



**'Time to bury the blue dress'**  
**Monica Lewinsky breaks the long silence on her affair with Bill Clinton**

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**Take that!**  
**Outcry after Chinese woman captured brawling with official at Manila airport**

> ASIA A11



**Day of reckoning**  
**Corruption trial opens of former chief secretary and billionaire Kwok brothers**

> LEADING THE NEWS A3

# Let the good times roll

Asian golf has hit a rough patch but will roar back, says tour chief

> SPORT BACK PAGE



# South China Morning Post

南華早報

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## GAMBLING

# SWIPE-CARD CRACKDOWN IN MACAU CASINOS

**State-backed UnionPay announces measures to stem massive flight of capital from the mainland through illegal payment devices used by visitors**

Toh Han Shih and Niall Fraser

Macau is facing a major capital-flight crackdown amid Beijing concerns that tens of billions of yuan in illicit funds are being funnelled out of the mainland and into casinos in contravention of national currency controls.

China's state-backed bank payment card UnionPay last night announced a raft of measures in what it described as a "committed" drive to "combat overseas money laundering, capital flight and other illegal bank card use" in the former Portuguese enclave.

Gaming insiders and security sources in Macau told the *South China Morning Post* that the anti-corruption drive launched by President Xi Jinping (習近平) had taken the problem of payment card transactions to worrying levels, much of it driven by hundreds of illegal hand-held payment devices used in and around the booming casinos.

Analysts say the amount involved could have been more than 40 billion yuan (HK\$50.3 billion) last year.

Mobile UnionPay payment devices from the mainland have illegally entered Macau at a rapid rate and are being used for unauthorised dealings that appear as domestic transactions, thereby circumventing currency con-

trols. The mobile swipe devices are also used to evade tax on the mainland, which is why they require authorisation for use there.

Macau police have carried out a handful of raids in and around casinos in recent months and seized devices and cash, but the problem has reached dimensions that the central government could no longer ignore, said a well-placed gaming analyst.

"The growth in payment cards is huge, because of China's corruption crackdown. Mainland gamblers in Macau don't want to reveal how much they gamble, so they use cards," the analyst said. The phenomenon meant under-reporting of gaming revenue, he added.

Officially reported gaming revenue in Macau stood at US\$45 billion last year, but the analyst estimated there was a further US\$90 billion unreported.

A Macau consultant familiar with the pawnshop industry estimated 200 billion yuan of transactions are conducted in Macau each year through UnionPay cards, around 20 per cent of them through mobile devices.

Yesterday the Macau General Chamber of Pawnbrokers said the multibillion-yuan illicit trade had caused their business to slump by as much as 40 per cent.

> CONTINUED ON A3

> HARRY'S VIEW A16

## THAILAND



Yingluck Shinawatra is given roses in a Bangkok suburb yesterday after a court found her guilty of violating the constitution. Photos: AFP

## Court orders Yingluck to stand down from top job



Anti-government supporters celebrate the court's ruling.

**From now on, no matter what situation I am in, I will walk on the path of democracy**

YINGLUCK SHINAWATRA

Reuters in Bangkok

A Thai court yesterday found Prime Minister Yingluck Shinawatra guilty of violating the constitution and said she must step down, prolonging a political crisis that has led to violent protests.

The decision is bound to anger Yingluck's supporters, but the court did allow ministers not implicated in the case to stay in office, a move that could take some sting out of any backlash.

After the ruling, the cabinet said Commerce Minister Niwathamrong Bunsongphaisan, who is also a deputy prime minister, would replace Yingluck, and the caretaker government would press ahead with plans for an election on July 20.

Yingluck, who faced six months of sometimes deadly protests in the capital, Bangkok, thanked the Thai people in a televised news conference.

"Throughout my time as prime minister I have given my all

to my work for the benefit of my countrymen... I have never committed any unlawful acts, as I have been accused of doing," she said. "From now on, no matter what situation I am in, I will walk on the path of democracy. I am sad I will not be able to serve you after this."

There is still no obvious end in sight to Thailand's turmoil, with protesters still pushing for political reforms before new elections.

The judge who delivered the verdict in the Constitutional Court said Yingluck had abused her position by transferring a security chief to another post in

2011 so that a relative could benefit from subsequent job moves.

"The accused was involved in the transfer of Thawil Phienri from his position as National Security Council head," the judge said, adding this was done so that Prieupan Damapong, a relative, could "gain a new position". "The transfer wasn't done for the benefit of the country," he added.

Yingluck, the sister of ousted premier Thaksin Shinawatra, denied wrongdoing in court on Tuesday. She was not present for yesterday's ruling.

> RESILIENT 'STOUGE' A11

## DIGEST

### Knife attacker captured on video camera

Surveillance footage revealed that a man who went on a knife rampage at Guangzhou Railway Station on Tuesday waited outside for two hours before randomly slashing passengers. A source close to local police said the man had three accomplices who fled the scene. > CHINA A8

### HSBC profits down 20pc, outlook muted

HSBC revealed a 20 per cent year-on-year fall in profits for the first quarter of 2014, and profits are likely to remain under pressure for at least two more quarters because of a change in the way it accounts for certain areas of business. > BUSINESS B1

### Shopping tycoon gives HK\$100m to the arts

The US-born founder of the DFS Group, a Hong Kong shopping chain, will give HK\$100 million to the Asia Society Hong Kong Centre to promote the arts. The money will go towards commissioning new works or staging performances at the centre in Admiralty. > CITY C1

### Protests scupper latest vote on waste plans

The environment minister made another appeal for HK\$20 billion proposals to be approved to tackle the city's growing waste pile, but lawmakers again failed to vote. A Legco subcommittee meeting was forced to end because of filibustering and protests. > CITY C2

## MARITIME DISPUTES

# Tensions surge in South China Sea

## Beijing hits out after Philippines seizes fishing vessel and collision with Vietnamese boats

Teddy Ng in Beijing and Agencies in Hanoi and Manila

Tensions in the South China Sea flared up yesterday as China exchanged harsh rhetoric with the Philippines and Vietnam after confrontations in the waters.

