



Macau



▶▶▶ ONLY 11 SQUARE MILES IN SIZE AND WITH HALF THE NUMBER OF CASINOS OF LAS VEGAS, THE SPECIAL ADMINISTRATIVE REGION OF MACAU HAS PLAYED A SHREWD HAND IN TURNING ITSELF INTO THE GAMING CAPITAL OF THE WORLD

FACTS & FIGURES

Location:
Eastern Asia, bordering the South China Sea and China

Area – comparative:
Less than one-sixth the size of Washington, DC

Climate:
Subtropical; marine with cool winters, warm summers

Population:
460,823 (July 2008 est.)

Flag description:
Light green with a lotus flower above a stylized bridge and water in white, beneath an arc of five gold, five-pointed stars: one large in center of arc and four smaller

Dependency status:
Special Administrative Region of China

GDP (purchasing power parity):
\$12.5 billion (2006)

GDP – real growth rate:
16.6 percent (2006)

Industries:
Tourism, gambling, clothing, textiles, electronics, footwear,

Source: CIA: The World Factbook

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Trumping the competition

MAKING THE MOST of the cards you've been dealt is the ace up Macau's sleeve. Despite covering only 11 square miles – less than one-sixth the size of Washington DC – and with no natural resources, Macau has managed to find its niche in the global market to become the glittering jewel in Asia's gaming crown.

Since the Special Administrative Region's 1999 return to Chinese sovereignty, Macau's government has devoted its efforts to perfecting the region's business environment. The 2002 liberalization of its gaming industry opened the doors to competition, expansion and mass tourism, as well as billions of dollars in foreign direct investment from across the globe.

"Macau has seen rapid economic growth in recent years," comments Chief Executive of Macau SAR Edmund Ho. "Building on this momentum, the Macau SAR government strives to enhance the unique advantages of integrated tourism and economic and trade platforms, thereby spurring the development of other related services," he adds. "Under the circumstances of accelerating globalization and our country's fast-rising international status, this is the strategy through which Macau can gradually move towards a diversified economy and achieve sustainable development."

Gaming here can be traced back to the 16th century and has always played a significant role in the Macanese economy and culture. Today it continues to be the economic backbone of the region. Fulfilling the Chinese penchant for Lady Luck, the only legalized gaming spot in China has now become the largest venue in the world, exceeding \$7 billion in revenue last year and trumping Las Vegas's revenues of \$6.6 billion with almost half the number of casinos. This figure is expected to rise to \$13 billion by 2010, according to the CIMB Group.

A report last year by Deloitte suggests the potential growth in demand is stratospheric. Macau's key catchment area is southern China, in which live some of the nation's most affluent provinces and a rapidly growing middle class – more than 90 million people live within a four-hour drive of the gaming tables. Deloitte's analysis also indicates that the number of people able to afford a trip to Macau's

casinos could rise by around 55 percent by 2010. The Macau government is predicting 42 million visitors by the end of the decade, having received 22 million in 2006 and 27 million in 2007.

Macau is only just getting started. The gaming sector has ignited growth in other sectors in the region, such as tourism, real estate and service industries. Due to the booming gaming and tourism sector, as well as a substantial surge in investment, GDP rose by 27.3 percent in real terms for the whole of 2007, according to Macau's statistics and census service, Direcção dos Serviços de



EDMUND HO
Chief Executive of Macau SAR

Estatísticas e Censos. In only a few years, Macau has attracted billions of dollars from foreign investors and developers who are building incredible hospitality and gaming venues. The majority of these initial projects are in the peninsula and most have already recouped much of their investment. Confidence in Macau's future has generated a second wave of growth with developers, hotels and casinos establishing themselves on the Cotai Strip – an area that will play a key role in adding diversity to the region's appeal. Many of the new developments are creating a more attractive atmosphere for families and will also help to increase hotel occupancy rates. At the beginning of 2007, the average length of stay in Macau was 1.5



The level of development in Macau is unprecedented and tourist arrivals are expected to top 42 million by the end of the decade.

days. By the end of 2007 it was 1.8. The goal is to reach 3.0.

