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High Rollers - High Risk? - Four Corners

High Rollers - High Risk?

Posted Mon 15 Sep 2014, 3:04pm
Updated Wed 17 Sep 2014, 3:55pm

Australian casinos and the threat posed by organised crime.

Transcript

plusminus

Monday 15th September 2014

Australian casinos that target Asian VIP gamblers to boost their profits could run a serious risk of exposure to organised crime, according to a range of law enforcement and security experts.

This week on *Four Corners*, reporter **Linton Besser** investigates the drive to entice foreign gamblers to Australia and the implications of that strategy.

Running casinos can be a lucrative business. It's estimated that the industry here generates around five billion dollars a year. Much of that money comes from ordinary Australians, but increasingly companies that run casinos are seeking to boost their profits by attracting high rollers, particularly from China. VIP players are willing to bet hundreds of thousands of dollars in a single wager.

These big gamblers are often brought to the casino by companies called junkets. In Asia's gambling epicentre of Macau, off the coast of China, they locate, transport and provide credit for the gamblers, and they have made local casino operators enormously wealthy. However, until recently Australia has only had a slender share of the VIP market.

Now Crown, led by James Packer, has won approval to develop a six star hotel and casino complex at Barangaroo on the shores of Sydney Harbour. And this casino will cater solely to VIP players.

Who are these high-rollers? Where do they get their money? And who is profiting from the junkets that bring them here?

In Macau, the junket operators are major companies, with some listed on the stock exchange. Despite this, there is evidence that some have links to organised crime.

In part, those links to criminals have been boosted by the fact that gambling is illegal in mainland China, and there is a limit to the amount of money high rollers can take out of the country. The fact that Chinese VIPs gamble on credit - which cannot be legally enforced in the mainland - can invite debt collection via extra-judicial means.

As one gambling expert told the program:

"They turn to organised crime to enforce gambling debts, using violence or threats of violence."

The question is, how do Australian casino operators like Crown get the benefits of the junket industry but keep out the criminals? Those who know the gambling industry say it's very difficult:

"That's easier, much easier said than done, because if the casino is totally focused on upper end VIP only, then that appeals to a small, a certain element, and that is difficult." - Gambling expert

This leaves any casino operator relying on VIPs with a problem. It leaves governments with a problem too. Organised crime has found a home in Macau. Will it look for more opportunities here?

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HIGH ROLLERS - HIGH RISK?, reported by **Linton Besser** and presented by **Kerry O'Brien**, goes to air on **Monday 15th September** at 8.30pm on ABC. It is replayed on Tuesday 16th September at 11.00am and 11.35pm. It can also be seen on [ABC News 24](#) at 8.00pm Saturday, [ABC iview](#) or [abc.net.au/4corners](#).

Transcript

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KERRY O'BRIEN, PRESENTER: Turning bad money into good: welcome to *Four Corners*.

As China's story of miraculous growth has dazzled the world, so has the mind-boggling wealth from some of its citizens pouring into the world's casinos - but nowhere more than the gambling mecca of Macau, the former Portuguese colony now back under the Chinese government umbrella.

Last year it generated US\$45 billion in gambling revenue.

China's new breed of high rollers who can bet up to \$1 million on a single hand of cards, now account for two-thirds of revenue at Macau's casinos.

Australian casino operator James Packer has a partnership in two casinos there and his latest high-stakes venture in Sydney's glamorous new Barangaroo harbour precinct will be pitched exclusively at VIP high rollers.

In Macau there's evidence that Chinese organised crime gangs are heavily involved in organising the flow of high rollers into casinos. A recent US congressional report highlighted one estimate that a stunning \$202 billion of "ill-gotten funds" are channelled through Macau each year.

How big is the risk that organised crime will infiltrate Australian casinos as they open up more to the high roller trade?

This investigation from **Linton Besser**.

LINTON BESSER, REPORTER: A fortune rides on the turn of these cards.

At risk are tens of thousands of dollars, and this potent addiction is pouring billions of dollars into casinos around the world.

CRIMINAL JUSTICE WORKER, HONG KONG: The minimum bet is HK\$100,000, which is \$14,000 to \$15,000 Australian. That's minimum bet, per bet, every bet, each bet. And to give you an idea of the sort of way the betting goes: in 45 minutes on one occasion he was up \$13 million. Ten minutes later he was down \$6 million.

LINTON BESSER: The private VIP salons of the Chinese gambling mecca of Macau have been capturing more of this staggering windfall than anywhere else in the world.

And now, one major casino operator wants to build a new Australian casino focused on China's high rollers.

