

## NewsRoom

7/29/19 Sydney Morning Herald (Austl.) 8  
2019 WLNR 23086619

Sydney Morning Herald, The (Australia)  
Copyright © 2019 Fairfax Information and Learning Company; All Rights Reserved.

July 29, 2019

Section: News

### How Australia's casino got tied up with criminals Special Investigation

Nick McKenzie, Nick Toscano and Grace Tobin

In 2016 a private jet was searched by law enforcement on the tarmac of Coolangatta airport. The people in that jet were worth billions each, and each held secrets precious to Crown casino. Nick McKenzie, Nick Toscano and Grace Tobin report.

On August 17, 2016, federal police received a security alert about a man preparing to board a luxury private jet idling on a runway at Coolangatta airport.

The jet was stationed within view of the passenger terminal, a hive of tourists in thongs and board shorts. But the police alert suggested the red-flagged passenger had not visited the Gold Coast to go to the beach.

Tom Zhou is a short man with a round, boyish face and an intense demeanour. His familiarity with luxury travel was thanks to a special arrangement he had made with a company then majority owned by one of Australia's richest men, James Packer.

Inside Crown Resorts' casino high-roller operations, Zhou was royalty. The staff who dealt with Crown's VIP gamblers had nicknamed him "Mr Chinatown". And what Mr Chinatown wanted, Mr Chinatown got.

According to an investigation by the Herald, The Age and 60 Minutes aided by one of the biggest leaks of corporate data in Australia — tens of thousands of documents detailing Crown's high-roller operation - Zhou was provided access to private jets, luxury hotel suites, lavish gifts and tickets to concerts by James Packer's then girlfriend, Mariah Carey.

When Zhou's associates wanted visas to enter Australia, Crown would vouch for them to the federal government. And Crown paid Zhou's business empire tens of millions of dollars. In return, Crown relied on Zhou, who lives in a mansion in Melbourne's Toorak, to circumvent Chinese laws that outlaw gambling promotion in China. These laws also ban the luring of groups of rich and powerful mainlanders to offshore casinos to punt.

In some cases it's been Asian organised crime gangs known as triads who conjured up ways to do this. But Zhou had also perfected this shadowy art, funnelling gamblers from China to Australia via his "Chinatown **junket**" to punt billions at **Crown's casinos**.

Zhou's mastery had delivered him immense wealth and a privileged relationship with the Australian company. But Zhou is no ordinary Crown partner. He is, in fact, an international criminal fugitive, the subject of an Interpol red notice for financial crime that netted him tens of millions of dollars. He is supposed to be arrested immediately if he crosses a country's border. And from an Australian national security point of view, he is a double threat. He also heads several Chinese Communist Party-aligned organisations in Melbourne designed to project Beijing's influence in Australia.

It makes him someone of keen interest to organisations such as the Australian Federal Police and ASIO.

But the federal police airport investigators knew little of Zhou's backstory as they approached him and his fellow private jet passengers at the Gold Coast terminal in 2016. The security alert warned that Zhou was suspected of involvement in money laundering, but was otherwise scant on detail. After a brief search, they found no excessive quantities of cash, and allowed the plane to leave to New Zealand. They missed two curious facts they would only later pick up.

The first was that Zhou was being escorted by Greg Leather, a former Victorian detective as well as a highly trained and security-vetted Special Operations Group Victorian Police officer who at the time was suspended from the force.

The second fact was the identity of one of the other guests they were guarding. This man is described in the leaked Crown data as a "VVIP" or "very, very important person". His name is Ming Chai and, while he is unknown in Australia, his family is famous in China.

Ming Chai is a blood relative of the most powerful man in China, its president, Xi Jinping.

Unsurprisingly, in the months after the private plane rose over the Gold Coast's glittering shoreline, fresh questions about its occupants began to be asked by those responsible for guarding Australia's national security.

Has Australia's largest casino company effectively enabled the activities of organised criminals or those doing the bidding of the Chinese Communist Party? And, if so, has Crown been gambling not only with its casino licences but with the nation's security?

Extortion, fraud and hunting rifles

The central Victorian shire of Murrindindi is known for its natural beauty, with steep rises emerging from farmland, providing stunning mountain views. In the late 1880s, gold miners streamed here in droves to fossick along rich gold seams.

