



Victoria Commission for
Gambling and Liquor Regulation

Level 3, 12 Shelley Street, Richmond VIC 3121
GPO Box 1988, Melbourne VIC 3001
T: 1300 182 457
www.vcglr.vic.gov.au

14 May 2018

Ms Michelle Fielding
General Manager - Compliance Manager
Crown Melbourne Limited
8 Whiteman Street
SOUTHBANK, VIC 3006

Dear Ms Fielding,

Casino Control Act 1991 – Sections 26 and 27

On 28 March 2018, the Commission received redacted copies of the "VIP International Strategic Business Plan" presentations (**the Presentations**) from Minter Ellison lawyers on behalf of Crown Melbourne Limited (**Crown**).

Taking into account the notice received by Crown on 2 February 2018 pursuant to section 26 of the *Casino Control Act 1991* (**the Act**), it is unclear to the Commission as to why the Presentations were not produced to the Commission by Crown on the specific due date in that notice.

The Commission now **seeks reasons** from Crown by **COB on 25 May 2018** as to why the Commission should not conclude, pursuant to section 27(1) of the Act, that Crown had failed to comply with the section 26 notice of 2 February 2018, without reasonable excuse, and present to the Supreme Court a certificate to that effect.

I look forward to receiving Crown's reply.

Yours sincerely

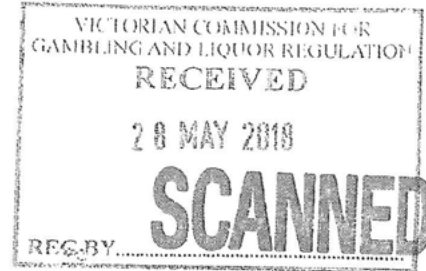
Stephen Berriman
Director, Compliance



BC/18/125

fl 538

Our Ref: Joshua Preston
 Direct Phone: [REDACTED]
 Document No: LEGAL_348106.1



23 May 2018

Victorian Commission for Gambling and Liquor Regulation
 49 Elizabeth St
 Richmond VIC 3121
 GPO Box 1988
 Melbourne VIC 3001

Attention: Stephen Berriman

Dear Mr Berriman

Notice issued under s 26 of the *Casino Control Act* ('Act')

We refer to your letter dated 14 May 2018, and to the VIP International Strategic Business Plan presentations (**Presentations**) produced to the Victorian Commission for Gambling and Liquor Regulation (**VCGLR**) on 27 March 2018.

The Notice

Your letter requests that Crown Melbourne explain why the Presentations were not produced to the VCGLR pursuant to a notice dated 2 February 2018 (**Notice**). The Notice was expressly made by the VCGLR in connection with an investigation concerning:

[T]he circumstances regarding the arrest and convictions on 26 June 2017 of Crown employees in the Shanghai Baoshan District Court, Peoples Republic of China.

It relevantly required production of (the **Request**):

Any other records which contain information regarding any identification, assessment or treatment of risks conducted by Crown Melbourne Limited and/or Crown Resorts Limited and/or Crown Resort Pte Ltd (Hong Kong) regarding operations within mainland China from 1 January 2015 to the present, excepting any records or documents which have already been provided to the Commission.

Overarching comments

Over the past months, Crown Melbourne has responded to a number of notices, letters and other requests made by the VCGLR (including requests made during the

537

course of examinations). At all times, it has endeavoured to do so in a considered, timely, co-operative and fully compliant manner.

Crown Melbourne treats its obligations in respect of the Notices with utmost seriousness. In Crown Melbourne's respectful view, it has fully discharged those obligations.

The Presentations

The Request is directed towards documents that contained information about risks arising from, or otherwise associated with Crown's operations within mainland China.

Crown Melbourne did not produce the Presentations because they are relevantly concerned with market outlook, and do not record risks that were identified as attaching to or arising in connection with activity on the ground in China, or the conduct of any risk assessment in relation to those operations.

The Presentations note a range of matters that were taken into account by Mr O'Connor and the VIP international division in the strategic business planning of the VIP international division. For example, the Presentations note the potential impact of:

- (a) changes to the political leadership in China, and associated uncertainty;
- (b) improvements in general economic conditions in China; and
- (c) the ongoing building of migration, education and tourism.

Likewise, the Presentations note that developments in mainland China had seen some patrons choosing to gamble in Australia (to the benefit of Crown's Australian casinos), instead of Macau or Singapore. These matters were identified as potentially relevant in the business planning context, because they were relevant to market outlook at the time.

They were not noted as constituting risks flowing from, or otherwise associated with Crown's operations within mainland China.

The Presentations are not documents which record or relate to any risk assessment 'conducted' by Crown in relation to its mainland China operations. The Presentations do not address risks or challenges in Crown's operations in mainland China. To the contrary, they in fact regularly note the importance of senior Australian based executives travelling into Asia. This is precisely what senior executives of Crown did, right up to the point of time of the detentions.

For all of these reasons, Crown Melbourne remains firmly of the view that the Presentations are not responsive to the Request.

If, notwithstanding the above, the Commission takes a different view, we respectfully submit that the view held by Crown Melbourne in the above circumstances was entirely reasonable and would of necessity constitute a "reasonable excuse" for not providing the Presentations initially in response to the Notice.

534

Work in relation to Class Action

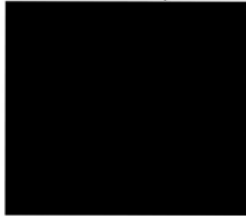
As noted in earlier correspondence, Crown has been in the process of restoring back up tapes containing electronic records (which cannot be viewed until tapes are restored) and identifying documents for the purposes of preparing to make discovery in the Class Action concerning Crown's former operations in mainland China.

Crown is scheduled to make an initial tranche of discovery by 25 May 2018 (**Tranche 1 Discovery**). Crown has not, to date in the course of reviewing materials for the purposes of making Tranche 1 Discovery, identified any additional documents that fall within the parameters of earlier requests made by the VCGLR. However, if any such documents are identified as this review continues, Crown Melbourne will also produce those documents to the VCGLR

Next steps

We trust that this response addresses the question concerning the Presentations raised by your letter of 14 May 2018. If you have any questions, or would be assisted by a meeting to discuss the matter further, please contact me to discuss.

Yours sincerely



Joshua Preston
Chief Legal Officer – Australian Resorts



26 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

China Investigation

I refer to your letter dated 8 June 2018 and the enclosed draft summary report of Compliance Division staff in relation to the China Investigation.

Enclosed is Crown's response.

The response follows the form of the report and the sequencing of the subject matter in the report.

I also refer you to my letter dated 19 June 2018 and the propositions set out in paragraphs (a) to (j) of that letter and to the letters from MinterEllison to Compliance Division staff dated 17 May and 6 June 2018.

Crown's position is, in essence, that it had well qualified and experienced staff in the relevant key roles (principally Jason O'Connor and Michael Chen) and that advice was sought whenever it was prudent to do so from well qualified and well credentialed lawyers (Wilmer Hale) and government relations advisors (Mintz Group). If the integrity, credentials, experience or conduct of Crown executives or their advisors are to be criticised, or if Crown is to be criticised for relying on them, as a matter of fairness and balance, much more is required, perhaps including expert evidence as to China law, process and culture.

I await hearing further from you following the Commission's consideration of the enclosed response and Crown's related submissions.

Yours sincerely

John Alexander
Chairman

Draft response to the draft 'Crown China Investigation Summary Report' of the Compliance Division staff of the Victorian Commission for Gaming and Liquor Regulation (Report)

Purpose

1. The purpose of this document is to respond on behalf of Crown Melbourne Limited (**Crown**) to the Report.

Scope and process

2. Compliance Division staff of the VCGLR were charged with responsibility to investigate matters pertaining to the detention of 19 former Crown group staff in China in October 2016.
3. Crown takes issue with the staff purporting to make findings or reach conclusions on behalf of the VCGLR.
4. The Report purports to be a 'summary'. Crown accepts that this is appropriate to explain the basis for the recommendation to the VCGLR that the China episode does not affect Crown's suitability to hold its licence, and naturally Crown supports that recommendation.
5. However, to the extent that the summary Report contains purported findings and conclusions of VCGLR Compliance Division staff which are adverse to Crown, they are strongly disputed. If the VCGLR is urged to adopt them for any regulatory purpose or as the basis for any commentary to the Minister or the public, Crown is entitled to insist on procedural fairness requiring:
 - (a) the Compliance Division staff to specify the relevant facts and legal analysis on which they rely in full, not in mere summary form;
 - (b) the opportunity for Crown to fully examine the evidence upon which the VCGLR is invited to make findings;
 - (c) the opportunity for Crown to bring forward such other evidence and make submissions as Crown considers appropriate in light of the proposed findings or commentary and the full context; and
 - (d) the opportunity for any person about whom any criticism is to be made or implied or to be taken into account in relation to licensing of them as an individual (including Michael Chen who is a licensed person and who has personal representation in the US) to bring forward such other evidence and make submissions as they consider appropriate in light of the proposed criticism and the full context.
6. As the VCGLR is aware, the detentions and Crown's operations in China will be the subject of close examination in the class action taken against Crown Resorts Limited in the Federal Court. The relevant facts and evidence will be examined in detail and expert evidence will be led, including in relation to China law and practice. The discipline of this process should not be undermined by a 'summary' regulatory process by the VCGLR.

Marketing by other Casinos in China

7. Compliance Division staff apparently spoke with a senior executive of MGM Grand. Crown was not offered the opportunity to participate in the discussion.
8. The MGM executive evidently said that MGM uses independent contractors to perform its marketing in mainland China.
9. The executive was evidently not questioned as to why it is preferable to use independent contractors rather than direct staff, when the focus of China law is on the conduct of individuals. Why would independent contractors be thought to be at less risk of any enforcement action than direct staff?
10. The executive was evidently not asked about MGM's understanding of China law prior to the detention of Crown group staff. Compliance Division staff were well aware of Crown's understanding of the relevant Chinese law at the time which was, in essence, that it was only an offence to organise Chinese citizens to gamble at a foreign casino if groups of 10 or more such citizens were organised and the organiser personally received a commission or kick back for doing so.

