HK\$5.60	163%	-53%
eSun Holdings Ltd.	571:HK	US\$184.06	HK\$1.15	11%	-87%
Galaxy Entertainment Group Ltd.	27:HK	US\$1,178.62	HK\$2.32	119%	-72%
SJM Holdings Ltd. ⁽³⁾	880:HK	US\$2,076.90	HK\$3.22	132%	6%

Note:

(1) Speymill Macau Property Co plc was listed on 17/11/2006 with IPO price at US\$1.0 per share

(2) The Company was listed on 18/12/2006

(3) The Company was listed 14/07/2006

(4) Exchange Rate: US\$/HK\$ 0.129 (as at 27/08/2009)
US\$/GBP 1.621 (as at 27/08/2009)

Source: Bloomberg

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