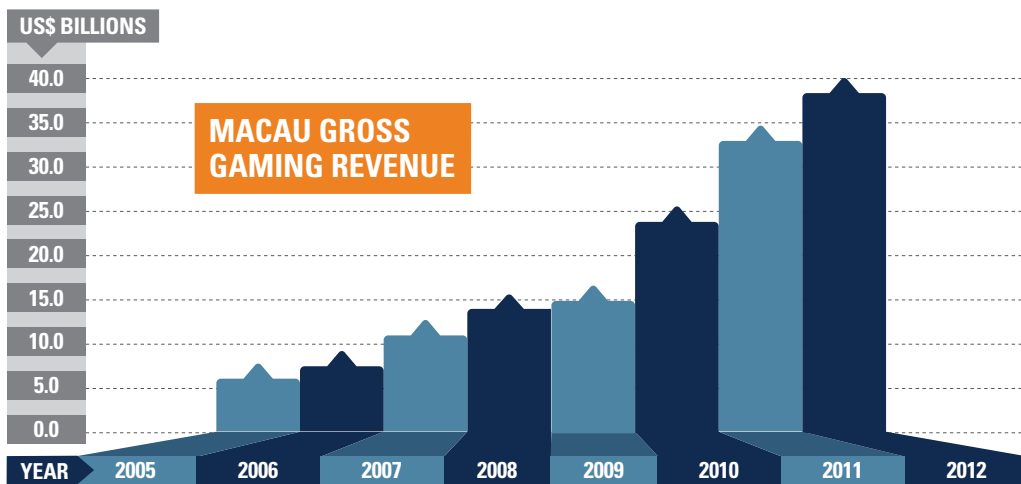


EMERGING MARKET REPORT: GAMING

Since 2002, Macau has become the gaming hub of Asia. In 2011, Macau's total gross gaming revenue (US\$33.6bn) surpassed Las Vegas (US\$6.0bn) fivefold, making it the number 1 gaming destination in the world. Today it has over 35 luxury casinos. And over the next 10 years, this emerging market is expected to gross \$US100 billion in gaming revenue.

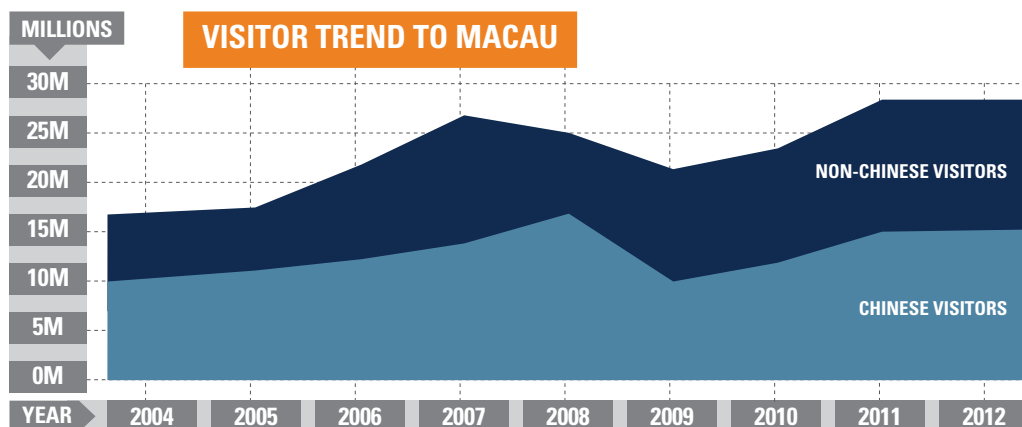


Source: Bloomberg, as of December 2012

The growth story of Macau gaming is expected to continue given the robust influx of Chinese tourists, improvements in revenue structure and capacity expansion through multiple projects in development over the next decade. We anticipate Macau's gaming industry will post 13% Compound Annual Growth Rate (CAGR)¹ growth throughout 2012-2020 and reach US\$100bn in gross revenue by 2020.

THE SECULAR GROWTH STORY

Macau is now the second most visited travel destination in China. In 2012, over 28 million tourists visited Macau, and the number of Chinese overseas travelers is expected to reach 100 million by 2015. And according to the World Tourism Organization, 83 million Chinese traveled overseas in 2012. Moreover, the Chinese government plans to foster this growth by transforming Macau into a global tourist destination. The government is investing billions in a high-speed railway network linking Macau to the mainland, a Zhuhai-Macau-Hong Kong bridge, as well as a potential Macau airport expansion over the next few years.