JAMES PACKER, CHAIRMAN, CROWN RESORTS (archive): I think that this is a great idea. This'll be great for Sydney. And there is no one anywhere who is going to try harder than our company to build something special.

LINTON BESSER: But tonight on Four Corners, we ask: just who are these high-rollers? Who are the handlers passing out the chips? And despite all the regulations, are VIP rooms exposing casino operators like James Packer to organised crime?

SANDY BOUCHER, CORPORATE INVESTIGATOR, GRANT THORNTON, CANADA: Organised crime sees casinos as a major source of funds, making money, of laundering money - loan sharking, whatever it is - and sensible governments who, who act as they should will do everything they, everything they can to keep them out and to control that.

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And if you don't do that, I think that you put everyone in your community at risk.

LINTON BESSER: Perched on China's coast near Hong Kong, the former Portuguese colony of Macau has become Asia's gambling haven. Last year its casino strip brought in seven times as much revenue as Las Vegas in America.

About 70 per cent of the money comes from high rollers, mostly from China.

Over the past decade, this strip has become a paradise for those casino tycoons who could obtain a licence. James Packer's joint venture Melco Crown is one of them, where the rivers of money just keep on flowing.

PHILIP TULK, STANDARD CHARTERED BANK, HONG KONG: It's a fantastically huge market. Last year, VIP buy-in - "rolling chip volume", we call it - was over US\$1 trillion. Melco Crown probably did US\$120 billion of that. These are very, very large numbers.

Macau is, is unique. The Chinese player that plays in Macau is quite willing to buy in US\$800,000 or US\$1 million at a go. This is a VIP player. Um, they are, are hard-wired to play.

LINTON BESSER: The man who established Macau as a VIP gambling mecca is Stanley Ho.

STANLEY HO, ENTREPRENEUR (archive): I could not believe that Macau could not do better.

JOHN BROOME, FORMER CHAIR, NATIONAL CRIME AUTHORITY: Stanley Ho is an interesting character. I guess in Australian parlance, ah, he might be regarded as, um, a sort of a "colourful race track identity", except we're not talking about racetracks: we're talking about casinos.

LINTON BESSER: Ho has been a key figure in helping James Packer secure his place in Macau.

Ho grew powerful navigating his way through a turbulent world of organised crime. While never named as a Triad member himself, one of his early backers in Macau was Yip Hon, who was named by the CIA in the 1990s as a Triad figure and heroin trafficker.

In 1988, Ho was named as a Triad associate by the US Justice Department. And two years later Canadian authorities reportedly placed him on a roster of organised crime figures.

SANDY BOUCHER: You know: no, I don't think anyone's ever suggested that, that Stanley Ho is a criminal. He's a businessman. But he's done business with, with, with people in organised crime.

LINTON BESSER: In Macau, Ho's empire flourished.

And when China took back Macau in 1999 and opened its casino market to foreign investment three years later, James Packer saw an opportunity.

In 2004 his company, PBL, negotiated with a business run by Stanley Ho and his son Lawrence to set up a joint venture.

Initially, the Ho company was called Melco International Development.

PHILIP TULK: Macau Electric Company - Melco - owned: OK, real estate. It did own, um, the jumbo floating restaurant here in Hong Kong, had a number of non-gaming assets. It was considered to be a very sleepy, um, ah, holding company, really.

LINTON BESSER: And it was a company controlled by Stanley Ho?

PHILIP TULK: It was a company controlled by Stanley Ho. Absolutely.

LINTON BESSER: The Packer company PBL poured US\$163 million into its joint venture with a company run by Stanley Ho and his son Lawrence, which is now known as Melco Crown Entertainment.

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Investors were told it was good value for money because of the "invaluable established business reputation and connection possessed by Dr Stanley Ho and Mr Lawrence Ho."

But probity investigations by the Victorian Casino Authority coincided with major changes to the plan.

Stanley Ho resigned as chairman and was replaced by his 29-year-old son Lawrence, who had worked under him since 2001.

PHILIP TULK: I mean, Stanley was being... probably was aware that he was being seen as, as being, um, you know, unsuitable in the eyes of some of these overseas regulators because of his... you know, the history of Macau, the connections between Stanley and the junket system.

Um, and so by disassociating himself with Melco, again he was putting that company in a much better position to get a licence.

LINTON BESSER: Half a world away in Atlantic City in the United States, there were some difficult questions being asked about doing business with the Ho family.

MGM owned a major casino on the Atlantic City strip. It wanted a Macau licence by partnering with Stanley Ho's daughter, Pansy Ho.