Hanoi said its vessels collided with Chinese ships near waters off the Paracel Islands, where a Chinese oil company is establishing a rig. And in the Spratly Islands, a Chinese fishing boat was apprehended by Philippine maritime police.

The three countries have had increasingly tense disputes over

areas of the South China Sea. The Chinese foreign ministry rebuked both nations for disturbing the "normal operations" of vessels in Chinese waters.

Ministry spokesman Hua Chunying (華春瑩) said the movements in the Paracel Islands were "within China's sovereignty and not related to Vietnam".

Hanoi said the drilling was illegal and sent patrol vessels to the area, resulting in at least three collisions with Chinese boats since Beijing said it was drilling on Saturday.

The deputy commander of Vietnam's maritime police, Ngo Ngoc Thu, said the Chinese "ac-

tively used water cannon to attack Vietnamese law enforcement vessels".

"Some Vietnamese people were injured by broken glass as a result of the clash," he said.

In the other flashpoint, Beijing sent a maritime police vessel to the Half Moon Shoal in the Spratly Islands, where the Chinese fishing boat was seized by Philippine maritime police, and made representation to Manila.

The vessel with 11 crew was seized on Tuesday along with 350 marine turtles. Charges of catching endangered green sea turtles would be laid, the Philippine government said, calling it a move to "uphold sovereign rights".

Hua hit back, saying: "We demand the Philippines give a reasonable explanation, and imme-

diately release the vessel and the crew members on board."

Chinese fishermen said several armed men forced themselves onto two fishing vessels, one of which escaped.

"Up to 10 warning shots were fired," said a crew member.

Observers said the incidents indicated there would be more confrontations, though military clashes were unlikely. "The suspicions among these nations are widening," said Zhang Mingliang (張明亮), an expert in regional affairs at Jinan University.

Du Jifeng (杜濟峰), of the Chinese Academy of Social Sciences, said: "New conflicts will emerge when old ones are not resolved." Additional reporting by Associated Press, Agence France-Presse, Reuters

## ASIA

**Let's get this white trash OUT!!!!**

Singapore's online lynch mobs expose the ugly side of its expat population > PAGE A10

## FOCUS

**BRIDGING THE HIMALAYAN DIVIDE**

> PAGE A4



## WORLD

**Allah has told me to sell your girls**

Inside the mind of the fearsome leader of Boko Haram extremists > PAGE A13

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LEADING THE NEWS

COURTS

# STAGE SET FOR BIGGEST GRAFT TRIAL IN HONG KONG HISTORY

**Former chief secretary Rafael Hui and property tycoon Kwok brothers face multiple charges in HK\$34m corruption case**

Stuart Lau  
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All eyes will be on the Court of First Instance today as the city's former No 2 official and the co-chairmen of one of the world's major real estate firms face trial in the biggest corruption court case in Hong Kong's history.

At issue is the HK\$34 million in bribes and other financial inducements that former chief secretary Rafael Hui Si-yan allegedly received from billionaire brothers Thomas Kwok Ping-kwong and Raymond Kwok Ping-luen, the chairmen of Sun Hung Kai Properties (SHKP).

Prominent names in government and business are among the 82 prosecution witnesses listed for a case that has become a cause célèbre for the Independent Commission Against Corruption and prosecution officials.

Scheduled to last 70 days, the trial before Mr Justice Andrew Macrae begins more than two years after Hui and the Kwoks were arrested in March 2012.

Listed as the first defendant, Hui stands accused of receiving financial inducements that included HK\$28.8 million in cash, HK\$5.4 million in loans and the rent-free use of two luxury flats in Happy Valley when he held key government positions between 2000 and 2009. Hui, 66, is the highest-ranking former official ever to face trial in the city.

According to the latest indictment issued by the prosecution



Former chief secretary Rafael Hui Si-yan is alleged to have received millions of dollars in bribes and other inducements. Photo: Sam Tsang

in February, Hui faces eight criminal charges, five of which he shares with either or both of the Kwoks. They include conspiracy to offer an advantage to a public servant, misconduct in public office and conspiracy to commit misconduct in public office.

The oldest accusations against Hui date back to 2000 when, it is alleged, he failed to disclose negotiations with SHKP for a "consultancy agreement" while he was managing director of the Mandatory Provident Fund Schemes Authority, a government body. The prosecution also says Hui received HK\$2.4 million in unsecured loans from a company owned by SHKP.

As he rose to be chief secretary in 2005, under the administration of chief executive Donald Tsang Yam-kuen, the Kwoks allegedly bribed him with cash. The elder brother, Thomas, is alleged to have given Hui a cheque for HK\$5 million in return for his

being "favourably disposed" to the property magnate during Hui's tenure as chief secretary from 2005 to 2007.

Raymond Kwok is accused of bribing Hui with HK\$4.125 million in the same period. Raymond Kwok and Hui are jointly charged with conspiracy to commit misconduct in public office.

Raymond Kwok and Hui also face a charge of furnishing false information contained in an invoice for the same sum. The in-

voice was "in respect of services... from April 2005 to February 2006, and to be paid in recognition of Rafael Hui's excellent performance over the past 13 months", according to the indictment.

