

# G3-247 Report

SOUTH KOREA

## Gaming's dynasty

When we talk about gambling in Asia, Macau, the Philippines and Singapore invariably spring to mind. However, there is one sleeping giant that's often overlooked. South Korea has an established casino market and there are expansion plans on the horizon.



The name Korea is derived from Goryeo (also known as Koryo) which was the first Korean dynasty which ruled in the Middle Ages. The dynasty was established in 918 by King Taejo and the kingdom later gave its name to the state of Korea.

South Korea, or officially the Republic of Korea, is located in East Asia and makes up the southern part of the mountainous Korean Peninsula. It shares a land border with North Korea and is surrounded by the Sea of Japan, Yellow Sea, the Korean Strait and East China Sea with overseas borders with China and Japan.

South Korea is divided into four general regions – the eastern region of high mountain ranges and narrow coastal plains, the western region of broad coastal plains, river basins and rolling hills, the south western region of mountains and valleys and the south east dominated by the broad basin of the Nakdong River.

About 3,000 small and mostly uninhabited islands lie off the western and southern coasts of South Korea. The biggest, Jeju-do is about 100km off the south coast and is home to Hallasan the extinct volcano.

There are nine provinces – Chungbuk, Chungnam, Gangwon, Gyeonggi, Gyeongbuk, Gyeongnam, Jeju, Jeonbuk and Jeonnam. Plus six metropolitan cities – Busan, Daegu, Daejeon, Gwangju, Incheon and Ulsan, one special city (Seoul) which has a population of around 10 million and one special self governing city (Sejong)

The history of Korea begins with the founding of Gojoseon in 2333BC by the legendary Dangun. After the Three Kingdoms of Korea were united Korea was then ruled by the Goryeo Dynasty from 918 until 1392 and then the Joseon Dynasty thereafter until 1910.

After the First Sino Japanese War and the Russo Japanese

War the country was annexed by Japan in 1910 until 1945. At the end of World War II Japan surrendered to Soviet and US forces who then occupied the northern and southern halves of Korea respectively.

Despite the initial plan of a unified Korea antagonism escalated between the Soviet and US and eventually this led to the set up of two separate governments each with its own ideology leading to Korea's division in 1948 – North Korea and South Korea.

In the south, Syngman Rhee, an opponent of communism, won the first presidential elections of the newly declared Republic and in the north a former anti Japanese guerrilla and communist activist, Kim Il-sung was appointed premier of the Democratic People's Republic of Korea.

Both leaders began an authoritarian repression of their



many campaigned to run for president during the void. In 1979 there was a Coup d'etat of December 12 by General Chun Doo-hwan and he forced the cabinet to expand martial law to the whole nation which closed universities, banned political activities and further curtailed the press. This triggered nationwide protests. However Chun and his party held Korea under a despotic rule until 1987 when a Seoul National University student was tortured to death.

Mass demonstrations began and eventually the 6:29 declaration was introduced which included the direct election of the president Roh Tae-Woo of the Democratic Justice Party who went on to win the election.

As civilian government replaced military rule in 1987 the country has become Asia's most advanced democracy

In 1988 Seoul hosted the Olympic Games and the country recovered and continued on its economic growth path. A conservative government was elected in 2007 led by President Lee Myung-bak and in 2012 Park Geun-hye won the election in 2012.

The South Korean economy has grown significantly over the last few years and the country was transformed into a G-20 major economy. It had the fastest growing economy in the world from the early 1960s to the late 1990s and today is still one of the fastest growing economies along with Hong Kong, Singapore and Taiwan. The South Koreans refer to this growth as the Miracle of the Han River.

The growth of its economy is however heavily depend-

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ent on international trade and in 2010 it was the sixth largest exporter and 10th largest importer in the world.

Today, the country has the world's 12th highest living standard and South Koreans are the highest paid in Asia. South Korea is Asia's fourth largest economy and the country's export economy is fuelled by multinationals such as Samsung, Hyundai-Kai and LG. The country is notable for its advanced technology and infrastructure. It was also one of the few countries able to avoid the global recession and unemployment rate is around 3.5 per cent (March 2014).

Meanwhile it is the 20th most visited country in the world. In 2013 some 12.1 million foreign tourists visited South Korea up from 9.7 million in 2010. Most come from Asia (Japan, China, India and Singapore). Last year saw tourists spend some US\$14.1bn, a growth of 5.8 per cent on the previous year.

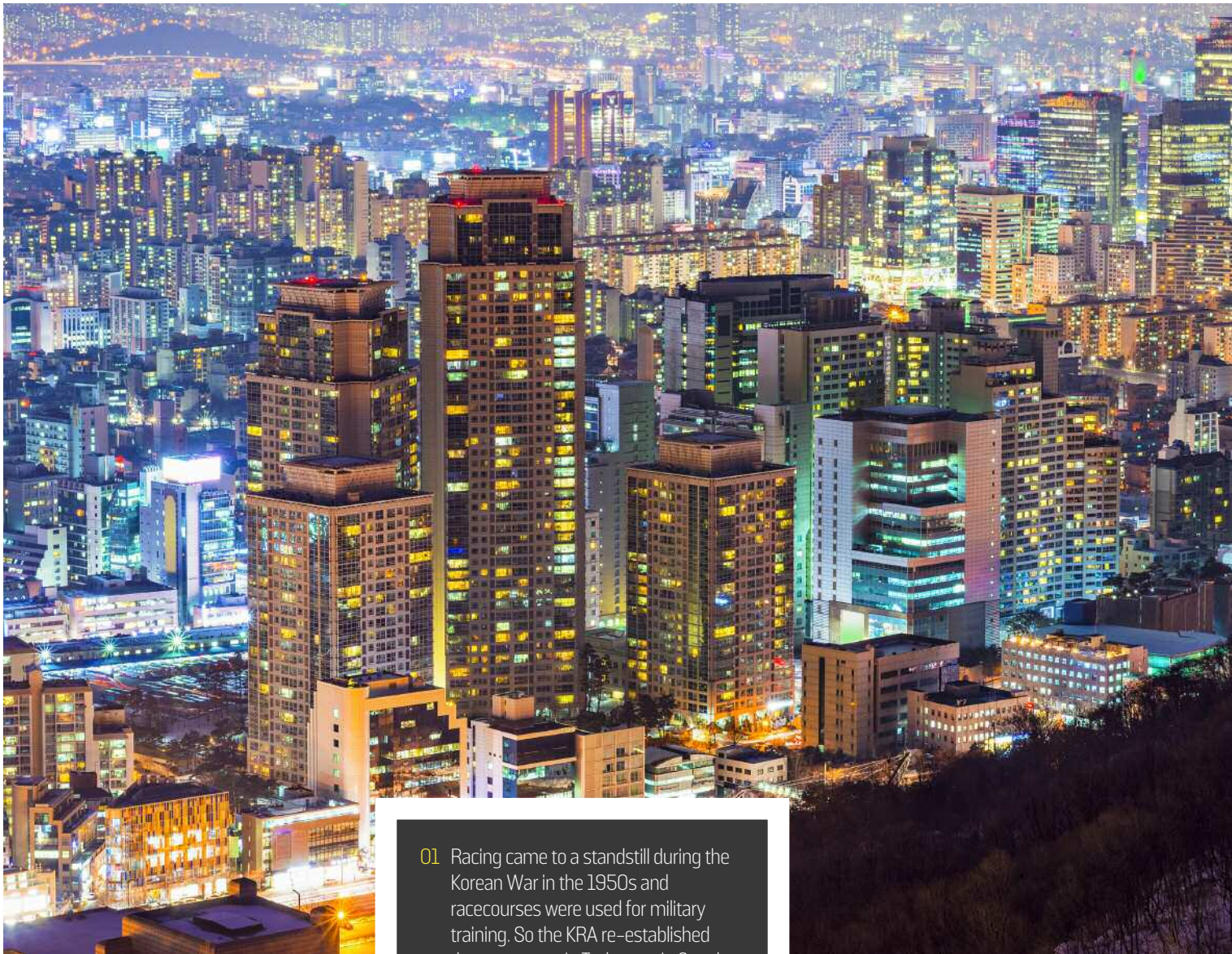
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political opponents and in 1950 the Korean War began when the north invaded the south and the war lasted three years and involved not only the US but China, the Soviet Union and other nations.

