

MCAU Update

MCAU Comfortable with Current Debt Position – The Company is adopting a defensive strategy in order to preserve capital and to ensure a comfortable level of liquidity. A recent internal review confirmed MCAU's exposure to only one financial covenant, which is on the financing obtained for the purchase of the AIA Tower. This asset shows a loan to value ratio of 53%, as at 31 December 2008, and is comfortably within the covenant levels. All mortgage debt is non-recourse to the Company, with no cross-default provisions. There are no further financial covenants on the remaining debt.

Macau Policy Update

Macau Passes Security Law – A national security act to ban treason, subversion and other offences won near-unanimous support from the territory's legislature government, and will likely be signed into law in the coming months. The proposed law would ban treason, attempts to overthrow the Chinese government and theft of national secrets. The seven proposed offences carry penalties ranging from 10 to 25 years in jail.

According to lawmaker and chief member of the New Macau Association, Mr. Au Kam San, the principle of the Internal Security Act “*is to protect the individual life or personal integrity, public peace or established social order which subverted by violence and organised crime, including internal activities which foster cross-border crime and international terrorism.*” He added that the law focused on people who encouraged violence, organised crime, cross-border crimes or participation in international terrorism.

A Change in Individual Visitation Scheme – One of the proposals currently being discussed by the government officials of Hong Kong, Guangdong and Macau is the plan to extend a recent policy change in the Individual Visitation Scheme to allow not only Shenzhen residents, but also residents of other cities in Guangdong Province to apply for multi-entry visas to both Hong Kong and Macau. The proposals are still to be ratified by the Beijing government.

Macau Business Sector News

Works on Macau Light Railway Sparks – The Macau government has awarded the US\$22 million contract for provision of project management services and technical assistance for the implementation of the first phase of the territory's light railway to a French-Portuguese consortium. The consortium will also support the Transportation Infrastructure Office (GTI) in preparing the tenders for the acquisition of rolling stock and construction contracts.

The Government previously announced that it will pay up to US\$520 million and launch a public tender for the construction of a light railway with 23 stations to link Macau with China and the Pac On sea terminal on Taipa Island. It will run for 19 hours a day with capacity to transport 8,000 passengers per hour, with completion targeted for 2011.

City of Dreams Brings Positive Employment Sentiment to Macau – Melco Crown Entertainment Limited's integrated entertainment resort, The City of Dreams, is set to be opened on the Cotai Strip soon. Covering almost 420,000 sq ft, the gaming floor will provide 550 gaming tables and 1,500 slot machines. The City of Dreams will provide 2,200 hotel rooms and an additional 125,000 sq ft of retail space. With the imminent opening, CEO Lawrence Ho has announced the recruitment of over 7,000 staff.

Macau Vows to Boost Employment – The credit crunch has led to a significant slowdown in private fixed asset projects, resulting in rising layoffs of foreign workers and downward pressure on the local economy. Amid waves of job cuts both locally and globally, the Macanese Government have launched measures to actively boost employment and to help stabilize the job market this year.

The Government has recently announced 93 small and medium public works projects and 11 large-scale infrastructure projects. According to the Land, Public Works and Transport Bureau, a dozen of these projects have already completed the public bidding process and construction began as early as December 2008. These projects, worth some US\$646 million, are expected to create 9,000 local jobs. In addition, the construction of the Hong Kong – Zhuhai – Macau Bridge, which should commence by the end of 2009, along with the construction of the Macau Light Rail System will help create further jobs in the region. The measures should create some stability in the job market.

Melco Crown Entertainment Eyes on Taiwan Market – Melco Crown Entertainment is eyeing expansion opportunities in Taiwan in the view that legalising gambling will present possible opportunities. CEO Lawrence Ho said more research would be needed regarding the political environment and infrastructure capacity in Taiwan.

Wynn Resorts Posted First Loss in 2 Years – Wynn Resorts reported its first net loss in two years on accounting charges and falling revenues in Las Vegas and Macau during the fourth quarter of 2008. Wynn swung to a net loss of US\$159.6 million in the fourth quarter, compared with a US\$51.1 million profit in the previous quarter and a US\$65.5 million profit a year earlier. The loss was partly due to a US\$98.7 million tax expense for the quarter that was inflated by accounting provisions. Wynn Las Vegas attributed another US\$33 million or so of the loss to an unlucky streak on the tables.

Revenue at Wynn Macau fell 17.4% from the previous quarter to US\$392.2 million, tracking a 17.3% drop in bets placed by high rollers, which fell to US\$11 billion from US\$13.3 billion. Despite this, the 600-room Macau casino, which accounted for 64% of company revenue and 74% of pre-tax earnings during the quarter, remained a relatively bright spot compared to its Las Vegas sibling.