As the MICE (Meetings, Incentives, Conventions and Exhibitions) industry grows in Macau, the SAR provides many multinational companies with the ability to establish themselves in China without going to the mainland, where visas can sometimes prove difficult to obtain. The city's location also plays a significant role in its economic growth: it is only one hour by ferry from Hong Kong, or a fifteen-minute helicopter ride. "Following improvements in hardware and software, Macau's convention and exhibition industry is showing considerable development potential. The government and the business community will continue to develop the convention and exhibition industry into another engine of growth," says Ho.

As well as transforming the region into a business platform, the government's determination to promote the development of Macau's cultural industry by encouraging SMEs to "explore new cultural projects" by helping them train staff and offering improved tax incentives, as well as subsidized interest rates, in a bid to reduce their operational costs.

"This year, we will strengthen cooperation with the mainland, particularly in the Pan-Pearl River Delta region," Ho adds. "In addition, we will fully support the work of the Permanent Secretariat to the Forum for Economic and Trade Cooperation between China and Portuguese-speaking Countries, and so ensure it serves as an economic and trade platform. We will expand cooperation with the EU and increase economic and trade links with ASEAN countries. Regarding regional cooperation, the government strongly encourages SMEs in Macau and the mainland to form partnerships and jointly explore the international market to break fresh ground in economic development." The chief executive has also declared that the government is determined to "vigorously fight" money laundering in order to ensure the financial sector's stability.

Ho affirmed his government is "committed to improving residents' quality of life and ensuring a fair share of the fruits of development." The government will spend 11.18 billion patacas (\$1.4 billion) on education, health and welfare this year, which accounts for 27 percent of the total budget. Furthermore, the government plans to build 19,000 public housing flats in phases until 2012 and to speed up the construction of rental housing for residents in urgent need of accommodation. As well as upgrading transport options, a 20-year urbanization plan has been announced that includes a massive and much needed land reclamation program.

ARISTOCRAT

Slotting into the expansion of Macau's general appeal

Aristocrat brings its 50 years of experience to the Macanese gaming market

HIGH-ROLLING VIP gamers may have been a driving force for much of the momentum behind Macau's immense transformation in recent years, but future investment and sustained growth will depend heavily on the creation of China's first integrated mass-market gaming resort. Casinos will provide the core attraction within integrated venues as Macau evolves into a multi-faceted tourist destination.

"The interesting dynamic in the gaming market is the difference between slot machine and table play," says Ken Jolly, General Manager-Asia Pacific for Aristocrat. The company's diverse product line-up extends from electronic gaming machines to complete gaming solutions, including systems, services, electronic tables, and ancillary equipment. "The percentage of revenue four years ago was 2 percent from slots and 98 percent from table play. It is now moving towards 4 and 96 percent respectively – a ratio that is not typically seen elsewhere. Usually slots would have a higher percentage."

Last year's Deloitte survey states large-scale demand clearly exists for Macau, particularly with the easing of visa and travel restrictions for mainland Chinese,



Aristocrat supplies gaming solutions, systems, services and equipment across Southeast Asia.

and identifies that inexperienced mass-market customers show a particular interest in slot machines. Greater provision of slots appears to be a key factor in winning over excitable new gamers. "Different sectors are growing, especially the revenue for slots," says Jolly. "The venues are taking a different stand to what they had previously. We have found that the introduction of new places like the Crown Macau, the Grand Lisboa and The Venetian to name a few will bring new products into the market; they will be looking for other games and other tables as competition strengthens."

