

Speymill Macau Announcement

Speymill Macau Property Company announced on 26 June that it posted a notice convening a requisitioned extraordinary general meeting to consider and, if thought fit, pass ordinary resolutions to replace the existing board of directors entirely with representatives of Worldwide Opportunities Fund (Cayman) Ltd. The meeting will be held on Tuesday, 21 July 2009 at 11:00am at the Company's registered office, Third Floor, Britannia House, St George's Street, Douglas, Isle of Man IM1 1JE. In the notice to shareholders the board of directors of Speymill Macau recommended that shareholders VOTE AGAINST ALL the resolutions that are proposed for the reasons argued in the accompanying circular, as they intend to do in respect of their own beneficial holdings. The notice and accompanying circular are available on the Company's website.

Macau Election Special

Fernando Chui Sai On Set to Assume CEO Role – Fernando Chui Sai On, the previous Secretary for Social and Cultural Affairs in Macau is currently the sole candidate in the Macau CEO election which is scheduled to take place on 26 July 2009. According to the Macau Daily, Mr. Ho Chio Meng, a rival candidate and Procurator General of Macau, had not resigned from his current official post, a pre-requirement to qualify as a candidate and is thus ineligible to run for election. It is generally believed that Fernando Chui Sai-on, a US-educated Macau native, will run unopposed in the election.

Challenges facing the incoming Macau CEO include issues of "Transparency" and "Gaming Industry Competitiveness" :

- Reuters expressed views that Macau's incoming leader should make more of an effort to build a transparent government. Reuters also reported industry concerns to have more regulation on junket operators who currently dominate the highly lucrative VIP market.
- *"For the gambling industry to reach a natural, healthy level you need to invest greater resources so that the economy is more diversified.....We all hope that the new governing team can further regulate the gaming industry, to improve the system,"* Ambrose So, CEO of SJM Holdings, the casino flagship of gaming tycoon Stanley Ho, told Reuters.
- Some analysts have said the Macau Government would face pressure to cut gaming taxes to around 39% in order to boost the profit margin of casino operators and improve overall competitiveness versus Singapore, whose upcoming mega-casinos will be taxed far less. *"The current casinos are not generating very superior returns. So at the moment, there's very little incentive for the existing casino operators to invest in Macau,"* said Aaron Fischer, the Asian head of gaming research for CLSA Asia.

Macau Property Sector News

Default on Tower 4 Investment by Icelandic Fund – Shun Tak announced that Sjova-Almennar tryggingar hf, an Icelandic investment firm that bought Tower 4 of One Central Residences in 2006, has agreed to cancel its Sale and Purchase agreement. It purchased-

Macau Property Sector News (cont'd)

68 units occupying roughly 168,000 sq ft. in Tower 4 of One Central for approx. HK\$782.7m, or HK\$4,410 psf. It might have to forfeit on the majority of HK\$222m deposited with Shun Tak and Hong Kong Land in late-2006.

View from Shun Tak – *"Taking up the properties by cancelling the Sale-and-Purchase agreement will provide an opportunity for the group to realize an attractive return and ... to benefit from the positive outlook of the property market,"* Shun Tak said in a statement. Shun Tak added that it would fit out all the units in Tower 4 and make the units available for sale by the end of this year with an asking price of HK\$5,000 psf. At present, Shun Tak still has 15 featured units in the other towers of One Central Residences. Similar featured units have, in the past, sold at between HK\$12,000 to HK\$13,000 psf.

View from Morgan Stanley –

Apart from the cancellation fee the fund paid to the developer of One Central Residences, Morgan Stanley was of the view that such defaults could be a "blessing in disguise for Shun Tak" for three reasons:-

- Shun Tak could keep the deposit (more than HK\$100 million) as an exceptional gain;
- Shun Tak could resell it a later stage at a higher price, assuming a price increase is sustained;
- Shun Tak could fill up earnings gaps in 2010/11 with the sale of Tower 4 and service apartments.

Macau Business Sector News

Airlines Cutting Back on Service to Macau – Flight cancellations by airlines serving Macau have soared in the wake of the financial crisis, as hard-hit carriers struggle to respond to plunging cargo volumes and passenger traffic. According to the South China Morning Post, China Eastern Airlines has cancelled all of its scheduled flights to and from the gaming hub in the first three months of the year. In addition, Fujian-based Xiamen Airlines slashed 59% of Macau flights, while Malaysia Airlines and Air Macau have cancelled 38% and 9% of Macau bound flights respectively. In the first four months of the year, passenger traffic in Macau fell 21.7% from a year ago according to figures released from Macau International Airport. Visitor arrivals by plane and helicopter accounted for 7.9% of Macau's total visits in April, while 41.8% of visitors arrived by sea and 50.3% by land.

Given the stagnant air freight industry performance, TAP Portugal Airline, which owns a 20% stake in Air Macau, has stated it's intention to sell its entire interests in Air Macau. Air Macau has been struggling for a while due to the launch of low cost carriers around Asia. Most Air Macau flights are less than 70% utilized and most routes are running at a loss. Air China currently owns 51% of the shares in Air Macau.

