

WORLD EYE REPORTS

MACAU

Asia's newest hot spot edges out old-time tourist destinations

Like the proverbial big thing that comes in a small package, the Special Administrative Region of Macau has attracted the largest names in the tourism, gaming and entertainment industries in the last few years.

Much smaller than Las Vegas, Macau has attracted more visitors and generated more revenue than the U.S. gaming mecca. In fact, its rapid growth has prompted Wynn and the Venetian, among many other outside players, to set up shop in the region.

Once a sleepy little fishing village whose inhabitants praised the goddess A-Ma, the protector of fishermen, Macau's location by the tip of one of the oldest civilizations caught the eye of many travelers. The Portuguese established their first settlement in the 16th century, naming their enclave A-Ma-Ngao, the "harbor of the goddess A-Ma."

Macau was the oldest European colony in China and East Asia until its handover in 1999. Today it is one of the two special administrative regions of China — the other being Hong Kong — that has been attracting global investment.

Traditionally, the region's top industries were textiles, electronics and toy manufacturing, but deregulation of the gaming industry transformed this backwater into the hot spot that it is today filled with world-class hotels, casinos, resorts, restaurants, venues and events.

While the gaming industry brought in the glitz to Macau, the city possesses significant cultural heritage that is still evident in many places.

While various places may boast of a Chinatown, Macau has what might be called a Eurotown, an area with cobbled streets and magnificent European architecture in the heart of the city. The blending of Western architecture with traditional Chinese houses and temples is unique, and shows clearly that a unification of cultures can be

aesthetically harmonious.

No gamble for investors

Gambling is nothing new in Macau. In fact, it is deeply ingrained in Macanese culture as licensed gambling has existed since the 1800s.

For nearly the last half of the century, the industry was monopolized by Sociedad de Tur-



João Manuel Costa Antunes, director of the Macau Government Tourism Office

ismo e Diversões de Macau, headed by one of Macau's largest investors, Stanley Ho.

When the government-issued monopoly was lifted, casinos, mainly from the world's gaming capital, Las Vegas, came to seize the opportunity.

Today 70 percent of Macau's government revenue comes from the taxes that casinos pay. In 2006, even before the arrival of gaming mammoths, the Venetian and MGM Grand, which

both opened in the last quarter of 2007, the gambling revenues of Macau's casinos surpassed those of its Las Vegas counterparts.

As casinos grew, so did tourism and other related industries, such as high-tech slot machine manufacturers, spas and resorts, and even industrial laundry providers.

Players in the gaming industry that have no stake in Macau are surely missing out.

"In 2003, there were less than 1,000 slot machines, which produced less than 2 percent of total gaming revenue. In 2007, there are 11,000, which produce 4 percent of total gaming revenue," says Ken Jolly, Asia-Pacific general manager of Aristocrat Gaming, which has a 50 percent market share of slot machines in Macau.

Rapid growth has also brought some challenges, the most pressing of which is a shortage of labor. This is just with the opening of the Venetian at the Cotai Strip last year.

According to observers, every time a property opens, it will require a few thousand employees. So where will labor come from as Macau has a population of only about half a million?

Not only is there a lack of labor but demand for a skilled workforce needed to smoothly run the service-oriented economy adds even more pressure. Remarkably, investors have great confidence in the Macau government and believe that their growth will not be hindered by this problem.

In fact, nobody expects Macau's rapid growth to slow down within the next five years. It is a place where job offers abound and companies trump each other with better deals for employees.

Destined destination

The World Tourism Organization has rated Macau as one of the world's top tourist destinations today. Figures released in November 2007 indicated that the number of visitor arrivals reached almost 25 million, representing a year-on-year increase of around 26 percent.

"Macau is a unique destination with a unique heritage that has been recognized by UNESCO... What Macau has to offer is the combination of entertainment and the heritage aspect," explains João Manuel Costa Antunes, director of the Macau Government Tourism Office.

More and more world-class hotels, resorts and facilities have opened, and are opening in the next couple of years. Some of the casinos and hotels lined up to open include The Four Seasons, City of Dreams, The Grand Hyatt and The Sheraton. Ponte 16, which is the revitalization of Macau's nostalgic pier, is also scheduled to start operations in 2008, with the help of Maruhan of Japan.