Over 1.2 million people died during the war and today the border remains the most heavily fortified in the world and the two halves continue to claim sovereignty over the entire peninsula and any outlying islands.

In 1960 a student uprising led to the resignation of the Syngman Rhee and political stability followed broken by General Park Chung-hee's military coup the following year. Park took over as president until 1979 when he was assassinated. Although Park was criticised as a corrupt leader the country developed significantly during his rule especially economically.

Political turmoil followed after the assassination and



### THE GAMBLING MARKET

Under Chapter 23 of the Criminal Act all gambling in South Korea that is not for momentary pleasure is illegal. However there is no known instance of a Korean being arrested for gambling. For online gaming the government merely posts warning signs on those illegal sites they find.

Korea's gambling sector comprises of horse racing, lottery, cycling and casinos and this all achieved sales of ₩19.34tr in 2013 slightly lower than 2012's ₩19.54tr.

### LOTTERY

The Lottery Fund Act was enacted in 2002. In 2004 the lottery committee was set up to oversee the lottery and promote its development. The Korea Lottery Commission undertakes all lottery related operations from management to sales and use of the proceeds.

There are a few lottery games and Lotto 6/45 and 520 Pension Lottery (Bok-Kwon) are the main government endorsed lotteries in South Korea plus there are games called Popcorn and Speeto500.

01 Racing came to a standstill during the Korean War in the 1950s and racecourses were used for military training. So the KRA re-established the racecourse in Ttukseom in Seoul and the course opened in 1954 and served as the hub until it was relocated to the newer site in Gwacheon in 1989.

02 The Korea Racing Association Law was set up in 1962 and computerised pari-mutuel betting was launched in 1984. Up until this point pari-mutuel betting was done manually which impeded the development of the sport. This, plus televised coverage in colour, boosted incomes tenfold and saw the sector grow significantly.

03 The KRA was responsible for constructing the Olympic Equestrian Park during the games and this was built on 280 acres of land in Gwacheon area, south Seoul. After the Olympics this park was renamed Seoul Racecourse.

Lotto 6/45 began in December 2002 and players choose six numbers between 1 and 45 and the draws are held once a week on a Saturday. Tickets can be purchased at convenience stores and news stands 365 days a year. Only those over the age of 19 can buy. It costs around ₩1,000 for one line of numbers and players can have as many lines as they wish. You can choose your own numbers or via random selection.

Pension Lottery 520 was launched in July 2011 and was the republic's first pension type lottery. Winners receive a monthly payment for life. Tickets can be bought at shops throughout the country and via the official website.

The government maintains a cap of ₩3.49trillion on lottery revenue and also aims to keep the total gambling business revenue to 0.58 per cent of the country's GDP. The lottery commission has asked if the cap be removed but the request was refused. If they go over the cap then the KLC must pay financial penalties to the NGCC.

Lottery revenues in 2011 reached ₩3.08tr with ₩3.2tr (\$3bn) in 2012. The increase is due in part to online lot-



tery sales. In the last five years South Korea lottery sales have increased by 35 per cent.

The increase was largely driven by the demand for Lotto online lotteries which has sales alone of ₩2.9tr. Offline lotteries including the pension lottery which totalled ₩210.4bn

According to the law 42 per cent of lottery revenues are then invested to support social welfare programmes of which 35 per cent of the infrastructure for the designated purpose, 65 per cent for aid for vulnerable groups. In 2013 the lottery generated ₩1.34tr of public funds for the welfare groups.

Meanwhile after an international tender the NANUM LOTTO consortium awarded the licence to operate South Korea's National Lottery to Intralot for the next five years until 2018. The system will look after the online and instant ticket products and the electronic lottery. Nanum Lotto consortium has been exclusively operating the South Korean lottery since 2007.

The Korea Lottery Services Co. began life in 1990 with

the Expo and Instant Housing Lottery and produces and supplies various instant lottery and scratch cards. Today it is one of the leaders in Korea's online lottery business and was selected to develop the online lottery system Excellos in 2002.

KLS was the first company in the online lottery system and has partnered with lottery operating agency KB Bank to open over 5,000 retailers throughout Korea and also installed almost 10,000 online lottery terminals.

### HORSE RACING

Horse racing in Korea dates back in 1898 when a foreign language institute held a donkey race on its sports day. In 1914 the country's first race meeting was held to the public however these were conducted solely for entertainment purposes and no betting was permitted.

In the 1920s horse racing with betting made its debut and the Joseon Racing Club, the nation's first ever authorised racing club, was established.

In 1923 the pari-mutuel betting system was adopted in Korea for the first time. The Sinseol-dong racecourse opened in 1928 and racing clubs were allowed to have their own racecourse.

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In 1933 a decree on horse racing was introduced which permitted incorporated racing clubs to conduct horse racing whilst the Joseon Horse Racing Association was set up to coordinate and control the clubs.

This association was later renamed as the Korea Racing Association (KRA).

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the Olympics this park was renamed Seoul Racecourse.

Meanwhile in the late 1980s, as part of an effort to preserve the ponies native to Jeju island, a 180 acre racecourse at the foot of Mount Halla in Jeju was built and this opened for pony racing in 1990.

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Today there are three race courses in South Korea – Seoul, Busan-Gyeongnam and Jeju – and there are two kinds of racing – thoroughbred flat races held at Seoul and Busan and pony flat races at Jeju.