11. Compliance Division staff have evidently not sought evidence from executives of other foreign casinos, Macau-licensed junket operators or the other Australian-licensed casinos, Star and SKYCITY. Their evidence could be of substantial value in understanding matters relevant to any assessment of Crown's operations.

Corporate Governance Risk Management Approach

12. Section 5.3 of the Report contains commentary on this subject. It criticises the level of reliance for risk assessment purposes on Michael Chen.
13. He was in fact the person best placed to gather information and expert input about local law and enforcement risks. He is a Harvard-educated, experienced executive who has lived and worked in China. He could reasonably be expected to know more about these matters than Australian-based executives. Further, he worked in the region for a US casino group before he joined Crown, so he was familiar with its risk management practices (and considered Crown's to be superior).
14. He was well remunerated, but in line with other senior sales staff in the region. He nevertheless disputed any suggestion that he was prepared to run any unnecessary risk of him or the staff for whom he was responsible being detained in return for financial reward. He was aware of the general risk of business people, local and internationals, being detained and/or the subject of enforcement action (executives of RIO in 2009 and GSK in 2013 being recent examples of internationals being targeted) and the lack of protections in the China legal system for the rights of individuals. He therefore sought to ensure both that Crown group staff operated within the law and on a 'low profile' basis.
15. Concern is expressed about Crown Resort Pte Ltd not having a formal risk register, but it was made clear that that company was an entity required for local regulatory purposes and that its administrative functions were performed by Crown itself. It is surprising and somewhat disappointing that Compliance Division staff have evidently ignored or misunderstood the evidence of interviewees and supporting documents demonstrating that the risk framework was administered by Crown. The requirement for there to be a risk register 'across all businesses' does not mean for each separate entity. The relevant business for which Crown managed the risk register is and was carried on by a number of entities of which Crown Resort Pte Ltd is one.
16. There is implied criticism of Michael Chen for not having seen the position description document (prepared by Crown in Australia). The better evidence of Michael Chen's role and responsibilities is his testimony and that of his three primary superiors, all of whom were interviewed.
17. There is a general comment that:

'Interviews and documents obtained during this investigation show that higher levels of Crown structure were not fully aware of certain key events and risk factors that clearly indicated an escalating risk environment from 2015 onwards in China. In particular, the approach of Chinese authorities regarding overseas casinos attempting to entice Chinese citizens to gamble overseas.'
18. To properly respond to this comment, Crown needs to know the 'key events' and 'risk factors' which Compliance Division staff considered to clearly indicate an escalating risk environment. This is evidently a reference primarily to media reports.
19. The Report acknowledges Crown's mitigation strategies including obtaining legal and government relations/strategy/risk assessment advice from the Mintz group, but does not give due credence to them. It is again surprising and disappointing that the conclusions and recommendations of the Mintz group are not presented in a balanced way in the Report, rather than a few selective quotes.
20. Staff suggest that these strategies 'ultimately failed' because the detentions occurred. This begs several questions, including what more is suggested that Crown should have done? Moreover, in principle, just because a risk materialises, that does not necessarily mean that risk mitigation steps have failed. Risks materialise all the time, notwithstanding that steps are taken to mitigate them.
21. This is one of several fundamental errors which pervade the Report. These comprise:

- (a) heavy reliance on an unforeseen consequence (here, the detentions) as the essential basis for concluding that it could or should have been prevented. The human error inherent in this approach is illustrated by the quote contained in MinterEllison's letter to the Compliance Division dated 17 May 2018 from Leo Tolstoy's *War and Peace*:

'But all these hints at foreseeing what actually did happen... are only conspicuous now because the event has justified them. If the event had not come to pass, these hints would have been forgotten, as thousands and millions of suggestions and supposition are now forgotten that were current at the period, but have been shown by time to be unfounded and so have been consigned to oblivion.'

- (b) assuming that the guilty pleas by the detainees constitute admissions for legal or regulatory purposes in Australia of matters of fact or law. This assumption is fundamentally wrong in law and if the VCGLR is to be urged by Compliance Division staff to accept it, Crown would seek the opportunity to make a detailed submission regarding the relevant law and case authority, both in Australia and the US (where the courts have gone so far as to say that they are not even bound by a statement expressly authorised by the Chinese Ministry of Commerce regarding the proper interpretation of Chinese law); and
- (c) failing to identify any specific conduct of any of the detainees (prior to their detentions) which they knew or ought to have known was in breach of China law. (Crown accepts that this would not be required for the VCGLR to be satisfied that the China episode does not affect Crown's suitability to hold its licence, but it is essential if the VCGLR is to be urged to be making any adverse commentary.)
22. The point made in paragraph 21(c) is particularly important for ongoing regulatory processes. It is a logical corollary of Compliance Division staff's views that no foreign casinos or licensed junket operators should have staff in China if they and their colleagues are organising 10 or more people to gamble outside mainland China. Have staff sought comment from other gaming regulators interstate, in New Zealand, the US or elsewhere on this view? Other Australian and New Zealand regulated casinos are understood by Crown to have staff back in China operating in essentially the same way as Crown staff did prior to October 2016. How can this be regarded as consistent with Compliance Division staff's views?

Chinese Law

23. There is no authoritative English translation of Article 303.
24. Nor is there an authorised translation of the combined guidance statement of the Chinese Supreme Court and Procuratorate dated 14 May 2005.
25. Crown has put to the VCGLR the essence of its understanding of Article 303 prior to the detentions. The VCGLR has not to Crown's knowledge sought or obtained expert evidence on the law or how it was understood to operate.
26. The only indication prior to the detentions that the law might be differently interpreted which the investigation uncovered was a programme on Chinese television in October 2015. No evidence has been obtained as to the credibility of Chinese television programmes in interpreting Chinese law, other than the testimony of Michael Chen who said, in substance, that it had no credibility at all. In any event, Crown obtained advice from the Mintz group in connection with that programme and was informed that it should not alter Crown's understanding of the law.
27. Reference is made in the Report to Michael Chen seeking advice from Mintz, but it does not give a balanced account of Mintz's assessment, as above.
28. The Report also references a comment by police to one of the detainees (after he was detained) about the relevant law, which was evidently to the effect that it was an offence for the whole sales team to sign up more than ten customers in a 12 month period. That is clearly not what the law says and not as it was understood by Crown (or by the industry, commentators or foreign regulators) at the time.
29. The Report also references a translation of the charges against one of the detainees. That document is a self-serving summary of allegations against the detainees collectively. It does not speak to Crown's understanding of the law prior to the detentions.

30. The Report also references a witness statement of Jerry Xuan. He was interviewed by Compliance Division staff without Crown being offered the opportunity to participate. Mr Xuan was evidently not given the opportunity to obtain legal advice before the interview, notwithstanding that, to the Compliance Division staff's knowledge, he had personal legal obligations of confidentiality.

'Change of environment in China regarding gambling on 2015'

31. Section 7 of the Report addresses this subject. It refers to an annexed 'timeline' which has not been supplied to Crown.
32. This section quotes part of an internal Crown document as indicating that Crown was aware of 'an increased or escalated risk environment'.
33. The particular document concerned business planning, not physical risk to staff. The 'crackdown' referred to in the document was considered likely to stem the flow of money out of China for gambling, principally to Macau. The reference to 'high profile arrests and executions' was not to staff working for foreign casinos, but to VIP customers accused of corruption or violating foreign currency exchange restrictions. The 'crackdown' was thought likely at the time to divert some gambling business from Macau to foreign casinos, as was said then by Mr Craigie in publicly reported remarks and was repeated to Compliance Division staff in his interview.
34. Having obtained independent legal and other advice throughout the course of the 15 years or so in which it had been operating in mainland China, Crown did not consider that its staff were at risk as a result of the 'crackdown' reported in the local media in February 2015, because they were not thought to be breaching Article 303.
35. The Report asserts that there is evidence that the 'Chinese authorities actioned their position and intentions' through several steps. No such evidence has been made available to Crown for analysis. The Report speculates that Chinese police commenced their inquiries into Crown's activities in China in July 2015. Apart from the questioning of one sales staff in Beijing and one in Wuhan Province in July 2015, which are the subject of separate comments below, Crown is not aware of any evidence to support this and had no warning of any allegation that its staff might be considered to be breaching Article 303 until the detention occurred in October 2016.
36. In initial discussions, Compliance Division staff indicated that they had heard that the industry received warnings from Chinese authorities that they might be considered to be in breach of Article 303. Crown did not receive any such warning. Did Compliance Division staff obtain any evidence about any such warnings to other foreign casinos operating in China?
37. The Report accuses Michael Chen and Crown's risk assessment approach as affected by confirmation bias. With respect, the same can be said of the assessment of Compliance Division staff which does not even acknowledge the benefit of hindsight. This allegation posits that Mr Chen, a licensed person, put his personal gain above the safety and wellbeing of himself and the staff for whom he was responsible. That was not put to him in his interview and as a matter of fairness it should have been.
38. Section 7.1.1 of the Report refers to a Reuters article dated 6 February 2015 concerning the Chinese president having, in effect, warned foreign casinos that Chinese citizens would be gambling much less in China, neighbouring countries and the US.
39. Section 7.1.2 then recites some text from an email from Michael Chen to sales staff confirming that Crown was comfortable that the current work of staff was in compliance with Chinese laws. The Report describes the operating guidelines suggested in the email as 'incongruous', but as Michael Chen stated in his interview, they were prudent steps to avoid attracting adverse attention. 'Incongruity' can only fairly be judged with an understanding of China's political and legal system, in relation to which no expert input has been sought by Compliance Division staff.
40. Section 7.1.3 concerns the engagement of the Mintz group, but it fails to state the essence of Mintz's group conclusions, that Crown staff would not be at risk if they operated in accordance with Crown's protocols. The Report comments on there being only one email from Michael Chen to Jason O'Connor forwarding the Mintz Report, but on a fair reading of the Mintz Report it did not indicate that there were significant risk management issues on which decisions needed to be taken.

