

Macau Property Sector News

MCAU Update – On 26 January 2009, Speymill plc announced the suspension of its shares from trading on AIM, whilst the financial position of a subsidiary (Speymill Contracts Ltd) is clarified. The Board of MCAU has put out an announcement clarifying the Company's position, stating that the Manager, Adviser and Investment Advisor continue to operate as normal.

Slower Macau Property Market is Expected in 2009 – During the first three quarters of 2008, Macau's GDP grew 22.7% year-on-year, according to figures released by DSEC, with gaming revenue remaining the key driver for the economy. Macau has inevitably been affected by the global slowdown in the fourth quarter of 2008, especially in the property market.

Residential: The average capital values for high-end residential and mass market properties have dropped 21% and 26% respectively, according to Jones Lang LaSalle. The collapse of the financial market, reluctance from banks to lend, rising unemployment and shrinking personal wealth are likely to keep investors feeling in a more cautious about entering the market.

On the supply side, a total of 4,121 residential units are scheduled for completion in 2009 (75% of units already pre-sold), the most in a decade and a significant increase from the 2,389 units that were completed in 2008. The massive layoffs on the Cotai Strip and the implementation of new foreign labour policies will also further trim the numbers of expatriates and local workers, the main drivers of the rental market. Rental value for high-end residential properties has dropped by 15.4% in 2008 while mass market rental values have fallen by 17.4%.

Office: The office market was more active during the first half of 2008 with office buildings being filled at rapid pace. Capital and rental values of office space have inevitably been affected by the global financial crisis, but the impact has been modest; a 3% and 5% drop, respectively. Jones Lang LaSalle expects Grade A buildings such as AIA Tower, Bank of China building and the FIT Center to show more resilience to the economic downturn and market shrinkage during the coming year due to limited supply of quality office spaces in Macau and to the low rental value difference between Grade A and 2nd-tier office buildings.

Retail: Retail property sales in the first three quarters of 2008 grew by 39%, with approx 14 million patacas (US\$ 1.8 million) in turnover. In 2008, a total of 471,000 sq ft of gross new retail space entered the market, including the New Yaohan, Cerejeira, Wynn Esplanade and The Shoppes at Four Seasons Hotel.

The Hong Kong-Zhuhai-Macau Bridge project, which is expected to start in 1Q09, should enhance the tourism industry and will assist retail operators.

Property Stamp Duty Cut Approved – The Legislative Assembly of Macau has unanimously accepted the general outline of the government-drafted bill to set up a progressive property transaction stamp duty rate, starting from 1% up to 3% depending on the transacted amount. In his 2009 Policy Address last November, Chief Executive Edmund Ho launched a series of new measures to help the deteriorating property market in Macau. These measures include a 4% interest subsidy scheme, waiving of stamp duty and a government guarantee of up to 20% of the mortgage for first-time home buyers of properties valued at up to 3 million patacas.

STDM Acquires Mandarin Oriental Macau for US\$ 205 million – Shun Tak Holdings and Mandarin Oriental International each sold their 50% ownership stake in the 416-room Mandarin Oriental Macau for US\$ 105 million and US\$ 90 million, respectively, to Stanley Ho's private Sociedade de Turismo e Diversoes de Macau (STDM) for a total acquisition price of US\$ 205 million. The deal is expected to close at the end of May 2009 and STDM will retain Mandarin Oriental as the property manager for up to two years to ensure smooth transition.

Macau Business Sector News

Green Light for the Construction of Hong Kong-Zhuhai-Macau Bridge – The preliminary design of the delta-crossing bridge is set to commence in 1Q09 after the Chinese Government agreed to inject 5 billion yuan into the project, its first direct capital contribution into a regional infrastructure project. The construction of the HK\$37.45 billion, 29km bridge project might start as early as the end of 2009.

National Development and Reform Commission Vice-Director Du Ying said in a news briefing that *"We are highly concerned about the economic situation in Hong Kong and Macau. We believe Guangdong and the two cities must work closely together to survive the global economic crisis... that includes promoting cross-boundary infrastructure... We believe that further strengthening of close co-operation among Hong Kong, Macau and Guangdong is a prerequisite for overcoming the difficulties of the current economic crisis and realizing new development."*

Macau Economy Ranks 6th Freest in Asia – For the first time Macau has been recognised as one of the top financial centres in the region, ranking sixth freest in the Asia Pacific Region and 21st among 179 economies worldwide in The Heritage Foundation's 2009 Report on the Index of Economic Freedom. The ranking system is based on 10 economic freedom factors such as government size, trade freedom, monetary freedom, investment freedom and financial freedom.

