

Macau Chief Executive Takes Office

Macau's new Chief Executive, Fernando Chui Sai On, was sworn in on 20 December 2009 for a five-year term by Chinese president Hu Jintao during the 10th anniversary celebration of Macau's return to mainland China. In his inauguration speech, Fernando Chui vowed to "actively promote the diversified development [of Macau's economy] at an appropriate level." He added that while Macau continues to enhance regulation on the gaming industry, the SAR (Special Administrative Region) will put greater emphasis on convention, exhibition, logistics, cultural and creative industries as well as upgrade and transform traditional industries. Mr. Chui promised that under Macau's new administrative management more importance will be attached to social consultation and the building of a clean government through the improvement of officials' accountability system. He added that a fiscal reserve system will be built. The Chief Executive ended by expressing his gratitude to the central government for the conferment of a pair of pandas to Macau.

Macau Property Sector News

Asia Pacific Weathers the Storm, but are the Waters Clear?

A little over a year after the failure of Lehman Brothers precipitated a global financial and economic collapse, asset markets in the Asia Pacific region are holding up well compared to their peers in Europe and the US, according to the Emerging Trends in Real Estate Asia Pacific 2010 report jointly produced by the ULI (Urban Land Institute) and PwC. Markets across the Asia Pacific Region have been lifted in 2H09 by the remarkable resilience of the Chinese economy, which has been buoyed by a series of fiscal and monetary stimulus measures. China aside, the rebound in most Asia Pacific markets seems tentative and fragile.

Approximately 80% of China's GDP growth in 2010 will be generated by public and private sector construction projects financed by bank and state borrowing, according to the World Bank. This is good for the Asia Pacific region, which relies on Chinese purchases of regional components and commodities. But there are also significant drawbacks, firstly, China may now be experiencing a new growth bubble that will have to be dealt with later, and secondly, that China is unlikely to be a new driver of organic global economic growth anytime soon.

According to the report, bank financing in Asia will remain limited in 2010. Lending data shows that the pace of commercial bank lending growth in Asia during 1H09 was actually lower than 2H08, when global financial systems seized up. Financing tends to go to bigger, more creditworthy borrowers with whom the banks have existing relationships and even then, spreads have ballooned while LTV ratios have shrunk.

While the recovery in the Asia Pacific region, as a whole, remains a blurred picture, China's recovery is set to continue. This is reflected by the fact that the top three cities for investment prospects in 2010, according to the ULI report, are Chinese; Shanghai, Hong Kong and Beijing, respectively. Seoul and Singapore complete the top five spots. Overall, residential properties were the most favoured real estate sector for both investment and development prospects.

Macau Property Sector News (cont'd)

Home Prices to Rebound in 2010, according to JLL

According to an article published in Ming Pao, Macau's home prices could rebound next year. Citing Jones Lang LaSalle, the article claims prices of small to medium-sized apartments could rise by 10% while larger luxury homes could rise by 5%. Demand for homes has risen since 2Q09 on the back of the local government stimulus.

Sands to Complete Macau Project in 2011

Sheldon Adelson, chairman of Las Vegas Sands (LVS), has said the company will restart construction on the Cotai Strip in Macau in 2Q10, with the first two phases of the project due for completion by the end of 2011. The entire Cotai development will be completed within five years, depending on the pace of approvals obtained by the company.

LVS will inject a further US\$500m into the project, sourcing it from funds raised from the Sands China IPO. LVS's Cotai developments were halted in November 2008 due to a lack of funding amidst the credit crunch. Upon completion of the entire project, the Cotai Strip will be home to over 20,000 hotel rooms, 1.6m sq ft of meetings and convention space and retail malls spanning over 2m sq ft.

SJM's Oceanus Opens its Doors

SJM's newest casino, Oceanus, opened its doors in December 2009 with 260 mass-market gaming tables and 560 slot machines spread across three floors. According to SJM, Oceanus is targeted at the "pure mass market" — those who come to visit Macau only for a few hours. The Oceanus has no hotel rooms and only basic amenities are available. A covered footbridge connects the casino to Macau's main ferry terminal.

Macau Business Sector News

Macau's New Leader Set to Cool Boom

The 10th anniversary celebration of Macau's return to the motherland was held this month. According to Larry So, a political commentator and professor of social work at Macau Polytechnic Institute, "Mr. Chui's job is to stabilize growth". Similarly, the Wall Street Journal reported that Fernando Chui's job was to stabilise growth in China's booming gaming capital. It was of the view that Beijing's leaders were concerned about social instability and alarmed at the vast amount of mainland Chinese money that ends up on Macau's baccarat tables. The WSJ believes that Beijing will urge local leaders to embrace slower and steadier growth.