41. In Section 7.1.4, the Report criticises Mintz's advice about avoiding cell phone and text message communications as being 'naive or even reckless in the escalating environment'. This assumes that the staff knew that they were breaching Article 303. In fact they understood otherwise, but nevertheless were advised to 'keep a low profile', as a matter of prudence.
42. This reflects the general environment in China. If the VCGLR wants to evaluate the quality of Mintz's recommendations, it should seek appropriate expert advice from an experienced government relations/advisory group of similar stature to Mintz, and allow Crown the opportunity to obtain corresponding advice if it disputes the advice obtained by the VCGLR.
43. Section 7.1.5 quotes the 'final thoughts' of the Mintz group which, on a fair reading without the emphasis added by Compliance Division staff, does not suggest that anything should be done beyond strong adherence to Chinese law and company guidance on the conduct of marketing efforts. In other words, no significant changes were required because Crown staff understood they were adhering to Chinese law and not breaching Article 303.
44. Jason O'Connor did not recall seeing the final Mintz memo in his interview, but emails indicate that it was sent to him and allowance should be made for his memory being imperfect, having regard to the trauma of his detention. The selective quotes from his testimony do not give a fair account of the substance of what he said over the course of an extensive interview by Compliance Division staff (around 6 hours in total).
45. Further, it is unfair in the circumstances to criticise Jason O'Connor's recollection of the timeline in 2015, when he was interviewed in 2018, having regard to his 10 month detention in between those times. His recollection was that the more significant event was the detention of the South Korean casino staff and that advice was sought from Mintz (and Wilmer Hale) in relation to that. It is unsurprising that he did not recall the earlier Mintz assessment, given that it was to the effect that no changes of substance needed to be made to the operations of staff in China. It does not follow from this that there was 'over reliance' on Michael Chen or a 'direct hands-on awareness' of the substance of Mintz's assessment (that marketing could continue) in March 2015 would have made any difference.
46. Section 7.1.6 concerns the detention of South Korean casino staff in June 2016.
47. Crown obtained advice from the Mintz group and Wilmer Hale. It understood that their detention was a result of them engaging in activities other than general casino marketing. This understanding was clear from the uncontroverted and consistent evidence of the persons interviewed by VCGLR staff and the contemporaneous emails.
48. This understanding was evidently shared by the MGM executive to whom Compliance Division staff spoke. The MGM executive is said to have told staff that the South Korean casino staff were detained for operating in a significantly different manner to other casino staff.
49. It also reflected the general industry understanding. To Crown's knowledge, no regulator of any foreign casino or junket operator raised any issue concerning general casino marketing activities in China as a result of the South Korean detentions.
50. Section 7.1.7 of the Report refers to what appears to have been a brief visit by Chinese police to the home of 'Jerry' Xuan 'around July 2015'. The brief quote of his evidence about the visit does not suggest that it was anything other than an incorrect 'tip off' to police that Mr Xuan was organising gambling at his home, when he wasn't.
51. It is unsurprising that Michael Chen could not recall, more than 3 years later, any discussion of the police visit to Mr Xuan's home with Jason O'Connor. The matter was evidently not regarded as of any moment (and cannot be fairly evaluated with hindsight to be anything else).
52. If any reliance is to be placed on the police visit to Mr Xuan's home, Crown will need to arrange its own interview of Mr Xuan to ascertain, amongst other things, the timing of the visit. We reiterate that Crown was not offered the opportunity to participate in the interview of Mr Xuan.
53. Another employee, 'Benny' Xiong was questioned by local police in Wuhan Province on 9 July 2015, according to the email exchanges recited in the Report. The following sentence is quoted in the Report, but is not the subject of emphasis or comment:

'After I delivered certificate of employment to them on 10th July, they said everything is alright.'

54. In other words, it was understood at the time that the police were satisfied that Mr Xiong was not doing anything wrong because he was working locally for an Australian listed company which was authorised to operate a casino in Australia.
55. Crown disputes that this questioning 'was clearly an escalating risk factor regarding Crown's approach in China'. There was nothing in the interviews which suggested that the police considered Mr Xuan or Mr Xiong to be breaching Article 303.
56. Mintz's assessment at the time was not suggestive of the interviews having significance. If Compliance Division staff seek to 'second guess' this expert assessment at the time, it is incumbent on them to obtain expert advice from a similar government relations firm, based on the information available in July 2015. The business environment, culture, language and legal system are very different in China to the western world. Considerable caution is needed in looking at matters in China through a western lens.
57. Moreover, it remains a matter of speculation as to whether these interviews had anything to do with the detentions 15 months later. It appears to contradict what Mr Xuan evidently told Compliance Division staff about the focus of the prosecution, being conduct in the previous 12 months (not 15 months).
58. It is understandable that Jason O'Connor's recollection of the interview of Mr Xiong was vague at the time of his interview, given that the matter was not considered to be of significance at the time (and Mr O'Connor's detention in the meantime).
59. The Report says that Mr Chen 'downgraded the importance of the letter'. The significance of the letter is a matter of conjecture, fraught with the influence of hindsight. The letter itself says nothing of any moment.
60. Notwithstanding Mr Craigie's remarks in his interview, there is no basis for suggesting that he would have done anything differently if he had been told about the matter, including the reassurance by the police that everything was fine once they had the letter confirming Mr Xiong's employment.
61. As to the concerns of Compliance Division staff as set out in the Report:
 - it is unsurprising that Jason O'Connor and Michael Chen could not recall many specific details, 3 years later. The matter was not considered to be significant at the time. It is only seen that way now with the benefit of hindsight;
 - the same can be said of Barry Felstead's recollection. Whilst it conflicts with Mr Xiong's brief record of what Officer Zhou said, the purpose of the police interview remains unclear;
 - the matter was escalated as high as the Chief Executive Officer of Crown Melbourne. He evidently made the reasonable judgment at the time that the matter did not warrant elevation to the Chief Executive Officer of the ASX-listed parent entity;
 - the substance of Mintz's advice was not contradictory. It was, as quoted, 'chances are good that there's no problem'. Whilst the gratuitous comment about an 'evidentiary pile' might appear to be curious to persons unfamiliar with China's governance and law enforcement, it was not grounds to question the substance of the advice; and
 - the commentary about Mr Xiong's dealings with the police conflates several matters. If some adverse assessment of his conduct is to be made, he should be given the opportunity to defend himself.
62. Section 7.1.8 of the Report deals with the television program on 12 October 2015. It was broadcast in Mandarin.
63. Michael Chen saw the program, but he did not note the part highlighted in the translation obtained by Compliance Division staff. He referred a link to the program to Mintz and its responses were, in substance, that nothing of significance had changed.

64. Of concern to Compliance Division staff is that Jason O'Connor, Barry Felstead and Rowen Craigie could not recall seeing the program. There would have been no point in them doing so – none of them speak Mandarin. No translation of the program was done because neither Michael Chen nor Mintz considered it at the time to be of any particular significance.
65. The comment that Michael Chen could be considered to have placed too much reliance on Mintz is, with respect, unfair hindsight. Who else's advice is it suggested that he should have relied on (bearing in mind that his own view was that there is nothing of significance in the program)?

Scope of Chinese Investigation

66. Compliance Division staff speculate in Section 8.1 about the detention of Crown staff not being in a 'policy or political vacuum' and the product of a 'highly considered exercise'. This is largely conjecture, but the important point is that none of it was known to Crown (or others in the industry) prior to the detentions in October 2016.

Provision of Documents and Cooperation

67. Crown has cooperated fully with the Compliance Division's inquiries. Crown facilitated the interview of Michael Chen in New York, notwithstanding that the VCGLR had no formal power to require him to be interviewed. Crown also met the significant costs associated with his US legal representation.
68. Crown has claimed legal professional privilege in relation to its communications with Wilmer Hale, as it is entitled to do, particularly in the light of the pending class action. Making the advice available to Compliance Division staff for review would likely waive the privilege in that action. All interviewees have referred to legal advice being obtained from Wilmer Hale and government relations advice being obtained from Mintz at relevant times during the course of 2015. The VCGLR is therefore bound to accept that such advice was sought, notwithstanding that it is not in a position to evaluate the Wilmer Hale advice.
69. Crown does not accept that it was 'tardy' in providing documents sought in the course of the investigation. This has been the subject of separate discussions between Crown staff and Compliance Division staff. Indeed, discussions were held between senior Crown and Compliance Division staff following the initial request for documents. Crown advised that the process of identifying, sourcing, collating and reviewing the documentation was a significant exercise, but undertook to expedite where possible. The Compliance Division staff expressed their concern regarding how long it was taking however accepted the position of Crown and thanked them for providing a commitment to expediting it. Crown proceeded accordingly.
70. Crown has responded to the concerns raised by Compliance Division staff in relation to the business plan presentations. Those documents were not prepared in the course of the annual risk management planning process.
71. Crown has completed production of documents in response to VCGLR requests.
72. Some documents recently produced were found only through a painstaking and expensive document retrieval process involving the restoration of backup tapes. This process is continuing for the purposes of the class action, and will not be completed for some months. If further documents responsive to the VCGLR's request are found in this process, they will be produced promptly.

Findings

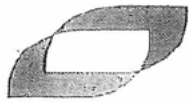
73. Section 10 sets out the subjective views of Compliance Division staff. Crown fundamentally disagrees with most views expressed.
74. The commentary about Crown's corporate governance framework and risk assessment processes does not accord with the expert views of PricewaterhouseCoopers (PwC) as set out in their report to the VCGLR for the purposes of the Sixth Review. PwC spent nearly 5 full days at Crown reviewing the whole of the Crown risk framework and spent time discussing both the framework and specific incidents and how they were managed from a risk perspective with several executives and managers and also frontline staff. This was anything but a superficial and limited review.