The sport is legal and tolerated although it is still considered socially unacceptable by some.

Races are held weekly on Friday, Saturday and Sundays and there are around 12 to 16 races on a race day with on average 94 fixtures at each race track. Total attendance is over 16.1 million (2012) compared to 19.5m in 2011 with betting turnover over ₩7.83tr (approx US\$7bn) compared to ₩7.7tr in 2011.

Seoul Racecourse is 284 acres in size with a grandstand capacity for 77,000 people. Busan is 307 acres with the capacity for 30,000 whilst Jeju is 180 acres and has a capacity for 6,393 people.

The Korea Racing Authority is the sole racing authority and is under the supervision of the Ministry for Food, Agriculture, Forestry and Fisheries. KRA aims to contribute national finances through horse racing to promote and support projects for fishing and agricultural villages.

The authority's objectives are to upgrade the horse industry and strengthen social responsibility. It holds the exclusive rights over racing operations both on and off course wagering.

KRA provides six betting types – win, place, quinella, exacta, quinella place and trio. The maximum bet allowed is ₩100 and the maximum per single bet is ₩100,000. Betting tickets are distributed through the on and off course betting terminals and through account betting. The terminals are controlled by the pari-mutuel Betting Control Centre in Seoul.

Betting turnover per betting type in 2012 was Win (₩63.8bn); Place (₩105bn); Quinella (₩3.8tr); Exacta (₩1.4tr); Quinella Place (₩500bn) and Trio (₩1.8tr).

There are 30 KRA off course betting outlets in the country with the majority in Seoul metropolitan area.

From the turnover of the industry 73 per cent is returned to the customer in prizes whilst the remaining 27 per cent is divided between taxes (16 per cent), general horse racing operational costs (seven per cent) and the four per cent profit is then divided between a reserve fund for development and welfare projects in the industry (2.8 per cent) and investment for the sector (1.2 per cent)

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## SPORTS-BETTING

Koreans love to gamble. Fighting Tablet games (a forerunner to dominoes) were wagered back in the sixth century whilst card games and board games such as Chang-gi (Korean chess) have been popular for centuries and Cheongdo So Ssa.eum (bullfighting between two bulls) and Ssirum (like Sumo Wrestling) are indigenous sports.

In the 1950s a strict ban on betting was imposed with the exception of horseracing. Gradually the South Korean government began to embrace other traditional gambling sectors, such as the lotteries and later casinos.

In 1991 the country joined the United Nations and with a focus on tourism gambling laws began to relax even more. In 1997 Korea started Sports Toto.

Today wagering is limited to trackside motor racing and bicycling plus six off track sports – football, baseball,

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basketball, volleyball, golf and a special category for special events.

Sports Toto was the first bookmaker to offer fixed odds bets and run odds bets on events. The company now operates betting terminals all around the country. A percentage of revenue goes to supporting and improving the country's sports facilities.

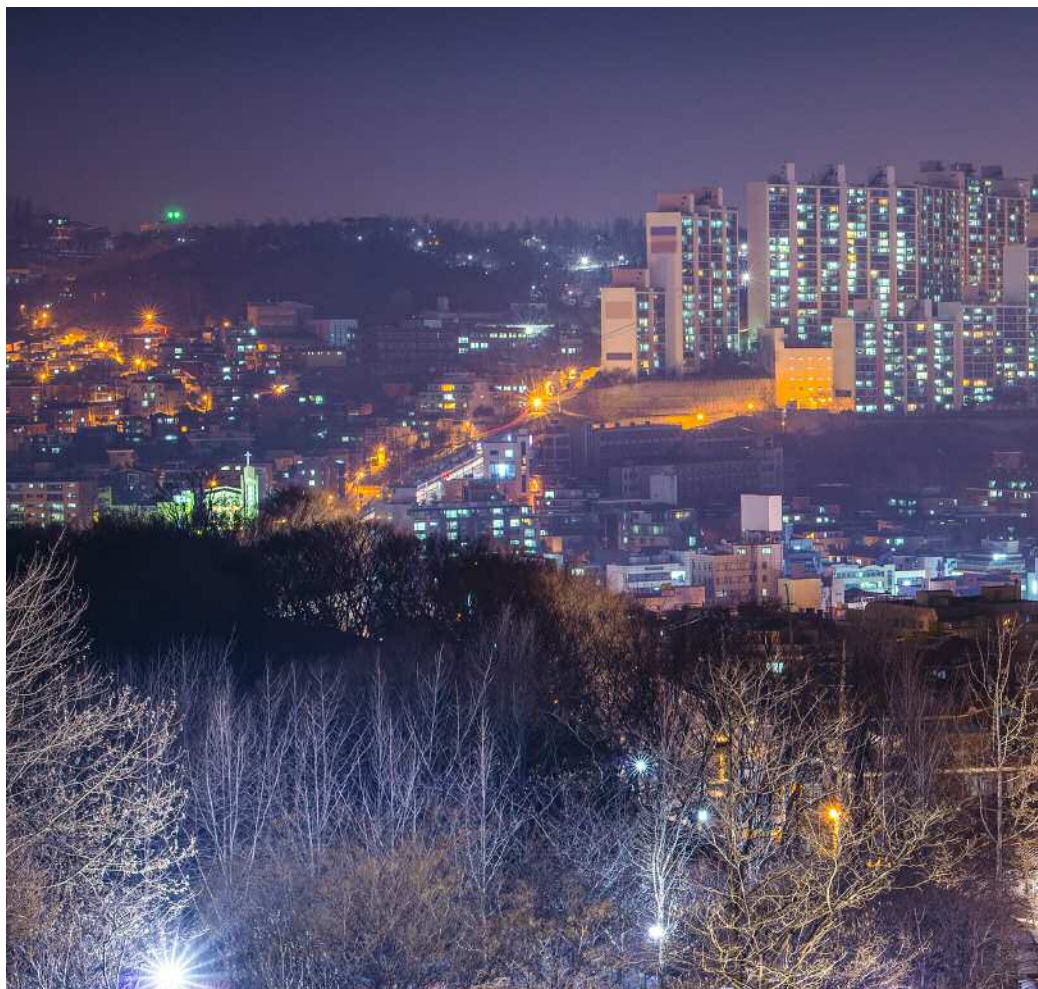
Sports Toto is a government sponsored business and helps support the Korea Sports Promotion Foundation to develop sports in Korea. The toto business emerged in 1997 when the Korea Football Association suggested that the national government raise funds for the 2002 Japan and Korean World Cup. Sports Toto eventually launched its operations in 2001.

There are two divisions: Sports Toto is pari-mutuel betting and Sports Proto is fixed odds sports betting. Both are available at terminals nationwide and locations where lottery tickets are sold or bets can be made online. It is permitted because it is classed as a type of lottery

Sports Toto offers many different games and 50 per cent of sales go into a bettering pool that is split with winners.