Two other bribery charges also concern other defendants, and cover Hui's tenure as chief secretary and, subsequently, as a non-official member of the Executive Council until 2009.

The brothers and Hui are accused of conspiring with SHKP executive director Thomas Chan Kui-yuen and former Hong Kong stock exchange official Francis Kwan Hung-sang to commit misconduct in public office. The four are alleged to have arranged a series of payments totalling HK\$8.5 million to induce Hui to remain favourably disposed to SHKP. Another charge facing all five is conspiracy to offer an advantage - HK\$11.182 million worth of payments - to Hui as a public servant.

**82**  
Number of prosecution witnesses who are listed for the city's biggest corruption trial

COURTS

## Shenzhen court jails HK publisher for 10 years

Angela Meng  
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A Shenzhen court sentenced Hong Kong publisher Yiu Mantin to 10 years in jail yesterday for "smuggling ordinary goods", his lawyer said.

The retired engineer-turned-publisher, 73, who is also known as Yao Wentian, was detained on October 27. Prior to his arrest he had been preparing to publish a book entitled *Godfather Xi Jinping* by dissident and writer Yu Jie (余杰), according to his family and friends.

"The verdict is unfair," Ding Xikui (丁錫奎), Yiu's lawyer, said.

Yu Jie said: "It's a persecution of intellectuals for their words and a blow to Hong Kong's freedom of speech and press."

Yiu's 74-year-old wife, who recently underwent foot surgery in Hong Kong and could not make it to the Shenzhen Intermediate People's Court, said she was contemplating an appeal: "Of course I think the verdict is unjust. He did nothing wrong. I

want to appeal, but I have to discuss that with the lawyers first."

Yiu was formally arrested on November 12. Due to his declining health, which includes asthma and heart problems, he had been held in the medical ward of a detention centre. His lawyer's request for medical parole was rejected.

Authorities in Shenzhen said Yiu brought in bottles of industrial paint from Hong Kong without paying import duties.

But his son, Edmond Yiu Yung-chin, believed his father had been set up to prevent him from publishing "subversive" books on Chinese leaders.

In January, the younger Yiu wrote an open letter that called on President Xi Jinping (習近平) to stop the "political persecution" of his father and honour Hong Kong's press freedom.

In the letter, he noted that Yiu had been harassed before for collaborating with Yu on his earlier book, *Hu Jintao: Harmony King*, an examination of the former president and his "harmonious" rule.

CONTINUED FROM A1

## Casino card crackdown

Indebted gamblers traditionally pawn their valuables but now have another readily available option.

Chou Chin-leong, president of the pawnbroking body, said they would seek help from the Macau government.

"We want the government to take enforcement action to combat such illegal transactions and set up a new law if necessary," Chou said.

Last night a UnionPay spokesman told the *Post* they had fully implemented a series of stringent risk-prevention measures and were establishing "an effective mechanism with regulatory and law enforcement bodies across borders to share risk intel-

ligence and investigate suspicious practices".

Payment cards were widely used in Macau casinos, said John Bruce, Macau director of risk consultancy Hill & Associates. "It's to circumvent China's currency controls. Otherwise mainland gamblers cannot get enough money to gamble," he said.

A Macau government spokeswoman said: "UnionPay cards are not allowed to be used in Macau casinos. The recent sporadic cases of individuals carrying mobile machines for swiping payment cards were of a criminal nature and were dealt with by the police."

Additional reporting by Clifford Lo

> BIG LEGAL NAMES C3



DOLCE & GABBANA



**Graft campaign**  
Former Hu Jintao aide's article adds to confusion over his fate

> NEWS A3



**A city mourns**  
Sydneyers come to terms with loss of two of their own in cafe tragedy

> NEWS A9



**Price pickup**  
New home prices on the mainland rise further in recovery sign

> PROPERTY POST

**Dropped shot**  
Royal Trophy tournament postponed days before tee-off in Guangzhou



> SPORT BACK PAGE

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PAKISTAN



The coffin of a pupil, killed in the school attack by militants, is carried from a hospital in Peshawar. Photo: Xinhua

## Taliban kill 141 in school massacre

Children are majority of victims in Pakistan's worst attack in years

Associated Press in Peshawar



**My son was in uniform in the morning. He is in a casket now**

TAHIR ALI, FATHER OF ONE OF THE VICTIMS AT THE ARMY-RUN SCHOOL



Taliban gunmen stormed a school in Pakistan and shot dead at least 141 people, mostly children, in the worst attack to hit the country in years.

Officials said 132 of the victims at the army-run school, in the northwestern city of Peshawar, were children, some as young as 12, while nine others were staff members. All seven attackers were also killed.

The horrific attack, carried out by militants from the Tehreek-e-Taliban, a group trying to overthrow the Pakistani government, also sent dozens of wounded flooding into hospitals as terrified parents searched for their children.

Pakistani Prime Minister Nawaz Sharif condemned the assault and rushed to Peshawar.

Nobel peace laureate Malala Yousafzai, 17, who was shot in the head by the Taliban in 2012 for insisting girls had a right to an edu-

cation, said she was "heartbroken" by "the senseless and cold blooded" killing.

United States President Barack Obama condemned the "heinous attack" saying "terrorists have once again shown their depravity." He said the US stands by the people of Pakistan and supports the country "in its efforts to combat terrorism and extremism and to promote peace and stability in the region."

Tahir Ali, arriving at the hospital to collect the body of his 14-year-old son Abdullah, said: "My son was in uniform in the morning. He is in a casket now. My son was my dream. My dream has been killed."