With over 50 years of experience in the industry and over 2,000 staff globally, Aristocrat has built on its Australian market leadership and reputation to become a premium supplier of groundbreaking technologies and services to the international gaming industry. "As technology moves, it will keep us at the forefront of gaming globally and also allow us to continue to grow and be seen as a major recognizable contributor to the industry," says Jolly. The company enjoys a well-earned reputation for outstanding performance and strong brand equity in more than 200 jurisdictions around the world.

Aristocrat supplies its products and services to more than 11 countries in the region, including Vietnam, Cambodia, Singapore, Malaysia and the Philippines, where gaming venues are also developing rapidly. Its annual report shows revenue last year grew by approximately 100%. Aristocrat's overall market share in Macau continues to be around 60%. Jolly adds, "We are getting a higher market share per property now on the performance of the product. We have a strong sales team and good customer relationships. Our products not only satisfy casino management and their shareholders, but also excite the players when they play the machines."

IPIM

Building Macau's success

The SAR's investment promotion agency gears up to harness the economic momentum that has been unleashed

FROM A SLOW-PACED CITY that was a popular weekend getaway for Hong Kong residents, Macau, with its bucolic charm and seedy, smoky casinos, has become the region's hottest tourist destination. A magnet for foreign investment driven by huge Las Vegas-style mega resorts, the enclave of Macau is now the region's biggest overnight success story.

Ever since its reversion to Chinese administration in 1999, Macau has served as a showcase for the successful implementation of China's doctrine of "One Country, Two Systems," with the new Special Administrative Region (SAR) maintaining its open economic system, rule of law and free port status. But the reason it is in global business media headlines is much more exciting than that.

The liberalization of Macau's gaming industry in 2002 started the economic development ball rolling, as Las Vegas corporations vied to land licenses to operate in a market that had been monopolized for four decades by the enormously successful Dr. Stanley Ho, head of Sociedade de Jogos de Macau. FDI poured in and huge infrastructure projects were begun, several of which, like the Sands Macao, Wynn Macau, The Venetian Macao Resort Hotel and MGM Grand Macau, are already bringing in substantial profits.

Macau's annual average GDP growth shot up by 17 percent in 2006, and real GDP growth for the third quarter of 2007 reached

30.9 percent. Total investment surged by 38.3 percent on the back of large-scale construction projects.

In addition, record numbers of tourists are pouring through Macau's entry ports, most from Mainland China, where restrictions on individual travel have been gradually relaxed. During the first ten months of 2007, some 22 million came, nearly 23 percent more than the previous year.

Along with the opportunities such unprecedented growth presents, Macau Trade and Investment Promotion Institute (IPIM), President Lee Peng Hong sees some big challenges. His role is to look beyond the gaming and tourism explosion to find ways that Macau's economy can be diversified. In a city of less than 30 square kilometers, with a population barely reaching half a million people and a relatively small economy, he says, "our strategy is to build Macau as a service platform for economic cooperation in order to overcome these difficulties."

He points out that Macau has actively sought to establish areas of cooperation with Mainland China, particularly in the Pearl River Delta Region, sometimes referred to as the "nine plus two", for nine provinces in Mainland China and two Special Administrative Regions, Hong Kong and Macau. Small and medium-sized companies (SMEs) are the focus of much of IPIM's efforts. The Institute works with its counterparts and entrepreneurs on the Mainland as well as with the international market and foreign com-

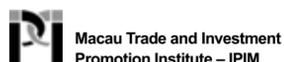
panies, especially those in Portuguese-speaking countries.

"The long-term objective is to build up Macau as a service platform for economic cooperation not only in tourism, but other services, such as exhibitions, trade fairs, professional services and logistics," says Lee.

The strategy also aims to boost Macau's image not only as a casino city but also as a business hub, especially for Portuguese-speaking and European countries. "We think we have an advantage, and we have a role to play in this context," he remarks.

Macau has an agreement with Mainland China to encourage foreign SMEs to use the SAR as a platform to export goods and services to the Chinese market, and which also allows Mainland companies to use Macau to reach international markets. The Zhuhai cross-border industrial zone pilot project is a good example of this cooperation. The relatively small park is already full, but its success has led to the planning of similar future projects.