Sports Proto's payout is calculated by multiplying betting amounts with a pre-disclosed payout ratio. Players can select sports game events they want to bet on.

Sports Toto allocates 10 per cent to various sports asso-



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ciations and 78 per cent to the KSPO and seven per cent to sport related businesses and five per cent to maintain sports facilities. Last year this amounted to ₩866.5bn in total with ₩86.3bn, ₩654bn, ₩58.3bn and ₩41.6bn respectively.

## ONLINE

Online wagering is still illegal in South Korea and licences are not available for internet gambling services. Powerful anti gambling interests have attempted by parliamentary means to stamp out illegal online gambling on five casinos in recent years.



However it is impossible to prevent players from placing bets with sportsbooks outside of Korea. Around 460 sports betting web sites currently accept play from South Korea. Most popular are the online casinos legal and licensed in the Philippines as the majority support Korean language and currency.

The government is worried about the growth and is keen to undertake a study. It is said around two per cent of the population are 10-19 year olds which participate in gambling

Last year saw a huge crackdown on illegal online sports betting sites. There were several arrests and one in the province of Gyeonggi in April 2013 saw suspects accused of launching over 200 websites.



The Paradise Group is the biggest operator with five casinos and Grand Korea Leisure (GKL) has three casinos.

With five casinos the Paradise Group has a 51 per cent market share in South Korea. Grand Korea Leisure follows with 38 per cent share whilst other operators have a 10 per cent share between them.

In the fourth quarter of 2013 the Paradise group saw total sales of ₩177bn of which the casinos took ₩147bn. This was a 61 per cent increase on 2012 figures for the same period for the casino division.

As a comparison the GKL saw 4Q2013 casino sales of ₩133bn whilst the other operators saw total sales of ₩35bn. For the year 2013 as a total the Paradise casino division saw sales of ₩695bn and GKL saw total sales of ₩547bn. Casino drop for the GKL company was ₩3.9tr of which ₩3.5tr came from table and ₩393.1bn from slots.

The other operators saw total sales in 2013 of ₩133bn with Kangwon Land with ₩1.2tr. Total casino sales across the market were ₩2.7tr in 2013.

Drop in total for 2013 was ₩6,210bn divided between VIPs from China with ₩1,072bn, VIP Japan with ₩313bn, VIP others with ₩215bn and Mass ₩133bn.

Of the 17 casinos – 16 fall under the Tourism Protection Act which require a passport entry and prohibit Koreans, Vietnamese and Nepalese to enter. The players to these casinos mainly include junket players from Japan and China and some Koreans who have access to a foreign passport.

### TABLE DROP AND NET REVENUE FOR PARADISE CASINO GROUP

CASINO	TABLE DROP 4Q2013	TABLE DROP TOTAL 2013	NET REVENUE 4Q2013	NET REVENUE TOTAL 2013
WALKER HILL	₩874bn	₩2.9tr	₩112bn	₩425bn
JEJU GRAND	₩174bn	₩682bn	₩13bn	₩56bn
INCHEON	₩287bn	₩1.0tr	₩22bn	₩89bn
BUSAN	₩209bn	₩791bn	₩18bn	₩76bn
JEJU LOTTE	₩189bn	₩714bn	₩12bn	₩50bn
<b>TOTAL</b>	<b>₩1.7tr</b>	<b>₩6.2tr</b>	<b>₩166bn</b>	<b>₩697bn</b>

The Korean National Gambling Control Commission (NGCC) lists illegal sports betting as a \$6.67bn business.

Korean TV personality Kim Yong-man stepped down from his TV position last year following a police investigation into his online sports betting activities. He was given an eight month suspended sentence. He had wagered ₩1.3bn on two online betting sites between 2008 and 2011.

Fines for illegal gambling can be up to ₩5m for those found playing and up to ₩20m and up to three years imprisonment for those operating.

It is said the number of illegal gambling websites in Korea has increased 25 fold in the last four years.

### THE CASINO SECTOR

South Korea was quite the trailblazer in terms of casino liberalisation. The first casino was opened in Incheon by the Paradise Casino in 1967 just three years after Stanley Ho's monopoly began in Macau.

The second casino from this group was the Sheraton Walker Hill in Seoul in 1968. After this nothing much happened for the next 20 years until the 1990s saw six casinos open.

Since then the market has blossomed with a total of 17 casinos now open. There are eight casinos in Jeju-do island, three in Seoul, three in Kyongju, two in Incheon and two in Busan whilst Jeongseongun, Pusan, Pyeong Chang gun and Sokch'o city each have one casino.

Sales for the foreign only casinos grew in the decade from 2000 to 2010 to ₩1tr. Some say this could be doubled if the market opened to domestic players.

Some say without domestic players the market will be stifled of growth. South Korea is not high on the list of tourism destinations. It is freezing in winter and very humid in summer. If Japan legalises casinos it could see many of its players relocate.

Kangwon Land is a big example of the domestic demand for gaming. Kangwon Land Casino was established in 1998 and opened in 2000 with the casino and hotel followed later by the golf course, ski and condos and more hotel and convention centre.

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It was a government initiative to resuscitate coal mining towns in southern Gangwon Province. It falls under the Special Act on the Assistance to the Development of Abandoned Mine Areas in the northeast province Gangwon in Jeongseongun county.

Some 51 per cent of Kangwon Land Corporation is owned by four regional governments and its aim is to be a first class four season resort. At the moment it attracts around six million visitors per year. It is headed by CEO Choi Hung Jib.

This area has been developed into a huge tourist attraction called High1 Resort deliberately situated several hours drive from the nearest city to put off locals from visiting.

The casino offers 1,360 slots and 200 tables. There is a Ski Resort with 18 ski slopes, Golf Course, three hotels and three condominiums plus bars and restaurants (including a revolving restaurant on the mountain top).

There are hiking trails, cinema, spa and swimming pool 'Mountain Spa' outdoor hot spring. More than 10,000 Koreans visit the casino every day many waiting for hours to enter.

Tickets must be bought to enter and this fee then goes as taxes as Special Consumption Tax (₩3,500) Education Tax (₩1,050) and Surtax (₩450) which is required by the Special Consumption Tax Act. Permanent resident passport holders do not have to pay to enter. To enter players must be 20 years old or over.

Fourteen years after it was opened this mega project remains somewhat controversial. Although it is inundated with visitors, the spillage into the surrounding areas is hardly noticeable. Social biases against casinos and political pressure and negative media coverage have all combined to constrain the firm from really expanding.

Unfortunately the resort saw embezzlement and

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bribery scandals a few years ago and this type of slurs sticks. The casino generates around 95 per cent of total revenues and sales have increased from ₩1.27tr in 2012 from ₩91bn back in 2001. Sales in 2013 were ₩1.29tr with a contribution of ₩467.3m to local government.