75. The comment that Crown Resort Pte Ltd failed to have its own risk register mistakes the role of that company in the Crown group structure. Risks relevant to Crown's international VIP business were identified through the risk management framework and processes of the listed parent entity and the primary operating entities, particularly Crown Melbourne.
76. The commentary around aggregating the effect of 'various incidents' to suggest that the risk of enforcement action was not accurately assessed, escalated or mitigated is classic wisdom by hindsight, as referred to above. The only 'incidents' affecting Crown alone were the police questioning of two staff as discussed above, neither of which was considered to be of real significance, and both were more than 12 months before the detentions. The rest is media reporting, which was equally available to all of Crown's competitors operating in China and licensed junket operators. To Crown's knowledge, none of them made any different assessment to Crown about the compliance of their staff's marketing activities with local Chinese law.
77. Compliance Division staff suggest in Section 10.2 that Crown was over reliant on Michael Chen. They do not suggest where the line is to be drawn between reasonable reliance on a highly competent and experienced executive with familiarity with the environment, and 'over reliance'. Crown reiterates that external advice was obtained at all times that it was prudent to do so and the substance of that advice was conveyed to Michael Chen's superiors. To that extent Crown was reliant on the external advice, not just on Michael Chen's views.
78. The Report suggests that the structure of Michael Chen's remuneration clouded his view of events. It also accuses him of confirmation bias in his statements describing the environment in China. In fact the staff have no proper basis to challenge his descriptions and can equally be said to be influenced by confirmation bias based on the detentions having occurred. We reiterate that it is a flaw of logic to conclude that any risk which materialises must have been underestimated.
79. The Report also expresses the view that Michael Chen did not appropriately escalate 'key pieces of information'. These 'key pieces' are not identified with specificity, but the general subjects listed in the Report were elevated, with the exception of the interview of Mr Xuan which Michael Chen did not regard as of much significance. (He may well have discussed the matter with Jason O'Connor but neither recollect the discussion several years later).
80. The Report goes on to raise theoretical questions about how 'higher level' risk assessments might have been performed. This discussion overlooks the central proposition that people at all levels within Crown reasonably believed that staff in China were operating in accordance with local law and that the senior executives were aware that independent legal and other advice was being obtained when it was prudent to do so.
81. The reality is that independent advice was sought, both from Wilmer Hale and Mintz, and higher level executives in Australia would not have had any sound basis to reach any different conclusions than were reached.
82. There is further commentary in this section about the interview of Mr Xiong. For the reasons discussed above, much of this discussion is conjecture about the significance of the interview and does not grapple with the police assurance at the end of it that 'everything is alright'. Again, we stress that Crown believed that staff were operating in accordance with the law and there was no reason to think otherwise as a result of police questioning local staff, particularly when such questioning ended with an assurance that things were fine. Moreover, if the police had residual concerns about what Mr Xiong was doing in the course of his work for Crown at the time, presumably they would have returned to question him further. When they did not do so, it was reasonable to assume that they had no residual concerns.
83. Finally, Section 10.6 comments on the 'incongruity' of the mitigation strategy which was, to a significant degree, to mitigate the risk of Crown staff being caught up in an investigation relating to a customer. Further reference in this regard is made to paragraph 41 above.
84. The operating protocol to meet customers or prospective customers in small groups was to avoid any suggestion that staff were arranging groups of 10 or more citizens of China to travel to gamble. This protocol and Crown's operating model generally can only fairly be evaluated on the basis of expert evidence about the business and legal environment in China. Any such advice would necessarily deal with the reality that Western companies operating in China and their executives sometimes get targeted for enforcement action for political purposes, notwithstanding that they are operating in accordance with local law.

634

Conclusion and Recommendation

85. Crown has not had gaming sales staff on the ground in China since the detentions and has no plans to have them there in the future, unless clarity can be obtained as to any future enforcement risk.



Victorian Commission for
Gambling and Liquor Regulation

Level 3, 12 Shelley Street, Richmond VIC 312
GPO Box 1988, Melbourne VIC 3001
T: 1300 182 457
www.vcglr.vic.gov.au

23 August 2018

Our ref:
Your ref: RMD 1147099

Mr Richard Murphy
Partner
Minter Ellison
Level 23, Rialto Towers
525 Collins Street
MELBOURNE VIC 3000

By email: [REDACTED]

Dear Mr Murphy

VCGLR China Investigation – Detention of Crown group staff in China

Thank you for your letter dated 7 June 2018. I confirm receipt of the most recent disclosure of documents by Crown on 7 and 8 June 2018, in response to notices issued by the Victorian Commission for Gaming and Liquor Regulation (VCGLR) for the purposes of the investigation into the circumstances regarding the arrest and convictions on 26 June 2017 of Crown employees in the Shanghai Baoshan District Court, Peoples Republic of China.

Provision of further information

The VCGLR has reviewed the materials provided by Crown to the VCGLR to date, including the most recent material received on 7 and 8 June 2018, and considers that further information and records are required.

For the purposes of providing information and producing records in response to this notice, the VCGLR will accept the information and copies of documents being provided to the VCGLR in electronic form.

In accordance with powers under Part 4 of the *Victorian Commission for Gambling and Liquor Regulation Act 2011* and pursuant to section 26(1) of the *Casino Control Act 1991* I require Crown Resorts Limited and/or Crown Melbourne Limited and/or any company within the Crown group of companies (hereafter referred to as "Crown") to provide the following information and/or produce the following records by **5pm on Friday 21 September 2018**:

1. Information prior to detention in October 2016

1.1 *External advice documentation between November 2015 to October 2016*

All documentation and records of any communication between Crown and/or Crown staff (including executives and directors) and any external advisers or consultants or contractors (save for Universal Aviation) in the period 1 November 2015 – 13 October 2016 regarding Crown's activities in China.

1.2 *Chinese authorities contact with Mr Jerry Xuan*

All documentation and records of any communication between Crown staff (including executives and directors) in relation to Mr Jerry Xuan being contacted by Chinese authorities in June- July 2015. This request includes any records regarding communication with other staff in China or Australia about the contact between Mr Jerry Xuan and Chinese authorities.

1.3 Governance over VIP International department

Please provide information that describes in detail, for the period 1 June 2014 to 13 October 2016:

- (a) All executive management committees (hereafter referred to as executive management committees) that considered and discussed the performance and operations of the VIP department, including the marketing operations in China;
- (b) The membership of the executive management committees above, and dates of meetings, and whether they were held in person, videoconference or teleconference.
- (c) The types and nature of reports and/or papers (including financial, performance, marketing initiatives, sales targets and performance etc) provided to the executive management committees in relation to the VIP International department.
- (d) Whether each of the executive management committees had charters;
- (e) The nature and frequency of any meetings (whether in person, videoconference or teleconference) between Mr Michael Chen and Mr Jason O'Connor and/or Mr Barry Felstead;
- (f) The frequency and types of reports and/or papers provided to the Crown Resorts Ltd Board and/or its sub-committees regarding the VIP International Department operations and performance, including (but not limited to) any information regarding performance, targets, budgets, business planning, marketing strategies, external advice and future market outlook.
- (g) The frequency and types of reports and/or papers provided to the Crown Melbourne Limited Board and/or its subcommittees regarding the VIP International Department's operations and performance, including (but not limited to) any information regarding performance, targets, budgets, business planning, marketing strategies, external advice and future market outlook.
- (h) The frequency and nature of written reports/papers provided by Mr Chen to Mr O'Connor and/or Mr Felstead regarding the VIP International Marketing department operations and performance, including (but not limited to) any information regarding performance, targets, budgets, business planning, marketing strategies, future market outlook and external advice.

1.4 Targets

All documentation and records regarding the targets for:

- (a) the VIP International Department;
- (b) the International Marketing division of the VIP International department; and
- (c) the executives and staff of the International Marketing Division of the VIP International department

for each financial year from FY 2013 to FY2018, including (but not limited to) any turnover targets, sales targets or profitability targets to be achieved by VIP International Department, VIP International marketing team (either collectively or individually) and any reporting against those targets.

This request includes (but is not limited to) any documents and records of any targets accepted, endorsed, approved or set by the Crown Resorts Ltd Board. This request includes (but is not limited to) documentation and records of targets accepted, endorsed, approved or set by Mr Chen for VIP international staff, including those persons the subject of the Chinese criminal proceedings on 26 June 2017 in China.

1.5 *VIP International staff remuneration*

- (a) Please provide the unredacted contracts of employment for Mr Jerry Xuan, Mr Alfredo Gomez, Mr Michael Chen and Mr Jason O'Connor with the annual salary included.
- (b) Please produce all records of the annual salary and any bonus payments in each financial year from FY2013 to FY2018 made to all persons the subject of the criminal proceedings by Chinese authorities on 26 June 2017, including Mr Alfredo Gomez, Ms Jane Pan, Mr Jason O'Connor, Mr Xiong Bin and Mr Jerry Xuan.

I note Mr Chen referred to the introduction of the new remuneration arrangements (including uncapped bonuses) for VIP International staff when he was interviewed by VCGLR inspectors on 10 May 2018 (see pages 54- 56 and p17 of the transcript).

- (c) Please produce all documents and records pertaining to the new remuneration arrangements introduced for VIP international staff, including any policies, procedures, new remuneration arrangements, emails to staff concerning the remuneration arrangements, and approvals for the new remuneration arrangements.
- (d) Please also provide information as to the date of introduction of these new remuneration arrangements and the name of the most senior person(s) in Crown who approved the new remuneration arrangement for VIP International staff.

1.6 *Information for staff in China between 1 June 2012 and 13 October 2016*

Please provide any policies, procedures, instructions, protocols, advice, guidelines or other records issued in the period 1 June 2012 to 13 October 2016 to Crown

staff in China or who travelled to China regarding how to perform their role and/or how conduct to themselves in China. This request for documents and records includes (but is not limited to) any documents giving instructions to Crown staff if questioned or approached by government authorities. The VCGLR acknowledges that Crown has already provided a small number of documents that fall within the scope of this request.

1.7 Roadshows

- (a) Please provide information detailing the dates and locations of roadshows by Crown in mainland China in FY15, FY16 and FY17;
- (b) Please produce a copy of the documents and records of the presentations and/or information provided to persons at the roadshows (translated in English).

1.8 Office in China

I note that Ms Pan in her interview on 7 March 2018 (at q 107) stated there was an office set up in the China South region before 2013 and was still operative until October 2016. Although, in a letter dated 27 November 2017 from Crown, it was noted that Crown did not have an office in mainland China. In the recent disclosure of documents by Crown the documentation indicates that in February 2015 the plan to establish a China office was deferred. We wish to clarify if Crown did have any offices in China in the period 1 January 2015 to 13 October 2016.

