

## Speymill Macau Plc News Announcement

Speymill Macau Property Company plc (MCAU.L) ("the Company") noted press speculation in June relating to the AIA Tower in Macau. The Directors confirmed that the Company is considering a number of investment opportunities and will inform the market if any material agreements are concluded which result in further investments by the Company.

## Macau Property Sector News

### JLL: Slowing Macau property market in the second half of 2008 –

Property experts from Jones Lang LaSalle ("JLL") made predictions on the Macau property market during an interview conducted by China Daily:

#### Continued growth in high-end residential market

According to JLL, the high-end sector should continue to grow because of a supply shortage, as luxury properties currently account for just 17% of all properties in Macau. Jeff Wong, Head of Residential and Agency at JLL, concluded that high-end residential prices will grow by 5% in the second half of 2008, while high-end rents will grow by 7.7%, due to growing leasing demand from expatriates.

#### Gloomy mass residential market

The average price of residential properties in Macau will fall 10% in the second half of 2008, according to Mr. Wong. "The property market is being overshadowed by new policies, such as restraints on the issuance of new gaming licenses and restrictions on the Individual Traveller Scheme". He believes that 2008 transaction volumes will be down 35% compared to last year. Statistics from the Government also showed that residential transactions from January to May in 2008 dropped 34% year-on-year.

#### Slowing retail market

Although past data indicates that price and rent for prime high-street shops has increased by more than 9%, JLL is becoming more cautious on retail prospects. Marcos Chan, Head of Research at JLL in Hong Kong and Macau, believes that the retail market will slow down in the second half of 2008, due to 400,000 sq.ft. of new supply entering the market.

#### Tight office market

Gregory Ku, Managing Director of JLL, believes that with no office supply over the next two to three years, office rents and prices will remain stable in the second half of 2008.

**Macau property sector cools** – Investors are adopting a wait-and-see attitude as economic uncertainty and slowing prices push sentiment down, according to the Macau Classified Post. Many investors are unwilling to commit to property deals due to the uncertain economic conditions. The press quoted some property experts' comments on the Macau property market:

- Johnny Lai, Deputy General Manager of Colliers International (Macau), said that the market has cooled as some asking prices in the luxury sector have dropped 5-10% over the past 2 months.
- David Cheung, Executive Director of Vigers Appraisal and Consulting, said "the investment sentiments for luxury residential develop-

ments have to some extent cooled down due to the halt to issuing further casino licenses and the price increase over the past several years. Speculation sentiment is not very strong at the moment. Demand will depend on the flow of foreign investments into Macau and the rate of salary increase for locals."

- Ricacorp Macau Director Dennis Wong said there were "too many uncertainties" and investors were holding off to see how things "panned out". He believed it was necessary for luxury property market growth to slow down after moving at such a rapid pace in the final quarter of last year. He said "the market really needs to digest what happened last year; so many people have already put their money into Macau. There is no doubt the market is really stuck at the moment."

**MacauLand offers Manhattan apartments with sale lease-back** – According to the Classified Post, the Manhattan's developer MacauLand Developments ("MLD") has offered a lease-back programme to investors who bought property from the Group. Under the programme, MLD agreed to lease properties back from the buyer at an annual rent equivalent to 5% of the property's purchase price for 2 years. It was designed to encourage investors to keep their flats instead of selling them for profit.

**Taubman says tight credit conditions stall Macau financing** – The head of Taubman Centers (TCO.N) said that tighter credit conditions are stalling financing for Macau Studio City, according to the Macau Daily Blog and News. Macau Studio City, a massive casino, hotel and retail project, was due to have already completed US\$1.3bn in financing. Given that current capital market conditions and credit markets are difficult, the Taubman executive believes that financing will subsequently take much longer.

Taubman partnered with Hong Kong-based eSun Holdings Ltd (0571:HK) in acquiring a 25% interest in the retail portion of Macau Studio City on the Cotai Strip. The venture also involved Hong Kong's Lai Sun Development and Singapore's CapitaLand (CATL.SI). Leasing in the mall has been progressing well, with over half of the shopping centre committed and the majority of tenants having already posted deposits.

## Macau Business Sector News

**Macau's casino revenues rise 48% in the second quarter** – A 48% rise year-on-year in Q2 gaming revenues to US\$3.6bn was driven largely by growth in VIP baccarat play, according to Reuters. Compared to the same quarter last year, VIP baccarat revenues soared more than 52% to US\$2.5bn. The Macau Daily Blog said that Government revenues from gaming and gaming-related activities were US\$7.4bn in the first half of the year, representing about 70% of the total revenues received by the Government in 2007. VIP baccarat accounted for almost 70% of all gambling revenues in the first half year of 2008, according to the Macau Gaming Inspection and Coordination Bureau report.