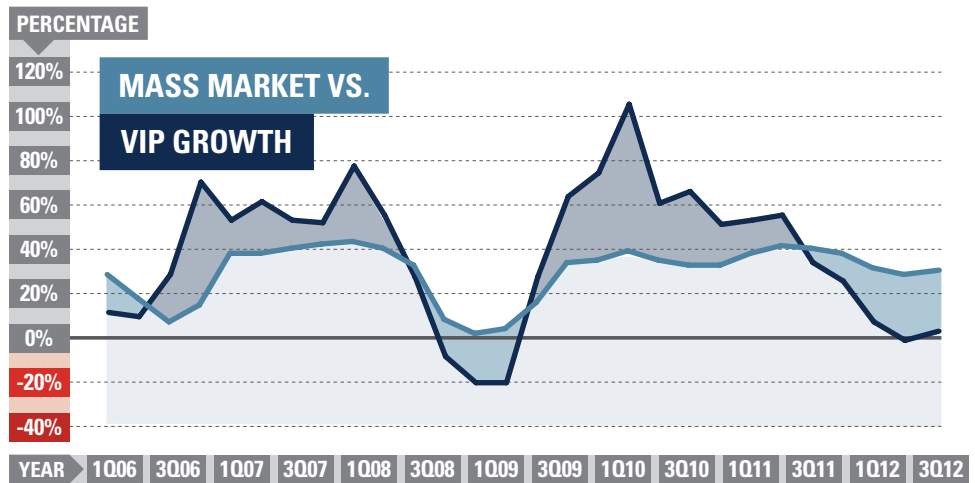
Source: Bloomberg, as of December 2012

Macau is the only market experiencing structural change and accelerated growth in mass market than in the volatile VIP segment. In 2012, the VIP segment increased only by 7%, while the mass market grew 32%. Growth in mass market

¹ Compound Annual Growth Rate (CAGR): The year-over-year growth rate of an investment over a specified period of time.

is important because its higher margins benefit the casino operators' earnings. Due to reliance on junkets, the margin of Chinese VIP customers in Macau is only 10%, while it's 40% in mass market. Thus, a continuous product mix shift through securing the stable/sticker mass market would improve the blended margin of casino operators.

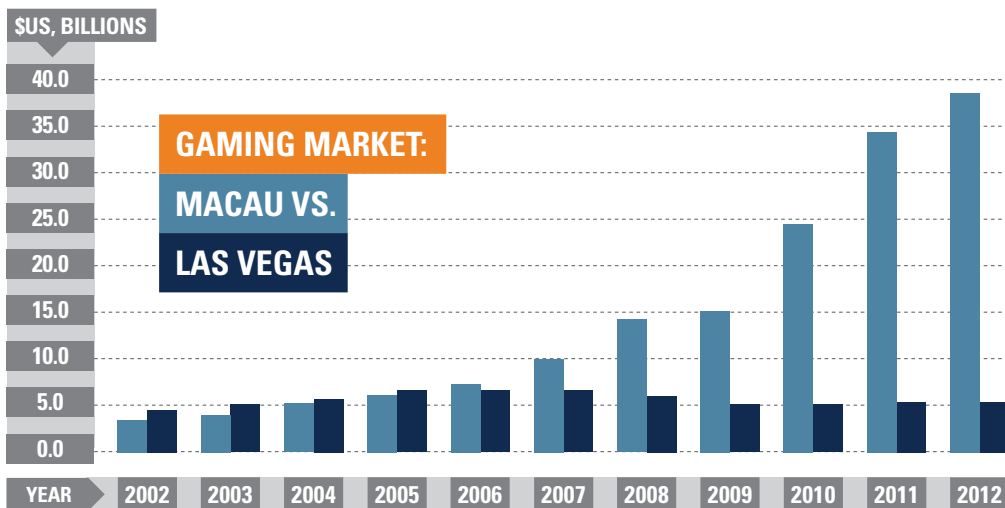
Despite high growth rates, the mass market remains underpenetrated at 2% with only five million out of the 250-300 million Chinese middle class visiting Macau. Therefore, we believe there is a high ceiling in the mass market, and we anticipate a robust 15-20% growth potential rate over the long-term.