Please provide the following information:

- (a) Were there any Crown office(s) established or maintained or closed in mainland China in the period 1 January 2015 to 13 October 2016?
 - (i) If yes to 1.8(a), where was the office(s) located and how many staff worked at the office(s)?
 - (ii) If yes to 1.8(a), did other staff in mainland China work from home also? If so, how many staff worked from home?
 - (iii) If yes to 1.8(a), when was the office closed, and why?
 - (iv) If no to 1.8(a), why was there no office in mainland China?
 - (v) If no to 1.8(a), did staff working in mainland China work from home? If so, how many staff worked from home?
- (b) Why did Crown decide to defer the plan to establish an office in China in February 2015?

1.9 Letters to Chinese authorities

Please provide the following information:

- (a) Between 1 June 2014 and 13 October 2016 were any letters, statements, declarations or other documents provided by Crown Melbourne Ltd, Crown Resorts Ltd, Crown Resorts Pte Ltd or their employees or directors to any employee(s), contractors or agents providing any information as to their employment or association with a Crown business for the purposes of giving to any agency (including law enforcement) of the People's Republic of China?
- (b) If yes to 1.9(a), please describe the circumstances in which those documents were created?
- (c) If yes to 1.9(a), please produce those documents.

1.10 Risk documentation

Please produce the following records:

- (a) Crown Melbourne Ltd F15 Risk Management Plan
- (b) Crown Resorts Ltd Risk Profiles for F2014 and F2015

1.11 Information regarding events in China to the Board, sub-committees or directors

Please produce all records (documents, papers, reports, media clippings etc) provided in the period 1 July 2014 to 13 October 2016 to the:

- (a) Crown Resorts Ltd Board; and/or
- (b) Crown Melbourne Ltd Board; and/or
- (c) the subcommittees of the Crown Resorts Ltd board; and/or
- (d) the subcommittees of the Crown Melbourne Ltd board; and/or
- (e) the directors of the Crown Resorts Board; and/ or
- (f) the directors of the Crown Melbourne Ltd Board

that refer to any of the following matters:

- (i) The Chinese authorities' crackdown on corruption;
- (ii) The Chinese authorities' crackdown on the transfer of funds from mainland China to other countries and/or territories (including Macau);
- (iii) The Chinese authorities' crackdown on foreign casinos; or
- (iv) The detention, arrest, charging or sentencing of South Korean casino staff in mainland China.

2. Information relating to current Crown arrangements in China

2.1 Current personnel in China

Please provide the following information:

- (a) Has Crown had any employees/contractors/agents working in China in the period 1 January 2018 to the date of this notice?
 - (i) If yes to 2.1(a), how many persons and in what locations in China?
 - (ii) If yes to 2.1(a), what is their job title, and provide a detailed outline of the nature of their duties?
 - (iii) If yes to 2.1(a), what are the remuneration arrangements for these employees/agents/contractors?
- (b) Since 1 January 2018 have any Crown personnel (including agents/contractors/employees/executives/directors) travelled to mainland China for business purposes?
 - (i) If yes to 2.1(b), how many persons have travelled, how often and for what specific business purposes? What was the duration of their travel?

Please provide the following record:

- (c) If yes to 2.1(a), please provide the applicable position descriptions for any persons working in China and provide a copy of contracts/agency agreement for any persons working in China.

2.2 *Guidance to Crown personnel*

- (a) Please provide information describing in detail the guidelines, policies, training, processes, instructions, protocols or advisory or other documents that have been given to Crown employees/contractors/agents in relation to how to conduct themselves in China since August 2017 until the date of this notice?
- (b) Please provide a copy of the documents described in response to 2.2(a).

2.3 *Crown staff marketing to mainland Chinese patrons*

- (a) Please provide information as to the number of Crown staff working in Hong Kong or Australia which have duties (in full or in part) which include marketing engagement with persons in China in the period 1 January 2018 to the date of this notice?
- (b) Please describe the nature, frequency and volume of this marketing activity.

Please note these requests for information in 2.3(a) and (b) include requests for information about persons engaged in marketing Australian resorts, Australian educational facilities, general tourism travel to Melbourne or any other marketing to persons to travel to Australia.

659

- (c) Please provide information as to how Crown currently attracts premium players from China and attracts junkets with players from mainland China to Crown properties in Australia? Please describe how this is different (if any) to marketing activity prior to 13 October 2016?

2.4 Compliance officer

Please provide the following information:

- (a) Does Crown have a person employed as a compliance officer in the Hong Kong office?
- (b) If yes to 2.4(a), please provide:
 - (i) Information about what is the role of the compliance officer in Hong Kong? Who do they report to? How often?

Please provide the following records:

- (c) If yes to 2.4(a), please provide:
 - (i) a copy of the position description for the compliance officer position; and
 - (ii) a copy of the three most recent written reports by the compliance officer to their supervisor.

2.5 External advisers

Please provide the following information:

- (a) Since 12 August 2017 has Crown sought advice from external advisers or consultants (including risk, due diligence and/ or government relations advisers, such as Mintz) regarding Crown's activities in mainland China?
- (b) If yes to 2.5(a):
 - (i) from whom is the advice sought and on what dates?
 - (ii) who in Crown is responsible for seeking external advice and to whom is any external advice circulated?
- (c) What is the latest external advice that Crown has received regarding enforcement by Chinese authorities of anti-gambling laws against foreign casinos?

Please provide the following records:

- (d) If yes to 2.5(a):
 - (i) please provide a copy of the most recent external advice received by Crown regarding its activities in mainland China?

- (e) A copy of the records documenting the latest advice that Crown has received regarding enforcement by Chinese authorities of anti-gambling laws against foreign casinos.

2.6 *Organisational structure*

Please provide the following information:

- (a) a current organisational structure for the VIP International department, including listing the key executives;
- (b) Details of the organisational structure (including line management reporting arrangements) for staff involved in marketing for Crown (including any educational, tourism, resorts marketing or other marketing) to persons in China.

2.7 *Risk policy, framework and documentation*

Please provide the following information:

- (a) A detailed description of any strategies and/or changes that Crown has implemented since October 2016 to minimise the risk that Crown employees/contractors/agents are detained in China for breaches of Chinese criminal gambling laws. For example, did the risk framework, risk documents change as a result of detentions in China?
 - (i) If yes to 2.7(a), how and when were they changed and who authorised the changes and/or strategies?

Please provide the following records:

- (b) Please provide the relevant documentary material evidencing these strategies and/or changes described in response to 2.7(a) above.

2.8 *Current reporting of VIP International activities*

Please provide the following information:

- (a) the current reporting arrangements to the senior executives and/or the Crown Melbourne Ltd and/or Crown Resorts Ltd boards and/or sub-committees regarding VIP International department operations, including (but not limited to) any reporting regarding sales performance and marketing activities to persons in China?

Please provide the following records:

- (b) a copy of the latest internal reporting documents to executive management and/or to the Crown Melbourne Limited and/or Crown Resorts Limited boards and/or subcommittees regarding the VIP International Department.

2.9 *Current Performance*

Please provide the following information:

- (a) What are the current targets of the VIP International department?
- (b) What are the current targets of the International Marketing division of the VIP International department?
- (c) Who authorised these targets in (a) and (b)?
- (d) For what periods do the targets apply?

2.10 Prevention Strategies

Please provide the following information:

- (a) The strategies, initiatives, policies and/or procedures has Crown implemented since October 2016 to mitigate against Crown employees/ contractors or agents being detained in China for breaches of Chinese criminal gambling laws.

2.11 Review

Please provide the following records:

- (a) A copy of any papers(s), report(s) or other documentation prepared for /or by the senior executive management and/or Crown Resorts Board setting out any analysis of the circumstances that resulted in the detention and subsequent convictions against 19 Crown staff on 26 June 2017 in the Shanghai Baoshan District Court, Peoples Republic of China.
- (b) A copy of any paper(s), report(s) or other documentation prepared for/or by the senior executive management and/or Crown Resorts Board making recommendations to implement new or revised arrangements, policies, procedures, strategies or other initiative (including organisational structure, office location, travel, staffing, training, business planning, marketing etc) in response to the detention and subsequent convictions against 19 Crown staff on 26 June 2017 in the Shanghai Baoshan District Court, Peoples Republic of China.

Previous notices requiring the provision of information

Since July 2017, the VCGLR has issued several notices to Crown requesting the provision of various information for the purposes of the investigation. On 16 February 2018, Mr Joshua Preston, on behalf of Crown, notified the VCGLR that Crown is in the process of restoring a number of back up tapes, which may contain materials that are required to be discovered in the class action against Crown and this will take a considerable period of time (months). Mr Preston also noted that in that restoration process Crown may identify further materials that fall within the various notices issued by the VCGLR.

On 17 May 2018, you advised the VCGLR that the documents that the VCGLR had reviewed in the course of the investigation "*constitute a minute proportion of the overall email and documentary records of Crown during the period under consideration (and of the many media reports seen daily by senior Crown management in this period), such that viewing them in isolation may give a misleading impression about the context and significance of past events and the reporting of them*". Although, on 23 May 2018 Crown (Mr Preston) stated in its

correspondence that Crown as at that date, in the course of reviewing materials for the purposes of making Tranche 1 discovery in the class action, had not identified any additional documents that fall within the parameters of earlier requests made by the VCGLR.

On 28 May 2018, I expressed my concern regarding your statement in the letter dated 17 May 2018 (above) and requested that you contact the Commission with urgency if there is further information in Crown's possession which meets the scope of the various VCGLR notices that had been issued.

On 29 May 2018, Minter Ellison replied and again referred to the restoration process and that in the course of the review of the restored documents for the class action, further documents had been identified that fall within the VCGLR notices. Subsequently on 7 and 8 June 2018 the VCGLR received from Minter Ellison further batches of documents that fall within the previous VCGLR notices.

On 12 June 2018, you advised that the documents produced on 7 and 8 June 2018 "*is the final production [of documents], subject to anything further being found in the course of dealing with the class action.*"

As you appreciate, the ongoing provision of documents by Crown has affected the ability of the Commission to conclude its investigation. Crown has now been aware of the investigation for over 12 months and has had a substantial period to locate and identify all relevant historical documents that are relevant to the notices issued by the VCGLR.