This triggered a probity investigation by local regulators to examine whether Stanley Ho would exercise undue influence over the joint venture.

The four-year investigation was painstaking. And it was not the first time that Ho's children had come under scrutiny from casino regulators. Sometimes they were approved and other times not.

SANDY BOUCHER: It's true that, that some of, er, Stanley Ho's children have applied for licences and they've been refused.

LINTON BESSER: Sandy Boucher is a former Royal Hong Kong Police detective, now in the private sector. He has worked on several casino regulator investigations that probe Macau and its underbelly.

SANDY BOUCHER: I think the primary issue that they would have been dealing with is: who is their father? In other words, they would have been seen as fronts in those days, as a, as a way to get around the regulatory issues that Stanley Ho himself clearly had.

LINTON BESSER: In 2010, New Jersey regulators found Pansy Ho's associations with organised crime posed too great a risk. Authorities here ordered MGM to either sever its relationship with Stanley Ho's daughter or to leave New Jersey altogether.

It chose the latter and it promised to divest its interest in this Atlantic City mega-casino.

LINTON BESSER: Late last week, after Pansy Ho had removed herself from day-to-day management of the venture, New Jersey allowed MGM back into Atlantic City.

Back in 2008, the Victorian gambling regulator found Lawrence Ho was not under the ongoing influence of his father. It described its investigation as "rigorous" but, unlike in New Jersey, the details of the Victorian investigation were never made public.

LAWRENCE HO, CO-CHAIR AND CEO, MELCO CROWN ENTERTAINMENT LTD (archive): I think we have a wonderful partner in, you know, Mr James Packer and Crown Limited.

(Footage of James Packer and colleagues officially opening City of Dreams resort, Macau, 2009)

MASTER OF CEREMONIES: Three... two... one!

LINTON BESSER: The James Packer-Lawrence Ho joint venture opened its first major Macau casino in 2007, which is now named Altira. Its second opened with a bang in 2009: the \$1 billion City of Dreams resort.

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MASTER OF CEREMONIES: Congratulations. Grand opening of City of Dreams!

(Footage ends)

LINTON BESSER: But initially the Melco Crown business was losing money. So, in a major shake-up, the company, which is run day-to-day by Lawrence Ho, changed its focus and moved to cater heavily to China's high rollers.

China's high rollers are the new rich. Some have been successful in business, but some have embezzled State money or accepted bribes.

JOHN BROOME: I think it's very likely that significant amounts of the money that are being played in the casinos in Macau have come from illegitimate sources in China.

LINTON BESSER: In Macau, the key to these big spenders are companies called "junkets". These companies and their agents locate VIPs, organise their transport and, crucially, stump up the credit for them to play.

Junkets operate within private VIP rooms in many of Macau's casinos, including those owned by Melco Crown. They take a share of the profits - and they collect on the debts.

I. NELSON ROSE, PROF., WHITTIER LAW SCHOOL: The high roller shows up. The junket operator gives him \$100,000 in what are called "dead chips" - a few at a time - and the player bets with those. If the player loses then he needs to get more dead chips. If the player wins, he gets paid off in real chips and the... it's a way for the junket operator to keep track of it.

The advantage for the casinos is: they don't have to be involved in the collection of gambling debts.

LINTON BESSER: Gambling law expert Nelson Rose says the fact that gambling debts cannot be enforced via the courts in China creates opportunities for organised crime.

I. NELSON ROSE: If the junket operator comes upon somebody who doesn't have the money or refuses to pay for whatever reason, then they can't go to court. And certainly the stories are that they then use... they turn to organised crime to enforce the gambling debt using violence and threats of violence.

LINTON BESSER: Chinese crime gangs, also known as Triads, have always had a strong presence in Macau's junkets.

SANDY BOUCHER: The way that the Triads are involved in the gaming industry in Asia: there's, there's two or three ways. Um, the first way is these junket tours. So a junket is in, in theory a company or partnership and their job is to find high-rolling gamblers and bring them to the casino. Um, and then the second part of where you get organised crime involvement is with the VIP rooms.

LINTON BESSER: Experts say Western casinos in Macau try to run a clean operation but it's their reliance on junkets that raises serious concern.

(To Jose Pereira Coutinho) Is it possible for a major Western casino to be successful in Macau and not in some way be doing business with organised crime figures?

JOSE PEREIRA COUTINHO, MEMBER, MACAU LEGISLATIVE ASSEMBLY: I don't think so. Ah, you have to be mixed up with them because only they can bring the top gamblers from mainland China. So having the good connections, er, with those high-rollers, ah, good connections with some officials that do have some money to play in Macau, er, is a key for the success. And you only have this kind of information if you are relating some way indirectly - directly or indirectly to the triads.