The attack began in the morning, when the seven gunmen wearing explosive vests entered the school and started shooting at random, police said. Army commandos exchanged fire with the gunmen and students wearing their green school uniforms could be seen fleeing the area.

Outside the school, two loud

booms were heard coming from the scene in the early afternoon, as Pakistani troops battled with the attackers.

The prime minister vowed that the country would not be cowed by the violence and that the military would continue with an aggressive operation launched in June in the North Waziristan tribal area to rout militants.

"The fight will continue. No one should have any doubt about it," Sharif said.

The Pakistani military said all seven gunmen had been killed, but bombs they planted were hampering the speed of the clearance.

Taliban spokesman Mohammed Khurasani claimed responsibility for the attack, saying six suicide bombers had carried out the attack in revenge for the killings of Taliban members at the hands of Pakistani authorities.

This appeared to be the worst attack in the nation since the 2008 Karachi suicide bombing killed 150 people.

> PLAYING DEAD A8

HOUSING

## TARGET FOR NEW HOMES RAISED TO 480,000 BY 2025

More public and private flats are to be built in the next decade – but critics say it's not enough and not all of the sites have been secured

Fanny W.Y. Fung and Phila Siu

The government's new homes target for the next 10 years has been boosted by 10,000 – meaning a total of 480,000 public and private units are planned by 2025.

But critics said even the more ambitious proposals would do little to bring down property prices and some doubted the target would even be met.

Transport and housing secretary Professor Anthony Cheung Bing-leung conceded that Hong Kong had difficulties finding enough land for residential development, as he released the long-awaited Long Term Housing Strategy report yesterday.

Cheung added the revised target would have an impact on local communities and called for public support.

It is not guaranteed the target will be met as some public housing sites have yet to secure planning permission.

"Local communities often worry about the impact of housing development on traffic, the environment and the provision of community facilities," Cheung said. "We have to accept that 'zero impact' is simply impossible in any housing project."

The ambition now is to build 480,000 new homes between 2015/16 and 2024/25. That marks

a step up from the plan for 470,000 new flats from 2014/15 to 2023/24 announced in Chief Executive Leung Chun-ying's policy address in January.

The new goal was based on projections that took into account demographic changes, redevelopment plans and data on those living in inadequate housing, the Transport and Housing Bureau said.

All the extra 10,000 homes will be subsidised flats for sale, in the form of the Home Ownership Scheme or any new programmes. Yesterday's report revealed the administration was studying ways to "expand the forms of subsidised home ownership".

Among the 480,000 homes, 200,000 will be public rental flats, 90,000 will be subsidised flats

for sale and 190,000 will be private homes.

The government has found sites for 254,000 of the 290,000 public flats so far, according to housing director Stanley Ying Yiu-hong. However, not all those sites have planning permission.

Stanley Wong Yuen-fai, vice-chairman of the Town Planning Board who also sits on the Long Term Housing Strategy Steering Committee, described the new target as "pragmatic" but said more needed to be done to find enough land.

Andy Kwan Cheuk-chiu, director of the ACE Centre for Business and Economic Research, said it would not be difficult to find enough land to meet the target if the political will was there.

"Now that the latest estimate is that 480,000 flats are needed in the next decade, the question is, how committed is the government to fulfilling this?" Kwan asked.

But Professor Raymond So Wai-man from the Housing Authority was more pessimistic.

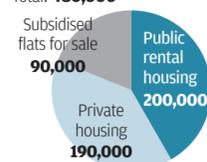
"It is quite likely the new target won't be reached. Even Secretary for Development Paul Chan Mopo has earlier said land supply won't be able to meet the previous target to build 470,000 flats."

Victor Lui Ting, deputy managing director of Sun Hung Kai Properties, welcomed the new target. "It is beneficial to buyers, developers and also to the property market."

**Hitting home**

Housing supply target from 2015/16 - 2024/25

Total: 480,000



Source: Transport and Housing Bureau SCMP

> MORE REPORTS C1

CRIME

## Beijing launches major crackdown on flow of illicit funds to Macau

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Beijing is to launch a major crackdown on the multibillion-dollar flow of illicit funds through Macau casinos in a coordinated security drive that will see the country's powerful Ministry of Public Security play a leading role.

The unprecedented move – confirmed by documents seen by the *Post* that were sent to Macau's banks late yesterday by the city's monetary authority – turns up the heat on controversial VIP junket operators who generate the bulk of Macau gaming revenues as they come under increasing law enforcement scrutiny amid the "tigers and flies" anti-corruption drive by President Xi Jinping (习近平).

It also piles more pressure on the Macau government to come up with a plan to diversify its casino-reliant economy as it prepares for a visit by Xi on Friday to mark the 15th anniversary of the

former Portuguese enclave's return to Chinese sovereignty.

Macau casinos are going through one of the most significant slumps since the market was liberalised in 2002 and the drop in revenues – linked directly to the anti-corruption drive – has prompted a series of warnings from senior mainland figures that the situation poses a danger not only to the city's economic future but to the interests of the nation "as a whole".

According to sources with knowledge of the situation, the new security drive will give the ministry's Economic Crimes Investigation Bureau electronic access to all transfers through the state-backed China UnionPay bank payment card to identify suspicious transactions.