"As trade and investment promotion agents, we help our local entrepreneurs to enter the international market. We also make a lot of effort to help newcomers, that is, foreign companies, in setting up in Macau, especially SMEs," Lee concludes.



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Macau

INTERVIEW: LUI CHE WOO

The man with the vision

The founder of Galaxy Entertainment Group and an illustrious public figure who has contributed to Macau for over 50 years, Lui Che Woo has a unique vision

When Hong Kong-listed Galaxy Entertainment Group entered the casino and hospitality sphere – expanding from its roots in property construction – many people questioned its decision to venture into parochial Macau. However, Lui Che Woo, chairman of Galaxy, begged to differ. In retrospect, Lui has been proved absolutely correct in his business acumen. At the time of his initial decision, the gaming revenue of the Macau market was \$2.8 billion. Just five years later, it has increased to \$10.6 billion, representing growth of 279 percent.

Lui is Chairman of the Hong Kong-listed K. Wah Group, which is best known as a leading construction company and hotel operator. He surprised the world in 2002 by outbidding 18 contenders to win a gaming license in the newly expanded gaming industry of Macau. However, it was not a coincidence. Lui had a clear vision that Macau, as a gateway for mainland Chinese to reach out to the outside world, would become a leading global

gaming and entertainment center – challenging many other prominent global tourism destinations.

"China is the second-largest and the fastest-growing economy in the world," says 78-year old Lui. "There is a strong appetite amongst billions of Asians for the best entertainment and lifestyle the world has to offer. As a Chinese company, we understand the needs and aspirations of our people on the mainland. We are confident that we can meet the expectations of our customers and that Galaxy will become a leading brand in the gaming industry in Asia."

Born in China's Guangdong province, Lui moved to Hong Kong at the age of four, and built his success with his own hands. His business kingdom started from construction materials and quarrying, then expanded to real estate development, the hotel industry and then the gaming and entertainment business. The one constant in Lui's rise has been his clear vision of business and sound business strategies.

As Lui anticipated, the Macau gaming industry has been experiencing rapid growth in recent years. In 2006, the total gaming revenue of Macau accounted for \$7 billion, exceeding even Las Vegas. Among the 27 million visitors to Macau last year, 55 percent were from mainland China, with a surge in arrivals from South

East Asia, South Korea and Japan.

"The business environment in Macau is highly competitive," explains Lui. "We have the presence of a number of popular gaming brands from overseas. While there are things we can learn from them, we are confident that adaptation is required to meet local needs in Macau, and Galaxy has the distinct advantage of local knowledge. Galaxy's business strategy to differentiate itself from other market players is to bring the best of Eastern and Western cultures, cuisines, entertainments and lifestyle together. Our business model focuses on both the world-proven Chinese VIP gaming market and the fast growing mass market that is made up of hundreds of millions of aspiring Chinese and southeastern Asian customers."

In 2004 when Galaxy first entered into the Macau gaming market, it adopted a low-profile approach to establish a solid business foundation. This involved other parties putting up capital and supplying suitable premises from which Galaxy was able to run casinos on a management fees basis. Galaxy now manages four of those premises, universally known as City Clubs. They are Waldo Casino, Rio Casino, President Casino and Grand Waldo Casino. Every Galaxy City Club Casino is located in specially designed leased property. In total, these City Clubs provide

more than 250 gaming tables and other gaming facilities. The City Clubs strategy allowed Galaxy to gain a thorough understanding of the gaming market, to recruit and develop staff, and most importantly to develop long-term strategic relationships with junkets in the critical VIP gaming segment that accounts for so much of Macau's casino revenue.