(Excerpt from film 'Ho kong fu wan' ['Casino'], 1998, Skylark Production)

LINTON BESSER: In the 1990s the Triads became far richer and more powerful, thanks to their VIP gambling business. And that fuelled a violent turf war which erupted on the streets of Macau.

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On the one hand: "Broken Tooth" Koi from the 14K Triad who, with extraordinary bravado, financed a feature film about his exploits; on the other, a rival 14K leader, Ng Man Sun.

(Footage ends)

STEVE VICKERS, CEO, SVA POLITICAL RISK CONSULTANCY: Just prior to the Portuguese handover, there was a "disturbance in the force" - I think that's probably the best description - where elements of the 14K Triad society split and, er, went for each other very, very viciously.

LINTON BESSER: With the handover back to China, the Triads were told to clean up their act. Many junkets put on a suit and tie. Some even listed on the Hong Kong stock exchange.

Hong Weng Kuan is a Macau lawyer who represents several junket agents.

HONG WENG KUAN, MACAU LAWYER (translation): The gangland societies are also after financial benefits at the end of the day. If they can earn their profit through operating VIP rooms, their activities in Macau have become legal and so are their existence. So they are not the same old gangland society as we refer to anymore.

The traditional gangland society still participates in organised crime activities, but in Macau they can take advantage of the lawful status of gaming practice and operate lawfully.

STEVE VICKERS: There has been a sort of metamorphosis, ah, of these... of the whole business. As the pie has expanded it has professionalised the persons involved with it. There has been a sort of a gentrification of many of the junkets. Um, but you know, this is not Mother Theresa and her sister.

LINTON BESSER: One of those listed on the public exchange is AMAX, a company called in to rescue James Packer's Macau business in its early days. The results were spectacular: Melco Crown's share of VIP play went through the roof.

But the deal raised eyebrows. AMAX was heavily associated with Ng Man Sun, the notorious Triad figure who had battled it out with "Broken Tooth" Koi in the 1990s.

While "Broken Tooth" was jailed for 14 years, Ng Man Sun became a leading force in the new corporate Macau.

SANDY BOUCHER: Ng Man Sun, um, is, is a Triad member. And um, in the days that I was in the Narcotics Bureau, to give you an example then, er, he would have been someone who was widely known to be involved in the highest levels of organised crime.

LINTON BESSER: AMAX tapped into a pipeline of VIP players and paid above-market rates to the agents bringing them in.

AARON FISCHER, HEAD OF GAMING RESEARCH, CLSA: A relationship was developed between AMAX and, and Melco Crown to try to drive their VIP segment within, within the Altira property - or at the time, I think it was called Crown. And I think the, the early stages of that relationship were very successful.

LINTON BESSER: But not all the revenues flowing into Melco Crown and its rivals are from VIPs. A good portion comes from the thousands of ordinary punters playing on the main gambling floor. They stream over the border every day.

Even here, criminals find opportunity. It's in the currency restrictions that prevent players from bringing more than US\$3,000 a day over the border from China.

I. NELSON ROSE: So how do you get your money from the mainland to Macau?

Well, a lot of people are now doing scams - bank fraud, in effect - um, to get their money out. And I have seen this. And I most recently saw it, in fact, May this year where I just stood there and watched as a, uh, person walks in, is sitting there in a jewellery store that is literally on the floor of a casino and they have a credit card or a debit card, um, and they're supposedly buying something like a watch.

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Only there's no watch involved: instead there is a cash counting machine next to the credit card machine.

LINTON BESSER: There has been a recent crackdown on underground banking in Macau and elsewhere.

In July, Taiwan authorities laid criminal charges against Melco Crown's local subsidiary. It has been accused of, but denies, illegally channelling more than US\$180 million into Macau in just 3.5 years. Taipei has charged the company and its local employees with banking offences and frozen more than US\$100 million.

Lawyer Hong Weng Kuan says the allegations in Taiwan are consistent with what he has seen in Macau.

HONG WENG KUAN (translation): People would transfer money through this kind of underground money bank from mainland China to a certain Macau VIP room. The VIP room would then provide chips for the gambler.

LINTON BESSER: The big bucks are in the VIP rooms. In those rooms in the City of Dreams, in just three months this year, more than US\$20 billion was wagered.

Small wonder that Macau has been labelled one of the world's most notorious money laundries.

This man works in Hong Kong's criminal justice system and has seen first-hand the volumes of money washing through the Macau casinos. He didn't want to be identified.