The bureau is spearheading the "Fox Hunt" operation aimed at securing the return of corrupt party officials who have fled

> HARRY'S VIEW A12

DIGEST

### Mainland to amend wildlife protection law

Wild animals will get enhanced protection under planned changes to the 1988 law that are aimed at recognising animal welfare for the first time. While the current law protects some endangered species, there are no specific ways to punish cruelty to wildlife. > CHINA A6

### Illicit cash outflows from mainland at US\$1.25tr

The money from tax evasion, crime and corruption that illegally left the mainland between 2003 and 2012 was the largest among 151 developed nations in a survey by a US advocacy group. Such outflows rose 53 per cent in 2012 alone over the previous year. > BUSINESS B1

### Power price rise to be less than expected

Consumers in Kowloon, Lantau and the New Territories will pay 3.1 per cent more for their power next year, less than the 11.8 per cent CLP had originally projected. A fall in international fuel prices is behind the lower rise, the company said. > CITY C1

### Donor pays respect to tsunami victims

A donation to Operation Santa Claus of HK\$500,000 came with a letter dedicating the money to victims of the 2004 Boxing Day tsunami that killed over 200,000 people. The anonymous donor and family had miraculously survived the catastrophe. > CITY C2

### Former Nazi tourist resort gets makeover

An enormous complex on the Baltic Sea coast originally designed by the Third Reich as a vacation spot for workers but largely abandoned in recent years has been taken over by investors seeking to turn it into a luxury resort for a new age. > WORLD A10

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FOCUS



Growth of gambling in Macau is captured (clockwise from top left) in two aerial shots of Taipa and another two of the building and completion of the City of Dreams resort on the Cotai Strip. Photos: Dickson Lee and Jerome Favre

# DIVERSITY THE NEW GAME WHEN chips are down

As Macau marks 15th anniversary of handover, its heavy bet on casinos is showing signs of strain

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When inaugural chief executive Edmund Ho Hau-wah threw the liberalisation dice that took Macau's flagging gaming industry into the 21st century in 2002, few could have predicted its stellar rise to become the top city for global gaming, leaving Las Vegas in the dust.

Heady double-digit growth year after year over the past decade had industry watchers and casino bosses alike salivating that a seemingly unending flow of customers and cash from the mainland would continue to deliver the riches to the former Portuguese enclave.

But this year is one that most investors would rather forget. "A perfect storm" and "death by a thousand cuts" are how some industry insiders are describing it; 2014 saw the largest year-on-year revenue drop on record, and, significantly, in October – usually a peak season. Overall, Macau is poised to record its first full-year casino revenue decline.

Macau also finds itself at a critical juncture. Both central and local governments have made it clear that the city must diversify into areas other than gaming. That refrain has grown louder with warnings in recent weeks from senior officials that Macau should be able to evolve into a hub for entertainment, meetings and conventions alongside nearby Hengqin Island as part of the Zhuhai special economic zone.

In July, Pansy Ho Chiu-kei, daughter of the original Macau casino tycoon Stanley Ho Hui-gsun, identified global competition as the biggest threat to Macau's future and pledged to promote Macau as a world-class tourist destination. More than a decade ago, the city's fate and ambitions seemed markedly different. As Macau's handover to Chinese rule in 1999 loomed, the city plodded under an ineffectual Portuguese administration that struggled to quash organised crime groups coming in to cash in on the twilight years of Macau's 40-year casino monopoly.

Gangs battled for control of lucrative VIP rooms in Ho's casinos, sparking a four-year underworld war that cost the lives of government officials, police officers and dozens of gangsters.

The shrewd Ho, at 93 one of Asia's richest men, managed to distance himself from the re-

nant organised crime within his casinos and remains very much in the game – owning one of the three casino concessions handed out after liberalisation.

The enigmatic Ho's dynasty is not about to disappear any time soon either. Pansy and son Lawrence now run lucrative casino sub-concessions with American and Australian partners.

By 2006, five more casino licences had been awarded – to Galaxy Entertainment Group, Sands China, MGM China, Melco Crown Entertainment and Wynn Macau. Macau now rakes in seven times the revenue of Las Vegas, with gaming accounting for 80 per cent of the city's income. Its unemployment rate is the

### Tired gamers

Macau stocks in 2014



Source: Bloomberg Intelligence

lowest in the world, thanks to rules that allow only permanent Macau residents to operate gaming tables. At the end of last year, only 2 per cent of its permanent-resident labour pool of 570,000 was unemployed. Once seen as a poor country cousin by Hongkongers, the city now enjoys the higher average wage.

But now the bracing pace of growth and the "build-it-and-they-will-come" model is under strain. First, Macau has been hit by the overall macroeconomic slowdown on the mainland, the supply stream for about 70 per cent of its gamblers. Second, rising wage costs are affecting bottom lines. The labour crunch looks set to

continue to 2017. Bloomberg Intelligence estimates more than 50,000 workers are needed for the new resorts opening over the next three years.

Local Macanese protested several times this year for higher wages, and a 14-month salary is now a standard package, with many companies throwing in stock options and other benefits to retain workers.

A clampdown on liquidity has also hurt Macau badly. With each person only allowed to bring a maximum of 20,000 yuan across the border and withdraw 10,000 yuan a day from ATMs, high rollers got round the currency controls mainly by relying on shadow junket operators.

These middlemen bring in players, lend them credit to play and collect the debts later. Another common way to access cash was via UnionPay. Retail stores simply charge a customer's card and issue cash for a commission.

Those two avenues dried up, however, after the high-profile disappearance of junket operator Huang Shan, leaving a US\$1.3 billion debt trail, in May. Tightened credit in the aftermath of that scandal caused the collapse of smaller junket operators.

Macau's anti-corruption campaign continues to run full throttle. Just last month, news

broke that a top Macau junket figure was being investigated by Hong Kong authorities for money laundering. Assets of Cheung Chi-tai, formerly a major shareholder of Neptune Guangdong Group, were frozen.

