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INTERNATIONAL RELATIONS

South Korea's casino industry hit by strained relations with China



Following the sad news of South Korean girl group Sistar's disbandment this June, K-pop idol Soyoo has released a cover version of Choi Sung Won's 1988 hit, The Blue Night of Jeju Island.

She's not wrong, Jeju has plenty to feel blue about in the face of increasing tensions on the Korean peninsula which are putting the squeeze on South Korea's gaming industry.

Famous for its beach resorts, Jeju has long been a favourite vacation spot for Koreans, with almost 1.3 million people flying between Jeju and Seoul in July 2017.

However, a number of casino developments on the island are facing an uncertain future after Beijing officials banned mainland tourist groups from visiting South Korea amid escalating tensions over Seoul's plan to deploy a US anti-missile defence system, according to a recent report by the South China Morning Post.

"There has already been a



SOUTH KOREA

In the face of deteriorating relations with China, what will the impact be on **South Korea's casino industry**? Casino Review casts a furtive glance to the future.

huge impact on the Korean gaming industry resulting from the THAAD missile issue," Ben Lee explains. "Jeju island which once was crammed with mainland Chinese tourists is a virtual ghost town.

"The brand new Incheon IR by the Paradise group is suffering similar fate, which in turn does not bode well for the new projects in the pipeline such as the Moheg Sun Project."

Among the companies caught in the middle of the

political tug of war is Hong Kong-listed Landing International, which is developing the \$2.6bn Jeju Shinwa Resort.

While the project - which includes a theme park and holiday apartments with two hotels operated by Marriott and Four Seasons under development - would have made a significant portion of its income from Chinese tourists, it must now rely on the domestic market to fuel the majority of its revenue.

Landing announced in September that it was considering moving its Landing Casino - currently situated at the Hyatt Regency Jeju Hotel - to the under-construction Jeju Shinwa World.

While the operator remains confident that the domestic market can sustain the entertainment facility without input from the Chinese mainland, the casino portion may well struggle, given that presently, all but one of the country's casino licences, the Kangwon Land casino resort, prohibit residents from gambling.

"The Korean gaming market is in a tough position insofar as it is primarily reliant on Chinese customers. As such, it is also primarily reliant on the goodwill of Beijing," said Grant Govertsen, MD and head of Asia Equity Research at Union Gaming.

"This is not an ideal position to be in, although, the current situation is only temporary. Chinese gaming volumes in Korea do seem to be improving, and therefore suggesting the worst is probably behind us."

Landing bought the site in late 2013, at a time when Chinese and South Korean relations were warming, with Jeju granting 30-day visa-free stays to Chinese citizens shortly after.

"There are still numerous question marks out there as it relates to the success of [Paradise City], the first IR in Korea, which opened back in April," Govertsen continued.

"We won't get a better idea of the return on investment potential until the geopolitical situation is."

EXPANSION

Donaco looks to expand land-based and online gaming operations



AUSTRALIA

Australian-listed Donaco International is planning to expand both its land-based and online gaming operations.

Speaking to local media, Donaco CEO Joey Lim Keong Yew stated that his company hopes to move beyond its current casino foothold in Cambodia and Vietnam into other Asia-Pacific markets, including Macau, South Korea, the Philippines and Japan, within the next five years.

Lim stated that this expansion could take the form of either new development or acquisitions and that "the next three to five years" would be a pivotal period for the company in terms of regional expansion, "particularly by digitising gaming experience".

In late August, Donaco announced that its flagship Star Vegas casino in Cambodia - which operates 109 gaming tables and around to 1,300 slot machine - planned to launch its online gambling operations in September.

However, on 8 September Lim told Malaysia's The Star that the online gambling platform would launch "next month", raising the possibility that the launch could now be delayed until October.

The online platform had already been developed via a third-party, believed to be one of Star Vegas' junket operators,

with which Donaco has struck a revenue-sharing partnership. Lim also revealed that Donaco was working on a social gaming platform.

On the land-based side, Lim suggested that fallout at

Donaco's Aristo International Hotel in Vietnam's Lao Cai province would get a boost in late-2018 from the completion of a regional airport.

Donaco has previously expressed an interest in participating in the Vietnam's three year trial allowing local residents to play in the country's casinos.

However, the government's minimum \$2bn investment threshold for new casino projects, would require a significant upgrade in the size of the company's existing operations in the country in order for the firm to participate.

Lim stated that Donaco would undertake a \$100m-\$200m redevelopment and urban regeneration programme at its Lao Cai property over the next three to five years.

Lim is the nephew of Genting group's CEO, Tan Sri Lim Kok Thay and grandson to the group's founder, Tan Sri Lim Goh Tong.

While the Lims control about 65 percent of Donaco, the company has no financial ties with the Genting group.



CASINO CRUISES

Genting dreaming big with new high-end luxury liner



HONG KONG

Genting Cruise Lines has announced the official river conveyance of its ocean liner, World Dream, the newest ship for the Dream Cruises fleet.

The 151,000 ton liner - the sister vessel of Genting Dream which launched last November - will add significant competition to Asia's casino market.

The 18-storey vessel was released from the shipyard in Germany in late August, from where it travelled down the



River Ems and into the North Sea where it is undergoing open-water trials.

Built for Genting Hong Kong, the ship will make its maiden voyage from the territory on 17 November and its first voyage from Nansha two days later.

World Dream's itinerary will include a

number of Southeast Asia's gaming centres including both Boracay and Manila in the Philippines, Ho Chi Minh and Nha Trang in Vietnam, and trips around the Pearl River Delta.

Able to accommodate 3,400 passengers and 2,030 crew members, World Dream offers a wide range of amenities, including restaurants, bars and a large onboard casino area.

The vessel will also incorporate an exclusive VIP and high roller area that includes garden penthouses and private decks.