CRIMINAL JUSTICE WORKER, HONG KONG: The amount of money that goes through those casinos is just breathtaking. And it's got to come from somewhere. And money on that scale is normally not money that someone can afford to lose.

Money that's being diverted into the casinos in Macau which should've been used for urban projects in China, er, results in detrimental life effects on vast swathes of the population in China.

LINTON BESSER: Melco itself has repeatedly warned investors that, despite its safeguards, its casinos may still be: "exploited for money laundering purposes" and that: "we cannot assure you that the junket operators with whom we are associated will always maintain the high standards that we require."

Like many in the industry, Charlie Choi has a different view. He is a major investor in Macau junkets, with a business naming and shaming debtors online.

Choi claims the Triads have disappeared from Macau.

CHARLIE CHOI KEI IAN, JUNKET INVESTOR (translation): Actually, we can put it that way, since the handover there is no gang and Triad. Everyone plays by the rules and is very busy because the gambling industry is prospering and people are focused on finding ways to make money.

LINTON BESSER: But tonight, Four Corners can reveal that several junket operators in Melco Crown's Macau casinos have been connected to organised crime.

LINTON BESSER: Chan Meng Kam is a colourful figure whose businesses include jewellery and gambling interests.

He recently turned to politics. He now sits in the Macau parliament.

In 2010, the US consulate in Hong Kong wrote a classified cable to the secretary of state about Chan Meng Kam's political rise. It said: "We have yet to meet anyone who does not believe Chan is linked to the triads."

One of Chan's parliamentary colleagues is the pro-reform member, Jose Coutinho.

LINTON BESSER: In 2010, the United States diplomatic cables that were leaked: they described Chan Meng Kam as "an associate of triads"?

JOSE PEREIRA COUTINHO: Not surprised again, because things that happened before the handover, when he was not related so much and so deep with politics, ah, such as he is now because he is one of the most

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powerful men in Macau.

LINTON BESSER: Two of Chan's early corporate partners were arrested and convicted of Triad-related crimes alongside 14K boss "Broken Tooth" Koi.

Chan's business went on to greater things, including a VIP gaming agreement with Melco Crown.

But to find this, you'd need to read the fine print all the way to page 36 of an obscure Melco Crown banking agreement.

Chan Meng Kam declined our request for an interview.

JOSE PEREIRA COUTINHO: He is not the only one we have in the Legislative Assembly. Many more related to the VIP rooms and seems that life goes on.

LINTON BESSER: Another junket that has worked in at least one of Melco Crown's Macau casinos is the Man Pou Gaming Promotion Company. One of its principals is Lai Pak Leng.

In February last year, Lai's father was identified during a Canadian immigration hearing as a leader of the Shui Fong Triad. Lai Tong Sang's associates had played a key role in Macau's bloody street wars of the 1990s.

In 1997, soon after he arrived in Vancouver, his home was peppered with bullets. The price on his head was HK\$ 1 million.

SANDY BOUCHER: I don't know anything about his son. But knowing who Lai Tong Sang is: he's been thrown out of Canada, right? He arrived in Canada and there was a drive-by shooting of this massive house that he'd built. He's hard-core criminal.

LINTON BESSER: There are others, too. The mega-VIP business Neptune has included the Ocean Star junket which has operated in Packer's huge City of Dreams resort.

Neptune is highly controversial because one of its backers is Cheung Chi Tai. Though he was never charged, he was named as recently as 2011 in the Hong Kong High Court as a Triad boss and mastermind in a murder conspiracy.

Charlie Choi is one of Cheung Chi Tai's fellow investors in the Neptune VIP business.

CHARLIE CHOI KEI IAN (translation): Mr Cheung has been operating VIP rooms in Macau for many years. He has always been a law-abiding and trustworthy businessman. Many casinos are in cooperation with him. They will not operate VIP rooms linking with Triad.

LINTON BESSER: Neptune holds poker tournaments at City of Dreams and, even more troubling, it's bringing high rollers to Echo's Star casino in Sydney. And Choi says they're also travelling to Crown's resorts in Perth and Melbourne.

CHARLIE CHOI KEI IAN (translation): Clients would come over from time to time for organised activities, or casinos in Australia. The ones in Melbourne and Perth would invite Neptune VIP clients to come over for functions.

LINTON BESSER: Suncity is one of the most powerful VIP junkets in Macau. And it too has a contract with the James Packer-Lawrence Ho joint venture, running an exclusive VIP room at Melco's City of Dreams.

Four Corners has been shown a confidential intelligence report, claiming the ultimate beneficiary of the business is Charles Heung Wah-Keung.