There are now plans to extend Kangwon Land. Other casino operators are calling for a relaxation in the law to permit domestic players plus foreign investment, whilst Kangwon Land say any shift in policy would wreak havoc on their operations and the regions economy.

Now in a bid to shake off heavy reliance on the casino and help the local economy Kangwon Land is now aiming to introduce a long term growth framework for the resort and the four mining towns – Jeongsun, Taebaek, Donghae and Samcheok.

Under its 2020 vision the company aims to increase visitors to 10 million annually. This will be fuelled by the 2018 Winter Olympics to take place in nearby

### SOUTH KOREA'S CASINO GAMING REVENUES

CASINO	OPENED	SALES	SIZE	No. OF TABLES	No. OF SLOTS
<b>Paradise Group</b>		<b>₩695bn</b>		<b>217</b>	<b>307</b>
Walker Hill	1968	₩425bn	3,178 sq.m	90	147
Jeju Grand	1990	₩56bn	1,314 sq.m	27	36
Incheon	1967	₩88bn	1,312 sq.m	36	32
Busan	1979	₩75bn	1,321 sq.m	37	54
Jeju Lotte	1985	₩50bn	1,205 sq.m	27	38
<b>GKL</b>		<b>₩546bn</b>		<b>173</b>	<b>371</b>
7 Luck Coex	2005	₩285bn	5,380 sq.m	71	121
7 Luck Hilton	2005	₩183bn	2,812 sq.m	55	160
7 Luck Busan	2005	₩79bn	2,234 sq.m	47	90
<b>Others</b>		<b>₩133bn</b>		<b>252</b>	<b>197</b>
Majestar	1991	₩31bn	3,089 sq.m	43	20
Ramada Plaza	1975	₩21bn	2,359 sq.m	39	22
Royal Palace	1990	₩13bn	1,353 sq.m	18	15
Lvegas	1990	₩13bn	1,026 sq.m	27	16
Hyatt	1990	₩16bn	803 sq.m	19	10
Golden Beach	1995	₩21bn	824 sq.m	26	24
Alpensia	1980	₩1bn	689 sq.m	17	40
Inter-Burgo	1979	₩15bn	3,473 sq.m	63	50
<b>Kangwon-Land</b>	<b>2000</b>	<b>₩1,279bn</b>	<b>12,793 sq.m</b>	<b>200</b>	<b>1,360</b>
<b>TOTAL</b>		<b>₩2.7tr</b>		<b>842</b>	<b>2,235</b>

Pyeongchang. Other strategies include creating self-sustaining power for the resort and maintain tighter management of the resort to prevent waste of resources.

There are also plans to create new ventures such as a water park, theme park, shopping and exhibitions and improve living conditions and infrastructure in the area. It has allocated ₩550bn to boost tourism and spur the industrial development by installing entertainment and leisure facilities in surrounding towns.

The number of visits to the casino is limited to one day per month for villagers and 20 days for other guests to

*Casino operators are calling for a relaxation in the law to permit domestic players plus foreign investment, whilst Kangwon Land say any shift in policy would wreak havoc on their operations and the region's economy.*

alleviate public and political concerns. Kangwon Land also runs a gambling addiction centre.

Around 65 per cent of the 4,800 employees are from areas in Gangwon province where mines have closed down.

### NEW DEVELOPMENTS

Although Japan, Taiwan and even Vietnam are all poised to legalise casinos until then Macau and Singapore and even South Korea lead the way.

Although gambling is seen a vice in South Korea the government on the other hand likes the boost it brings to the economy and the increase in employment and tax revenues.

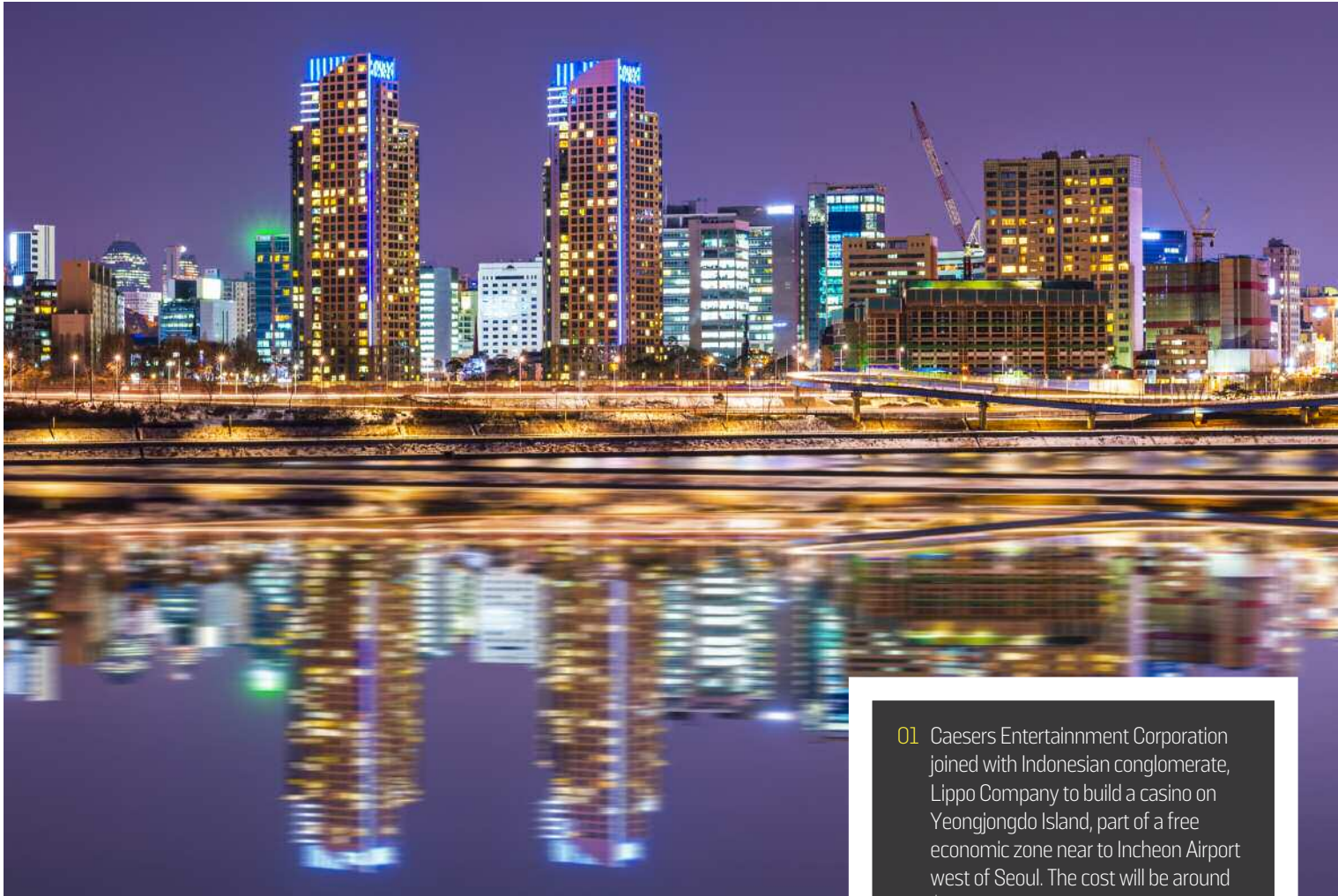
The progressive ease of visa requirements for Chinese visitors has contributed to annual average revenue growth for the casino sector during the last five years by around 7.5 per cent to more than \$2.5bn in 2013. It is thought this could rise by 11 per cent over the next three years. Shares in Paradise Casino have also risen by 11 times their level in 2010.