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 Opens Gallery in Malacca to Boost Tourism – The Macau Government and the Malacca Historic City Council signed a Memorandum of Understanding to establish the “Macao Gallery” and to strengthen their relationship and cooperation as well as to promote mutual tourism. The Gallery will act as an exhibition centre showcasing the history of both Macau and Malacca. The Macao Gallery is located in a built heritage site which was previously a government department of the authority of Malacca and is built in typical Siam style. It is situated 10 minutes away from central Malacca, according to a statement released yesterday. The SAR government together with the Malacca Historic City Council will be responsible for the management of the gallery. Malacca (which is in Malaysia), like Macau, is a former Portuguese colony and tourist hotspot.

Macau Economic Data

More Mainland Chinese Going to Macau Via Non-individual Travel Scheme (“IVS”) Route – According to official statistics, 4Q08 Chinese visitor arrivals (through the IVS) saw a dramatic slump, down 27% YOY. Overall, mainland Chinese visitors were up 4%, due to an increase of over 50% in visitations through non-IVS means. Evidently, despite visa restrictions, enthusiasm for Macau still exist in China, with visitors exploring alternative ways of getting into the gaming city.

Confidence in Macau Monetary Stability – Macau’s monetary stability remains robust despite the current turbulence affecting financial markets worldwide. The local government remains debt-free and posted a budget surplus of US\$238 million (MOP\$1.91 billion) as at November 2008. A surplus is also projected for 2009 despite a significant increase in public expenditure to help boost the economy. The one-month base interest rate and Macau interbank offer rate spread is currently at an historically low level of 61 bps, reflecting the low cost of borrowing and illustrating satisfactory liquidity levels amongst regional banks.

Trade Deficit Widens in January – Macau's trade deficit stood at MOP\$2.08 billion in January, greater than the deficit of MOP\$1.93 billion at the same time the previous year, according to a report by the Statistics and Census Service (DSEC). In December 2008, the trade deficit was MOP\$2.36 billion. Commodity-wise, exports of textiles and garments, having a 50.1% share of total exports, dropped 67.4% in January. Further, exports of non-textile items fell 32.8%, and that of machines, parts and accessories declined 60.8%. However, jewellery exports rose 9.4%. Country-wise, exports to the U.S dropped by 70.7%, to the EU by 68.8%, to Mainland China by 45.3% and to Hong Kong by 15.9%. Imports from Mainland China slipped 44.5% and from Hong Kong declined 17.4%.

A Sign of Deceleration in GDP growth – The Economic and Financial Secretary for Macau estimated that GDP for Macau will reach US\$21.5 trillion, an increase of 12%, over the previous year after stronger-than-expected growth of 25.6% in 2007. The slowdown in GDP growth is driven by the decline in tourism and gambling revenue as well as a slowdown in investment.

Macau Revenue Down 17% in January – According to the Statistics and Census Services, Macau gaming revenues declined 17% YOY in January to MOP\$8.57 billion during the Chinese New Year period. The Lunar New Year in Macau is normally a period of reduced VIP activity, which is opposite to the effect experienced in Las Vegas, which sees increased activity. Macau casinos are estimated to have taken in MOP\$169 million/day (US\$21 million) over the three-day Lunar New Year holiday, down by over 40% YOY from 2008.

Companies with Macau Property Business Exposure

Company	Ticker	Market Cap (millions) ⁽⁴⁾	Price as at 27/02/09	Change since 01/01/09	Change since 17/11/06
Speymill Macau Property Co plc ⁽¹⁾	MCAU:LN	US\$35.63	US\$0.31	27%	-70%
Macau Property Opportunities Fund Ltd.	MPO:LN	US\$79.69	£0.52	-9%	-48%
Wynn Resorts Ltd.	WYNN:US	US\$1,977.05	US\$17.65	-58%	-81%
Las Vegas Sands Corp.	LVS:US	US\$1,405.63	US\$2.27	-62%	-97%
Melco PBL Entertainment (Macau) Ltd. ⁽²⁾	MPEL:US	US\$1,162.45	US\$2.83	-11%	-87%
Polytec Asset Holding Ltd.	208:HK	US\$217.43	HK\$0.37	-26%	-85%
Shun Tak Holding Ltd.	242:HK	US\$651.66	HK\$2.51	18%	-79%
eSun Holdings Ltd.	571:HK	US\$175.92	HK\$1.29	24%	-85%
Galaxy Entertainment Group Ltd.	27:HK	US\$619.31	HK\$1.25	18%	-85%
SJM Holdings Ltd. ⁽³⁾	880:HK	US\$1,089.21	HK\$1.75	26%	-42%

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\$ 0.1289 (as at 27/02/2009)
US\$/GBP 1.432 (as at 27/02/2009)

Source: Bloomberg

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