The second phase of the Galaxy strategy was to acquire a premium development site in the central gaming hub of Macau and develop its own purpose-built 38-storey hotel casino complex – StarWorld. As the first flagship entertainment complex of Galaxy, StarWorld provides more than 500 hotel rooms and a penthouse Presidential Suite of 6,000 square feet. StarWorld is the only hotel in Macau to be awarded the prestigious "Five-Star Diamond Award" by the American Academy of Hospitality Sciences, in 2007.

From a financial perspective, StarWorld is an excellent example of cost-effectiveness. The total development cost of StarWorld was \$385 million, a quarter of what its neighbour, Wynn Macau, cost. Currently, StarWorld is generating a 37 percent return on its investment.

Following the successful experience of StarWorld, Galaxy's next initiative was to acquire a massive casino development site in Cotai Macau of 106 acres, with planning for the world's largest gaming and casino resort – the Galaxy mega resort. Marketed as an all-in-one destination for gaming, entertainment and leisure, the Galaxy mega resort includes one of the largest gaming halls in the world – as large as thirty-six basketball courts – an unparalleled lush podium playground with white sand beach, the largest wave pool in Asia, cabanas and private villas, and three world-class branded hotels. The inauguration of Area 1 of the Galaxy Mega Resort is scheduled for 2009.

Galaxy strongly believes in the demand-driven approach. Only when Galaxy first



LUI CHE WOO, Chairman of Galaxy Entertainment Group.

identifies customer demand will they re-pond with the requisite construction. For example, the construction of StarWorld only took 21 months from breaking ground to the formal opening of the 38-storey Hotel Casino.

Another unique advantage that Galaxy has is its development pipeline is fully cash funded – it has successfully built a cash reserve of HK\$9 billion (\$1.15 billion) in just 5 years.

"I am extremely confident that the business strategies that we developed on day one are still relevant today and will continue to work in the future," says Lui.

"My vision is for our business suc-

cess in Macau to enable Galaxy to develop itself into the leading gaming and entertainment corporation in Asia. In addition, I also hope that as a result of our effort, we are able to find a new direction for the gaming and entertainment industry, which will strike a perfect balance between gaming and non-gaming activities. It is my vision that in the future, gaming will no longer serve as the single incentive for customers to visit us. Instead, customers will stay longer in our hotels for a variety of activities and services including gaming, leisure and entertainment activities," he says.

GALAXY ENTERTAINMENT GROUP

A partnership of champions

Global capital markets were abuzz in mid-October last year, when UK-based private equity company Permira announced it would acquire a 20 percent stake in Hong Kong and Macau-based casino operator Galaxy Entertainment Group in a \$1 billion transaction

In a deal announced in mid-October last year, Permira acquired HK\$3.8 billion (\$490 million) worth of existing Galaxy shares held by Kah Wah International Holdings and subscribed for a further HK\$2.7 billion worth of newly issued Galaxy shares. Approximately HK\$1.3 billion of the subscription was applied to redeem around half of the outstanding fixed-rate notes, while the remaining HK\$1.4 billion was a cash injection designated for Galaxy.

There are numerous reasons why Permira found Galaxy such an attractive investment. Galaxy holds an unrestricted gaming license in Macau – the only legalized gaming territory in China. Furthermore, Galaxy has a proven track record of being able to rapidly capture significant market share. It is also capable of building large-scale casino and hotel developments on time and within a budget. In addition, Galaxy owns the largest single land bank with a casino-approved license in Macau.

When Galaxy first met Permira, both parties recognized immediately that they shared the same vision, business approach and appreciation for China's future economic potential.

"As an international strategic investor with valuable experience and connections in gaming and sports betting markets, Permira bring new ideas, market insights and product innovations essential to our future development," said Galaxy's Deputy Chairman Francis Lui.

Permira's senior investment partner, Martin Clarke, agrees. "Galaxy has a unique blend of high-quality project development, gaming expertise, and an unrivalled understanding of Asian culture and the Chinese market.



Francis Lui and the management team of Galaxy Entertainment Group celebrate the clinching of the deal that saw Permira become the first international equity firm to put its weight behind a Chinese venture.