Although South Korea cannot rival Macau's revenues it is however much closer to Beijing and other big eastern cities plus Chinese customers receive VIP treatment including free flights and chauffeur driven cars if they pledge certain bets.

South Korea's aim is to now draw in 10 million Chinese visitors by 2020 compared to 4.3 million last year. Chinese visitors make up 36 per cent of foreign visitors in 2013 and accounted for 41 per cent of visits to the country's casinos in 2012.

The province of Jeju is one of the nine provinces in South Korea and since 2006 has been a special autonomous province of South Korea. The province is the largest island in the nation and lies in the Korea Strait.





Traditionally it has been supported by agriculture and fishing although tourism has taken a more important role in recent years. The Chinese are the biggest visitor group as since 2006 Jeju has had the autonomy to grant visa free access to citizens on mainland China and the number of Chinese tourists has increased. However the Chinese still need a visa their end to leave the country.

Last year 2.3 million foreign tourists visited Jeju island with Chinese visitors accounting for around 78 per cent. Domestic visitors totalled 8.5 million last year. The island has eight casinos and many say this is over saturation in a market catering only for foreign tourists.

There have been many suggestions to help Jeju island. One idea was to allow domestic players into one casino on the island, another is to open up the whole island to domestic players thus creating a mini Macau. In total there are around 300 slots and 150 tables on the island.

Ministry officials say to permit local residents into casinos would require a national consensus and yet others believe this is only a matter of time. Foreign investors will certainly call for permitting local entry.

The Chinese bring in big money to the local casinos. It is reported the average Chinese party bets about \$40,000 per person in the VIP rooms.

The Paradise Group for example posted ₩170.5bn

(\$166.8m) in sales in the first quarter this year up 17.7 per cent on the same period a year ago. Its net profit reached ₩47.3bn up a whopping 71.8 per cent. The robust performance is said to be from almost 38 per cent rise in drops by Chinese VIPs at the company's casinos.

GKL recorded ₩139.1bn in sales during the first quarter a rise of 5.5 per cent also thanks to Chinese tourists. Meanwhile Kangwon Land's operating profit meanwhile rose 16 per cent to ₩137.6bn in the first quarter with sales rising nine per cent to ₩373.3bn.

Last year the government began to look at the possibility of foreigner only casinos on South Korean based cruise ships in a bid to boost both the cruise and casino industries.

At the moment there are strict laws banning casinos onboard ships and for most cruise liners casinos are essential for their survival as 20 to 50 per cent of their income comes from gambling onboard.

Korea's first cruise ship was launched in 2012 but shut down a year later due to a drop in profits without the ability to offer a casino.

Harmony Cruise was launched in January 2012 to offer tours from the southeast city of Busan to Japanese cities but closed in December after financial problems.

- 01 Caesars Entertainment Corporation joined with Indonesian conglomerate, Lippo Company to build a casino on Yeongjongdo Island, part of a free economic zone near to Incheon Airport west of Seoul. The cost will be around \$2.2bn in total with first stage of the project to be completed by 2018 and final by 2023.
- 02 Incheon Airport is a just a two hour flight from many major Chinese cities. However Korea then needs to look at making Yeongjongdo Island a regional gambling hub to lure Chinese tourists and will have to consider building more high class resorts around the airport.

The ship catered for up to 1,000 passengers and had many other facilities such as swimming pool, theatre, fitness club and kids clubs.

There are predicted to be seven million cruise passengers in all of Asia by 2020 and four million of these will be Chinese. Around half are expected to visit Jeju.

Of the 2.2 million foreign tourists visiting Jeju island last year (of a total of 10 million) some 400,000 came via cruise ships. The industry is booming and it is thought this figure could reach two million by 2020.

In a bid to capitalise and nurture home grown cruise ship operators the government is pushing to pass a bill through National Assembly which will support the con-



struction of more piers and berth facilities and permit casino onboard run by Korean companies. The plan has faced some opposition however.

Grand Korea Leisure is one company keen to open onboard casinos and is already looking at plans to open its first cruise ship casino travelling between Jeju and Shanghai.

GKL says sales at its company could increase by three to eight per cent if cruise ship casinos are permitted.

Meanwhile there are also new land based casino developments in the pipeline. In March this year South Korea's Ministry of Culture, Sport and Tourism gave preliminary approval for the construction of its first foreign owned casino resort to LOCZ (Caesars and Lippo)

It has sent a wave of controversy around the industry. Those for the plans say why shouldn't Korea be like its regional rivals whilst those against say Seoul should not end its rules and permit 'reverse discrimination'.

Caesars Entertainment Corporation joined with Indonesian conglomerate, Lippo Company to build a casino on Yeongjongdo Island, part of a free economic zone near to Incheon Airport west of Seoul. The cost will be around \$2.2bn in total with first stage of the project to be completed by 2018 and final by 2023.



Incheon Airport is a just a two hour flight from many major Chinese cities. However Korea then needs to look at making Yeongjongdo Island a regional gambling hub to lure Chinese tourists and will have to consider building more high class resorts around the airport.

It's a difficult decision. On the one hand the government is highly cautious given that gambling is still frowned upon as a social evil in South Korea. However the lure of investment and revenues and benefit this can bring are making the idea more appealing.

At the moment Paradise Casino is the only operator in the Incheon area so this of course means competition for them. However the process that supply can create demand is also appealing to the operators who see a new Las Vegas type demand working so there is a positive feeling about the development.

Lippo Karawaci is Indonesia's biggest listed property developer whose core business is residential and township development including retail malls, hotels, hospitals etc.

The casino will be for foreign visitors only but could see more than ₩890bn in tourism income from new visitors. It will however be the first integrated resort style foreigners only casino.

The idea is to open the casino in time for the 2018 Winter Olympics in Pyeongchang. Unlike the current casinos this one will offer three five star hotels, convention centre, theatre, shopping malls and business offices and six football fields. The casino alone will have a floor space of 7,700 sq.m and will be open by 2018 as part of the first phase.

