

Macau Property Sector News

Macau Expert Cautious on Near-Term Residential Growth Expectations

– Lok Wai Dak, Executive Vice President of Real Estate Association of Macau, said the local property market has entered an adjustment period and property prices could drop by 12-15% during the second half of this year, particularly in Taipa. This will be largely driven by the Government restrictions to new development in the gaming sector, and Mainland China's tightening on its First Individual Travel Scheme. This adjustment appears to coincide with the Mainland, Mr. Lok stated, and is expected to cease at the end of this year, so property prices will not fluctuate unduly.

According to Mr. Lok, property transactions grew by 30% annually between 2003 and 2007, while property prices also rose by 30% annually. New properties are currently priced at an average of HK\$ 2,500 per square foot or more, with high-end properties priced between HK\$ 6,000 and HK\$ 8,000. The market has been influenced by external economic factors this year and the property market is in adjustment, with average total return for properties expected to fall between 5% and 8%. In this backdrop, prices of an average residence in Taipa and high-end residences register a more marked fall, with some high-end residences falling by more than 15%, while prices in Macau Peninsula are expected to remain largely stable. Despite this, the residential leasing market has remained buoyant.

Jones Lang LaSalle - Impact of Restrictive Measures on Gaming Sector in Macau Will Be Moderate

– Marcos Chan, Jones Lang LaSalle's Head of Research, said that with existing casino facilities Macau is able to serve a much larger number of visitors. Therefore, the impact of the recent restrictive measures on the gaming sector will affect sentiment rather than adversely impact the economy. The construction sector will probably be the hardest hit of all the major GDP components but the impact will be mild as a slowing construction sector has been anticipated by the market following a contraction in 4Q 07 and most of the previously approved projects are unaffected by the new measures. For the property sector, the high-end residential market will maintain its good shape with the ongoing housing demand from expatriates working for the casinos. The mass market will face some consolidation pressure after the completion of the current construction projects but a sizable price correction is unlikely with the current tight supply."

MPO Results Highlight Massive Bet on One Central – MPO results showed that its 'Net Realisable Value' rose by 27% to US\$2.82 (141p) per share as its holdings in One Central rose by 25% to HK\$8,207 per square foot. This single asset now represents 68% of its property portfolio. Due to the jump in its Adjusted NAV or Net Realisable Value, management earned a US\$14m performance fee, without having realised a single investment since IPO. NAV as defined by IFRS stood at US\$1.63 (81.5p) per share, 18% down from its listing price per share.

Macau Business Sector News

Fuel Levy Wiped Out – A Government proposal to scrap all fuel levies which should assist to reduce operation costs for taxi drivers and casinos was approved by the Legislative Assembly in early August 2008. Secretary for Economy, Francis Tam, told lawmakers that the levy exemptions would reduce government revenue by MOP\$ 155 million next year and allow the inflation rate to drop by 0.3% in Macau. Mr. Tam said "The Government decided to drop the levies in order to increase the competitiveness of Macau's tourism, catering and convention services as well as to relieve pressure on the transport and logistic industries brought by soaring operation costs due to rising

international fuel prices, for instance, the price of diesel has soared 60% since 2006 according to the Macau Taxi Driver Mutual Association. Additional restrictions on the flow of tourists from the mainland to Macau, transport operators have been facing a difficult environment due to soaring fuel prices.

Macau to Diversify – The Business Times reported that the future of the Macau casino industry faced looming threats as China's government is attempting to slow the casino industry's expansion by restricting mainlanders' visits. To diversify from gaming, a substantial supply of retail, meeting and convention facilities will be released to the market. Sheldon Adelson, chairman of Las Vegas Sands, said that "Upon completion, the Cotai Strip will be the world's top convention and exhibition hub. Even the combined space offered in Shanghai and Beijing is of no competition".

LVS Results Fail to Sparkle – The capital markets appear to have lost their previously voracious appetite for casino stocks. Las Vegas Sands (LVS) reported a second-quarter loss of US\$8.8 million, attributed to the increased interest costs of loans underpinning developments in Macau. The Business Times also reported in its later journal that in view of the threat the casino industry will be faced with in the foreseeable future, LVS was in full gear to spice up the Cotai Strip scene by adding entertainment and retail elements, in a bid to cut dependence on its gaming-driven revenues. William Weidner, President and Chief Operating Officer of LVS, told the journal that "We are changing Macau from a gaming-centred to a multi-faceted destination; and it is expected that in 2010, non-gaming activities will account for 45% of all Cotai Strip's profits, up from this year's estimation of 40%. Also, when Cotai takes shape, gaming floor area will take up only 3% of the total floor space, leaving the bulk to non-gaming businesses".

Macau Casinos Could Benefit From Loosening of Travel Restrictions Between China and Taiwan – According to the Associated Press, Jefferies' Research analyst said Macau casinos could benefit from new regulations allowing direct flights between mainland China and Taiwan. They believe the gambling enclave has long served as a stopover between the two regions, restricting the Macau airport's capacity, and the new regulations would allow it to handle more incoming passengers.

