

## Speymill Macau Announcement

Speymill Macau Property Company announced on 21 July that all resolutions were passed at the extraordinary general meeting held earlier in the day. As a result, Larry Kearns, Peter Churchouse, Swen Lorenz, Ken Deayton and Jerry Linehan were removed from the board of directors with immediate effect. Further, Howard Golden, Filip Montfort and Yarden Mariuma were appointed as non-executive directors of the company with immediate effect. Howard Golden will act as non-executive chairman of the board until such time as an independent non-executive chairman is appointed. It is intended that at least two directors who are independent of Worldwide Opportunities Fund (the Requisitionist) will be appointed to the board in due course.

For more information, please visit the Speymill Macau Property Company website at: [www.speymillmacau.com](http://www.speymillmacau.com)

## Macau Election Special

Fernando Chui Sai On, the previous Secretary for Social and Cultural Affairs, is relatively assured of victory at the election for the post of Chief Executive of Macau. Under a legal process closely monitored by Beijing, Mr Chui, the only candidate qualified to stand for election, has received 286 nominations from a 300-member committee. The committee itself is selected by Chinese authorities on the basis of several criteria rather than the popular vote.

### New CEO Expected to Cater to the General Public

The Macau government, as reported by the Wall Street Journal, is flush with cash after several years of strong gaming revenue. The public is looking to the government for more investment into infrastructure, schools, hospitals and courts. Mr Chui has stated he plans to diversify Macau's economy, highlighting the convention business and heritage tourism as two potential areas of development.

### Sparking Speculation in the Casino Industry

According to a report by Bloomberg, Mr Chui has said China will help the casino hub develop, which should boost casino operators that were hurt last year by mainland travel restrictions. Given the fact that Macau's economy is very dependent on the mainland, there are growing expectations that the new CEO will smooth relations with China and thereby pave the way for new policies on gaming. On Mr Chui's campaign website, he pledges to strengthen the competitive edge of the gaming sector, adding that he would "revise and perfect the laws on gambling supervision" and "establish a mechanism of fair competition."

In an interview with the Macau Daily, Mr Chui broached the topic of revisiting taxes on casino operators in light of growing competition from new casinos due to open in Singapore and Manila. He would consider a possible decrease in gaming tax rate based on the "overall tax situation" in Macau. Macau casinos currently pay 35% of gross revenues as direct tax to the government and an additional 4% of gross receipts as additional contributions.

While the news that China will help Macau to develop is definitely positive for the industry, some critics are suggesting that China may wait to see signs that Macau is diversifying its economy outside of gaming. Lawrence Ho, the CEO of Melco Crown, predicts that the earliest visa restrictions may be eased is when Mr. Chui takes up office in December.

## Macau Property Sector News

**Macau Residential Property Performance Improves** – Jones Lang LaSalle believes Macau's residential sector, having experienced a momentary setback in 2H08 due to the global credit crunch, has shown signs of improvement in the second quarter of this year. The number of residential sales transactions rebounded from the trough of less than 200 in January 2009 to close to 800 in May. The government has previously announced two sets of incentive measures, including a 4% home loan interest rate subsidy scheme and a mortgage guarantee programme. These policies are aimed at relieving the burden on first-time buyers and helping broaden the demand for mass residential properties.

**Macau Office Property Hurting, but Grade A Offices Attractive** – According to a Jones Lang LaSalle report, Macau's office market continues to be negatively affected by the global economic slowdown as vacancy rates increased and rents fell. In general, companies held back their expansion plans with most small to medium enterprises becoming increasingly cost sensitive. As a result, the overall vacancy rate trended up to 26% as of 1H09. Grade-A office space was less affected and the vacant space was mainly concentrated in the NAPE area.

The number of office sales transactions reduced by 67% y-o-y for the first five months of 2009 as credit tightened and investment demand softened. Investors remained cautious and the market saw almost no demand from institutional investors during the first six months of 2009. Capital values declined by an average 7.9% in 1H09. However, according to Gregory Ku, Managing Director of JLL Macau, "Grade A office properties will remain an attractive asset class to institutional investors, providing a reasonable return of about 6.5%. If Macau's long-term strategy is to broaden its economic base, office demand will be strengthened progressively."

## Macau Business Sector News

**New Casino Chamber Set to Promote Constructive Competition** – Macau's six gaming operators set up the Chamber of Macau Casino Gaming Concessionaires and Sub-concessionaires in July 2009 and have immediately called on the government to lower the gaming tax rate. According to a spokesperson, the main objective of the Chamber is to "provide a platform for discussion of common issues and interests of its members and to cooperate and work closely with the local government to contribute to the legislative process related to the gaming industry and the implementation of gaming rules and regulations, as well as to promote and enhance the healthy growth and development of Macau's gaming industry for the betterment of the city's economy and society as a whole."