Charles Heung is a household name in Hong Kong because he is a high-profile movie star and producer. But in America he became notorious, after the Senate named him in 1992 as a leader of the powerful Sun Yee On Triad.

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It's an allegation he has always strenuously denied.

SANDY BOUCHER: Well, the Heung family in law enforcement circles are recognised as the founders and controllers of the Sun Yee On: the largest and most tri- powerful Triad organisation in the world. Heung Wah-Keung, by different people's estimations, was or is the dragon head.

LINTON BESSER: Tonight Four Corners can reveal Suncity is not just running some of Melco Crown's VIP rooms in Macau: it's bringing Chinese high rollers to James Packer's Crown casinos in Australia.

Alvin Lui is a senior executive with the Suncity Group.

ALVIN LUI MAN WAH, EXECUTIVE DIRECTOR, SUN INTERNATIONAL RESOURCES, HONG KONG: We just started a junket room in, in Crown in Melbourne.

LINTON BESSER: And has it been successful?

ALVIN LUI MAN WAH: Yeah, yes. Kind of developing, 'cause more and more of our clients, our customer friends, they would like to visit Australia more than, like, they, they, they have been. So yeah, we think, we think the Melbourne operation is a good opportunity.

LINTON BESSER: Mid-way through last year, the Suncity group bought one of Australia's most prestigious thoroughbred studs, Eliza Park.

(Footage of Eliza Park International launch, Crown Casino, 7 August 2013)

MASTER OF CEREMONIES: Ladies and gentlemen, let's please toast Eliza Park International.

LINTON BESSER: Lavishly launched at Crown Casino in Melbourne, Suncity's heavyweights were present, including Alvin Chau, one of the most influential men in Asian gaming. It was a major event, attended by the cream of Australian racing.

GAI WATERHOUSE, HORSE TRAINER AND BUSINESSWOMAN: For the racing industry in Australia, this investment of Sun International is just fantastic. For Eliza Park, it's just going to explode.

LINTON BESSER: Alvin Lui does not manage the company's junket business and he says he has never heard of Charles Heung Wah-Keung.

(Footage ends)

ALVIN LUI MAN WAH: Yeah, Heung Wah-Keung: no, I've never heard about him.

LINTON BESSER: But he agrees junkets had a bad reputation.

ALVIN LUI MAN WAH: Yeah, I can say that, like, ah, when I was young I, I, I look at news, like, what we heard about Macau is quite like, kind of like chaos sometimes. But now I see, like, ah, as I understand, like, most of the operation, especially the casinos or the big junkets: they operate in, like, a very business sense.

LINTON BESSER: So, so it's cleaned up?

ALVIN LUI MAN WAH: Yeah, I, I would, I would say that. I would say that.

LINTON BESSER: Others disagree. Trainers and jockeys in Hong Kong have been briefed on Suncity's alleged criminal connections.

Lui says he knows nothing of this.

A few months ago the head of security for the Hong Kong Jockey Club, Martin Purbrick, gave a confidential presentation to police from across Australia at a seminar organised by the Victorian Police.

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The former Hong Kong detective alerted those present to Macau's junkets and their links to organised crime and he gave a particular warning about some individuals associated with Suncity: "[Censored] are followers of Wan Kuok-koi, Macau 14K triad, imprisoned in 1998 for 14 years."

Now a former executive of Melco Crown is speaking out, though he can't be identified. He says the company didn't want to ask too many questions about who was bringing in its VIPs.

(To former Melco Crown executive) How extensive is discussion of precisely who is behind the junkets in Melco's properties?

FORMER MELCO CROWN EXECUTIVE (actor re-enacting): They don't want to know about the links to organised crime. I have known since the first month I started that a number of the junkets are Triads. This is known by everyone: every supervisor, every pit manager, every shift manager. They say, "That's the front person, but the owner is this guy."

LINTON BESSER: In a statement, Crown said it had been "extensively investigated by regulators around the world and in all cases has [been] found to be suitable by gaming regulators."

Crown said its junkets are independent contractors who "do not have any say in the operation of Crown's casinos" and that the junkets flying to Australia are carefully scrutinised.

The company's statement also said that its joint venture casinos in Macau "only deal with licensed junket operators", which raises a question as to why several unlicensed VIP gaming promoters have used addresses linked to Melco Crown's properties - including Kuok Kei Junket Promoter, whose address is in Crown Towers, and Lion City International Gaming Promoter, whose address is at the City of Dreams.

Crown said both of these examples were simply innocent mistakes.

Melco Crown's former executive says there are many loopholes in Macau's regulations which are exploited.