The Foundation's report considers Macau, which is catching up to top ranking regional financial powerhouses such as Hong Kong and Singapore, as one of the freest and most vibrant free-market economies with an efficient and streamlined business environment. The city continues to promote foreign investments by offering similar business terms as local business operators.

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.

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5.1 billion patacas Public Work Programme to Create 9,000 jobs in Macau – In a joint press conference on 22 January 2009, the Land, Public Works and Transport Bureau (DSSOPT) and the Infrastructure Development Office (GDI) of Macau announced that 93 public work projects will be launched in 2009 with the aim of lessening the negative impact of the global economic downturn. Worth 5.1 billion patacas, the public work programme includes street renewal and restoration works, government building renovation and construction of public residential housing projects. In addition, the Macau government is in the process of launching 11 large infrastructure projects with the tendering process expected to begin in July 2009.

CEM to Invest over US\$ 125 million in Macau in 2009 – Macau's only power supplier has pledged to invest up to one billion patacas, or US\$ 125 million, in 2009, a 40% increase over 2008. Companhia de Electricidade de Macau (CEM) CEO Franklin Willemyns said that a major project will be to build a fourth electricity supply interconnection to Mainland China, which provides Macau with 66 % of its energy. In 2008, Macau consumed 12% more energy than the previous year but Willemyns said that consumption had been "lower than expected" over the last few months.

Macau Economic Data

Chinese New Year Blues? – A total of 1.23 million visitors entered Macau in the first six days of Chinese New Year, a 5% decline over the same period year-on-year, according to a Morgan Stanley report. Macau gaming revenue fell 17% year-on-year in January 2009, with revenue of 8.6 billion patacas (US\$ 1.1 billion) versus 10.3 billion patacas the previous year. The 17% decline in gaming revenue in January is in line with the report's estimate of an 18% decline in 1Q09. Macau's gaming market continues to be weighed down by visa restrictions and is expected to reflect the weaker global economic environment, with VIP revenue expected to decline.

Over 30 Million Visitors and 31% Increase in Gaming Revenue in 2008 – Despite the global financial crisis and tightening visa restrictions for Mainland Chinese travellers, Macau has managed to attract an all time high of more than 30 million tourists while generating a record gross receipt of 108.7 billion patacas, year-on-year growth of 11.8% and 31%, respectively, in 2008. According to the Macau Government Tourist Office (MGTO), Mainland visitors continue to dominate the market with 17.5 million visitors (58.0% of the total) – up 17% from the previous year. Visitors from Hong Kong and Taiwan come second and third with 8.2 million (27.3%) and 1.3 million (4.4%), respectively.

Inflation and GDP Rose in 2008 – The annual inflation rate in Macau climbed from 5.6% in 2007 to 8.6% in 2008, according to the region's Statistics and Census Bureau (DSEC). The latest GDP figure released by DSEC is MOP 43,574 million (3rd quarter 2008), a 6.0% drop quarter-to-quarter but a year-on-year increase of 13.4%.

Companies with Macau Property Business Exposure

Company	Ticker	Market Cap (millions) ⁽⁴⁾	Price as at 30/01/09	Change since 01/01/09	Change since 17/11/06
Speymill Macau Property Co plc ⁽¹⁾	MCAU:LN	US\$32.71	US\$0.28	17%	-72%
Macau Property Opportunities Fund Ltd.	MPO:LN	US\$80.91	£0.53	-7%	-47%
Wynn Resorts Ltd.	WYNN:US	US\$3,369.34	US\$30.80	-27%	-67%
Las Vegas Sands Corp.	LVS:US	US\$3,305.47	US\$5.15	-13%	-94%
Melco PBL Entertainment (Macau) Ltd. ⁽²⁾	MPEL:US	US\$1,228.11	US\$2.79	-12%	-87%
Polytec Asset Holding Ltd.	208:HK	US\$286.31	HK\$0.41	-18%	-84%
Shun Tak Holding Ltd.	242:HK	US\$832.68	HK\$2.86	34%	-76%
eSun Holdings Ltd.	571:HK	US\$200.07	HK\$1.25	20%	-85%
Galaxy Entertainment Group Ltd.	27:HK	US\$650.27	HK\$1.28	21%	-85%
SJM Holdings Ltd. ⁽³⁾	880:HK	US\$1,025.55	HK\$1.59	14%	-48%

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 31/01/2009)
US\$/GBP	1.4539	(as at 31/01/2009)

Source: Bloomberg

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