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.

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 (Con't)

Malaysian Gaming Firm Could Invest in Macau – Resorts World and Genting, a Malaysian gaming firm, have recently purchased US\$100m worth of notes issued by MGM Mirage. Genting is heavily rumoured to be interested in a stake of MGM Mirage's operations in Macau, according to e-Travel Blackboard. "If the opportunity arises in Macau, there is no hindrance for Resorts to invest. It depends on what the situation is," said Lim Kok Thay, Resorts World and Genting Chairman and CEO. His views confirmed that there is no foreseeable obstacles that would prevent Genting from investing in Macau.

Macau and Shenzhen Boosts Tourism Cooperation – In view of the current stagnant economic market condition, a decision was made between Macau's Tourism Bureau Costa Antunes and the Shenzhen Tourism Administration to carry out joint promotional activities in Taiwan, South Korea and Japan in 2011 with the aim of boosting the tourism industries of both Macau and Shenzhen.

City of Dreams Opening Brings Cotai Closer to Critical Mass – The effect of visa restrictions on gaming revenues has not been as significant as popular perception, with mass revenues actually flat y-o-y during Q1 2009. While most Macau market commentary has recently focused on the potential impact that MPEL's City of Dreams property opening could have on LVS's Venetian Macao, as it is the nearest and most comparable property, UBS sees the opening acting as a catalyst for increasing Cotai's overall share of mass gaming spend in Macau. Macau Daily Times also shares a similar view to UBS that the City of Dreams will re-energise Cotai Strip as it aims to deliver sophisticated entertainment, first-class hotels and international dining.

MGM Grand Macau Indicates Growth in Macau's Slot High Rollers – Reported by Macau Daily, Peter Johns, the director of slot operations at MGM Grand Macau, indicated slot players bet as much as HK\$40 million on slot machines in a single weekend. Slots revenues have grown from US\$78m in 2004 to US\$728m (trailing 12 months) at the end of Q1 2009 while the number of slot machines has grown fivefold to 13,000.

Macau Economic Data

Gaming Revenue Down 10% y-o-y in May – May gaming revenues decreased 10.2% y-o-y to MOP\$8.8bn. UBS estimates that SJM had a 30% market share (vs. 31% in April), followed by LVS at 21% (down from 26% in April), WYNN at 18% (up from 14% in April), Galaxy at 12% (vs. 12% in April), MPEL at 10% (up from 9% in April) and MGM at 8% (vs. 8.5% in April).

Macau Logs MOP\$10.45bn Surplus – Macau's budget surplus stood at around MOP\$10.45bn at the end of May, down by 35.5% over the same period last year. However, the public accounts have started to show a sign of recovery with public revenue from January to May of this year amounting to MOP\$21.73bn, a 0.8% increase compared with the same period of last year.

Macau Tourist Arrivals Decline 20.4% in May – Statistics released by the Statistics and Census Service showed that tourist arrivals declined 20.4% y-o-y to 1.59m in May. For the first five months of the year, visitor arrivals decreased 10.6% compared to the same period the previous year. Visitors arriving from Mainland China dropped 49.7% on an annual basis, while those coming from Taiwan and Malaysia declined by 12.3% and 42.3% respectively. The decline is a result of the impact of the human swine influenza pandemic, according to the state office.

Companies with Macau Property Business Exposure

Company	Ticker	Market Cap (millions) ⁽⁴⁾	Price as at 23/06/09	Change since 01/01/09	Change since 17/11/06
Speymill Macau Property Co plc ⁽¹⁾	MCAU:LN	US\$68.92	US\$0.59	146%	-41%
Macau Property Opportunities Fund Ltd.	MPO:LN	US\$88.01	£0.76	33%	-24%
Wynn Resorts Ltd.	WYNN:US	US\$4,229.37	US\$34.37	-19%	-63%
Las Vegas Sands Corp.	LVS:US	US\$4,884.18	US\$7.41	25%	-92%
Melco PBL Entertainment (Macau) Ltd. ⁽²⁾	MPEL:US	US\$2,370.89	US\$4.89	54%	-77%
Polytec Asset Holding Ltd.	208:HK	US\$429.47	HK\$0.75	50%	-70%
Shun Tak Holding Ltd.	242:HK	US\$1,351.18	HK\$4.60	116%	-62%
eSun Holdings Ltd.	571:HK	US\$174.46	HK\$1.09	5%	-87%
Galaxy Entertainment Group Ltd.	27:HK	US\$1,016.05	HK\$2.00	89%	-76%
SJM Holdings Ltd. ⁽³⁾	880:HK	US\$1,941.45	HK\$3.01	117%	-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) Exchange Rate: US\$/HK\$ 0.129 (as at 23/06/2009)
US\$/GBP 1.582 (as at 23/06/2009)

Source: Bloomberg

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