



Thursday 21 June 2018

Ms Catherine Myers  
Chief Executive Officer  
Victorian Commission for Gambling and Liquor Regulation  
Level 3  
12 Shelley Street  
RICHMOND VIC 3121

Dear Ms Myers

**Sixth Review of the Casino Operator and Licence – China Investigation**

I acknowledge receipt of your letter of 20 June 2018.

I point out that:

- the Commission has provisionally concluded that the China episode does not affect Crown's suitability to retain its licence;
- the Commission's investigation remains ongoing;
- it has been the Commission's universal practice in past review reports not to make provisional observations or preliminary findings in relation to ongoing matters, on the basis of information available as at the end of the review period. The Commission's practice has appropriately been to exclude such matters from the review report;
- there is class action litigation on foot in relation to the events in China; and
- Crown Resorts Limited is an ASX listed company whose shareholders could be adversely affected by prejudicial commentary by a regulator.

On this basis, Crown maintains that it will be a gross and improper breach of procedural fairness and past practice for there to be any commentary in the Sixth Review Report relating to the China Investigation.

The Commission's investigation into the events in China commenced after the detainees were released in August 2017, and the timing of their interviews depended on giving them adequate recovery time. The interview of Michael Chen (which Crown facilitated in New York) occurred only last month. Crown received the draft report of the Compliance Division staff less than 2 weeks ago. The draft traverses broad subject matter, albeit in summary form. The investigation has therefore progressed with reasonable expedition to this point and should be allowed to continue to do so.

The next step is for the Commission to give balanced, open-minded consideration to Crown's response to the draft report and, beyond that, the process will require further consideration (in relation to which Crown will seek to have appropriate input). Crown's response is in an advanced state of preparation and we expect to get it to you early next week.



Before a single damaging comment is made by the VCGLR, whether as a provisional observation to the Minister or otherwise, Crown is entitled to insist on knowing the full factual basis of the observation and the legal analysis said to support it, and to be given a proper opportunity to present other relevant facts, expert advice and analysis. The process should not be rushed; it should allow for due consideration of all relevant matters; it should not depart from past regulatory practice without sound reasons being articulated for doing so; and it should be able to withstand external scrutiny as a proper and fair exercise of the Commission's investigatory responsibilities.

We reiterate that the Commission's past practice has been to exclude from consideration matters in relation to which investigations are ongoing, including matters which spanned many years. We direct you to the introductory text of the section of the Fifth Review Report dealing with 'Matters Excluded from Consideration' as follows:

*'The Commission determined that matters being investigated for this review that were incomplete at this time should not be considered in forming its present opinion as the suitability of the casino operator to hold a casino licence. In addition, as the investigations in each matter are continuing, the Commission has not at this time formed a view about any person or entity the subject of these investigations.'*

One of the six excluded matters was a proceeding brought on behalf of One.Tel which ran for many years. It was first mentioned in the 2003 Third Review Report was also a matter excluded from the Fourth Review Report. The Dunning matter was also ongoing for a lengthy period. Both the One.Tel and Dunning matters were noted as finalised on pages 29-31 of the draft Sixth Review Report.

Our emphatic position therefore remains that the Sixth Review Report should be silent on the China Investigation, other than to note it as an 'Excluded Matter'. Language along the following lines could be used to describe it as an 'Excluded Matter':

*'On or shortly after 13 October 2016, seventeen then current and two former employees of the Crown group were detained in China. One of the persons detained was employed by Crown Melbourne in the role of Group Executive General Manager – VIP International.*

*On 26 June 2017, the nineteen detainees were convicted by the Shanghai Baoshan District Court of contravention of Article 303, Clause 1 and Article 25, Clause 1 of the 'Criminal Law of the People's Republic of China'.*

*Sixteen of the nineteen detainees were fined a total of RMD8.62 million, which converts to approximately AUD1.67 million. This amount was paid ex gratia by Crown.*

*Of the sixteen people who were fined, eleven were also sentenced to a period of incarceration of 9 months and five were sentenced to a period of incarceration of 10 months, with time in detention since 14 October 2016 being taken into account. The remaining three defendants, who were bailed on 11 November 2016, were not fined or sentenced to a period of incarceration.*

*The events in China are the subject of a shareholder class action against Crown Resorts Limited filed in the Victorian Registry of the Federal Court of Australia on 4 December 2017.*

*The Commission is investigating the events in China and monitoring the progress of the class action.'*



We otherwise confirm that we would like to take up the opportunity to meet with Commissioners and staff next Tuesday to discuss our other concerns with the draft report.

Yours sincerely

A handwritten signature in grey ink, appearing to be the name "John Alexander", written over a horizontal line.

**John Alexander**  
**Chairman**