The newcomers have pulled out all the stops and have kept long-established Macau hotels on their toes.

"Luxury costs money, and we will not compromise luxury to compete with the casino business," cites Michael Zimmer, Mandarin Oriental Macau's general manager.

Also new direct flights between Macau and other cities have been started not only by established commercial airlines but also by dynamic low-cost carriers.

There are varying thoughts on why the world is watching Macau. But as Antunes simply puts it, "What Macau has to offer is the combination of enter-



The ruins of St. Paul's have become an iconic symbol of Macau, which has been promoting its rich cultural heritage amid rapidly growing popularity as a gaming destination.

tainment and the heritage aspect." Furthermore, he explains that Macau has always been a city of opportunities.

"Macau is unique for the middle of Asia. It is compact, a city of contrasts with supreme food elements and world-class gaming operators," says Con Korfiatis, CEO of Viva Macau, Macau's first and very own international low-cost carrier. The airline opened direct flights to Tokyo and Ho Chi Minh City last December.

Yo Nishiguchi, president of JTB Macau Travel Ltd., agrees. "We are reaching a new era in Macau tourism," he says.

"The numbers of tourists from Japan are increasing, and will continue to increase once

there are direct flights to and from Japan," shares Antunes. "My dream for 2008 for the Japan market is to see daily flights to and from Japan linking a number of Japanese cities to Macau. I want to see not just Macau airlines, but Japanese carriers."

For those who have not yet seen Macau or haven't visited recently, a trip to Asia's newest hot spot should be on top of the to-do list. Growth in investments has far from leveled off.

"Our goal is to be more innovative, slicker and stay ahead of the game. Macau as a whole needs to have this goal," says Don Hunter, managing director of Menzies Macau Airport Services. ◆

eBox

OrientalSKys is the premier Asian VIP private jet provider, serving its customers with 24-hour quote responses and sales offices located throughout the continent. It boasts the most experienced business jet team in the region, providing a six-star luxury in-flight experience that is only a phone call or a mouse click away. www.orientalskys.com

The 25-year-old **Mandarin Oriental Macau** is a city landmark, known for its sublime resort facilities and supreme spa services. Its wide range of exclusive Macanese spa rituals, namely, the Sangria bath, has attracted loyal customers. The Mandarin Oriental is opening a second property in Macau in 2009. www.mandarinoriental.com/macau

Macau foresees robust long-term growth

The Special Administrative Region of Macau has attracted much press lately and all for the right reasons.

The facts and figures are very impressive. Drawing in more than 27 million visitors last year, Asia's newest boom town edged out Singapore in terms of tourist arrivals. Also, it generated more gaming dollars than Las Vegas.

Part of the credit must go to the Macau Trade and Investment Promotion Institute (IPIM), the government agency tasked to bring in more investment to the region.

Recently, World Eye Reports spoke with Lee Peng Hong, the president of IPIM, about the region's performance and plans to stay ahead of the game.



Lee Peng Hong, president of the Macau Trade and Investment Promotion Institute

WER: What is the current commercial climate in Macau? In which industries do you see the most growth potential?

Lee Peng Hong: We've seen a magnificent increase in the foreign investment inflow to Macau. As foreign investment in infrastructure and other industries, such as tourism, conventions and exhibitions, and transport surges, Macau is heading on its way to develop into an integrated regional tourist center of Asia.

Emerging sectors include that of the C&E (convention and exhibitions), retail, cultural/touristic, logistics, and various business support systems are showing their vitality in the booming marketplace.

The development of the C&E industry constitutes an integral part of building Macau into a regional service platform as it not only contributes to the addition of new tourism elements, but more importantly helps to enrich the content of the service industry in Macau. The number of venues has doubled during the last year, with convention and exhibition space tripling to 140,000 sq. meters after the opening of the Convention Center in the Venetian.

What presence does Japanese investment currently have in Macau, and what types of opportunities are available for the Japanese to invest now and in the future?

Our new "Investor Service Department" offers a one-stop, full-service, step by step plan that provides support and assistance to foreign investors.