Macau Casino Revenue Rose 44% in August Despite Visa Restrictions – South China Morning Post reported that Macau casino revenue rose 44% y-o-y to MOP\$ 9.6 billion in August 2008, despite August being the third month of Beijing's measures to curtail the numbers of mainlanders visiting the city. Despite the central Government's imposed travel restrictions, JP Morgan analyst Billy Ng believes that "The impact of the tightening of the Individual Visitation Scheme has been limited and travellers or gamblers have been able to find alternative ways, such as using group travel visas, to visit Macau."

Wing Hang Bank Expects Earnings Growth in Macau – Last month the global debt rating agency maintained its ratings on Wing Hang's Long-term Issuer Default Rating (IDR) at "A-" which could prove to be a good decision as Hong Kong's Wing Hang Bank said it expected Macau and Mainland China will deliver 40% of its overall profits by the 2010 fiscal year. Overall profit for Wing Hang's Macau banking operations was HK\$ 188 million, while profits from its mainland business rose 32.9% to HK\$ 90 million. In releasing the first half results, Wing Hang Chairman and Chief Executive Patrick Fung Yuk-bun said he expected growth rates for Macau and the mainland would remain higher than for Hong Kong in the 2Q 2008 of this year, but the pace would slacken.

To read previous editions of Macau Monthly Monitor, please go to: 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

825 New Businesses in Q2 2008 – Information from Statistics and Census Bureau revealed the number of new companies which were set up in Macau in the 2Q 2008 has shown a decrease from the same period last year. A total of 825 new companies were created in the 2Q 2008 with a total investment of MOP\$ 99 million which represents a 15.8% drop in numbers on the same period last year, albeit with a slight 0.2% increase in investment capital. Among the new companies established, the majority were from the Wholesale and Retail sector which accounted for 31% of the total, while Business Services and Construction accounted for 19.4% and 17.8%, respectively.

Recent Economic News

GDP Growth Expectations of 15% – Francis Tam Pak Yuen, Secretary for Economy and Finance, said to the Macau Post Daily that he expected Macau's Gross Domestic Product to grow 15% in real terms this year. He predicted that in the second quarter of this year, the growth slowed down to 21.1%, against a real growth rate of 31.6% in the first quarter and he believes that the gross gaming receipts will slow in the third quarter. He indicated that the government would continue its efforts to develop Macau into a regional entertainment destination and services hub. He also said that the gaming sector was currently experiencing a "consolidation phase".

Foreign Reserve Rise to MOP\$ 118 billion – The Monetary Authority of Macau estimated MOP\$ 118.5 billion of foreign exchange reserves at the end of June. Reserves increased by 1.8% from the revised value of MOP\$ 116.4 billion for the previous month and by MOP\$ 28.9 billion or 32.3% from a year ago. At end of June, the trade-weighted effective exchange rate index of the Pataca, a gauge of the currency's exchange rates against the currencies of Macau's major trading partners, had dropped 0.24 points from the previous month and 5.03 points from a year earlier.

CPI up 8.7% y-on-y in August – The Composite Consumer Price Index rose 8.7% y-o-y in Aug according to the figures released by the Statistics and Census Service. The data indicated that the Composite CPI for August reached 125.79, of which the price indices of food and non-alcoholic beverages, health and transport soared 18.37%, 14.36% and 9.86% respectively.

Companies with Macau Property Business Exposure

<u>Company</u>	<u>Ticker</u>	<u>Price as at 26/09/08</u>	<u>Change since 17/11/06</u>	<u>Market Cap in US\$ (\$million)</u>
Speymill Macau Property Co plc ⁽¹⁾	MCAU:LN	US\$0.51	-49%	US\$59.58
Macau Property Opportunities Fund Ltd	MPO:LN	£0.87	-13%	US\$204.35
Wynn Resorts Ltd	WYNN:US	US\$84.97	-10%	US\$8,815.30
Las Vegas Sands Corp	LVS:US	US\$38.25	-58%	US\$13,596.57
Melco PBL Entertainment (Macau) Ltd. ⁽²⁾	MPEL:US	US\$4.08	-79%	US\$1,795.94
Polytec Asset Holding Ltd	208:HK	HK\$0.78	-69%	US\$443.53
Shun Tak Holding Ltd	242:HK	HK\$2.74	-77%	US\$816.39
eSun Holdings Ltd	571:HK	HK\$0.92	-89%	US\$146.22
Galaxy Entertainment Group Ltd	27:HK	HK\$1.80	-78%	US\$908.06
SJM Holdings Ltd ⁽³⁾	880:HK	HK\$1.82	-40%	US\$1,165.71

Note:

(1) Speymill Macau Property Co plc listed on 17/12/2006 with IPO Price of US\$1 per share.

(2) The company listed on 18/12/2006

(3) The company listed on 16/07/2008

(4) Exchange Rate: US\$/HK\$ 0.1287 (as at 26.9.2008)

US\$/GBP 1.8020 (as at 26.9.2008)

Source: <http://www.bloomberg.com>

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