"Permira investment validates Galaxy as a long-term player in the Macau gaming marketplace."

This is not Permira's first investment in the gaming industry; the group is also a major shareholder of Gala Coral, Europe's largest gaming corporation.

The second "partnership of champions" that Galaxy has entered into is with the Japanese hotel chain, Okura. Okura opened its first hotel in 1962 in Tokyo. Today, Okura has over 24 luxury hotels in Asia, Europe and the Americas.

Okura is renowned for its "Best ACS" philosophy, which aims to provide its customers with the best accommodation, the best cuisine and the best service. Okura's market position is world renowned. The chain owns the number one-ranked hotel in Tokyo, Japan and the number one-ranked hotel in Seoul, South Korea.

Okura is interested in extending its presence into Macau – the largest and the fastest-growing gaming market in the world. The main reason Galaxy was chosen as its business partner are in recognition of its efforts to build a truly authentic Asian casino resort, catering specifically to the vast Asian market. Okura will manage a luxury hotel within the Galaxy Mega Resort project that will include up to 400 hotel rooms and suites. Additionally Okura will offer an unparalleled selection of the finest Japanese food in Macau.

"We recognize our responsibility to contribute to the growth of Macau as a destination," says Noriyoshi Owaga, Executive Director and Managing Corporate Executive Officer of Hotel Okura Tokyo. "Macau is transforming from a gaming only destination to gaming plus convention and family destination. The Japanese market is an important market for the future of Macau. We are confident that we can help send tourists to Macau from Japan and other countries."

Adds Lui, "Hotel Okura will deliver at the Galaxy Mega Resort a distinctive premium service and luxury hotel brand that attracts customers from Japan and Asia. Okura Hotels offer all the modern amenities, yet retain the subtle aesthetic beauty and warm hospitality important to many of our Japanese and Asian customers. With a number of other strategic partners, Galaxy is creating one of the most exciting destination resorts in the World and Asia's leading gaming and entertainment group."

Galaxy is committed to bringing the finest hotels, restaurants, bars and entertainment to Macau. The group will soon announce further "partnerships of champions" that will give even greater strength to the Galaxy Mega Resort project and provide Galaxy Entertainment Group with a clearly differentiated offering and a winning resort formula.

Where the stars come out to play

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GALAXY

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Macau

GALAXYWORLD RESORT

A mystical oasis on Cotai

The spectacular GalaxyWorld Resort is due to open on the Cotai Strip in 2008, in a move that will make Macau the Las Vegas of Asia and Galaxy Casinos the center of a new world of top-end gaming and resort entertainment

Galaxy Entertainment Group (GEG) is creating a truly unique experience on Cotai, Macau. From next year, the citizens of Macau and international visitors will be witnessing the birth of the Galaxy mega resort – a mystical oasis with a thrilling adventure in discovery.

"Galaxy mega resort is an unparalleled all-in-one entertainment, leisure and gaming resort which will not only redefine the gaming experience in Macau, but will also set a new standard for Asian hospitality," explains Francis Lui, Deputy Chairman of GEG. "It will help Macau become the entertainment capital of Asia."

Under GEG's master plan, a colossal and landscaped Galaxy Square will form an awe-some centerpiece in Area II, together with four hotels, including two with apartment products. A world-class arena and a breathtaking observation viewpoint will be erected in Area III. An additional six hotels, two of which will have apartment towers, in Area IV will make the Galaxy mega resort a must-see, must-stay destination for the increasing number of domestic and international travelers visiting Macau.

Lui has said Area I, scheduled for launch in 2009, will deliver Cotai a unique casino in terms of architecture and thrilling design features, a retail boulevard, a diverse range of world-class restaurants, 2,200 hotel rooms and suites, a podium and gardens featuring a wave pool, white sand beach, private villas and cabanas. The plan has been tested with target prospective visitors throughout the region. Mr Lui adds: "GEG has been careful not to expand without

knowing its prospective customer and what it takes to deliver a real winner."