We received more than 110 investors from Japan since 2000 and Japanese investors are the top five inquirers in terms of the origin of the investors in IPIM. More than 10 percent of those investors, such as Sumitomo Bakelite and JTB, have implemented their investment through the assistance and guidance of our one-stop service. Most of the investors are from manufacturing, trading, F&B, tourism, professional service, construction, IT sectors and so on.

Tell us about any initiatives or events that the IPIM has planned to encourage foreign investment in Macau in 2008.

IPIM will organize the 13th Macau International Trade and Investment Fair (MIF). Our 12th MIF, held last October, featured 889 booths, and attracted 52,576 visitors and 236 delegations from over 50 countries and regions.

The MIF is the largest trade and economic event held annually in Macau. It is the ideal congregation point where foreign investors are able to find business opportunities in the thriving economies of Macau, mainland China, Portuguese-speaking countries and more.

With more local and international airlines operating direct flights between Macau and Japan, and Macau residents being able to visit or travel to Japan without a visa requirement, we believe the social and economic connections between Macau and Japan will become closer.

How does the IPIM hope to see Macau in 10 years? What is your institution's vision for the city?

Macau is an ideal place for investors as it is a completely open market with advantages of low operational costs, low taxation, improved infrastructure, extensive international links, and a stable banking system and high mobility. Macau is a free-trade port and a separate customs territory with open economic policy.

While maintaining its historical ties with the European Union, Macau is also strengthening economic and trade cooperation, and interaction with Japan, Singapore, South Korea, Hong Kong and Taiwan in order to play a better role as a bridge for cooperation among mainland China, the above countries and the regional economies. ◆ www.ipim.gov.mo

Keeping the jet set in mind

The rapid growth and aggressive marketing of Macau has resulted in a surge in demand for luxury goods, services and establishments catering to the Asian elite traveler.

What was once described as a sleepy Portuguese fishing town has become a major tourist destination that brought in more visitors than Singapore and Thailand, and generated more gaming revenue than Las Vegas in 2006.

Riding on the huge influx of high rollers and jet-setters, Jet Asia has positioned itself as the preferred mode of transportation for the hot spot's super-class visitors in a new era for Macau tourism.

In the few years following the end of the gaming monopoly, the government issued new licenses and allowed the entry of American gaming giants Sands Corp. and Wynn. Since then, the city has subsequently seen a surge in foreign direct investment.

"What you see now is just scratching the surface," promises Jet Asia CEO Chuck Woods.

The increasing competition across all sectors serves as the catalyst for Woods' vision for Jet Asia, which dubs itself "the Air Limousine of Asia," with service delivered by "a streamlined rationalized fleet of execu-

tive charter jets with a consistent VIP deliverable in-flight experience."

Jet Asia's service has become synonymous with luxury private aviation, and an increasingly crucial business tool for elite clients, as it flies in big spenders from Tokyo, Shanghai, Singapore, and anywhere in between.

Woods sees big things for the



Jet Asia's recently refurbished Challenger 601 can accommodate 10 passengers and fly up to 4,800 km non-stop.

small but growing company, including the acquisition of a fleet of up to 25 executive jets and the promotion of its aircraft management services. Currently, the company is awaiting the arrival of three additional Hawker jets, one of which is earmarked for Tokyo.

Because of the rapid growth

of Jet Asia's fleet, Woods has chosen to exclusively subcontract the airline's charter sales and marketing to OrientSKys.

Headquartered in Bangkok, with client services offices located throughout the region, OrientSKys is the only VIP private jet provider serving Asian markets with a 24-hour charter quote response and the largest single fleet operating in the con-

continent. "Our growth is mirroring the economic condition of Asia-Pacific," says Woods, who believes that the company's potential is limitless as it plans to cater to clients in mainland China. "When the time is right, we will be in China," he promises. ◆

www.jetasia.com

Cheers to Macau

For most travelers, no holiday is complete without sampling the local brew.

Thanks to Macau Beer President Kenya Matsuura, the homegrown beer has been the preferred choice of visitors enjoying the city's casinos, resorts, bars and restaurants.

Founded by two Americans in 1996, Macau Beer was acquired by Japanese giant Kirin in 2002. Since the acquisition, Matsuura has transformed the brand from one that was barely known to one that now enjoys brand recognition among 98 percent of the population.