The consensus forecast is that the first half of next year will be gloomy and that the clouds will only lift later in the year. Galaxy Phase II is due to open mid-2015, followed months later by Melco Crown's Studio City and The Parisian by Sands China.

Even as new casinos open, Macau has been warned to diversify its economic sources. Earlier this month, Li Fei, deputy secretary general of the National People's Congress Standing Committee, said the SAR government should not be overly reliant on the gaming industry. Then, Li Gang, director of the government liaison office in Macau, said acerbically that the government could "create another Macau".

Plans to diversify are in the works. These include new projects in Cotai that will boast more non-gaming facilities such as Wynn Diamond's 15,000-seat Coliseum arena. Whether these will be enough of a game-changer to keep Macau ahead of the global pack is uncertain.

Some early signs of headway came in October, when mainland visits and casino takings diverged. Despite a record 17 per cent year-on-year growth in the number of mainland Chinese



Model of the now-popular Sands Cotai Central resort. Photo: AP

If we were honest, they should've planned it a bit better

AARON FISCHER

80%  
The gambling industry now accounts for around this percentage of Macau's income

tourists during Golden Week, casino revenues lagged, suggesting that there were tourists who went to Macau purely for leisure.

CLSA gaming and consumer analyst Aaron Fischer is confident that the location and scale of Macau will help it maintain its position as the premier destination for Chinese gamblers.

"There are 33 casinos in Macau. By 2017, the total investment in integrated resorts is roughly US\$35 billion. Contrast that with the two casinos in Singapore that cost US\$10 billion. Most other markets would be in the low single-digit billions. It seems really hard for other destinations to compete," he said.

Like Hong Kong, Macau has seen a decreasing spend from its tourist base. This is due not just to the currency and other curbs, but sheer visitor fatigue.

Singapore presents an attractive alternative for Chinese gamblers given its proximity and the common use of Putonghua. Even so, Singapore too is feeling the effects of the drop-off and Fischer believes the Philippines and South Korea may be the next best bets for Chinese gamblers.

"The Philippines can potentially attract visitors from southern parts whereas Korea would appeal to Chinese from the north," he said.

On the way ahead, Fischer said: "I wouldn't look at Las Vegas. I'd look at Singapore as a great example. The integrated resort model was pioneered here and the government planned it exceptionally well."

One Singapore site is in the downtown Marina Bay area, ideal for conventions and meetings and close to malls and museums. The second site, on Sentosa Island, is a theme park with Universal Studios as a centrepiece.

"The Macau government has done a fairly good job of expansion of the gaming industry but if we were honest, they should've planned it a bit better and dedicated certain parts of Cotai – one area to a theme park or other forms of non-gaming," he said.

On a more encouraging note, analysts say Hengqin, with its family attractions such as Ocean Kingdom, plus education sector projects via the expansion of the University of Macau, could actually help Macau in the long-term.

But there is much Macau itself can do to diversify its offerings, said analyst Brett McGonegal, CEO of the Reorient group, a boutique investment firm.

"Macau is worlds ahead of Las Vegas in turnover profit and success but far behind in maturity and breadth of offering," he said.

CONTINUED FROM A1

## Macau targeted on flow of mainland funds

overseas and funnelled millions of dollars worth of illicit funds out of the country in contravention of currency controls.

The key involvement of the Ministry of Public Security – which met with senior Macau officials last month to hammer out the details of the crackdown – also provides confirmation of the long-held belief by many in law enforcement that Macau casinos are a major conduit for capital flight from the mainland.

When told of the plan yesterday, a senior casino industry insider told the Post: "This is big. They're calling it the 'new normal' here in Macau. This is direct control over transactions by the Ministry of Public Security. It's serious and key people are going to be scared." A Macau-based analyst who

asked not to be named said: "This seems directed at the junkets more than the mass floors. But I think the casinos' own VIP marketing teams ought to be cautious, too. If the Public Security Ministry is involved, this is most likely part of Fox Hunt. They are looking for big guys, not the rank and file." The move follows action taken earlier this year to restrict illicit money flows into Macau through China UnionPay. The move was aimed at identifying suspicious transactions. It also follows a coordinated effort by law-enforcement authorities in Beijing, Hong Kong and Macau to combat money-laundering activities, according to sources.

The trigger for the enforcement campaign was a report carried by the Post in May, detail-

ing concerns at the highest levels in Beijing about how the China UnionPay system in Macau was being used to conduct fake or fraudulent transactions.

The concerns sparked a high-level visit by a delegation from the Ministry of Public Security to Macau on November 20. At this meeting, the issue of money-

laundering controls in Macau was discussed, and it was agreed to establish a more effective cross-border enforcement regime with the cooperation of several of Macau's key regulatory agencies.

Representatives from the People's Bank of China and China UnionPay on the main-

land side, and Macau's monetary authority, judiciary police and public prosecutor's office were at the meeting.