To assist Crown in complying with all previous VCGLR notices, I have set out in Schedule A a list of previous notice requests that Crown has not yet responded to at all or Crown advised that it was unable to locate any documents falling within the scope of the notice as at the date of the response.

I request that Crown review all its materials to assess whether it has now identified any further material that falls within the scope of any previous notices. For example, any documents received or prepared by Crown Resort Pte Ltd (Hong Kong) or its staff pertaining to risk assessment of operating in mainland China (see notice dated 2 February 2018).

In the circumstances, in accordance with powers under Part 4 of the *Victorian Commission for Gambling and Liquor Regulation Act 2011* and pursuant to section 26(1) of the *Casino Control Act 1991* I require Crown Resorts Limited and/or Crown Melbourne Limited, and/or any company within the Crown group of companies to **provide all outstanding information and produce all outstanding records** that fall within the scope of all previous VCGLR notices issued under its statutory powers since 24 July 2017 by **5pm on Friday 21 September 2018**.

Redacted material

Section 26 of the *Casino Control Act* requires persons the subject of the notice to provide all the information and produce all the records, including where compliance might tend to incriminate the person (section 26(2)). We consider that the only ground on which information can be redacted is legal professional privilege. Where a claim is made by Crown to redact documents or not provide documents on the grounds of legal professional privilege, Crown should identify to the VCGLR each document the subject of such a claim and the basis upon which the privilege is claimed.

Accordingly, Crown is required to provide the information and/or produce the records that have previously been redacted on other grounds (such as relevance or commercial confidentiality) by **5pm on Friday 21 September 2018**.

Similarly, in responding to this notice, please ensure Crown provides all information and produces all documents in unredacted form, save for any material the subject of a claim of legal professional privilege which is documented and the basis explained.

Previous legal professional privilege claim made by Crown

I note that on 4 January 2018 the VCGLR required Crown to produce the following records - "*any written Court record or materials including;- verdicts, reasons for decisions, briefs of evidence, pleas, admissions, Court transcript and findings, statements made, details of fines paid and any undertakings made to the Court regarding the court matter heard at the Shanghai Baoshan District Court.*" In response, on 19 January 2018, Crown replied, in summary, that Crown is not in a position to produce these documents referring to Crown's lawyers obtaining copies of some of these documents from local legal representatives of individual Crown staff members and the documents are subject to legal professional privilege. The VCGLR does not understand the basis for Crown not producing the required documents on the grounds that they are the subject of legal professional privilege.

Therefore, I request that you review the legal professional privilege claim and explain why Crown refused production of the documents on the basis of legal professional privilege by 5pm on **Monday 3 September 2018**. If, after further consideration of this matter, you consider that the requested documents are not subject to legal professional privilege or alternatively Crown decide to waive privilege, please produce these documents by 5pm on **Monday 3 September 2018**.

Invitation to Crown to provide further information

I confirm the VCGLR has received your submissions dated 17 May 2018, 6 June 2018 and draft response to the draft investigation report dated 26 June 2018. In your draft response dated 26 June 2018 you requested that Crown is given an opportunity to bring forward such evidence and make submissions as Crown considers appropriate in light of the proposed findings or commentary and the full context.

I invite you to provide to the VCGLR by **5pm on Friday 21 September 2018** any further evidence and submissions that Crown wishes to rely on for the purposes of the investigation for the VCGLR to take into consideration as part of the investigation.

Mr Xuan statement and information from MGM

I note that you have indicated that Crown wishes to examine the evidence upon which any findings are made for the purposes of the investigation. The VCGLR has taken into consideration primarily information provided by Crown to the VCGLR. During the course of the investigation the VCGLR has received a statement from Mr Jerry Xuan and investigating officers also spoke with an MGM representative who spoke with the VCGLR on the basis of confidentiality being maintained. Please find enclosed a copy of the statement from Mr Xuan (with telephone number redacted) and the redacted file record of the discussion with an officer at MGM. If you wish to make any submissions in relation to this information please do so by **5 pm on Friday 21 September 2018**.

Investigation Process

I am aware that, on 8 June 2018, the Chief Executive Officer of the Commission sent Crown a copy of the draft investigation report for your comment. As you would be aware, due to the recent late disclosures made by Crown in June 2018, the Commission determined not to conclude its investigation, and to continue the investigation. The investigation will proceed to assess the most recent documents provided, including your draft response dated 26 June 2018 to the draft investigation report, and any other information that is provided in response to this notice on or before 21 September 2018.

After the consideration of the further materials provided by Crown in response to this notice, I will advise what further steps (if any) will be taken in the investigation.

Yours sincerely

A solid black rectangular redaction box covering the signature of Stephen Berriman.

Stephen Berriman
Director
Compliance

cc: Mr Josh Preston
Chief Legal Officer - Australian Resorts
Crown Resorts

Schedule A

Date of Notice	Information required	Crown response
24 July 17	Performance reviews for Gomez, Xuan and Pan	No performance assessment data has provided for Gomez, Xuan and Pan
4 Jan 18	Correspondence and material between Australian Department of Foreign Affairs and Trade and Crown regarding the arrest and conviction of Crown employees in China in June 2017.	Crown responded stating Crown has documents in its possession all of which constitute confidential communications with a Federal Agency. Crown were awaiting DFAT response to supplying these documents. Crown offered that these documents that is available for inspection. Please produce these documents.
4 Jan 18	Crown's Premium Gaming Strategy from 2014 - 2017	<p>Crown replied that it does not have a "premium Gaming Strategy" document. Crown commented that "we assume your request is directed towards reports that were made to the board of Crown Resorts Ltd concerning the strategy for the VIP International business. re strategy for the VIP International business. The exact documents that Crown was referring to were not described although the USB provided included copies of the following redacted reports: Crown Resorts Ltd financial plans for – F18 - 21 (June 17), F16 – 19 (May 2015), F15 – 18 (May 14)</p> <p>Crown Melbourne Ltd financial plans – F17 -20 (May 16), F16 – 19 (May 15),</p> <p>Crown Ltd financial plan for F15 – 18 (May 14), F 14 – F17 (July 13)</p> <p>If these documents do constitute the Premium Gaming Strategy – then there appears to be documents missing. For example, the Crown Resorts Ltd Financial Plan for F17 – F20.</p> <p>Please note: The VCGLR made the request for the Premium Gaming strategy as the Crown Melbourne Ltd risk management plan for F16 states that a treatment in respect of Foreign Political policy risk was a review of the Premium Gaming strategy.</p>
4 Jan 18	August 2015 presentation of Crown Melbourne's corporate risk profile presented to Crown Resorts Ltd Board	<p>Crown advised that it been unable to locate any such documents falling within this category. In the response it was noted that the Crown Resorts Ltd Board did meet in August 2015, but there was no agenda item on risk and no board document provided to the board presenting the Risk profile.</p> <p>Please note: The VCGLR made this request based on information in the Crown Melbourne Risk Management Plan F17 after heading 4 noted that in August 2016 there was a change to the material risk ratings following</p>

		an August 2016 presentation of Crown Melbourne Corporate Risk profile to the Board. There appears to have been a typographical error and the VCGLR requests you provide the presentation of the Crown Melbourne's Corporate Risk Profile to the Board (which may well have been the Crown Melbourne Board) for the August 2016 meeting.
4 Jan 18	MCE risk assessment and Mitigation Report regarding employees convicted in China and any reviews conducted of its related processes	<p>Crown replied that it is unable to locate any documents that meets the description of this request</p> <p>The VCGLR made this request as the Crown Resorts Ltd Report Against Material high Risks dated 31 October 2016 noted that "The next update of the MCE Risk Assessment and Mitigation report is scheduled to be presented to the Risk Management Committee in early December, hence a formal update of risks with consideration to the detainment of Crown staff is yet to be noted by the MCE committee. As such specific risks will not be provided in this report, however it is noted that MCE Risk and Compliance is currently reviewing the related processes."</p> <p>Please provide the documents requested.</p>
2 Feb 18	Any documents received or prepared by Crown Resorts Pte Ltd (Hong Kong) or its staff pertaining to risk assessment of operating in mainland China	Crown replied that it was unable to locate any documents falling within this category.
2 Feb 18	Crown Melbourne Ltd F16 - F18 internal audit plan and F17 - F19 internal audit plan re risk 19 Foreign Political Policy: Provide any documents (including minutes and agendas) pertinent to the assessment of risk (in relation to Crown's operation in mainland China), the assessment that they would be treated with other strategies and also the documented strategies to manage risk	<p>Crown replied that it was unable to locate any documents falling within this category.</p> <p>Crown did note that for sake of completeness, following discussions with former employees of Crown who were involved in audit function at the relevant time we understand the position in relation to risk (19) - Foreign political policy was:</p> <ul style="list-style-type: none"> (a) The possibility of a material change in foreign policy was identified as a potential risk that would warrant consideration in the course of an audit (b) If Crown had perceived there to be a material change in foreign political policy that might impact the business, strategies would be developed to mitigate or respond to the particular risk that has arisen (c) No material risk was identified, so there was accordingly no need to put strategies in place.
2 Feb 18 (followed up by VCGLR on 18 and 30 April 2018)	Chen's employment details/PD, employment contracts and performance reviews/performance development plans	<p>Crown provided Mr Chen's contract dated 16.1.12 and his position description dated Nov 2011</p> <p>Crown noted it is undertaking further searches to locate additional materials falling within category 6, and will provide the VCGLR with any further documents that are located as soon as possible (or confirm if the searches do not yield any further documents).</p>