Kirin Beer produces and distributes three brands (Kirin, Haizhu and Macau Beer), of which Haizhu is the most popular.

But the company chief hopes that Macau's aggressive marketing and booming tourism industry will change that in the years to come.

Matsuura has designated each of the three brands for a specific segment in the market. While Kirin is sold only in Japanese restaurants and Haizhu in grocery stores, Macau Beer will be distributed exclusively in casinos and hotel establishments.

Envisioning the brand as "the ambassador of Macau," Matsuura is keen to see his product become the most popular beer in Macau.

"Making the beer well known among tourists will boost the international recognition of the brand," he points out.

The company also has a second product under the brand — a malt beer targeted for the local palate that Matsuura describes as having "a very light, malted flavor."

In the first six years of operation, Macau Beer was operating at a loss. Last year, it tripled revenues with the two brands equally accounting for sales.

This year, Matsuura hopes to launch a third Macau Beer product by June. ◆ www.macaubeer.net



Macau Beer President Kenya Matsuura and its brewing plant

'Our growth is mirroring the economic condition of Asia-Pacific ... When the time is right, we will be in China'

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Setting down rock solid foundations

There's no denying the dramatic transformation taking place in Macau, especially with the mammoth Venetian resort-hotel-casino that dominates the rapidly developing Cotai Strip.

A few newcomers to the strip include The Four Seasons, the Sheraton and the Shangri-La, all of which are under construction.

Macau Cement was the main supplier of cement and concrete for the Venetian complex and many of the other projects on the strip.

So with the building frenzy has come an increased demand for cement and concrete that has made Macau Cement Manufacturing Co. Ltd. one of the busiest enterprises on the island.

Marking its 25th anniversary in 2008, Macau Cement was also involved in many of the region's flagship projects, including three bridges and the international airport.

With strong support from its major shareholder China CITIC Group, the company is able to produce 700,000 metric tons of cement every year.

In partnership with Mitsubishi, Macau Cement also produces its own brand cement under the Gold Carp brand.

Deputy General Manager for Production Xu Xin said it has not been easy to meet the high demand for cement, but the company has been able to do so through increased investment and the acquisition of four new concrete plants in the past three years.

The company commands a 70 percent market share in Macau, where, according to CEO Cheng Xiang, demand for the product has grown tenfold since 2004.

Xu and Cheng believe that the demand for cement will level off in the next five years primarily due to the limited amount of developable land in the city. Though Macau's boom has brought great success, Xu says the biggest challenge lies in complying with stricter environmental guidelines, including lower dust emission limits.

Cheng stresses that environmental protection is a priority of the company. ♦ www.mocement.com.mo

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MACAU CEMENT



MACAU CEMENT

Macau Cement Manufacturing Co. Ltd. has supplied many of the region's biggest projects, including the recently opened Venetian complex (above). One of its plants (top) helps meet the strong demand for cement in rapidly growing Macau.

First-class fun and leisure for everyone is Melco PBL Entertainment's game plan

Property owner and developer Melco PBL Entertainment Macau Ltd. (MPEL), through its subsidiary Melco PBL Gaming Ltd., has been operating innovative gaming and entertainment resort facilities in what has recently emerged as one of Asia's most popular holiday destinations.

The two major shareholders of MPEL are Melco International Development Ltd. (a listed company on the Hong Kong Stock Exchange owned substantially by Lawrence Ho, co-chairman and CEO of MPEL) and Crown Ltd. (a top 50 company listed on the Australian Stock Exchange headed by Executive Chairman James Packer, also co-chairman of MPEL).

Unlike competing establishments whose distinctive attraction is their sheer size and that have just a single theme, MPEL has edged out its rivals by developing a varied portfolio of brands that target specific customers.

Since raising over \$1.14 billion through its listing on the U.S. NASDAQ in December 2006, the gaming enterprise has developed brands that have redefined the industry and aimed at a very wide range of customers.

On its brand portfolio are the Crown Macau (a six-star hotel, spa and casino for high-end and VIP patrons), Mocha (cafe-style gaming machine venues) and the soon-to-open City of Dreams (an entertainment and hotel megacomplex for all market segments).