A century and a quarter later, another man seeking great riches came to town. When he rolled into Murrindindi in a luxury car in 2016, Tom Zhou had already made a fortune. He already bought his Toorak house in 2009 for \$7.9 million and another around the corner for \$15 million in 2013. Now a sprawling cattle property in Murrindindi had caught his eye. Even in this picturesque region, it stood out. A road from the property's dilapidated farmhouse winds past cattle gates and up steep paddocks to a ridge that offers the property's finest feature - a vista of cloud-cloaked mountain ranges. Zhou snapped it up for \$7.5 million. Zhou's plan upon purchase, according to the property's managers, was to build a five-star hotel here for Chinese tourists. Instead, he has turned it into a hunting lodge.

Clues about the source of Zhou's funds are scattered around a weatherboard house on the property. In a makeshift armoury, next to a reinforced safe containing hunting rifles and shotguns, are two dozen white Crown Casino hats for guests to wear. Photos on the walls depict Zhou's wealthy Chinese guests, including those who have come to Murrindindi via Crown.

The leaked Crown data includes tax receipts showing the casino company paid tens of millions of dollars per year to "sub junkets" run by Zhou's associates and agents - their percentage cut of the gaming turnover of the VIPs from the Chinese mainland that Zhou's **junket** has brought to **Crown's casinos** in Perth and Melbourne. But even before Crown became his plaything, Zhou was already immensely wealthy. A portion of his money comes, allegedly, from crime. Dozens of Chinese court files

obtained by the Herald, The Age and 60 Minutes reveal that by 2013, Wuhan's Bureau of Public Security had built a case that Zhou was involved in a serious criminal scheme to defraud a company of tens of millions of dollars.

It's alleged in a number of cases in China that Zhou has been involved in mafia-type extortion and stand-over tactics. Multiple litigants accuse him of defrauding them and, in one case, of having "directly threatened the lives of senior management". In another case, he was accused of arranging for acid to be thrown in a rival's face, an allegation he denies along with all other claims of wrongdoing. "The facts of a crime are clear and the evidence was reliable and sufficient," one court filing reads.

Who is Tom Zhou?

Three of Zhou's accomplices were jailed for three years each in one case but, rather than face the justice system for "misappropriating huge amounts of money ... Zhou absconded abroad" the filing states. He would be dealt with "separately". Zhou landed in Australia, and Chinese authorities issued an international arrest warrant known as a "red notice" via Interpol, according to multiple officials with knowledge of the matter. Even so, he was not picked up at the border. When Zhou left China, it seems he may have smuggled a fortune out with him. If this is indeed what happened, it was likely Zhou's first use of a modus operandi that underpins the junket service he provides the Crown high rollers who need to launder funds past China's borders and the country's ban on capital flight.

How a junket works

It is unclear just who at Crown had responsibility for checking Zhou's background. **Crown Resorts** did not answer a series of questions about its **junket** partners, adding that it did not comment on its "business operations with particular individuals or businesses". However, it said in a statement that it had a "comprehensive" anti-money laundering and counter terrorism financing program "which is subject to regulatory supervision".

Through his lawyers, Mr Packer "adamantly" insisted he had no knowledge of the conduct of the company's operations in China.

Mr Packer has not held an executive position at the company since 2012, though he was chairman of Crown Resorts until August, 2015, and a board member until he resigned in December that year. According to the lawyer's letter, he only played a "passive role" in the company's operations.

Crown's phenomenal growth as a global gambling brand has been fuelled by Chinese high-roller junket operators. Australia's proximity to China, the services and perks Crown offers its biggest punters, and the fact the whole operation is legal under Australian law, have made it a magnet for billions of dollars from China.

But moving people and large amounts of money out of the mainland to gamble are both forbidden under Chinese law. Collecting gambling debts on the Chinese mainland is also illegal. So the junkets act as "middle-men" to facilitate transactions the casinos themselves find difficult.

They can smuggle money out of mainland China, or organise lines of credit in Australia; they can organise luxury tours and enticements while the gambler is in Australia; they can settle winnings or losses, in either jurisdiction; and they can collect debts, with menace if necessary, in China.