FORMER MELCO CROWN EXECUTIVE (actor re-enacting): Money is meant to be tracked, but the whole of Macau is a big open sewer in that respect.

LINTON BESSER: Jose Coutinho agrees the gambling regulator in Macau, known as the DICJ, is ineffective.

JOSE PEREIRA COUTINHO: As for the casino VIP rooms, ah, the DICJ does not have full control on how they operate and what's going on. And they seem not to care about that because it's, er, very complicated: a lot of dark sides, loopholes.

LINTON BESSER: Is there extensive due diligence done by Melco beyond what the Macau authorities do?

FORMER MELCO CROWN EXECUTIVE (actor re-enacting): Not that I know of. If they did their due diligence, they would put themselves out of business in Macau. Clearly, I would say that if a junket is big enough, they would get play in Altira or City of Dreams, irrespective of background.

LINTON BESSER: James Packer's Australian company is building a casino dedicated to this VIP market. But it's not in Macau: it's in Sydney.

Macau's gambling experts say that, for Packer's Sydney venture to succeed, he will have to rely on junkets.

HONG WENG KUAN (translation): If other foreign gambling companies do not copy Macau's method, or do not extend this advantage to mainland Chinese, I don't think it will be easy for their business to survive.

LINTON BESSER: But there are fears this focus on VIPs and the junkets bringing them here will open the door to more organised crime in Australia.

Steve Vickers says local regulators should be careful.

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STEVE VICKERS: Where possible, try and exclude the, the core Triad-connected junket operators - and that's easier, much easier said than done, because if the casino is totally focused on upper-end VIP only, then that appeals to a small, a certain small, ah, a certain small element - and that's difficult.

LINTON BESSER: Another major crackdown on corruption by Beijing's central government is scaring away high rollers from Macau.

(Footage of Chinese central government announcing corruption investigation)

CHINESE GOVERNMENT OFFICIAL (translation): Our serious investigation and punishment...

(Footage ends)

LINTON BESSER: Experts say these players are looking further afield: to places like Australia, where they can gamble beyond Beijing's reach.

STEVE VICKERS: The current corruption crackdown in China is very real. Um, there is... there are all sorts of actions against all sorts of officials all over the country at the moment on a very big scale, on an unprecedented scale.

And I think, other than the anonymity issue, which is the ability to be able to go offshore and gamble without, without fear of somebody looking over your shoulder, I can't really understand the, the objectives of, of flying as far as Australia to do this.

LINTON BESSER: Some regulators overseas have shown real concern about the junket industry. In Singapore, authorities have refused to allow a single Macau-based junket operator into the country because of concerns about their links to the triads.

LINTON BESSER: Is it the case that Singapore is yet to licence a single Macau-based junket for operation in its casinos?

PHILIP TULK: That is correct. There are no Macau-based junkets that are operating in Singapore casinos.

LINTON BESSER: And why is that?

PHILIP TULK: I think it's, ah, it's, it's, it's all about, um, in some cases, ah, shareholders and historical associations of those shareholders in Macau, in the mainland, elsewhere. Some of them simply don't want to produce information, so we're just not sure of who they are.

Often if somebody doesn't want to produce information, we, we, we, make the, the conclusion that, you know, that they're... they're not good people.

LINTON BESSER: I mean, they're, they're worried about infiltration by organised crime, in short, aren't they?

PHILIP TULK: Yeah, I think that's true.

LINTON BESSER: Australia has not taken the same hard line as Singapore and, despite a web of State and Federal regulations which check the bona fides of junket employees and their clients, police say there are limitations to these checks.

KEN FINCH, DET. CHIEF SUPT., ORGANISED CRIME DIRECTORATE, NSW POLICE: We are provided with certain information and as a result of that we undertake certain checks. Of course, it must be remembered that any of the information, um, that we then rely upon as an outcome i-is only as good as the information that we get back from, ah, countries of origin, for example.

LINTON BESSER: The casino regulator in New South Wales says it conducted a previous probity inquiry into Crown, which included business associates in Macau. However, it declined to answer specific questions about this, and whether junkets were included.

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It also said its regulatory approach to the new VIP casino was still being developed and finalised.

But police in NSW have told Four Corners that Macau's junkets haven't been fully investigated.

KEN FINCH: We work very closely with, um, our colleagues in the Australian Federal Police; the Department of Immigration and Border Protection; of course, overseas agencies. Ah, so if we are called upon to undertake any investigations, ah, we certainly would do so. Ah, specifically though, I'm not aware of any, ah, particular request to undertake an investigation into Macau-based junket operators.