The Crown Macau — MPEL's luxurious casino and hotel aimed at high-end patrons — opened its doors last May. As the tallest building on Taipa Island, it is the area's newest architectural landmark.

Then in late January, this premier hotel casino received the *Best Casino Interior Design Award* during the 1st International Gaming Awards held in London. It was the first property in Macau to receive such a prestigious international distinction honoring its interior design, a huge feat considering it was pitted against industry heavyweights such as the Venetian Macau and the Grand Lisboa.

"Gaming venues traditionally available to high-stakes patrons in Macau had focused primarily on intensive gaming during day trips and short visits to Macau. So when conceptualizing the hotel, we wanted the Crown Macau to accommodate the niche in Macau for a world-class contemporary and non-traditional luxurious hotel casino, and to provide premium entertainment, elegant facilities, high-quality service and rich decor to the high-end market," explains Ho.

To make that vision a reality, Ho hired world-renowned interior designer Peter Remedios, the brains behind the Grand Hyatt Tokyo and the Four Seasons New York, among many others.

Meanwhile, the VIP floors were designed by Bates Smart, Australia's oldest architectural firm established in 1853, whose work includes in Melbourne the Crown Towers, Crown Entertainment Complex.

Aside from a Cantonese and a French restaurant, the Crown Macau boasts two high-end Japanese restaurants, the Kira and Tenmasa, which were designed by Yukio Hashimoto and David Sung.

Running this premium hotel and casino property is CEO Greg Hawkins, who in his early career helped launch the Crown Casino Melbourne. For him, Crown Macau's exclusive luxury rating speaks of a "luxurious experience that is the cornerstone of our business strategy and is upheld consistently in all areas of our property."



Lawrence Ho, co-chairman and CEO of Melco PBL Entertainment

According to Hawkins, the Crown Macau sets itself apart from the rest of the industry because of VIP services that cater specifically to the region's elite gamers and big spenders, and unrivaled attention in every aspect of the VIP experience.

The Crown Macau, which Hawkins brands as the "best in Macau," features the ultraexclusive Sky Lobby on the 38th floor that offers spectacular panoramic views of the city. Each guest room features floor-to-ceiling windows that provide all of its distinguished guests with views of Macau day and night; just another detail that highlights the hotel's commitment to true luxury.

Just halfway into its first year, the Crown Macau is certainly living up to the high expectations of the industry and guests. From mid-December 2007, the Crown Macau launched an exclusive VIP gaming business promotion agreement that significantly increased the property's business.

MPEL's Mocha Clubs have redefined even the term casino itself, by popularizing a brand of casual, cafe-style gaming venues, each with its own theme, so that every visitor can find a Mocha Club that appeals to him or her. With around 1,100 gaming machines in seven locations, the Mocha Clubs are the largest non-casino-based operators of electronic gaming machines in Macau.

With Mocha Clubs and the Crown Macau, MPEL has covered the non-casino-based gaming machines and the VIP tier of the Macau gaming market but it plans to unveil its biggest project yet, the City of Dreams.

Located on the Cotai Strip, the City of Dreams is designed to be Macau's newest "must-see" destination developed for a wider market. Two major entertainment attractions — Dragone Productions and the Bubble — will offer an unrivaled entertainment experience.

Due to open in 2009, Dragone will be performing in a 2,000-seat wet stage theater designed by award-winning Pei Partnership Architects. Dragone produced the Disney Cinema Parade at Euro Disney and Celine Dion's "A New Day" concert in North America.

The Bubble is a free attraction that provides a visual and audio experience. Designed and produced by a team comprising some of the world's top attraction and special effects artists, the show will combine projected DH-digital content, a customized musical score, thousands of theatrical lights and a variety of sensory effects to create a spectacular 10-minute visual extravaganza.

There will be four lodging towers inside the City of Dreams — the Crown Towers, Hard Rock Hotel and a twin-tower Grand Hyatt. It will also have approximately 13,000 sq. meters of retail space and a wide array of restaurants.

In true Macau style, the complex will also have a 37,800-sq.-meter casino and gaming area with about 450 gaming tables and 2,500 gaming machines. Its first phase is due in March 2009.

