

### Macau Property Sector News

**Carlyle Invests HK\$2 billion into Macau Development** – The Carlyle Group (“Carlyle”), one of the world’s largest private equity firms, made its seed investment in Macau by buying two residential blocks in a deal believed to be worth almost HK\$2 billion. Jason Lee, Managing Director of Carlyle and head of Carlyle Asia Real Estate, believes “there is favourable demand for high-quality residential properties from expatriates and local residents.” This seed investment signifies Carlyle’s confidence in the Macau property market.

According to Jones Lang LaSalle (“JLL”), Carlyle has agreed to buy 372 residential units, with parking spaces, in Towers One and Five at a development on Lot KL in the Pearl district in Macau Peninsula, from Sin Kin Wan Group. The residential units are in three-bedroom layout, ranging in size from 1,582 to 1,603 sq ft. With an estimated gross lettable area of 600,000 sq ft, the purchase price works out to circa HK\$ 3,300 per sq ft. The development will include a clubhouse and commercial amenities.

**Macau JV between Macquarie and VC Holdings** – Value Convergence Holdings has announced that its subsidiary, VC Financial, has agreed to establish a private equity property development fund (MVC Macau Property Development Fund Limited, the “Company”) in a JV with Macquarie Macau. Analysts view the JV formation as an alternative way to tap into the Macau property market and bypass the current global aversion to debt financing. The share capital of the Company will be US\$200 million and the fund will undergo transition to become a wholesale fund within 2008. The JV has agreed to acquire a vacant, undeveloped piece of land located in Macau Peninsula with a site area of 2,373 sq m for HK\$300 million. Funding for this acquisition will be financed with 40% external bank financing and 60% equity. The acquisition is expected to be finalised in September 2008.

**Sniper US\$45 million Zhuhai logistic Investment** – Macau Property Opportunities Fund announced that it has acquired a 1.1 million sq ft site in Zhuhai for US\$45 million. The site will be developed to serve the expanding distribution needs of Macau’s hotel and casinos. Sniper Capital expect to develop 1.4 million sq ft of warehousing.

**Serviced Office Provider Sets Up in AIA Tower** – The Executive Centre opened its flagship centre at the AIA Tower in Macau, according to the Macau Daily Times. Michael Cheung, Regional Director of the Executive Centre, said they were “very excited to start up in Macau. The reduction of the need for initial capital investment made a presence in Macau much more profitable for seasoned corporate veterans and promising new players.”

**Real Estate Transactions Down While Prices Remained Stable in Q2** – According to the Statistics and Census Service, there were 3,064 cases of real estate transactions in Q2 2008, representing a 7.8% drop quarter-to-quarter. The total value of mortgage loans also dropped notably by 77.2% in comparison to the preceding quarter. Sales and purchases of building units with stamp duty paid were 7,339 in Q2 2008; the total value amounted to MOP\$10.99 billion, of which 55.5% of transacted units were residential. The overall average transaction price of residential units with stamp duty paid amounted to MOP\$24,741 per sq m of useable area, representing an increase of 0.6% over the previous quarter.

### Vigers Give Positive Comments on Macau:

#### 20% growth in rental values for residential units

Vigers stated in its Quarterly Digest published in Q2 2008 that “in spite of sales slowdown, influx and turnover of expatriate workers primarily employed by casino operators and companies of the hospitality industry will continue to generate steady housing demand for rental apartments.” Vigers observed that landlords have increasingly preferred to rent out residential properties rather than selling units at discounted prices. Vigers believed that there was a 20% capacity for increased rental values in the second half of 2008.

#### Sustainable growth in luxury residential market

Vigers quoted historical data to illustrate how capital and rental values for luxury residential units had increased by 9% and 7% in the first 5 months of 2008, compared to the same period last year. Vigers expect that the continuous influx of senior expatriate workers will generate steady housing demand for rental apartments and will eventually increase luxury home prices.

#### Escalating demand for retail space while rental stays flat

Vigers observed that branded and international retail groups were competing for shops in prime locations. However, new shopping malls due to open in Cotai in 2010 should ease upward pressure on rental rates.