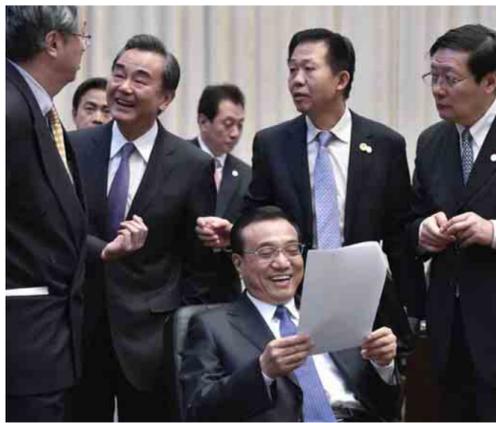
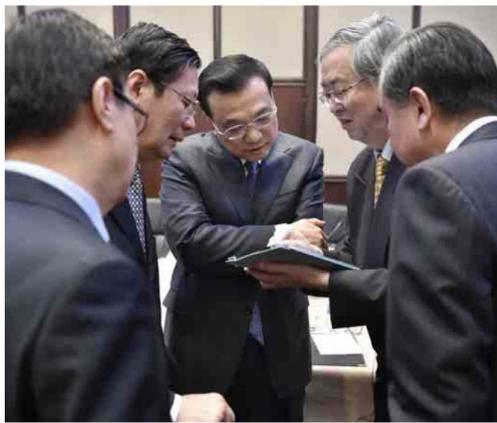
The Post has learned from sources with an understanding of the situation that the assistance of Hong Kong's law-enforcement agencies has also been sought. They cited renewed moves to freeze the assets of alleged triad boss Cheung Chi-tai in connection with alleged money-laundering in Macau, where Cheung operates a leading junket business.

The sources point to recent announcements of increased cooperation with other countries, most notably the United States and France, in the effort to track down corrupt officials and their associates who have fled overseas.



LEADING THE NEWS

A lighter side



State media presented mainlanders with a rare casual view of Premier Li Keqiang (李克強) and top officials at a summit between China and 16 central and eastern European states in Belgrade. Instead of the usual deeply serious portrayals, the photos suggested the delegation were spirited and at ease, with the group discussing meeting points and sometimes breaking into laughter. In the left photo, Li

(centre) talks with Finance Minister Lou Jiwei (樓繼偉) (second from left), and People's Bank of China chief Zhou Xiaochuan (周小川) (second from right); in the middle photo, Xiao Jie, deputy secretary general of the State Council, looks over the premier's shoulder; in the right photo, Li laughs as Foreign Minister Wang Yi (王毅) stands behind him (second left). Photos: CNS > US\$3B EUROPE FUND - A6

Russia may seek China help to deal with crisis

Daniel Ren in Shanghai  
Ren.wei@scmp.com

Russia could fall back on its 150 billion yuan (HK\$189.8 billion) currency swap agreement with China if the rouble continues to plunge.

If the swap deal is activated for this purpose, it would mark the first time China is called upon to use its currency to bail out another currency in crisis. The deal was signed by the two central banks in October, when Premier Li Keqiang visited Russia.

"Russia badly needs liquidity support and the swap line could be an ideal tool," said Bank of Communications chief economist Lian Ping.

The swap allows the central banks to directly buy yuan and rouble in the two currencies, rather than via the US dollar.

Two bankers close to the People's Bank of China said it was meant to reduce the role of the US dollar if China and Russia need to help each other overcome a liquidity squeeze.

China has currency swap deals with more than 20 monetary authorities around the world. Swaps are generally used to settle trade.

"The yuan-rouble swap deal is not just a financial matter," said Wang Feng, chairman of Shanghai-based private equity group Yinshu Capital. "It has political implications as it is a sign of mutual trust."

The rouble has lost more than 20 per cent against the US dollar this year, pushing Russia to the brink of a currency crisis, though measures announced by the central bank helped it recover some ground yesterday.

Li Lifan, a researcher at the Shanghai Academy of Social Sciences, said the swap would not be enough for Russia even if it is used in its entirety. "The PBOC might agree to extend something like 15 billion yuan initially as a way of showing China's commitment to Russia."

'Beijing alone' made 50-year promise

Minister lambasted for claiming pledge to protect freedoms was not a matter for Britain

Joyce Ng and Peter So

The constitutional affairs minister is under fire after claiming the Beijing alone promised to keep Hong Kong's way of life intact for 50 years, rather than forming part of its deal with Britain.

Arguing that Britain has "no moral duty" towards its former colony, Raymond Tam Chi-yue gave his interpretation of the key concept in the 1984 Joint Declaration that paved the way for the 1997 handover and underpinned "one country, two systems".

The comments come amid an inquiry by British lawmakers into the implementation of the declaration which – against the backdrop of the Occupy protests and battle over political reform – infuriated Beijing and the Hong Kong government, who say the city's affairs are a domestic matter.

Taking questions in the Legislative Council yesterday, Tam reiterated earlier remarks by the Foreign Ministry that Britain had "no sovereignty over, no governance of, and no superintendence" over the city after 1997.

Democrat Albert Ho Chun-yun asked Tam: "If Hong Kong matters are all domestic affairs as you said, what did [Britain and China] sign the Joint Declaration for? Is the no-change-in-50-years part of the declaration?"

The autonomous government ... wants to degrade the very basis for its autonomy

PROFESSOR MICHAEL DAVIS

Ho was referring to Article 3 of the treaty, which states that certain basic policies of the People's Republic of China towards Hong Kong, including rights and freedoms for Hongkongers, "will remain unchanged for 50 years".

"That article is a declaration by the PRC, not a joint one with London," Tam said. "We have to look at the articles carefully."

Tam's reading of the treaty was "ridiculous", Democratic Party chairwoman Emily Lau Wai-hing said after the meeting.

"China and Britain signed the Joint Declaration to try to reassure the jittery Hong Kong people their lifestyles would be guaranteed for 50 years," Lau said. "If Beijing does not respect this treaty ... how can other countries be confident that Beijing will not renounce other treaties?"

Professor Michael Davis, of the University of Hong Kong, said Tam's argument "erased the essential purpose of the treaty" and was "nonsense and has no basis in international law". It ignored the fact one article of the treaty stipulated London and Beijing "agreed to implement" all articles. It was "incredible" that "the autonomous government in Hong Kong wants to degrade the very basis for its autonomy".