The mega resort will boast one of the largest casinos in the world with 1,500 slot machines and more than 600 gaming tables. Magnificent in style and grandeur, it has competition from many casinos with similar scale, but few of them are able to match the energy of the Galaxy mega resort.

Moreover, GEG's recently announced partnership with Japanese luxury hotel group Okura has piqued the hospitality world's interest as to what may come next. GEG executives and their new Japanese hotel partners are confident that their plan to deliver a five-star hotel establishment

on Cotai will be an attractive proposition for customers seeking a world-class hotel brand with Asian-quality service and hospitality. Lui believes that the premium hotel market in Macau is

booming, and plenty of room exists for further growth. Galaxy-Okura will provide an important opportunity to enrich the Galaxy mega resort offering. The up-market Okura Hotels and Resorts has expressed its commitment to deliver "world-class service with Asian charisma" under a hotel management agreement signed with GEG in mid-December last year. Okura will manage one of the deluxe hotels, a key component of the casino and hotel group's 15 million square-foot (106 acre) mega resort development. Together with Okura, Galaxy will be creating a resort experience unsurpassed in Asia.

GEG has been selective with whom it collaborates, and this is likely to be one of several partnerships struck over the com-



Luxury gaming, dining and lavishly designed accommodation are hallmarks of Galaxy casinos, which are a major contributor to the economic success of Macau.

ing months. GEG has remained consistent in seeking brands that are complimentary to its cause and that set the benchmark for services and product quality.

The mega resort will certainly attract the complete destination traveler, seeking fun, entertainment and rejuvenation. GEG prides itself in having an in-depth appreciation of Asian consumers, and this will be reflected in architecture, product and services. Lui is very excited about the prospect of creating a mystical oasis where customers can take a journey through a world of adventure, discovery, rejuvenation and surprise. "Through world-renowned Asian tourism, leisure and hospitality brands, there is now a high expectation for Asian-standard service quality and hospitality," he says. "We will build on this standard and deliver a mega resort that is authentically Asian in its appreciation of culture, and world-class in product quality."

The moment people arrive in the porte cochere, they will immediately appreciate that this is not just a casino or a hotel, but a destination with endless opportunities to be thrilled and invigorated. Other than a great gaming experience and an endless selection of food and beverages, there are also a wave pool and swimming pools, a jogging path through a tropical landscape and

indoor and outdoor spa areas – all designed to offer the most advanced luxury in Asia. The Galaxy mega resort will represent a renewed level of optimum and unrivalled hospitality, entertainment and indulgence in Macau. Mr Lui adds: "Our consumer research clearly illustrates the need for many consumers to escape from the rigors of urban living and experience something quite different. Is there a better way to relax than spending a few hours with friends and family diving into waves, sun-

ning oneself on the beach, having a tropical cocktail immersed in a poolside bar or being pampered in a world-class outdoor spa? All this and more will be delivered at the mega resort. We are confident consumers will seek to return many times to experience a new standard in comfort, hospitality and fun."

Lui also believes that GEG's strategic partners, such as Permira, will also play a vital role in assisting GEG to excel on the retail side of the business. "We are present-

ly discussing how we can work hand-in-hand to explore new business opportunities not only in Macau, but also in [mainland] China. Permira, for example, has recognized premium gaming retail brands and casinos in the UK. Its high-quality multimedia offerings will add value to our operations, especially on Cotai." Lui also noted Permira's association with "high-end" labels. "Permira also has major stakes in brands like Valentino, Hugo Boss and other retail businesses. It is worth putting in the effort to develop a structure under which we can partner with these highly recognized brands and create something very interesting here in Macau and in China."