The approval of the Caesars/Lippo project is said to be a



“watershed” to gauge the government’s will toward the casino industry.

Caesars has been aggressively looking for opportunities to expand into Asia. Having failed to secure permission to build a casino in Macau where rival US companies are flourishing.

Initially the Korean government rejected the licence application, however Korea changed its mind after the group increased the size of its initial investment in the project and also by committing to build a convention centre in the first phase of development.

Caesars Chairman, CEO and President Gary Loveman said at the time: “We are grateful to the Korean government for their initial approval, paving the way for the opportunity to build and operate our first integrated resort in Korea. We are excited about the opportunity to expand our network and brands to Asia. Foreign visitation to South Korea has grown significantly and we look forward to creating a world class destination to further support Korea’s economic growth and tourism goals.”

Officials say this new casino would generate tourism

receipts of ₩890bn by 2020.

The Korean government announced it will improve related policies and regulations by giving permission for a foreign company to run casinos in Korea. A revision bill was submitted late last year about managing and operating casinos in FEZs and it aims to ease the process of granting foreigner only licences to overseas investors.

The ministry and the Ministry of Trade, Industry and Energy have agreed to work together to receive assembly approvals. The government also intends to ease the application system of granting licences to foreign investors by changing it to a content based system meaning it will ease the credit rating system applicable to foreign investors to attract more foreign business in South Korea.

Meanwhile other operators are also looking seriously at South Korea. Japan’s Sega Sammy, the video game and pachinko company, together with Paradise are looking to build a \$1.7bn resort in Incheon and have been granted approval. Paradise City is expected to be completed in 2017.

01 “Our case is totally different from the Caesars/Lippo case as we already have a casino licence in the Incheon area so we don’t need a new licence or approval from the government. Under the current Korean Gaming Act, there is no specific hurdle to relocate or expand within the same province. “When we complete the new resort we will shut down our existing Incheon casino and start operations at the new site. Today the Korean gaming industry is receiving a lot of attention from many investors and situations such as Las Vegas Player entering, casino openings in Japan will be a signal for changes just as Macau’s early stage of expansion was down to Singapore’s successful casino results. “But we are also concerned about new competition and we need to be ready for the future by exploring the casino market.”

Heyjeong Shim, IR Manager at Paradise Casino.



### SOUTH KOREA: Vital Statistics

**Capital:** Seoul  
**Population:** 49,039,986  
**Land Area:** 99,720 sq.km  
**Currency:** South Korean won (KRW)  
**Median age:** 40.2 years  
**Languages:** Korean, English  
**Ethnic Groups:** Homogenous (except for 20,000 Chinese)  
**Government:** Republic  
**Chief of State:** President PARK Geun-hye  
**Head of Government:** Prime Minister CHUNG Hong-won  
**Cabinet:** State council appointed by the president on the prime minister's recommendation  
**Elections:** President elected by popular vote for a single five year term. Park elected in 2012 and next election is 2017. Prime Minister appointed by President with consent of National Assembly.

*Caesars has been aggressively looking for opportunities to expand into Asia have failing to secure permission to build a casino in Macau where rival US companies are flourishing.*

Sega Sammy has been watching the growth of integrated resorts particularly keeping an eye on the Japanese market. With this in mind the company announced its intention to participate in this business area and the plan has been approved although construction is yet to start.

Sega Sammy began amusement centre operations back in 1965 and later developed pachislot and pachinko machines and amusement arcade machines.

In a bid to enter the casino market the company began to look at partners and this began with the acquisition of all the shares of Phoenix Resort in February 2012.

Phoenix manages one of Japan's resort facilities, Phoenix Seagaia Resort.

Meanwhile in May 2012 Sega Sammy set up a joint venture with Paradise Group to plan and develop a resort in Incheon. The company owns a 45 per cent stake in the new Paradise SegaSammy company.

The new joint venture company took over the existing Paradise Casino Incheon in July 2013 which was already operated by Paradise and via this acquisition the company plans to gain expertise and experience in casino management.

It also gives them an existing casino licence around which they can use to develop and expand the area into a large scale casino resort. It will include a hotel, shopping mall, convention centre and offices. The hotel will have 700 rooms and the gaming area of 11,000sq.m in the casino. At the moment the gaming area has a floor area of 1,300sq.m which will be enlarged.

At Sega Sammy Creation the division has also begun to develop new casino machines with an expected release this year.

Heyjeong Shim, IR Manager at Paradise Casino said: "Our case is totally different from the Caesars/Lippo case as we already have a casino licence in the Incheon area so we don't need a new licence or approval from the government. Under the current Korean Gaming Act, there is no specific hurdle to relocate or expand within the same province.

"When we complete the new resort we will shut down our existing Incheon casino and start operations at the new site.

"Today the Korean gaming industry is receiving a lot of attention from many investors and situations such as Las Vegas Player entering, casino openings in Japan will be a signal for changes just as Macau's early stage of expansion was down to Singapore's successful casino results.

"But we are also concerned about new competition and we need to be ready for the future by exploring the casino market."

In another South Korean project the company is planning to participate in the development of Centum City



**LOTTERY:** Korea Lottery System  
**LOTTERY REVENUE:** ₩3.2tr

**SPORTS-BETTING:** Sports Toto and Sports Proto

**HORSE RACETRACKS:** 3  
**BOOKMAKERS:** 30 (KRA outlets)  
**HORSE RACING REVENUE:** ₩7.8tr  
 (turnover)

**CYCLING REVENUE:** ₩2tr

**CASINOS:** 17  
**CASINO SLOTS:** 2,235  
**CASINO TABLES:** 842  
**CASINO REVENUE:** ₩2.7tr  
**TOTAL GGR:** ₩19.34tr (\$18.2bn)

*Casino operator Genting Singapore and Chinese property developer Landing International Development are also planning to build a \$2.2bn casino resort in Jeju although not yet has been approved as of yet.*

which is a multi project urban development area in Busan to incorporate communications, video, entertainment and international business. A resort costing around ¥35bn comprising of hotel and entertainment will be developed around this.

In addition casino operator Genting Singapore and Chinese property developer Landing International Development are also planning to build a \$2.2bn casino resort in Jeju although not yet has been approved as of yet.

The deal was announced in February 2014 in Hong Kong and marks Gentings first foray into Korea.

The resort will be called Resorts World Jeju and will include luxury hotels, a shopping mall, a theme park and residential facilities.

Landing International has been looking for a partner since 2013 to develop a 2.3 million sq.m area in Jeju. The resort is hoping to attract high rollers from China and will include 800 tables of which 200 will be for high rollers.

There will be a theme park, shopping mall, villas and apartments plus three hotels. Construction is due to begin in June and will be based on Genting's Resort World Sentosa.