Construction Begins on Hong Kong—Macau—Zhuhai Bridge

Construction has finally begun on the much awaited Hong Kong—Macau—Zhuhai bridge this month, according to a research report from CB Richard Ellis. The bridge will span some 50km, of which about 35km will be built over sea, making it the world's longest cross-sea bridge once it is completed. The project is estimated to cost approx. US\$10.7bn and is being jointly constructed by the three jurisdictions. Upon completion, travel times from Hong Kong to Macau is expected to take approx. 20 mins while a trip to Zhuhai will add an additional 10 mins. The bridge is expected to take about 6 years to complete.

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 Plc (AIM: SYG). The Investment Adviser is a wholly owned subsidiary of the Manager.

To read previous editions of Speymill Macau Monthly Monitor, please go to: www.speymillmacau.com (News & Reporting, Miscellaneous)

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Macau Business Sector News (cont'd)

Japan Lacks Initiative to Legalise Casinos

According to Universal Entertainment, a pachinko manufacturer and the biggest shareholder of Wynn Resorts, Japan's government lacks the will to legalise casinos, a move that could generate tax revenue at a time when slumping corporate profits have depleted such receipts.

According to Felix Ling, a previous consultant to the Singapore Government; revenue per visitor to Las Vegas is about US\$690, or less than half the estimated US\$1,900 value per visitor to Japan, according to Bloomberg calculations using the government's data and the IMF's population estimates. Legalising casinos could make Japan the world's biggest gambling market, on a per capita basis, according to Ling.

Macau Implements Digitised Immigration System

Macau began implementing a new digitised immigration system in December. The system is similar to that already being used in Hong Kong and residents of the two SARs will be able to bypass queues at the immigration counter and clear immigration by simply scanning their Hong Kong ID Cards or Macau ID Cards, respectively. With the introduction of this system, Hong Kong residents will be able to clear Macau immigration, and vice versa, in mere seconds.

Harrah's Chief Seeks to Bring Caesars Palace to Macau

Gary Loveman, CEO of Harrah's Entertainment, is hoping to bring the Caesars Palace brand to Macau, according to a Businessweek article. However, with only 6 operating licenses available, entering the market would require Harrah's to work with an existing operator.

Macau Economic Data

Macau Gaming Revenue up 59% y-o-y in November

November gaming revenues came in at MOP\$12bn (US\$1.55bn), up 59% from a year earlier, according to analyst reports citing Portuguese new agency Lusa. Macau has seen a dramatic rebound in gaming so far in the second half of this year and 2009 is widely expected to set a new record for annual gaming revenue.

Visitor Arrivals up 2.7% y-o-y

Total visitor arrivals to Macau increased 2.7% in November from a year earlier, according to DSEC. Visitor arrivals slipped 7.1% for the first ten months of the year compared to the same period in 2008. Mainland Chinese visitors accounted for 53.8% of arrivals.

Bad Year for Hotel and Restaurant Workers

The number of paid employees engaged in the hotel and restaurants sector in 3Q09 dropped 4.4% from a year earlier, according to the Monetary Authority of Macau. The average earnings for full-time employees in the sector amounted to MOP\$9,960, a y-o-y decrease of 1.4%. This has been exacerbated by the Macanese government's reluctance to renew or grant work visas to migrant workers.

Companies with Macau Property Business Exposure

Company	Ticker	Market Cap (millions) ⁽⁶⁾	Price as at 24/12/09	Change since 01/01/09	Change since 17/11/06
Speymill Macau Property Co plc ⁽¹⁾	MCAU:LN	US\$71.26	US\$0.61	154%	-39%
Macau Property Opportunities Fund Ltd.	MPO:LN	US\$183.23	£1.10	93%	10%
Wynn Resorts Ltd.	WYNN:US	US\$7,311.74	US\$59.39	-6%	-37%
Las Vegas Sands Corp.	LVS:US	US\$10,122.75	US\$15.33	-3%	-83%
Melco PBL Entertainment (Macau) Ltd. ⁽²⁾	MPEL:US	US\$1,805.12	US\$3.43	-17%	-84%
Polytec Asset Holding Ltd.	208:HK	US\$975.24	HK\$1.69	2%	-33%
Shun Tak Holding Ltd.	242:HK	US\$1,254.90	HK\$4.77	3%	-60%
eSun Holdings Ltd.	571:HK	US\$166.13	HK\$1.03	-1%	-88%
Galaxy Entertainment Group Ltd.	27:HK	US\$1,649.95	HK\$3.22	-4%	-61%
SJM Holdings Ltd. ⁽³⁾	880:HK	US\$2,801.50	HK\$4.31	13%	42%
Wynn Macau Ltd. ⁽⁴⁾	1128:HK	US\$6,575.16	HK\$9.75	-10%	-10%
Sands China Ltd. ⁽⁵⁾	1928:HK	US\$9,813.57	HK\$9.38	1%	1%

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) The Company was listed 09/10/2009

(5) The Company was listed 30/11/2009

(6) Exchange Rate: US\$/HK\$ 0.13 (as at 24/12/2009)

US\$/GBP 1.59 (as at 24/12/2009)

Source: Bloomberg

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