Galaxy will invest more than HK\$10 billion (\$1.28 billion) in Macau by the time the mega resort on Cotai opens. GEG has the biggest land bank in Cotai and therefore has much latitude and flexibility in developing its phases in any order. Lui states that GEG is finalizing its next phase of development and is on schedule for its Area I launch. "It is now full steam ahead," he says, "and everyone working on the project is extremely excited by the prospect of launching the mega resort in what will be the largest gaming, tourism and leisure market in the world. Come to the resort, have fun, sample the best in Asian hospitality and 'Live The Thrill.'"

GEG also owns and operates the five-star StarWorld Hotel and Casino, its flagship gaming and entertainment venue in the former Portuguese enclave, which is situated in the Macau hub. After a successful first year in operation, StarWorld is the first hotel and casino in Macau to have been awarded the Five-Star Diamond Award by the American Academy of Hospitality Sciences. GEG also operates four City Club Casinos in the Special Administrative Region.

GALAXY CASINOS

An Asian heart

StarWorld is an example of the benefits of understanding the differing needs of European and Asian markets, and combining the best of both

Galaxy Entertainment Group (GEG) prides itself on being 'Asia-centric'. It is a philosophy and business strategy that Vice Chairman Francis Lui adheres to and goes to great lengths to explain. For example, Lui contends that what may be profitable and marketable in the U.S. may not meet with a similar response locally. "We go to Shanghai, Beijing, Guangzhou and other places in the region to get a feel of what people want," he explains. "One thing we know and understand is that Macau's entertainment will not be the same as Las Vegas's." Lui acknowledges that the 'American style' of gaming and entertainment works well in the United States. There are valuable components that Galaxy can assimilate into the Asian gaming market in order that Asian customers can enjoy the best of both Eastern and Western culture.

Lui believes Macau's best days are yet to come. "In the short-term, we will focus on Macau. It is the objective of the company to secure a position as one of Asia's premier gaming and entertainment entities. Macau is an important launch pad and proving ground in that quest."

In the coming years, Galaxy will transform Cotai into Asia's hottest gaming hub – with an eye to expand its presence in Japan and other Asian countries when opportunities present themselves. "We



StarWorld Hotel and Casino exudes the very best of luxury, vibrancy, entertainment and beautiful people.

are creating a world-class gaming and entertainment destination. We are confident that we will soon be recognized as one of the top performers in the industry," says Lui.

Galaxy's recent alliance with the up-market Japanese hotel group Okura Hotels and Resorts heralds a new era of "World class, Asian charisma," says Okura's President and General Manager Noriyoshi Ogawa. Okura is ranked the number one hotel in Japan. After the first phase of the 15 million square-foot mega resort development is opened, as scheduled for mid-2009, Okura will manage one of Galaxy's three hotels that form the core of the development.

Ogawa asserts that capitalizing on the burgeoning numbers of South Korean and

Japanese visitors to Macau is a priority and that, unlike large western hotel chains, Okura's experience in providing Asian customers with what they want is a competitive advantage.

"There are many outstanding international hotels, but we really believe we can offer something quite distinctive – world-class service with an Asian heart. For example, we have been practicing the philosophy of "Best ACS" for 40 years since the launch of our first hotel in Tokyo, namely best accommodation, best cuisine and best services. We are very pleased that our practice is recognized not only by our Japanese guests but also by other international hotel operators. It is what we have been doing since we opened our first hotel in Tokyo 40 years ago," Ogawa explains, adding, "We know the Japanese and Korean markets very well and have gained valuable insights and experience about Chinese customers from running our Shanghai operation. In addition, we also understand the European and American markets well given our experience in running major hotels in these regions." Okura's operational "Asian advantage" will be led by enlisting Har-men Dubbelar "as he truly understands both the Chinese and Japanese markets." Dubbelar has 29 years of experience in the organization and has worked in Amsterdam and Shanghai. He will become Okura's general manager at opening in Macau.

Galaxy is investing significant time and effort to ensure its Mega Resort in Cotai delivers an authentic Asian Experience with world-class brands.



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