**HSBC opens flagship branch in Macau** – HSBC officially opened its flagship commercial branch in Macau to serve a growing number of commercial customers. The branch is located on Level 15 at Macau Square and it functions as an SME Centre, a Commercial Transaction Centre and an International Banking Centre.

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 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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## Macau Business Sector News continued

**Macau step up entry restrictions on visitors from Mainland China** – The government intends to regulate the flow of mainland visitors in an attempt to cool spiralling growth in the gaming industry. According to a statement from Macau's Public Security Forces Affairs Department, commencing 1 August 2008, Chinese passport holders who have permission to visit Macau before heading to a third destination will only be allowed to stay for 7 days, instead of 14.

Those who return to China without proceeding to a third destination will only be allowed a 2-day stay if they apply using the same method again. In addition, from 1 September 2008, mainland residents who hold entry-exit permits for travelling to and from Macau and Hong Kong will no longer be able to enter the former Portuguese colony from Hong Kong.

**Wynn Macau increases revenues by 50%** – Wynn Resort (WYNN) said its brisk business in Macau and a tax benefit helped it to achieve higher profits in Q2, despite the economic downturn which dragged down revenue from its Las Vegas property. Wynn's 2Q08 earnings jumped to US\$272mn (US\$2.42 a share), from US\$89.6mn, or US\$0.82 a share for the same period a year ago. Adjusted to exclude a US\$140.7mn tax benefit, Wynn would have earned US\$1.11 a share. Wynn's reported revenue exceeded the average estimate of analysts polled by Thomson Reuters. Growth was primarily due to a more than 50% increase in revenues at Wynn Macau to US\$530mn.

**SJM listed in Hong Kong** – Macau tycoon Stanley Ho's gaming flagship Sociedade de Jogos de Macau (SJM) made its stock market debut in July. The IPO raised US\$494mn in a scaled back offering and subsequently dipped below its offer price of HK\$3.08 per share. Deutsche Bank, the book runner, took more than US\$40mn of the offering, as many investors had pulled their order due to the legal challenge by Winnie Ho, which was dismissed by the Hong Kong courts.

## Recent Economic News

**CPI Soared by 9.1% in June** – According to figures released by the Statistics and Census Service, the price index for personal consumption rose by 9.1% year-on-year, with the price indices of Food & non-alcoholic beverages, Health and Transport soaring by 18.6%, 14.1% and 12.9% respectively. Macau has experienced significant inflationary pressure over the last few months as figures showed that the average CPI for January to May in 2008 went up by 9.0% over the same period in 2007. Economists have queried that high inflation was partially caused by indirect indexation of Macau's currency against the US dollar via the Hong Kong dollar. However, Macau's Monetary Authority President recently stated to the Legislative Assembly that the elements that drove the inflation rate were not directly related to the exchange rate mechanism.

**Tourist arrivals climbed 22% y-on-y in June** – Visitor arrivals in June 2008 rose 22% year-on-year according to figures released by the Statistics and Census Service. Analyzed by mode of transport, the growth of visitors arriving by sea, land and air at Macau International Airport increased by 10.3%, 22.1% and 20.6% respectively.

## Companies with Macau Property Business Exposure

Company	Ticker	Price as at 30/07/08	Change since 17/11/06	Market cap (millions) <sup>(4)</sup>
Speymill Macau Property Co plc <sup>(1)</sup>	MCAU:LN	US\$0.59	-41%	US\$76
Macau Property Opportunities Fund Ltd	MPO:LN	£0.86	-14%	US\$179
Wynn Resorts Ltd	WYNN:US	US\$90.04	-4%	US\$10,070
Las Vegas Sands Corp	LVS:US	US\$43.88	-52%	US\$15,596
Melco PBL Entertainment (Macau) Ltd <sup>(2)</sup>	MPEL:US	US\$6.83	-64%	US\$3,006
Polytec Asset Holding Ltd	208:HK	HK\$1.46	-42%	US\$831
Shun Tak Holding Ltd	242:HK	HK\$6.20	-48%	US\$1,861
eSun Holdings Ltd	571:HK	HK\$1.61	-81%	US\$256
Galaxy Entertainment Group Ltd	27:HK	HK\$3.38	-59%	US\$1,706
SJM Holdings Ltd <sup>(3)</sup>	880:HK	HK\$2.83	-8%	US\$1,814

Note: (1) Speymill Macau Property Co plc listed on 17/11/2006 with IPO Price at US\$1 per share  
(2) The company listed on 18/12/2006  
(3) The company listed on 14/07/2006  
(4) Exchange Rate: US\$/HK\$ 0.1282 (as at 30/07/2008)  
US\$/GBP 1.9820 (as at 30/07/2008)

Source: Bloomberg

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