Source: Macau Gaming Inspection Bureau, Deutsche Bank, as of March 2013

The revenue mix of Macau's gaming operators is highly reliant on gaming (96%) compared to that of Las Vegas (38%) or Singapore (83%), where non-gaming refers to hotel and shopping mall income. The longer the visitors stay, the more they spend, which leads to higher revenue. Currently, more than 50% of the visitors are day-trippers, while those who do stay only spend an average of 1.4

nights compared to 3.3 nights in Las Vegas. One of the reasons for the short stays is the shortage of rooms available in Macau. Thus, planned capacity expansion (US\$ 25-30 billion in investment pipeline) in the area of Cotai will increase the number of non-gaming facilities from 28,000 to 40,000 by 2020. In addition, the Chinese government plans to transform Hengqin Island, which is connected to Macau by the Lotus Bridge, into an entertainment destination equivalent to Orlando



Source: Bloomberg, as of December 2012

(Disney World, Universal Studios, Sea World, etc.). This may broaden the appeal of Macau as a tourist destination and improve the revenue mix of casino operators in Macau.

Another contributor to the growth of Macau is the rising price point. Over the past three years, the average minimum bet in Macau grew from Hong Kong \$200 to Hong Kong \$1,000. By raising the price point, casinos can target wealthier consumers, increase spending at tables and fuel the prosperity of the market.

THE GAMING BUSINESS MODEL

The business model of the gaming industry is rather simple — companies make money, while gaming clients lose money to casinos. And due to the nature of gambling, the price sensitivity tends to be lower than in other forms of spending. This offers more pricing power to operators and enables casinos to optimize the yield of each table. For example, the average minimum bet at the mass tables in Macau has risen from HK\$ 200 to HK\$ 1,000 over the past three years. By raising the price point, operators have successfully targeted better quality customers, which has led to the emergence of a premium mass segment dedicated gamers with more aggressive spending behavior. As a result, there is much a higher return per table. Given the pricing advantage and the efficiency in operation, we believe that the gaming industry is likely to surpass other consumer segments in terms of profit per square meter (sqm), Return on Invested Capital (ROIC)², Free Cash Flow Yield (FCFY)³, Dividend Yield (DY)⁴ and Operating Cash Flow Margin (OCFM)⁵. This rapid growth in the Macau gaming market has no signs of stopping, creating an unprecedented opportunity for investors.

The result: gaming revenue surpassed Las Vegas fivefold, solidifying Macau's prominence and propelling it well in the black. This rapid growth in the Macau gaming market has no signs of stopping, creating an unprecedented opportunity for investors.

PROFITABILITY COMPARISON: GAMING VS. OTHER CONSUMER INDUSTRIES

GAMING	per sqm Profit (US\$K) 12'	ROIC 12'	FCF Yield 13E	DIVIDEND YIELD 13E	OCF MARGIN 13E	CAPEX/OCF% 13E
Macau	28.9	39%	11%	6.0%	28%	29%
Singapore	45.5	24%	9%	0.9%	41%	21%
Las Vegas	38.9	17%	5%	1.4%	20%	36%
Malaysia	25.5	20%	9%	2.0%	25%	28%
Korea	11.5	15%	9%	2.5%	25%	20%
Philippines	8.9	25%	8%	1.5%	25%	24%

OTHER CONSUMER	per sqm Profit (US\$K) 12'	ROIC 12'	FCF Yield 13E	DIVIDEND YIELD 13E	OCF MARGIN 13E	CAPEX/OCF% 13E
Jewelry, Watch	7.1	16%	3%	3.2%	1%	78%
Auto Dealer	3.8	7%	1%	0.3%	3%	115%
Luxury	3.6	23%	4%	1.9%	20%	29%
Branded Retailer	2.5	15%	6%	3.8%	13%	42%
QSR	1.0	20%	3%	1.9%	12%	29%
Education	0.7	20%	20%	2.0%	21%	20%
HK Landlord	0.5	5%	2%	2.9%	47%	46%
Department Store	0.2	12%	4%	3.3%	38%	75%
Budget Hotel	0.1	18%	5%	0.0%	20%	82%
Hypermarket	0.1	15%	4%	2.3%	7%	66%

Source: Bloomberg, Company data. Estimates of Mirae Asset Global Investments, as of December 2012

² Return on Invested Capital (ROIC): A calculation used to assess a company's efficiency at allocating the capital under its control to profitable investments.

³ Free Cash Flow Yield (FCFY): An overall return evaluation ratio of a stock, which standardizes the free cash flow per share a company is expected to earn against its market price per share.

⁴ Dividend Yield (DY): A financial ratio that shows how much a company pays out in dividends each year relative to its share price.

⁵ Operating Cash Flow Margin (OCFM): Measure of the money a company generates from its core operations per dollar of sales.