### Macau Business Sector News

**Las Vegas Sands Reports Q2 Loss** – Las Vegas Sands Corp (LVS) posted a net loss of US\$8.8 million in Q2 2008, compared with a profit of US\$34.4 million a year earlier. Interest expenses soared by 63% as LVS paid more for loans for the Las Vegas, Macau and Singapore developments. The Company plans to borrow US\$5.25 billion, primarily in the Asian bank markets, “to refinance its existing US\$3.3 billion Macau loan and complete construction of the next phase of those developments in Macau,” Chief Operating Officer William Weidner said.

**JLL Bets a Positive Future for Macau Casinos** – According to JLL’s August Economic Insight, a more balanced economy is envisaged in Macau. JLL observed that daily per-table revenue has declined since 2003 due to a massive supply of gaming tables. JLL believes that recent Government restrictive measures to rein-in the over-expanding gaming sector will actually assist the sector in pursuing a more sustainable growth. JLL stated that “impact on the property market from the temporary restriction on the gaming industry will be quite limited. The casinos currently in the pipeline will require a large amount of management-level expatriates to work for them, therefore creating a huge amount of housing demand.”

The restrictive measures JLL referred to in its report included (1) the Macau Government will not grant additional new gaming licenses until 2009 which is intended to cap casino development; (2) the central Government will soon allow mainland Chinese to visit Macau every 6 months instead of once every 2 months; and (3) the Macau Public Security Police Force announced in July that from September mainlanders issued travel permits to Hong Kong will not automatically be able to include Macau in their itineraries.

To read previous editions of Macau Monthly Monitor, please go to: [www.spg.co.im](http://www.spg.co.im) (Latest News, Miscellaneous) Speymill Macau Property Company plc (AIM: MCAU) 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.

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**Floris Van Dijkum**  
Global Chief Investment Officer  
Speymill Property Group plc  
Tel: +44 20 7659 0765  
Fax: +44 203 0084984  
f.vandijkum@speymill.com

**Thomas Sipos**  
Head of Investments Asia Pacific  
Speymill Property Group (Far East) Ltd  
Tel: +852 2514 6104  
Fax: +852 3180 9399  
t.sipos@speymill.com



**Speymill**  
Property Group Limited  
[www.spg.co.im](http://www.spg.co.im)

## Macau Business Sector News continued

**Macau Eliminates Tax on Wine and Beer** – Macau has followed the example of Hong Kong to eliminate its 15% CIF (Cost, Insurance, Freight) tax for beer, wine and alcoholic drinks (except spirits) from August 2008. For beverages exceeding 30% alcohol, Macau's consumption tax of 10% CIF value plus MOP\$20 per litre will still remain in force.

**Macau Ranked Top 10 "Most Popular" Asian Tourist Destination** – According to Travel 3 Sixty, an airline monthly in-flight magazine, Macau was listed as one of the top 10 most popular tourist destinations in Asia.

## Recent Economic News

**Macau Population Increased by 5% to 552,000** – Information from the Statistics and Census Service estimated that resident population was 552,000 as at 30 June 2008, representing an increase of approximately 26,000 from June 2007. Non-resident workers increased by 9.1% to 98,505 quarter-to-quarter in Q2 2008.

**Median Local Wages Dropped 5.3% in Q2 2008** – Macau Daily Post reported that local workers' median monthly employment earnings dropped 5.3% quarter-to-quarter to MOP\$9,500. Public servants continued to be top earners with median monthly earnings at MOP\$16,000. Utility workers came in 2nd with monthly earnings of MOP\$15,000, while gaming industry and financial services staff came in 3rd with an average monthly income of MOP\$12,000.

**Construction Costs Rise 28% in Q2 2008** – Information from the Statistics and Census Service showed that the overall 2005-based price index of construction materials for residential buildings for Q2 2008 was 152.5, an increase of 28% year-on-year. The price indices for steel, timber and concrete went up 68%, 7.2% and 3.5% respectively. However, the overall real wage index of construction workers for Q2 2008 was 100.5, a decrease of 5.8% quarter-to-quarter. The average daily wage of construction workers was reduced to MOP\$557, a decrease of 2.3% quarter-to-quarter.

