

Macau Election Builds Up

Election Momentum Picking Up – The election seeking Macau's third chief executive will be held on 26 July. The new chief executive's term will begin in December, when the current incumbent's second, and constitutionally final, five-year term ends. According to the South China Morning Post, Secretary for Social and Cultural Affairs, Fernando Chui Sai On, 52; Secretary for Economy and Finance, Francis Tam Pak Yuen, 60; and Macau's Chief Prosecutor, Ho Chio Meng, 54, are widely tipped as frontrunners for Macau's top post.

Particular attention has been focussed on Mr. Chui Sai On, who announced his decision to run for the office of chief executive after tendering his resignation. By law, SAR government and judicial officials who intend to run for the top job must resign from their posts before the start of the nomination process.

Update as of 26 May 2009 – Nomination forms were officially released by the Chief Executive Election Coordination on 25 May, with the verified forms to be returned by 12 June. The Macau Daily reported that five people were present to collect the form on the first day. In addition to the three aforementioned candidates, the other runners were Lei Kuong Un, who described himself as a Chinese medical practitioner, and Ng Loi Un, a 40-year old croupier working for Galaxy who declined to provide further personal details.

Macau Policy Update

Government Seeking Public Input on Harbour Rail Link – The government of Macau is consulting the public on construction of a 5km rail link through the city's inner Harbour area. It is a phase 2 development which would be an extension of a planned 20km elevated rail line. According to the Transport Infrastructure Office, an underground line, an elevated line and an undersea coastline tunnel are being considered for this phase. According to official estimates, development cost of an underground line would cost between MOP\$5–5.5bn, while an elevated line would cost between MOP\$3.5–4bn and an undersea tunnel would cost between MOP\$6–6.5bn.

The 5km line will run along the western side of the peninsula, forming a loop with phase one and linking the Border Gate checkpoint, Liha Verde, Ponte 16 and the A-Ma Temple. The Ha Wan area is also expected to be regenerated in terms of accessibility.

According to official plans, the line would have a stop very close to Speymill Macau's 'Lorcha' investment.

Macau Granted Better Access to Chinese Mainland – The central government will "unswervingly support Macau to overcome its difficulties and maintain a stable economic development," said China's Premier Wen Jiabao while meeting with Macau's Chief Executive Edmund Ho Hau Wah in Beijing. China's central government has stepped up its move to open the vast mainland market to Macau through a series of policy measures. During the visit, the Secretary for Economy and Finance of Macau signed the Supplementary VI to the Mainland and Macau Economic Partnership Arrangement (CEPA6) with the central government. The new measures included in the Supplementary VI, which will take effect on Oct. 1, 2009, are mainly concerned with the MICE industries (Meeting, Incentive, Convention, Exhibition), and medical services.

Government Down Payment Guarantee Scheme Approved – The Macau governments proposed down payment guarantee scheme has been approved by the Legislative Council. For residential properties below MOP\$3 million and purchasers who did not purchase any properties within the past 3 years, the government has agreed to act as a guarantor for an initial deposit of up to 20% of the property price. The purchaser has to pay a deposit of at least 10%. The government will guarantee the deposit for a maximum of 15 years. In total, the government could guarantee up to MOP\$700m of deposits, which equates to assistance for approx. 1,100 families with home mortgages.

Macau Business Sector News

Three Flights to Tokyo per week in 2010 – Japan has signed an agreement with Macau to allow flights from the SAR to all cities in Japan starting from March 2010. Meanwhile, Air Macau announced that it has teamed up with Air China to offer flights from Macau to seven European destinations via Beijing, namely Rome, Paris, London, Munich, Frankfurt, Madrid and Moscow. Passengers will be able to check their luggage in to Europe without having to go through immigration and customs procedures in Beijing.

On the other hand, South China Morning Post reported that the number of Macau International Airport passengers dropped 22% yoy in the first four months of 2009 to 1.43 million. It will take time for international travellers arriving in Macau directly by air to grow. "Regional competitiveness is a current international trend. As a whole economic region, we are facing the challenge of competing with other counterparts," said Tang Ji-zong, director at Macau Association of Economic Sciences.

City of Dreams to Open on June – Melco Crown Entertainment announced that its City of Dreams will open its initial phase on 1 June 2008. This urban-integrated entertainment resort on the Cotai Strip in Macau will comprise 3 separate world-class hotels. The first phase coming to market will feature a 420,000 sq ft casino with about 520 tables and 1,350 gaming machines while the Crown Towers Hotel will provide approx. 300 luxurious guest rooms.