Meanwhile, a long-awaited second round of consultation on political reform could be announced on January 7, Tam said. Additional reporting by Gary Cheung

> LEUNG SNUBS INQUIRY C3

GAMBLING

MACAU REGULATORS TO MEET BANKERS OVER DIRTY MONEY

Watchdog to explain live monitoring of mainland transactions amid Beijing-prompted crackdown that has seen gaming stocks plunge

Niall Fraser and Tiffany Ap

Financial regulators have called top bankers in Macau to a key meeting next month as part of a Beijing-inspired dirty-money crackdown that has rocked the city's under-pressure casino sector and sent gaming stocks tumbling.

In a note sent out late on Tuesday, Monetary Authority chiefs told city bankers they would "explain a live monitoring system" which the *South China Morning Post* yesterday revealed will give Beijing's powerful Min-

istry of Public Security unprecedented access to all transfers through the state-backed China UnionPay bank payment card.

All Macau casino stocks dropped in trading yesterday in the wake of news of the crackdown, which comes just 48 hours before President Xi Jinping (習近平) arrives in Macau to lead ceremonies marking the 15th anniversary of the former Portuguese enclave's return to Chinese sovereignty.

Galaxy Entertainment Group suffered the most, dropping 8.2 per cent, while MGM China fell 7 per cent and Sands China

6.18 per cent. SJM Holdings dropped 6.17 per cent and Wynn Macau by 4.30 per cent while Melco Crown Entertainment was down 3.86 per cent.

In comparison, the benchmark Hang Seng Index lost 0.37 per cent.

The note sent to banks, seen by the *Post*, also asked banks to provide a list of names and information on high-risk businesses who use the China UnionPay bank card system.

These include stores selling watches and jewellery, wine, pharmaceutical products, dried seafood and telecommunica-

tions businesses, the note said, adding that "high-risk businesses" in nearby casinos were also included.

The key involvement of the ministry's Economic Crimes Investigation Bureau – which is spearheading the "Fox Hunt" operation aimed at securing the return of corrupt party officials who have fled overseas – provides confirmation of the long-held belief by many that Macau casinos are a major conduit for capital flight from the mainland.

A senior gaming insider said yesterday: "This is causing a lot of concern; it seems Beijing means business, and it's not just the VIP junket operators who bring in the high-rollers who are nervous."

The latest move deals another

blow to the gaming industry following six months of declining revenue, due in large part to Xi's "tigers and flies" anti-corruption drive.

Analysts forecast a year-on-year drop of around 20 per cent this month that will push the city to register its first full-year casino revenue decline.

It is unclear how deeply the new measure will affect VIP volumes, Bloomberg gaming analyst Tim Craighead said.

However, he added that the news comes in a month when institutional investment managers review their year-end portfolios.

"If there's even more concern, do they want to back off positions? It can have an amplified impact," he said.

CORRUPTION

Graft fight will march onward, PLA troops told

If 'big tigers' can be caught, so too can rank and file, military mouthpiece says in commentary

Angela Meng and Minnie Chan

The flagship mouthpiece of the People's Liberation Army dismissed speculation the graft crackdown in the military was on its last legs and accused interest groups of standing in the way.

In a rare candid commentary, the *PLA Daily* said that a proper understanding of the campaign was needed if the "pernicious influence" of former Central Military Commission vice-chairman Xu Caihou (徐才厚) was to be eradicated.

It pointed to misperceptions within the army and the public about whether the drive could continue or might lose the support of rank-and-file officers.

**2.3m**  
The number of members of the PLA, making it the world's largest standing army

There were now two opposing sides in the campaign, which had reached a critical point, and the military should know there wouldn't be any let-up in the fight.

"If even big tigers like Zhou Yongkang (周永康) and Xu Caihou have been investigated, who can't be investigated?" said the commentary, titled "The war against corruption cannot be lost".

Xu was investigated for bribery in March and expelled from the Communist Party in June. Zhou, a former security chief and member of the Politburo Standing Committee, was also expelled and will soon face prosecution on graft charges.

A retired senior colonel in Beijing who didn't want to be named

said the commentary hinted that the campaign to clean up the military would temporarily shift focus from big "tigers" – President Xi Jinping's (習近平) term for powerful officials – to the middle and lower ranks, where graft would be more difficult to wipe out as it was commonplace. They were like "cockroaches and flies, which are everywhere".

Other prominent military figures targeted include Ma Xiangdong, a senior colonel and director of the political department at the PLA Nanjing Political College, who was recently taken away by authorities, and Major General Dai Weimin, a deputy dean at the college detained last month.

Shanghai-based military commentator Ni Lexiong (倪樂雄) said the article served to remind middle and lower-ranking officers that they would inevitably be targeted because their corruption had directly undermined the image of the army and the party.

"The public and grass-roots soldiers might not be concerned with how much Zhou and Xu received in bribes or how many mistresses they kept because that doesn't directly affect their daily life," Ni said. "But any wrongdoing by middle and lower-ranking officials would definitely hit the morale of frontline officers and soldiers."

The commentary also said corruption was hindering reform of national defence and the military.

"Why have reforms in these areas failed to launch after so many years? It all lies in corruption," the commentary said.

"Anti-corruption is crucial to the survival of the party and the army, as well as the fate of the people and the nation ... we cannot afford to retreat or lose in the battle of life and death."

The party pledged reforms in the military last year, prompting speculation that the PLA may overhaul its structures and beef up its own anti-graft agency. But so far, few of the rumoured changes have taken place.

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