**Inflation Pushed CPI up 9.2% y-on-y in July** – The Composite Consumer Price Index rose 9.22% year-on-year in July, according to the figures released by the Statistics and Census Service. The Composite CPI for July reached 125.77, of which the price indices for food and non-alcoholic beverages, health and transport soared 20.0%, 14.6% and 12.7% respectively.

**Unemployment Rate** – This fell 0.1% quarter-to-quarter in Q2 2008 to 2.8%, according to figures released by the Statistics and Census Service. The employed population rose by 1,700 over the previous quarter to 321,000, with an increase in the number of people working in wholesale, retail trade and construction.

**Exports Fall and Imports Rise in H1 2008** – According to the Statistics and Census Service, Macau's balance of trade posted a deficit of MOP\$2.09 billion, with exports of MOP\$1.51 billion and imports of MOP\$3.6 billion in June alone. In the first half of 2008, Macau's exports fell 10.7% year-on-year to MOP\$8.53 billion and imports rose 6.9% to MOP\$21.45 billion. The result reflected that spending on domestically produced goods has declined, which may adversely affect domestic producers.

**Tourist Arrivals Climbed 20.7% y-on-y in July** – Visitor arrivals in July 2008 rose 20.7% year-on-year, according to figures released by the Statistics and Census Service. The number of mainland visitors increased 29.9% to 1.53 million. Visitors arriving by sea, land and air at Macau International Airport grew by 12.5%, 16.4% and 21.2% relative to the same period in 2007.

**Retail Sales Jumped 40% y-on-y in July** – Estimated retail sales for Q2 2008 rose 40% compared to the same period last year to MOP\$4.6 billion, according to figures released by the Statistics and Census Service. The Macau Daily Post interviewed retailers and reported that 80% of the interviewees believed their retail prices will either increase or remain stable in the Q3 2008.

## Companies with Macau Property Business Exposure

Company	Ticker	Price as at 26/08/08	Change since 17/11/06	Market Cap in US\$ (\$million)
Speymill Macau Property Co plc <sup>(1)</sup>	MCAU:LN	US\$0.51	-50%	US\$65.65
Macau Property Opportunities Fund Ltd	MPO:LN	£0.87	-13%	US\$204.35
Wynn Resorts Ltd	WYNN:US	US\$91.77	-3%	US\$9,520.77
Las Vegas Sands Corp	LVS:US	US\$40.12	-56%	US\$14,261.30
Melco PBL Entertainment (Macau) Ltd. <sup>(2)</sup>	MPEL:US	US\$6.17	-68%	US\$2,715.92
Polytec Asset Holding Ltd	208:HK	HK\$1.43	-43%	US\$813.14
Shun Tak Holding Ltd	242:HK	HK\$4.48	-63%	US\$1,334.82
eSun Holdings Ltd	571:HK	HK\$1.38	-84%	US\$219.33
Galaxy Entertainment Group Ltd	27:HK	HK\$3.16	-62%	US\$1,594.16
SJM Holdings Ltd <sup>(3)</sup>	880:HK	HK\$2.33	-23%	US\$1,492.37

Note:

(1) Speymill Macau Property Co plc listed on 17/12/2006 with IPO Price at US\$1 per share.

(2) The company listed on 18/12/2006

(3) The company listed on 16/07/2008

(4) Exchange Rate: US\$/HK\$ 0.1281 (as at 26.8.2008)

US\$/GBP 1.8360 (as at 26.8.2008)

Source: <http://www.bloomberg.com>

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**Floris Van Dijkum**  
Global Chief Investment Officer  
Speymill Property Group plc  
Tel: +44 20 7659 0765  
Fax: +44 203 0084984  
f.vandijkum@speymill.com

**Thomas Sipos**  
Head of Investments Asia Pacific  
Speymill Property Group (Far East) Ltd  
Tel: +852 2514 6104  
Fax: +852 3180 9399  
t.sipos@speymill.com



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