The US government has repeatedly warned that some junket operations have, at least in part, been run by the mafia-style criminal syndicates called triads. Triads are expert money launderers, have access to large pools of funds and are effective collectors of unpaid gambling debts because of their propensity to use violence and extortion. On Saturday, the Herald revealed how a powerful and dangerous triad drug syndicate known as The Company was able to do this work with Crown despite its deep criminal links.

## Laundering money

Zhou's stunning success as a junket operator should have been warning enough for Crown to delve a little into his past. But there is no indication it reviewed the court cases that name him as a criminal, fugitive and stand-over man. The information is not hard to find. Some of Crown's own former staff, who worked with high rollers, allege in confidential interviews that it was an open secret that Mr Chinatown had a colourful past and a penchant for wild parties.

A search with Australia's corporate regulator reveals Zhou is a business partner of a man called Simon Pan, a Melbourne brothel owner allegedly implicated in sex trafficking. Pan operates a brothel just 1km from Crown's back door and his business has been named in multiple court cases over its links to organised crime and the trafficking of sex workers from Asia to Melbourne. Pan is also licensed by Crown as a junket operator.

## Key Crown players

Despite all this, the leaked Crown files reveal that from late 2014, Crown relied increasingly heavily on Zhou's Chinatown junket. It was named in a confidential Crown document as one of eight specially selected junkets Crown had decided to aggressively embrace because they were "large, reputable" and "deemed credit worthy in large amounts." "Instead of having players bring cash or playing with smaller-than-ideal credit lines, we can partner with [junket] platforms to ensure the players have the full front-money they are accustomed to playing with in Macau," Crown's 2015 junket strategy memo states. The memo also reveals that the Chinatown junket would be taught the "pain funnel" sales technique to draw more "whales" - giant gamblers - to Crown.

In the first two weeks of 2015, Crown's internal figures revealed that the "Chinatown" high rollers had gambled \$24 million at its casinos. Three months later, that figure had ballooned to \$1.452 billion.

The Crown files suggest Zhou was not at Crown's Perth or Melbourne casinos, but instead overseeing the work of his "sub-junkets" or "Chinatown reps". Their earnings give an insight into Zhou's profit-making machine. In the 2016 financial year, Crown records show it paid Chinatown's representative in Perth \$28 million in commissions.

Crown also vouched to the Australian government about the reliability of Chinese nationals Zhou was bringing to Australia.

## Lobbied by ministers

In one leaked email, Crown staff prepare to vouch to Australian visa officials about a high roller on the basis that he was "referred by Crown VVIP Mr Zhou" and because "Crown staff ... has known Mr Zhou [for] more than 10 years".

In another chain of emails, Crown staff arrange a visa for a "friend of our VVIP Mr Zhou" because the man "would like to attend Mr Zhou birthday party in Australia".

Correspondence from Australian visa officials in Guangzhou and Shanghai suggest Crown's vouching for high rollers led to visas being expedited via an "emergency hotline" Crown had with Australia's consulates. There were higher level interventions on Crown's behalf as well.

A Department of Home Affairs spokesperson said all visa applications were assessed against the law. "Our offices in China are well aware of the risks ... and they scrutinise and manage applications accordingly," the spokesperson said. The Department had "no evidence" of conditions being waived for Crown.

Former head of Border Force, Roman Quaedvlieg, claims he was lobbied by two ministers and another MP to help "smooth out" the border security process for Crown's big gamblers arriving from China. Crown wanted its high rollers "to land on a

private jet at Melbourne airport, receive the minimal amount of clearances, put them in cars, get them into a casino and spending money," Quaedvlieg says.

Crown also helped arrange Zhou's personal security, linking him up with a company run by a former Victorian detective who arranged for the highly trained Leather, to work for Zhou. (Leather was suspended from the force over an unrelated integrity investigation when he went on Zhou's payroll, but has returned to the force).

Leather and the ex-detective appear to have worked for many months for Zhou. Photos obtained by the Herald show Leather giving firearms lessons to Zhou's Chinese guests at his Murrindindi farm, in potential breach of laws requiring all people handling firearms to be licensed. It's understood that Leather did not seek approval to work for Zhou, seemingly breaching Victoria Police policy.