LINTON BESSER: If I were to tell you that, just very recently, the NSW regulator gave the green light to this VIP casino and there were only limited probity checks conducted into junket operations that may be associated with that casino: what would you say to that?

SANDY BOUCHER: Really? Wow. I think that that's pretty... um... That's scary. That sounds ridiculous to me. Um, I can't imagine why you wouldn't want to do the background checks, given that you're talking about a well, a widely-known - in Asia, that's one of the nexus points of organised crime with gambling.

LINTON BESSER: The casino proposal has attracted strong backing from the state's top politicians.

JAMES PACKER (archive): I'm incredibly proud of what we've got in Melbourne and Perth and we're going to make it better and better. But I think we've got a chance to do something in Sydney that's very special.

LINTON BESSER: And last month the head of the state's casino watchdog told a gambling conference that the licence approval granted to Crown was the fastest yet.

MICHEIL BRODIE, CEO, INDEPENDENT LIQUOR AND GAMING AUTHORITY, NSW: We completed the probity assessment of Crown, um, in three months, um, which probably rates as one of the fastest assessments of a, of a casino applicant in history.

LINTON BESSER: Macau's junkets continue to alarm authorities.

SANDY BOUCHER: Those are very serious people. And the idea that the Australian Government is letting people like that walk into, invest in, or have anything to do with the casino means to me that the battle sounds like it's half-lost already. Organised crime is there. If that's who's dealing with your casinos in Australia, you have a problem.

LINTON BESSER: In Macau, the Triads run the show because they are the key to the high rollers - and the rivers of money they gamble.

Now the question is being asked here: what price are we willing to pay for a slice of that action?

KERRY O'BRIEN: Crown Resorts declined to be interviewed for this program. They've provided statements in response to questions which can be viewed on our website.

Next week on *Four Corners*, we go inside the often ethically challenging world of commercial surrogacy.

Until then, good night.

Background Information

Responses to Questions by Four Corners

[Victorian Commission for Gambling and Liquor Regulation](#)

[Echo Entertainment, operator of Star Casino](#)

[NSW Independent Liquor and Gaming Authority](#)

[Crown Casino](#)

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[Correspondence with Crown regarding Yellow Pages](#)

Research Documents and Links

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[Barangaroo](#) | Official website detailing the Barangaroo development

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[Casino regulation in NSW](#) is undertaken pursuant to the provisions of the Casino Control Act 1992 | NSW Independent Liquor and Gaming Authority | Casino

[Australasian Gaming Council](#) | A national industry body which aims to support a sustainable gambling industry

[Guide for payers](#) with foreign resident withholding | Australian Tax Office obligations | Withholding from payments to foreign residents for casino gaming junket activities

[Macao Gaming History](#). | Macao's Gaming Inspection and Coordination Bureau

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[James Packer's Barangaroo casino 'one of the fastest in history,' chief regulator says](#) | Approval for Barangaroo took just three months | Sydney Morning Herald | 12 August, 2014

[Packer's Punt](#) | 60 Minutes | 14 May, 2014

[Packer's Sydney Casino](#) | Wendy Bacon and Lawrence Bull investigated the planning process, Packer's business claims and his team of political and business backers | wendybacon.com | Up to April 2014

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[Sands said to step up scrutiny of casino junkets in Macau](#) | Las Vegas Sands Corp. (LVS)'s Chinese unit is increasing scrutiny of Macau junket operators in a move that may lead to a shakeout | Bloomberg | 5 April, 2014

[Tourist visa reforms for Chinese an investment, says James Packer](#) | James Packer says visa requirements for Chinese tourists should be made easier | Sun Herald | 4 April, 2014

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[Macau casinos decline after report on junket crackdown](#) | Bloomberg | 6 February, 2013

[The God of Gamblers | Why Las Vegas is moving to Macau](#) | New Yorker | 9 April, 2012

Relevant Four Corners programs

[The Christmas Party](#) | When a small casino opened on the sleepy outpost of Christmas Island in 1993, few realised what a blinding and instant success it would be | July, 2002

[Will the Son Also Rise](#) | The story of James Packer, his attempt to create a global gaming empire and the business gambles that cost him billions | October, 2009

[Winner Takes All](#) | Four Corners looks behind the glitz of the gaming industry, revealing the extraordinary tactics used to separate punters from their dollars | April, 2000

Gambling support services

Gambling Help Independant | Confidential and Independant free counselling service | 1800 858 858 | www.gamblinghelp.nsw.gov.au

Gambling Help Online | Couselling, information and support, 24 hours a day, 7 days a week | 1800 858 858 | www.gamblinghelponline.org.au

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