		To date the VCGLR has not received any performance assessments or reviews in relation to Mr Chen:
2 Feb 18	Any documents or materials received by Crown Melbourne Ltd, Crown Resorts Ltd, Crown Resorts Pte Ltd and/or their employees from the Peoples Republic of China (PRC) regarding Crown's activities on mainland China	<p>Crown replied that it assumed this category requires production of communications concerning activities conducted by Crown staff within China.</p> <p>Crown has been unable to locate any document that meets the description of this request.</p> <p>Crown advised for the sake of completeness</p> <p>(a) Crown engaged a Chinese company, Universal Aviation, to liaise with Chinese aviation authorities to obtain permits and permissions required for Crown jet to flown in and out of China from time to time. Crown did not deal directly with Chinese aviation authority.</p> <p>(b) Crown has in its possession copies of the passports of some current or former Crown employees who entered or exited China from time to time, and visas to permit travel.</p> <p>The VCGLR does not require the communications between Universal Aviation and PRC or copies of Crown staff passports.</p> <p>However, any communications from the PRC (including PRC government agencies), including after the detentions in October 2016 should be provided.</p>
28 Mar 18	At the interview with MR Craigie the VCGLR requested Ernst & Young reviews of Crown's risk assessment processes. A follow up email request was sent by the VCGLR on 28 March 2018.	No response received
9 April 18	Mr Xiong's Position Description at the time of his detention in China	To date Crown has only provided a template document – and noted that in the limited time available, Crown has not been able to located the Position Description provided to Mr Xiong prior to his detention in October 2016.
9 April 18	Mr Xiong's performance evaluations plans for 2014, 2015 and 2016	<p>Crown has been unable to locate any performance evaluation plans</p> <p>Please provide any performance evaluation assessment documentation in respect of Mr Xiong's performance.</p>

MinterEllison

21 September 2018

BY EMAIL AND DELIVERY

Mr Stephen Berriman
 Victorian Commission for Gambling & Liquor Regulation
 49 Elizabeth Street
 RICHMOND VIC 3001

Dear Mr Berriman

VCGLR China Investigation - detention of Crown Group Staff in China

Thank you for your letter dated 23 August 2018 and for your acknowledgement of receipt of the further documents provided on behalf of Crown on 7 and 8 June 2018.

On Crown's behalf, we have responded below to your requests for further information and documents under the headings set out in your letter.

Enclosed with the hard copy of this letter are four folders comprising:

- (a) Volume 1 – the documents produced in response to the numbered paragraphs of your letter and the class action documents referred to in section 3 below;
- (b) Volume 2 which contains the documents referred to in the revised Schedule A;
- (c) Volume 3 – documents previously redacted for confidentiality referred to in section 4 below, which are now redacted only for legal professional privilege; and
- (d) Volume 4 – the board minutes the VCGLR has sought following inspection, which are now redacted only for legal professional privilege

1. Information prior to detention in October 2016

1.1 External advice documentation between November 2015 to October 2016

Relevant communications which Crown has located to date have already been provided to the VCGLR in response to earlier notices and requests, other than communications to and from Wilmer Hale, in respect of which legal professional privilege is claimed.

1.2 Chinese Authorities contact with Mr Jerry Xuan

Crown has been unable to locate any such documents.

1.3 Governance over VIP International department

- (a) Crown's governance framework did not include any relevant executive management committees.

For some time there has been annual business planning meetings of executives and senior managers, generally in March/April of each year, to discuss the performance and

operations for each business unit, including the VIP department. Senior managers from the various business units, including the VIP department, presented their business plans to the broader executive team at those meetings. During the period from 1 June 2014 to 13 October 2016, those meetings were on 17 March 2015 and 22 April 2016.

There were also various other meetings of executives and others at which the performance and operations of the VIP department were discussed, but none of these meetings were of established executive management committees. They were styled as 'VIP Workstreams' and 'VIP Quarterly' meetings in calendar invites and the Crown executive invitees generally included a combination of Barry Felstead, Jason O'Connor, Michael Chen, Roland Theiler, Ishan Ratnam, Jacinta Maguire (nee Careri), Michael Whytcross and Trent Whitney. Mr Ken Barton was also invited on occasion.

There were also regular meetings of executives involved in the provision of credit and collection of debts for VIP customers, but again, there was no formal committee framework for these meetings. Moreover, as CEO, Mr Felstead had many ad hoc meetings and discussions with groups of executives and others to discuss general casino operations, including of the VIP department. Again, these meetings and discussions were outside the committees which formed part of Crown's governance framework.

Attendance at these various meetings was generally in person, other than for participants who were not in Melbourne, who participated by teleconference or, occasionally, by videoconference.

- (b) There were no committees as such per paragraph (a) above.
- (c) There were no committees as such per paragraph (a) above.
- (d) There were no committees as such per paragraph (a) above. The meetings of executives and others referred to in paragraph (a) above did not operate within a formal committee structure. They therefore had no charters. Nor did they have formal agendas or minutes of the kind a board or executive committee would normally produce.
- (e) Mr Chen had frequent telephone discussions with Mr O'Connor (often daily and generally around 2-3 times a week) and sporadic discussions with Mr Felstead at an average frequency of around one per fortnight. They also met in person when Mr O'Connor or Mr Felstead were in Hong Kong or the same overseas location as Mr Chen where staff and/or customer meetings occurred, or when Mr Chen was in Australia.
- (f) Management reports, including on the operations and performance of Crown's various departments, including VIP International, were made to each regular Crown Resorts Limited board meeting. All Crown Resorts Limited agendas, management reports and other board papers and board minutes have been inspected by the VCGLR in the course of the recent Sixth Review. Copies of many have also been produced to the VCGLR in the course of the China investigation. Further copies can be made available if required.
- (g) Management reports, including on the operations and performance of Crown's various departments, including VIP International, were made to each regular Crown Melbourne Limited board meeting. All Crown Melbourne Limited agendas, management reports and other board papers and board minutes have been inspected by the VCGLR in the course of the recent Sixth Review. Further copies can be made available if required.
- (h) Mr Chen did not generally provide written reports or papers to Mr O'Connor or Mr Felstead. He and others had input into the management reports on the performance of the VIP International department and into the VIP International business unit plan which was considered at the annual business planning meetings as described in paragraph (a) above.

1.4 Targets

The documents and records which Crown has located to date are enclosed.

The documents include letters to staff in September 2012 and September 2014 regarding bonuses for FY12 and FY14 and targets for FY13 and FY15 respectively. Further, the documents included a spreadsheet which contains details of the FY18 targets.

The documents also include some presentations found by Crown on the 'G drive' of Mr O'Connor's computer. In the time available, Crown has not been able to ascertain whether these were final versions of presentations made in respect of the setting of VIP International targets.

1.5 VIP International Staff Remuneration

- (a) The unredacted contracts are enclosed.
- (b) The records are enclosed. Tang Xiaoqing (Athena Tang) and Cai Xiaoyu (Fiona Cai) did not have written employment contracts. They were paid a salary in HK dollars through the local 'cash book'.
- (c) The records are enclosed.
- (d) Revised remuneration arrangements were introduced for FY13 and FY15 as indicated by the enclosed records. The revisions were authorised by Mr Felstead.

1.6 Information for staff in China between 1 June 2012 and 13 October 2016

Crown has previously produced all such documents which it has located to date, including the 'reception' guidelines that were prepared in June 2012.

1.7 Roadshows

- (a) We are instructed that diary invites from the calendars of Mr Felstead and Mr O'Connor indicate that 'roadshows' were conducted in North East Asia, including mainland China, during FY15 to FY17 on or about the dates set out below:

Dates of 'roadshows'
11-25 July 2015
11-22 August 2015
22-26 September 2015
20-31 October 2015
10-14 November 2015
1-12 December 2015
14-27 March 2016
May 2016
22-26 June 2016
August 2016
October 2016

On some of these roadshows, executives also spent time in jurisdictions other than mainland China (including Hong Kong). In China, the locations generally included Guangzhou, Shanghai, Beijing, Shantou, Chengdu and Wuhan. Crown does not have a summary report or the like detailing which particular locations were visited by each roadshow, but may be able to obtain further details of particular roadshows if required.

- (b) The roadshows did not involve 'presentations' as such. They were in the nature of customer goodwill visits. It is possible that a document with information about an upcoming event might have been provided to specific customers, but we are instructed that such materials were generally not printed or provided for the purposes of distribution on roadshows.

1.8 Office in China

- (a) Crown did not establish, maintain or close any office in mainland China in the relevant period.
- (b) A small apartment in Guangzhou was leased as a convenient location for staff visiting that city to go to make calls and undertake tasks preparatory to, or as follow-up to, customer meetings, in preference to a hotel room, conference centre or other similar place. There was no Crown branding of the apartment. The lease was terminated after Crown introduced a prohibition on staff traveling to mainland China for business purposes associated with gaming.
- (c) There was some discussion in 2014 of opening an office in Shanghai as a convenient location for the coordination of the activities of some China-based staff, but the idea was shelved by early 2015 in the interests of maintaining a 'low profile' approach to China operations.

1.9 Letters to Chinese authorities

- (a) Crown has already provided a copy of the letter confirming the employment of Mr Xiong Bin. Crown did not provide any other letter or any statement, declaration or other document for the purposes of provision to any agency in China.
- (b) The circumstances of the provision of the letter relating to Mr Xiong Bin are described in the documents and testimony already provided. No other such documents were created.
- (c) There are no further documents to produce.

1.10 Risk documentation

- (a) Crown Melbourne's FY15 Risk Management Plan is enclosed.
- (b) Crown Resorts Limited's Risk Profiles for FY14 and FY15 are enclosed.

1.11 Information regarding events in China to the Board, sub-committee or directors

The VCGLR inspected all Crown Resorts and Crown Melbourne board and sub-committee agendas, papers and minutes during the course of the Sixth Review. Further copies can be made available if required.

In addition, Crown has previously produced copies of relevant Crown Resorts board papers and board packs to the VCGLR.

Incidental communications with directors of Crown Resorts or Crown Melbourne may be uncovered in the course of document discovery in the class action, as outlined below. Several such communications have been identified to date. These are enclosed. If any further such communications are identified, they will be provided to the VCGLR as stated below.