Melco Crown and Las Vegas Sands have already agreed to limit junket commissions to 1.25%. Previously, Las Vegas Sands, Melco Crown and Macau rivals Wynn Resorts, SJM, Galaxy and MGM Mirage have competed for high-roller gamblers by paying junket operators a percentage of the total betting chips purchase by the gamblers they bring to the properties.

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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# Speymill Macau Monthly Monitor July 2009 continued

## Macau Business Sector News

**IPO Fever Hits Macau Gaming** – Three out of six of Macau's gaming operators have come out with plans for an IPO this month:

### Las Vegas Sands

Sheldon Adelson, chairman and CEO of Las Vegas Sands, has stated that LVS is considering an IPO of its Macau operations. LVS aims to raise about US\$ 3.5bn in order to reduce the company debt burden and to complete five hotel projects in Macau, which were halted in the face of the global economic downturn. According to Mr Adelson, "an IPO is one of five possibilities we are aggressively, sincerely, actively looking at. We are also talking to investors about putting up large amounts of equity, we are talking with banks about project financing and we are talking to construction companies about putting up equity and financing. The capital-raising is expected to be in place in September, and the projects are expected to restart by the end of the year."

### Wynn Resorts

Wynn Resorts has submitted an application to list its Macau unit on the Hong Kong exchange in an effort to raise between US\$ 500m and 1bn, according to Reuters. Wynn's listing in Hong Kong is expected to come ahead of LVS's planned listing of its own Macau assets. According to CNBC's Jim Cramer, "the potential LVS IPO in Macau is all about raising funds to pay down debt, help finance its other projects, but for Wynn, which isn't under pressure to raise money, I think its Macau IPO is an attempt to show how much unrecognized value there is in Wynn."

### MGM Mirage

MGM Mirage, with the smallest casino market share in Macau, said it is overhauling operations and marketing at its venture to boost the company's revenue after an "underwhelming" start. According to Jim Murren, CEO of MGM Mirage, the company may consider an IPO for the Macau business when earnings improve. Murren added that an IPO is "something that certainly we could pursue."

## Macau Economic Data

**Gaming Revenue Down 17% y-o-y in June** – According to the Gaming Inspection and Coordination Bureau, June gaming revenues declined 17% y-o-y to MOP\$ 8.25bn. Gaming revenues totalled MOP\$ 25.4bn in 2Q09, down 12% over the same period last year and down 2.4% from the previous quarter.

**Total Visitation Down 15.4% y-o-y in June** – A 15.9% y-on-y drop in visitor arrivals into Macau was observed by the Census and Statistics Services in June 2009. During the month, visitors arriving from Mainland China dropped 21.7% on an annual basis. Visitor arrivals decreased 4.2% from Hong Kong, 19.9% from Taiwan, 29.4% from Malaysia and 2.7% from Singapore.

**Visitor Spending Increased 1.8% in June** – The Macau Daily reported that the tourist price index for 2Q09 rose by 1.77% y-o-y to 146.09. The price indices of Restaurant Service and Food, Alcoholic Drinks & Tobacco increased notably by 6.29% and 6.10% respectively, which is attributable to rising charges for restaurant service and the general increase of food prices.

## Companies with Macau Property Business Exposure

Company	Ticker	Market Cap (millions) <sup>(4)</sup>	Price as at 23/06/09	Change since 01/01/09	Change since 17/11/06
Speymill Macau Property Co plc <sup>(1)</sup>	MCAU:LN	US\$86.45	US\$0.74	208%	-26%
Macau Property Opportunities Fund Ltd.	MPO:LN	US\$146.19	£0.85	49%	-15%
Wynn Resorts Ltd.	WYNN:US	US\$5,452.52	US\$44.31	5%	-53%
Las Vegas Sands Corp.	LVS:US	US\$6,723.17	US\$10.20	72%	-89%
Melco PBL Entertainment (Macau) Ltd. <sup>(2)</sup>	MPEL:US	US\$2,419.38	US\$4.99	57%	-77%
Polytec Asset Holding Ltd.	208:HK	US\$647.07	HK\$1.13	126%	-55%
Shun Tak Holding Ltd.	242:HK	US\$1,677.23	HK\$5.71	168%	-52%
eSun Holdings Ltd.	571:HK	US\$185.66	HK\$1.16	12%	-86%
Galaxy Entertainment Group Ltd.	27:HK	US\$1,117.65	HK\$2.20	108%	-74%
SJM Holdings Ltd. <sup>(3)</sup>	880:HK	US\$1,993.05	HK\$3.09	122%	2%

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 23/06/2009)  
US\$/GBP 1.582 (as at 23/06/2009)

Source: Bloomberg

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