

## Speymill Macau Interim Results 2009

Speymill Macau Property Company announced its Interim Results for the six months to June 2009 on 8 September 2009.

### Business Highlights :

- Small valuation increase of 0.3%, on a like-for-like basis
- NAV of US\$1.08 per share, down less than 1% on Dec'08 value of US\$1.09
- Overall LTV of 48% and overall implied leverage of 65%
- AIA Tower, the only property with covenants on its debt, reporting an LTV of 52%, well within 70% covenant level
- Significant progress made on AIA Tower with 17 leases signed to date at an average 22% increase in reversionary headline rents
- Successful disposals at Nam Van Peninsula;
  - As of 30 June 2009, 3 apartment units and 2 car parking spaces fully disposed at an average of HK\$2,930 psf (US\$378 psf)
  - Since period end, further 3 units and 2 car parking spaces fully disposed at an average of HK\$3,121 psf (US\$403 psf)
  - Sales agreed on additional 15 units and all remaining car parking spaces, with deposits of 10% to 20% of purchase price received from buyers

Balance Sheet	30-Jun-09 (US\$'000)	31-Dec-08 (US\$'000)
Net assets	126,042	127,448
Net asset per share (US\$)	1.08	1.09
Total assets	325,992	328,498
Property assets	285,835	288,455

Income Statement	30-Jun-09 (US\$'000)	30-Jun-08 (US\$'000)
Rent and related income	4,199	0
Valuation gains/(losses)	861	(800)
Loss after tax	(1,450)	(2,792)
Basic losses per share (US cents)	(1.24)	(2.20)
Diluted losses per share (US cents)	(1.24)	(2.20)

The full interim report and investor presentation can be found on the company website at; <http://www.speymillmacau.com>

## Macau Policy Changes

Apart from the potential relaxation of travel restrictions, the two most discussed proposed policy changes affecting the gaming industry are junket operator commission caps and the potentially lower gaming tax.

### Macau Executive Council to Cap Junket Commissions

Regulation allowing the Financial Secretary of Macau to set a cap on commissions to VIP gaming junkets came into effect earlier this month. According to Goldman Sachs research, the cap should help improve operators' overall level of profitability. Reducing the commission rate from 1.35% to 1.25% could, in theory, increase gaming operators' VIP EBITDA margin from between 7% to 10%.

### Lower Gaming Tax Unlikely to be Approved Anytime Soon

According to Goldman Sachs research, the Macau government is unlikely to approve lowering of gaming taxes as it remains the government's main source of revenue. There have been concerns that Singapore may act as a potential competitor to Macau, especially given Singapore's lower gaming tax rate (12% vs. 39% in Macau). However, according to Goldman Sachs, there are several hurdles that make Singapore less competitive in the VIP market and the mass market in Macau is unlikely to be affected as it consists predominantly of day-trippers from Hong Kong and Guangdong province.

## Macau Property Sector News

### Zhuhai and Macau to Develop Hengqin

The Zhuhai authorities have revealed a detailed blueprint for the development of the Hengqin Island which borders Macau. The mayor of Zhuhai, Zhong Shijian, said that work had begun on transforming Hengqin Island into China's third new strategic zone, following Pudong in Shanghai and Binhai in Tianjin. The blueprint includes a massive gas terminal and gas-engine generator project, an ocean-themed entertainment centre and a branch of Macau's university, which will be able to be accessed directly via a dedicated tunnel.

Zhuhai authorities have said they want to see the island generate RMB\$56bn (US\$8.2bn) in annual GDP by 2020. They plan to attract investment from the 500 biggest foreign companies to the island and projects that the per-capita gross domestic product could total RMB\$120,000 by 2015, growing to RMB\$200,000 by 2020.

### Stable Market in 2H09, Mild Pick-up in 2010, according to JLL

According to Jones Lang LaSalle, the short-term economic outlook for Macau remains uncertain as discretionary travel expenses by individuals and business travelers are unlikely to increase before the global economy shows some signs of sustainable growth. Any solid recovery in the property market will have to be backed by sustainable economic growth. However, low interest rates coupled with a government subsidy on mortgage rates will help minimise the burden of end-users and investors, leaving the market with a limited chance of seeing another round of price corrections arising from fire sales. Residential capital values are expected to remain relatively stable in 2H09, with a mild pick-up in 1H10 should the global economy show signs of recovery.