Sands Cuts Further 4,000 Jobs in Macau – Revenue at LVS's flagship Venetian Macau complex increased in 1Q09 to US\$484m, a modest 6.1% gain from a year ago. EBITDA improved 10.3% to US\$119m, pushing its EBITDA margin to 24.7%, from 23.8% the previous year. Despite the positive news, LVS has had to cut some 20-25% of its workforce in Macau based on the headline number. LVS has been forced to make the cuts in an effort to comply with the terms of its US\$3.3bn in Macau loans. Its Macau operations have in recent months moved uncomfortably close to breaching its "maximum leverage covenant", which caps LVS's debt to EBITDA ratio at 4.0x for the first half of this year. This falls to 3.5x in 2H2009 and 3.0x from 2010 onwards. According to the South China Morning Post, LVS's Sands Macau made EBITDA of approx. US\$217m in 2008. This suggests an annualised EBITDA of approx. US\$695m from its Macau operations and a need to cut costs by some US\$130m, based on a 4.0x debt to EBITDA ratio.

Early signs of stabilisation, says Goldman – In a recent research note Goldman Sachs sites the spillover effect from better macro outlook and credit expansion in China as the reason for turning more positive on Macau's gaming sector. Goldman also expect the City of Dreams opening on the first of June to attract tourists, just as the Venetian did in 3Q07. On the back of its gaming sector upgrade, Goldman also expects the macro recovery in Macau to support an improved outlook for its property market.

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 Economic Data

Property Transactions Down 16.9% in Q1 – Stamp duty records show 1,664 building units were sold in Macau in 1Q2009, down 16.9% qoq, according to the Statistics and Census Service. Given the stagnant property market, the total value of property traded dropped 20.5% qoq to MOP\$2.13bn. Among them, there were 801 residential units sold for a total value of MOP\$1.27bn with an average home price fall of 5.3% to MOP\$1,590 psf.

Recovery on the way? – According to local agencies Centaline and Midland, evidence suggests that the Macau residential market is recovering from its Q1 low, with significant improvements in both transaction volumes and valuations during April and May of 2009.

April Gaming Market Share – SJM continued to be the market leader, with a share of 31% (up from 29% in March), followed by Las Vegas Sands, with a market share of 26%, WYNN at 14%, Galaxy at 12%, MPEL at 9% and MGM at 8.5%. Gross receipts for the first four months of the year dropped by 12% to MOP\$34.4bn on the same period last year.

Gaming Gross Receipts Decline in April – Macau's casino gross receipts dropped 8.5% yoy to MOP\$8.3bn in April, according to figures released by the Gaming Inspection and Coordination Bureau. It is the sixth consecutive month that casino revenues have declined.

Total Visitation Down 3.5% yoy in April 2009 – A 3.5% yoy decline in visitor arrivals was observed by the Census and Statistics Services in April 2009. During the month, visitors arriving from Mainland China dropped 13.5% on an annual basis, while those coming from Taiwan and Malaysia fell 6.6% and 24.1% respectively in April. However, visitor arrivals increased 16.4% from Hong Kong, 5.6% from Thailand, 4.5% from the Philippines and 23.3% from Singapore.

Visitor Accommodation Statistics in Macau – According to Macau's Statistics and Census Service, average hotel occupancy rates declined by 3.1% yoy to 72.6% in March 2009 with four-star hotels leading occupancy rates at 86.4% during this period. This could be attributed to the lessening demand for top quality accommodation from tourists, as the statistics showed that the number of guests staying in local hotels and similar establishments in March rose 5.9% yoy with 55.7% of guests from mainland China and 18.7% from Hong Kong.

Visitors Spending Less in Macau – 'Macau Daily' reported that per capita spending of visitors decreased 5% yoy to MOP\$1,638 in the first quarter of 2009. Per-capita spending of mainland Chinese visitors still took the lead at MOP\$3,948. The per-capita shopping spending dropped by 11% to MOP\$657, with expenses on local food and clothing declining by 32% and 20%, respectively.

Companies with Macau Property Business Exposure

Company	Ticker	Market Cap (millions) ⁽⁴⁾	Price as at 25/05/09	Change since 01/01/09	Change since 17/11/06
Speymill Macau Property Co plc ⁽¹⁾	MCAU:LN	US\$47.31	US\$0.41	69%	-60%
Macau Property Opportunities Fund Ltd.	MPO:LN	US\$88.01	£0.74	30%	-26%
Wynn Resorts Ltd.	WYNN:US	US\$4,411.49	US\$35.85	-15%	-62%
Las Vegas Sands Corp.	LVS:US	US\$5,905.84	US\$8.96	51%	-90%
Melco PBL Entertainment (Macau) Ltd. ⁽²⁾	MPEL:US	US\$2,710.28	US\$5.59	76%	-74%
Polytec Asset Holding Ltd.	208:HK	US\$486.73	HK\$0.85	70%	-66%
Shun Tak Holding Ltd.	242:HK	US\$1,271.88	HK\$4.33	103%	-64%
eSun Holdings Ltd.	571:HK	US\$180.86	HK\$1.13	9%	-87%
Galaxy Entertainment Group Ltd.	27:HK	US\$1,143.05	HK\$2.25	112%	-73%
SJM Holdings Ltd. ⁽³⁾	880:HK	US\$1,644.75	HK\$2.55	83%	-16%

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 25/05/2009)
US\$/GBP 1.5815 (as at 25/05/2009)

Source: Bloomberg

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