#### Wealth and influence

Hunting animals and making millions were not Zhou's only Melbourne enterprises. He was also heavily involved in three organisations aligned with the Chinese Communist Party's United Front operation - the organisation that works to influence Chinese diaspora communities and overseas political systems to advance the aims of the Communist Party.

Zhou is chairman or has a "guiding" role at the "Hubei Association of Australia (HAA), the Hubei Chamber of Commerce (HCC), and the Huaxing Arts Group of Melbourne (Huaxing)," the latter reporting directly to the United Front Work Department in China. The same online report says Huaxing is "fostered" by the Communist Party's "Overseas Chinese Affairs Office of the State Council" and has "the strong support of the Melbourne Chinese Consulate" as it has strived to earn "the trust of the motherland" and the Chinese government.

The report also boasts of its "database that contains contact information of important politicians, major Chinese community groups, celebrities, and artists".

Zhou's connections to politicians is not over-stated. In 2013, the Zhou-chaired Hubei Chamber of Commerce in Melbourne appointed as its executive president a former adviser to Victorian premier Daniel Andrews, Mike Yang, who knew Zhou through Yang's father.

United Front expert Alex Joske says Zhou's success in becoming Crown's key Melbourne junket operator as well as a United Front patron allowed him "to build political influence, build networks with politicians, and then quite possibly send that information back to Beijing".

"Through his junkets, he'd also be able to bring large amounts of cash over borders," Joske says.

Zhou's United Front bodies have become something of a Crown affair. Among those recruited to leadership positions of the organisations are several of Zhou's Crown junket partners and casino high rollers. In March 2015, some of them mixed at Crown's exclusive "VIP guests only" Capital Golf Club to celebrate the 10th anniversary of the Hubei Association.

"All thanks must go to Zhou ... the core leader of the Hubei Association!" commentary accompanying a video of the golf day said. "It is Mr Zhou who meticulously planned this unprecedented ... golf tournament."

#### Unanswered questions

Among the questions the Chinese consulate failed to answer for this story is why Zhou would be an endorsed United Front aligned association leader given he is wanted by the Chinese state for serious financial crime. The answer may lie in a presentation given by former Turnbull government foreign affairs adviser John Garnaut. Garnaut was for two years the

Australian government's United Front expert, and he worked with ASIO on a still-classified project into the extent of Chinese government interference operations in Australia. The product of that work, the Garnaut Report, was one of the catalysts for then prime minister Malcolm Turnbull to introduce sweeping counter-foreign interference laws in 2017.

The report has never been released and Garnaut won't talk about it. But prior to joining government, Garnaut was a decorated China correspondent. In that capacity he examined the Chinese Communist Party's habit of forging alliances with the triad organised crime groups to achieve political outcomes.

Multiple reports have documented the use of violent criminals to suppress the democracy movement in Hong Kong, including as recently as last week. In 1993, the chief of China's domestic security agency, Tao Siju, sparked controversy by saying that, "as for organisations like the triads in Hong Kong, as long as these people are patriotic ... we should unite with them".

In a 2011 lecture to the US China Institute, Garnaut revealed Chinese security officials had told him the triads were also used in Australia to help the Communist Party, including by "protecting" the 2008 Olympic torch rally from pro-democracy activists.

"When I was interviewing security people in Beijing ... some of them said to me quite openly, we have got the triads on side" to deal with protesters, Garnaut says. "And that was in Canberra."

Australian officials aware of Zhou's activities have more recently questioned whether his alleged criminal activities are being overlooked by Chinese officials because of his own patriotic activities in Melbourne.

He certainly maintains friends in some very high places. Leaked data and multiple confidential sources reveal that Zhou is connected with a number of elite Communist Party "princelings". Chief among them is Ming Chai. Chai's father is a former high ranking chief of the Chinese Peoples' Armed Police service, a service for which Chai briefly worked before moving to Australia in the early 1990s. Chai's father is also the uncle of the Chinese president Xi Jinping. Ming Chai is the president's cousin.

Who is Ming Chai? As Xi Jinping's standing grew - from provincial mayor to Politburo member and, finally in 2012, president and general secretary of the Chinese Communist Party - so did Ming Chai's.

From 2006-2012, Chai was appointed president of a subsidiary of telecommunications company ZTE, whose biggest shareholder is the Chinese government's aerospace and satellite research agency. After this, Chai headed another listed Chinese telecommunications firm.