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 Property Sector News

### Galaxy to pay MOP\$2.9bn for Cotai Property

The Galaxy Entertainment Group has agreed to pay the Macau government a land premium of MOP\$2.93bn for a site that covers 440,248 sqm with a total buildable gross floor area of 1.7 million sqm. Galaxy is building an integrated mega resort which includes two hotel towers, gaming and gaming related facilities and related leisure and entertainment facilities. Due to the global economic downturn, the company halted construction work and said it would postpone the opening of its resort until 2010. In June, Galaxy announced it would invest HK\$ 4bn this year to restart the external construction on its Cotai Strip complex.

## Macau Business Sector News

### Wynn IPO Over-subscribed

Wynn Resorts plans to close the institutional order book for its IPO of a portion of its Macau assets on the Hong Kong Stock Exchange a day early, according to Bloomberg news. Wynn Macau, the Macau subsidiary, anticipates offering 1.25 billion ordinary shares for 25% of the post-issuance capital base of Wynn Macau. The shares will be offered for between US\$1.10 and \$1.30 per share, representing a maximum offering size of about US\$1.63bn.

### Relaxation in China's Visitor Arrival Policy

According to various reports, China has quietly eased restrictions on its citizens travelling from Guangdong province to Macau. Guangdong residents are now allowed to visit the former Portuguese enclave once a month, up from two trips a year under previous rules. According to Goldman Sachs, this could underpin a recovery in both tourist arrivals and gaming revenue growth in the final quarter of 2009.

### SJM Sees Macau Revenue on the Rise

Macau casino operator SJM Holdings said its first-half net profit fell 40.8% from a year earlier, as gaming revenue declined due to increased competition and Beijing's visa restriction on visitors from the mainland. But the company stated that the 2H09 has "started well, with total gaming revenue in Macau rising significantly". The company believes it will continue to lead Macau's gaming market, after increasing its overall market share to 29.6% in 1H09.

## Macau Economic Data

### Record Gaming Revenue in August

The Census and Statistics Service showed that mass-market gaming revenue has held up in 2009 which implied higher spending per visitor, driven by the spillover effect from a better macroeconomic environment, according to Goldman Sachs research. August gaming revenue reached a record MOP\$11.27bn. As a result, Goldman Sachs has revised their gaming revenue forecasts from -5% to -2% for year 2009, implying a 10% increase for 4Q09.

## Companies with Macau Property Business Exposure

Company	Ticker	Market Cap (millions) <sup>(4)</sup>	Price as at 25/09/09	Change since 01/01/09	Change since 17/11/06
Speymill Macau Property Co plc <sup>(1)</sup>	MCAU:LN	US\$77.69	US\$0.67	177%	-34%
Macau Property Opportunities Fund Ltd.	MPO:LN	US\$158.46	£0.95	66%	-5%
Wynn Resorts Ltd.	WYNN:US	US\$8,648.76	US\$70.25	66%	-25%
Las Vegas Sands Corp.	LVS:US	US\$11,621.68	US\$17.60	197%	-81%
Melco PBL Entertainment (Macau) Ltd. <sup>(2)</sup>	MPEL:US	US\$3,904.95	US\$7.42	134%	-66%
Polytec Asset Holding Ltd.	208:HK	US\$778.77	HK\$1.36	172%	-46%
Shun Tak Holding Ltd.	242:HK	US\$1,584.63	HK\$6.07	185%	-49%
eSun Holdings Ltd.	571:HK	US\$198.47	HK\$1.24	19%	-85%
Galaxy Entertainment Group Ltd.	27:HK	US\$1,803.47	HK\$3.55	235%	-57%
SJM Holdings Ltd. <sup>(3)</sup>	880:HK	US\$2,799.30	HK\$4.34	212%	43%

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 27/08/2009)  
US\$/GBP 1.621 (as at 27/08/2009)

Source: Bloomberg

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