### **THE CASINOS SEOUL**

PARADISE WALKER-HILL CASINO is located in Kwangjin-Gu in the Sheraton Walker Hill Hotel with views of the nearby Han River. The casino opened in 1968 and there are some 90 gaming tables (55 Baccarat,



15 Blackjack, seven Roulette and 12 other tables) and 147 slots. The Sheraton Grande Walkerhill hotel has 589 rooms, 14 restaurants and a shopping centre whilst the W Seoul Walkerhill Hotel has 252 guest rooms. Since 2002 the casino has been listed on the KOSDAQ.

The Paradise Group operates four other casinos in South Korea in Busan, Incheon, Jeju Grand and Jeju Lotte. Plus they also operate two hotels and are involved in the travel and welfare and culture sector. The company set up in 1968 as Olympos Tourism.

**7 LUCK CASINO SEOUL GANGNAM** in KangnamGu is run by a public enterprise and has 71 table games (46 Baccarat, 14 Blackjack, four Roulette, one Tai Sai, two Caribbean Stud Poker, two Three Card Poker and two Texas Hold'em Poker) and 121 slots and events in a gaming area of 5,380 sq.m. It is a Korean style casino with Oriental atmosphere and located near to the COEX International Hotel and Oakwood Premier Hotel and cinemas, shops and entertainment facilities. The group Grand Korea Leisure (GKL) runs two other casinos – Seoul Hilton and Busan Lotte. GKL is a subsidiary of the

state run Korea Tourism Organisation, a public enterprise set up to attract foreign tourists into the casino sector. It was launched in September 2004 and Seoul Gangnam branch opened in January 2006 followed by Seoul Hilton in May and Busan in June of that same year.

**7 LUCK CASINO MILLENNIUM SEOUL HILTON** is situated near a number of famous hotels and tourist attractions. There are 55 table games (29 Baccarat, 11 Blackjack, seven Roulette, two Tai Sai, two Caribbean Stud Poker, one Three Card Poker and one Casino War) plus 160 slots in a gaming area of 2,812 sq.m. It is operated by GKL.

### INCHEON

**PARADISE CASINO INCHEON** in Joong-Gu was the first casino to open in 1967 and later moved into the Hotel Hyatt Regency in 2005. It has a modern interior and is just five minutes from the Incheon International Airport at the International Business Centre. The casino has 36 table games (29 Baccarat, four Blackjack, one Roulette, two other tables) plus 32 slot machines. The Hyatt is a five star hotel with 523 rooms. It is operated by the new joint venture Paradise Sega Sammy who will use the casino licence to develop a resort at the location.

### KANGWONDO

**KANGWONLAND CASINO** in Gangwon-Do sits at the foot of Mount Hambaeksan. It is known as the Highl Resort and is a ski and golf resort with three hotels and three Condominiums and a convention centre. It is the largest casino in the nation and the only casino which permits foreign and domestic visitors. It has 1,360 slots and 200 tables games in a gaming area 27,293 sq.m. The casino includes the Summitas Club a VIP lounge with 20 seats. The hotel has 477 guest rooms.

**ALPENSIA CASINO** is set just 500 metres from Seorak National Park within the Sokcho Tourism area. It is renowned for its scenery and mountain views. There are 121 guestrooms in the hotel.

### DAEGU

**DAEGU CASINO** is in the Hotel Inter-Burgo. This was opened in 1979 and is 3,473 sq.m and has 63 tables and 50 slots.

### BUSAN

**7 LUCK CASINO BUSAN LOTTE** is located in Busan, the second city of South Korea. It is a European style casino and has 47 table games (25 Baccarat, 10 Blackjack, seven Roulette, one Tai Sai, two Caribbean Stud Poker and two Three Card Poker) plus 90 slots in a gaming area of 2,234 sq.m. It is operated by GKL.

**PARADISE CASINO BUSAN** is located in Haeundae which is one of the top local tourist destinations in Korea. It is housed in the Paradise Hotel Busan in the harbour city. It is divided into various sections and has 37 table games (23 Baccarat, five Blackjack, three Roulette and three other tables) plus 54 slots. It is operated by Paradise Group.

### JEJU

**PARADISE CASINO JEJU GRAND** is on Jeju Island which has long been an international tourist attraction with natural surroundings. Jeju city houses the Paradise Casino Jeju Grand which is the largest casino on the island. There are 27 table games (19 Baccarat, three

Blackjack, two Roulette, one other) plus 36 slots machines. It is located in the Jeju Grand Hotel which is five minutes from the airport of Shin Jeju and has 512 guest rooms plus golf course. It is operated by Paradise Group.

**PARADISE CASINO JEJU LOTTE** is a big entertainment complex hosting over 20 events each year from golf tournaments to festivals. There are 27 table games (24 Baccarat, two Blackjack, one Roulette and one other) plus 38 slots. It is located in the Jeju Lotte Hotel with has over 500 guest rooms. Operated by Paradise Group.

**ROYAL PALACE CASINO** at the Jeju Oriental Hotel opened in 1990 and is situated near an amusement park, seaside art centre and other entertainment facilities. The hotel has 313 guest rooms and a banquet room and is just 4km from the airport. The casino has 15 slots and 18 table games including Blackjack, Roulette, Baccarat and Tai Sai.

*Landing International has been looking for a partner since 2013 to develop a 2.3 million sq.m area in Jeju. The resort is hoping to attract high rollers from China and will include 800 tables of which 200 will be for high rollers.*

**GOLDEN BEACH CASINO** is set inside the Jeju Kal Hotel which is a modern, triangular building which is fairly unique in design. The casino has 26 tables (23 Baccarat, one Roulette, one Tai Sai and Blackjack) plus 24 slots.

**RAMADA PLAZA CASINO** is at the Ramada Plaza Jeju Hotel which is modelled after a deluxe cruise ship in Northern Europe and is located on a busy street in Jeju right on the waterfront with sea views. It is one of the most unique in Korea and is five minutes from Jeju Harbour and the airport. It has 380 rooms, a convention facility for 1,000 guests and a kids room. There are 39 tables and 22 slots.

**THE HOTEL AND VEGAS CASINOS** is a premier boutique hotel developed and operated by Gillmann Investment Asia of the Gillman Group. It was opened as a five star hotel and there are 202 rooms. There are 27 tables and 16 slots.

**MAGESTAR CASINO** is located at the Jeju Shilla Hotel and opened in 1990. It is a state of the art hotel and joined the LHW federation of luxury hotels in 2004. The hotel has 429 guest rooms, six restaurants and bars, eight conference halls, spa and fitness centre. The casino is 860 sq.m housing slots and table games.

**HYATT HOTEL CASINO** is located at a seaside cliff at the southern edge of the island. It is a resort hotel with indoor waterfall in the lobby and is situated in the heart of the Jungman Tourist Complex overlooking the Pacific Ocean. The hotel has 223 rooms whilst the casino offers 19 table games and 10 slots.