2. Information relating to current Crown arrangements in China

2.1 Current personnel in China

- (a) Assuming that the reference to 'China' is to mainland China:
 - (i) one Crown Group staff member, Lily Wan, works from her home in Shanghai for the 'International Hotel Sales – Conferences and Events' business. Her duties and remuneration are set out in the enclosed contract dated 16 October 2017, position description and accompanying representations and warranties document. She is not engaged in any gaming-related activity;

- (ii) Crown College International has also engaged approximately six local agents in Beijing, Shanghai and Chongqing to recruit overseas students to study hospitality and related activities (ie non-gaming activities) at Crown College in Melbourne. The agents are not involved in any gaming-related activity. They are engaged pursuant to an International Education Agent Agreement which, amongst other things, sets out the commissions payable. A sample copy of the agreement is enclosed.
- (b) One employee of Crown College travelled to China to attend the Chengdu Educational Expo for around 10 days between 20 March 2018 to 1 April 2018. Further, 8 employees involved in Crown's Sydney construction/development project conducted factory inspections of stone and other building material suppliers in order to review the quality of their products and operations for up to 5 days during the periods 4 to 8 June 2018 and 1 to 3 August 2018. No staff have visited China to engage in any gaming-related activity.
- (c) The documents referred to in paragraph (a) are enclosed.

2.2 Guidance to Crown personnel

- (a) Crown has not given any guidance to staff, contractors or agents in relation to how to conduct gaming-related activities in China since August 2017, because Crown has not had anyone 'on the ground' or visiting mainland China since August 2017 in connection with its gaming business. The guidance provided to Ms Wan in relation to her role is set out in the documents referred to in paragraph 2.1(a) and the guidance to the employees referred to in paragraph 2.1(b) is set out in the enclosed documents.
- (b) The documents are enclosed in response to paragraphs 2.1(a) and 2.2(a).

2.3 Crown staff marketing to mainland Chinese patrons

- (a) No Crown staff have had, in the period from 1 January 2018 (and indeed from the time of the detentions in October 2016) duties which include marketing engagement with persons in China. Crown staff are not engaged in any gaming-related activity 'on the ground' in China.

Some Crown staff based in Australia or Hong Kong have mobile phone calls or messaging contact with Crown VIP customers whilst the customers are not in Australia or Hong Kong. Such calls or contact may occur whilst a customer is in mainland China, although the customer's location is often not known to the Crown staff member when the call or contact occurs. The matters discussed in such calls or contacts may include upcoming events, gaming-related content such as terms of play for a future visit to Australia or London or repayment of an outstanding gaming debt.

- (b) Crown is unable to state the frequency or volume of any such calls or contact which the VCGLR may consider to comprise 'marketing activity/engagement' with customers in China. If the VCGLR would like Crown to survey relevant staff, we would like to discuss with you the questions to be asked.
- (c) Crown continues to contract with junket operators licensed in Macau who organise trips to Australia for premium players, including mainland Chinese nationals. Moreover, as stated above, Crown staff deal directly with some VIP customers, including Chinese nationals, by mobile phone calls and electronic messaging.

The fundamental difference since October 2016 is that no one from Crown or on Crown's behalf is involved in any contact with any actual or prospective gaming customers 'on the ground' in mainland China.

2.4 Compliance officer

- (a) Yes, a Compliance Officer is employed in the Hong Kong office.
- (b) The role of the Compliance Officer is to keep staff in Hong Kong office informed of the laws, regulations, policies and guidelines with which they are required to comply in carrying out their duties for Crown. The Compliance Officer reports to the Manager - Program Compliance, who in turn reports to the Group General Manager - Regulatory and

Compliance. The frequency of reporting is at least monthly and is generally by telephone, either at ad hoc times or in regular monthly teleconferences with the Group General Manager - Regulatory and Compliance, Group General Manager - International Business Operations, and Senior Legal Counsel and Manager - Program Compliance.

- (c) The position description and the Compliance Officer's contract are enclosed. The contract is due to expire on 3 October 2018. A further contract and position description are currently being prepared, but have not yet been finalised.

2.5 External advisers

- (a) Crown has not sought external advice regarding gaming activities in mainland China since August 2017, because it has had no such activities.

Crown has sought legal advice regarding non-gaming activities in China and in relation to its international operations more generally, and MinterEllison has in turn obtained input from an international consultancy, Hakluyt, for the purpose of advising Crown.

Crown is not proposing to have anyone engaged in dealings with actual or prospective gaming customers 'on the ground' in mainland China for the foreseeable future.

- (b) Inapplicable.
- (c) Inapplicable.
- (d) Inapplicable.
- (e) Inapplicable.

2.6 Organisational structure

- (a) An organisational chart for the VIP international department is enclosed.
- (b) The organisational structure is as illustrated in the chart. Subject to what is said in paragraph 2.3(a) above in relation to mobile phone and electronic messaging contact with customers who may be in China when the call or contact occurs, no staff are engaged in gaming-related marketing to persons in China.
- (c) The only person directly involved in marketing hotel facilities 'on the ground' in China is Lily Wan, referred to in paragraph 2.3(a) above. Ms Wan reports to the Group Director of Sales, who is based in Melbourne. This sales role relates to the hotels side of Crown's business, not gaming operations.

2.7 Risk policy, framework and documentation

- (a) The fundamental change made since October 2016 is not to have any staff, contractors or agents engaged in gaming-related activities 'on the ground' on Crown's behalf in mainland China. Crown believes that this effectively eliminates the risk of any repeat of the detention of Crown staff in October 2016. This change has been approved by the Crown Resorts board.

In 2017, Crown restructured its VIP International operations in Asia by implementing a new operating model that rationalised operations so that they currently operate from a centralised office in Hong Kong. The prohibition on travel to mainland China was entrenched in this new model.

The adoption of the new model is noted in the minutes of the Crown Resorts Board meeting that occurred on 27 April 2017. Crown relied upon advice from Minter Ellison in respect of which privilege is claimed, and the board minutes have been redacted accordingly.

- (b) The model is described in a presentation titled *VIP International – Operating Procedures June 2017 (revised June 2018)*. A copy of the presentation is enclosed. The minutes of 27 April 2017 have previously been produced to the VCGLR.

2.8 Current reporting of VIP international activities

- (a) The reporting lines in relation to VIP International business are as illustrated in the organisational chart enclosed in response to paragraph 2.6.
- (b) A copy of the August Crown Monthly Performance Report distributed to some members of executive management is enclosed, together with the CEO report that was included in the most recent board pack distributed to the Crown Resorts Board. Legal professional privilege is claimed in respect of the redacted sections.

2.9 Current performance

- (a) the current targets of the VIP International department for FY19 are as follows:

	Net Contribution Targets 2019
Melbourne Target	76.9m
Perth Target	8.1m
London / Far East (£1.4m @ .55)	2.6m
	87.6m

- (b) Spreadsheets showing the current targets of the international marketing division and its individual employees are enclosed in response to paragraph 1.4. (The spreadsheets and the targets are commercially sensitive and confidential.)
- (c) The targets were approved by the Crown Resorts board, on the recommendation of Mr Barry Felstead.
- (d) The targets are for the current financial year.

2.10 Prevention strategies

- (a) As indicated above, the fundamental strategic change to effectively eliminate the risk of Crown staff being detained in mainland China is not to have anyone involved in customer meetings or other gaming-related business activities 'on the ground' in mainland China.

2.11 Review

- (a) There are no such papers, reports or other documents. Crown has relied from the time of the detentions on legal advice on how best to respond to the detentions and related matters, including the class action instituted against Crown Resorts.
- (b) These documents have been produced in response to paragraph 2.7 above.

3. Previous notices requiring the provision of information

We note your reference to the comment contained in our letter of 17 May 2018 about the documents reviewed in the course of the VCGLR investigation as having constituted a minute proportion of the overall email and documentary records of Crown.

We reiterate that we meant a minute proportion of all the email and documentary records of Crown on all business matters, not just those relating to Crown's China operations. We were endeavouring to make the point that Crown's business operations are extensive, generating large volumes of internal and external communications, only a very small proportion of which concern aspects of Crown's international operations which are the subject of the VCGLR investigation. We apologise if our intended meaning was not conveyed clearly.

We further note your comments regarding the table set out in Schedule A to your letter. Attached is a further version of Schedule A to which Crown has added a fourth column to update or expand Crown's earlier responses.

As previously advised, with the assistance of external contractors and at substantial expense, Crown has established an external, litigation support database for the purposes of defending the class action. The database technology offers sophisticated search capability. A large quantity of electronic data has been loaded into the database, including data from back up media which required specialised restoration.

For the purposes of 'tranche 1' discovery in the class action, a subset of documents was reviewed earlier this year and further documents identified as responsive to VCGLR notices were produced.

A second dataset of approximately 105,000 documents (**T2 dataset**) is required to be reviewed for the purposes of 'tranche 2' discovery. The T2 dataset is drawn from internal sources considered likely to yield documents of potential relevance to the class action issues. The sources include the electronic mailboxes of the detained staff, some portable electronic devices used by some staff and the mailboxes of a number of current Crown staff. Enclosed is a copy of the class action orders and the affidavit to which they refer which identify the sources of documents comprising the T2 dataset.

Given the volume of documents in the T2 dataset, tranche 2 discovery may be made in stages. Moreover, the class action applicant has foreshadowed that a third tranche of discovery may be required. That may require restoration of further electronic records in backup media.

Any documents identified during the course of the T2 dataset review or any third tranche review which are found to be within the scope of VCGLR notices will be provided to the VCGLR promptly upon completion of the dataset review (or stage, if the tranches are provided in stages).

Whilst we cannot yet say how many additional documents will be identified in the course of this review, Crown does not expect them to significantly affect the matters relevant to the VCGLR's investigation or the extensive testimony of witnesses examined during the course of VCGLR's interviews.

4. Redacted material

Some documents previously supplied to the VCGLR were redacted to protect commercially sensitive content which was irrelevant to the matters the subject of the VCGLR's investigation. Some unredacted documents were inspected at Crown's premises and a subset of them were provided in unredacted form following inspection. Further unredacted copies of previously redacted documents are enclosed. The documents remain confidential and Crown expects that such documents will not be provided in response to any freedom of information request.

5. Previous legal professional privileged claim made by Crown

We have responded separately on this subject.

6. Invitation to Crown to provide further information

We will respond separately on this subject.

7. Mr Xuan statement and information from MGM

We will also respond separately on this subject.

8. Investigation process

We and Crown seek the opportunity to discuss with relevant VCGLR staff the next steps in relation to the VCGLR's investigation.

If you would to discuss any aspect of the above, please contact us or Mr Josh Preston of Crown.