In 2014, a report in the Hong Kong Apple newspaper alleged that Chai was operating from the five-star Four Seasons hotel in Hong Kong and trading on his connections to the Chinese president to cut business deals. The same report, along with several other sources in China, also alleged that Chai had fallen foul of anti-corruption authorities in China. Chai certainly has some interesting connections.

In Melbourne, one of his business partners is Simon Pan, the brothel owner with alleged sex trafficking links. Chai's businesses in Hong Kong have included a gold bullion trading company he owned with a man who provides financial and legal advice to the Italian mafia and Hong Kong triads.

Despite the reports of his arrest, there is no easily accessible record of any charge or meaningful disruption relating to Chai's business activities in Beijing, Hong Kong or Australia. The leaked Crown data reveals that, in 2014, Chai became one of Crown's top 50 Chinese high rollers, turning over tens of millions of dollars. The following year, Crown offered Chai free gambling cash and tickets to the grand prix. Flight records and his business partnerships with two Crown junkets, Tom "Chinatown" Zhou and Pan, also suggest that Chai may be involved in junket activity. But it was Chai's family connection to the Chinese president, along with his dealings with Zhou, that triggered intense interest from various Australian agencies in the months after Border Force agents boarded the private jet at Coolangatta airport in 2016. Some of those on the plane received unexpected calls earlier

this year asking what they knew about Chai and Zhou. The man asking the questions was an agent from ASIO. The Herald has also confirmed that two other men on the plane with Chai and Zhou are also of intense interest to ASIO. One is another Crown high roller with links to junket operators.

Coming soon

During the search of the plane and its passengers on the Gold Coast, federal agents made several unusual findings. Chai, Zhou and their guests were not carrying wallets or mobile phones. One of the passengers claimed he had only decided to travel from the Gold Coast to New Zealand that morning on a whim.

The precise nature of the trip, and of Zhou's relationship with the United Front and the president's cousin, remain shrouded in secrecy, and until now, Zhou continues his life in his luxury Melbourne home, untouched by law enforcement.

There have been some hurdles. Zhou's unruly behaviour at Crown has led him to be barred from the casino (he'd earlier self-excluded to maintain a lower profile). But sources familiar with his operation say his junket is still running strong, albeit via several proxy junkets in other names.

And there may be yet more good news on the horizon for Zhou.

Crown is currently building its \$2 billion Barangaroo hotel and casino in Sydney on prime waterfront land. It's due to open in 2021. This casino is partly aimed at Chinese high rollers. If nothing changes, there could be more of everything for Zhou and the other men involved in the junket business: more mates fast-tracked into Australia, more hefty payments, more private jet trips, more luxury gifts and more big houses in swanky suburbs.

For the time being at least, Mr Chinatown's lucky streak is still running hot.

Know more? Send us a confidential and encrypted message on [JournoTips](#)

#### — Index References —

Company: AMERICAS CAR MART INC; CROWN RESORTS LTD; MELBOURNE ENTERPRISES LTD; ZTE CORP

News Subject: (Crime (1CR87); Emerging Market Countries (1EM65); Financial Fraud (1FI18); Fraud (1FR30); Smuggling & Illegal Trade (1SM35); Social Issues (1SO05))

Industry: (Casinos (1CA80); Entertainment (1EN08); Gaming Industry (1GA25))

Region: (Asia (1AS61); Australasia (1AU56); Australia (1AU55); Australian Capital Territory (1AU58); China (1CH15); Eastern Asia (1EA61); Far East (1FA27); Hong Kong (1HO04); Oceania (1OC40); Victoria (1VI05); Western Australia (1WE82))

Language: EN

Other Indexing: (Tao Siju) (Simon Pan; Grace Tobin; John Garnaut; Nick McKenzie; Mike Yang; Alex Joske; Daniel Andrews; Ming Chai; Tom Zhou; Nick Toscano; Xi Jinping; Mariah Carey; Malcolm Turnbull; Roman Quaedvlieg; Tom "Chinatown" Zhou; Greg Leather; James Douglas Packer; James Douglas Packer)

Edition: First

Word Count: 3763

End of Document

© 2021 Thomson Reuters. No claim to original U.S. Government Works.

**NewsRoom**