Judging by all these grand plans, it looks like the best is yet to come for Macau. ♦ www.melco-pbl.com; www.crown-macau.com



Greg Hawkins, CEO of the Crown Macau

Aristocrat: gaming royalty in Macau

Since setting up its Asian regional headquarters in Macau in 2006, Australian gaming giant Aristocrat Technologies has experienced glitch-free business growth and gained dominance in Asia's gaming capital, where it now enjoys a market share of more than 50 percent.

Aristocrat's presence in Macau is merely a reflection of its robust activities abroad. Its systems are installed in over 500 licensed venues in seven countries, namely, the U.S., Australia, New Zealand, Singapore, South Africa, Macau and Canada.

According to Ken Jolly, general manager for the Asia-Pacific, the company has invested greatly in developing its market regionally, especially with the launching of region-specific gaming machines that target Asian players.

Jolly says that games that incorporate an element of Asian culture are, predictably, very popular in Macau and the rest of the region. Such games, like 50 Dragons, Choy Sun Doa and Spring Festival, which incorporate on-screen Chinese text, were developed for Macanese casino players and patrons, the majority of whom come from mainland China and Hong Kong.

Part of this regional and market-specific development involved, of course, the relocation of its Asian corporate base to Macau, the self-proclaimed gaming capital of the East, whose annual gaming revenues are projected to surpass the state of Nevada's this year. For Japan, Aristocrat has developed the Pachislot, a combination of the slot machine and Pachinko machine, which continues to be popular among Japanese.

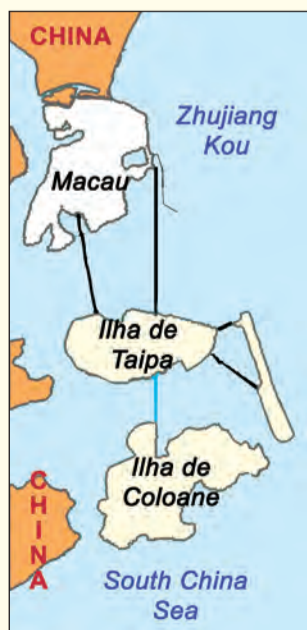
Jolly is very excited to be in Macau, which he regards as the ideal base for the company to both familiarize and understand the booming Asian market, and therefore cater to the Asian gamer more effectively with new products and systems. ♦ www.aristocratgaming.com



Ken Jolly, Aristocrat Technologies general manager for the Asia-Pacific

Fact File

Area: 28.2 sq. km
Population: 456,989
Currency: Macau pataca (MOP)
Ave. exchange rate: \$1 = 7.8 (2007)
GDP: \$11.56 billion (2005)
GDP real growth: 6.7% (2005 est.)
GDP per capita (PPP): \$24,300 (2005 est.)
Unemployment: 4.1% (2005 est.)
Inflation: 4.4% (2006 est.)
Main industries: Textiles, clothing, tourism, banking, shipping, electronics, plastics, toys, watches and clocks
Exports: \$3.156 billion, including re-exports (2005 est.)
Imports: \$3.912 billion (2005 est.)
Major exports: Clothing, textiles, footwear, toys, electronics, machinery and parts
Main export markets (% share): U.S. (44.1%), China (14.8%), Hong Kong (11.3%), Germany (7.3%), U.K. (4.1%) (2006)
Main import markets (% share): China (45.2%), Hong Kong (10.2%), Japan (8.4%), U.S. (5.5%), Singapore (4.1%), France (4%) (2006)
Source: CIA World Factbook




BUILDING MACAU FROM THE GROUND UP




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Melco PBL Entertainment
新濠博亞娛樂




Artist's impression

City of Dreams
An integrated casino, hotel and entertainment resort at the heart of Cotai




Artist's impression

Crown Macau
A luxurious and contemporary hotel and casino delivering a world-class experience




Artist's impression

Mocha Clubs
An innovative spin on entertainment in a relaxing, cafe-style setting




Artist's impression


Macau Peninsula Project
A prime site mixed-use casino hotel and residential development on Macau's famous peninsula



Mocha



CITY OF DREAMS
新濠天地



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