



APPROVAL OF MAJOR CHANGE IN STATE OF AFFAIRS OF THE SYDNEY CASINO OPERATOR (THE STAR PTY LIMITED (“THE STAR”))

Background and Context

On 25 June 2012, Genting Hong Kong Limited (**Genting HK**) applied to the Independent Liquor and Gaming Authority (**the Authority**) seeking approvals for Genting HK to acquire more than 10% of the issued share capital in Echo Entertainment Group Limited (**Echo**). The application by Genting HK sought various consents and approvals including:

- (a) approvals required under the major change provisions of *Casino Control Act 1992* (NSW) (**Act**) for Genting HK and relevant individuals and entities related to or associated with Genting HK to become close associates of the Sydney casino operator;
- (b) consents to hold voting power in Echo above 10% (subsequently capped by Genting HK at a 25% level of shareholding and finally proceeding on the basis of a 23% cap (**Ownership Cap**)) as required under existing section 142 agreements including the Echo Deed and the Echo Constitution, each of which contain various restrictions binding on Echo shareholders; and
- (c) a consequential and technical consent required under Star City Holdings Limited’s constitution to hold an indirect interest in Star City Holdings Limited,

The Authority has considered the Genting HK application on the basis that, if approved, it would result in Genting HK and relevant individuals and entities connected to or associated with Genting HK (including Tan Sri Lim Kok Thay and Golden Hope Limited in its capacity as Trustee for the Golden Hope Trust) (together **Genting HK and Upstream Close Associates**) becoming “close associates” of The Star Pty Ltd (**The Star**).

A person is a close associate of The Star if the person holds a relevant financial interest, or is able to exercise a relevant power, in relation to The Star and (as a result of that financial interest or power) the Authority is of the opinion that the relevant person is, or will be, able to exercise a significant influence over or with respect to the management or operation of The Star. Alternatively, a person may be a close associate of The Star by virtue of that person holding a “relevant position” in the business of The Star.

A change in the state of affairs of The Star that results in a person becoming a “close associate” of The Star is a “major change” for the purpose of section 35 of the Act. The Authority is not to grant its approval to a person becoming a close associate unless satisfied that the person is a suitable person to be associated with the management of The Star.

Major Change, Close Associate Approval and Voting Power Consents

On 3 September 2015, the Authority approved the Genting HK and Upstream Close Associates as suitable persons to be associated with the management of The Star for the purpose of the Genting HK and Upstream Close Associates and associated entities and individuals holding voting power in Echo in excess of 10% and up to the Ownership Cap (**Legislative Approval**). .

Consequent upon the Authority granting the Legislative Approval, the Authority has consented to the Genting HK and Upstream Close Associates and connected and associated individuals and entities having voting power in Echo in excess of 10% and up to the Ownership Cap, and corresponding voting power consents in relation to Star City Holdings (**Voting Power Consents**). The Voting Power Consents are subject to certain time and other limitations and capital adjustments. For further detail, see the Attachment to this media release.

The terms applying to the Legislative Approval and the Voting Power Consents are contained within agreements negotiated and entered into in relation to the Genting HK Application under section 142 of the Act with the approval of the responsible Minister, the Honourable Troy Grant MP, Deputy Premier, Minister for Justice and Police, Minister for the Arts, and Minister for Racing for the time being administered by the Act (**Section 142 Agreements**).

In granting the Legislative Approval and Voting Power Consents and negotiating the Section 142 Agreements, the Authority has had regard to its regulatory and contractual controls under, inter alia, the Act and existing section 142 agreements between the Authority, Echo and The Star. These existing controls include the power to require the disposal of:

- any shares held in Echo above the general 10% ownership limit currently set out under the Echo Constitution; and
- all shares held in Echo by any entity or individual who is found (as part of the Authority's ongoing suitability considerations) not to be a suitable person to be associated with The Star, irrespective of any ownership limit.

Each of the disposal controls referred to above have been reinforced by terms under the Section 142 Agreements, but in the context of the higher Ownership Cap.

Investigations and Considerations

The Authority's investigations were conducted for the purpose of ensuring that:

- the ownership, finances, management and operations of The Star remain stable, financially viable and successful;
- The Star remains free from criminal influence, exploitation and undesirable or unsatisfactory financial sources; and
- the potential of The Star to cause harm to the public interest is contained and appropriately regulated.

Accordingly, the Authority's investigations extended beyond the Genting HK and Upstream Close Associates to relevant entities and individuals considered by the Authority to be business associates of the Genting HK and Upstream Close Associates, including in relation to foreign jurisdictions.

In granting the Legislative Approval the Authority has considered a wide range of material including: public submissions made in respect of the Genting HK application; the Authority's probity investigations of entities and individuals (including enquiries of overseas and local law enforcement agencies and gaming regulators) and legal, accounting, financial and appropriate process advice.

The Authority notes that consideration of the Genting HK application has taken considerably longer than the Authority had expected. This was due, first, to delays in Genting HK providing information to the Authority and, second, to Genting HK making significant new investments in jurisdictions where the Authority had little background knowledge; requiring on several occasions the commencement of new lines of investigation. The Authority at all times worked to bring the investigation to a conclusion as soon as it was in a position to do so.

Section 142 Agreements

Under the Section 142 Agreements, the Legislative Approval and the Voting Power Consents do not constitute approval or consent for matters not part of the Genting HK application. Accordingly, further written approval must be sought from the Authority for any relevant Genting HK and Upstream Close Associate or connected and associated individuals or entities to become a director of Echo or The Star, hold other key executive positions in Echo or The Star, or be otherwise associated or connected with the day to day operation of Echo or the business of The Star. In addition, written approval of the Authority is required for any such entities or individuals to enter into any contract with Echo or the Star where that contract is significant to the overall operation or management of The Star (for example, joint venture arrangements in relation to casino operations).

Further written approval of the Authority is also required for any Genting HK and Upstream Close Associate to increase its shareholding in Echo above the Ownership Cap.

The Authority has exercised its statutory functions in relation to the Genting HK application separately from the Minister and has granted the approvals and consents independently of the Minister. However, the Authority has obtained the approval of the Minister in relation to the negotiation of, and entry into, the Section 142 Agreements as required under the Act.

The Authority has satisfied itself that the terms of the Section 142 Agreements are in accordance with the Act and its objects.

The Authority will post the Section 142 Agreements on its website, with limited redactions, in the near future.

Independent Process Audit

As with similar applications considered by the Authority, the granting of the Legislative Approval and the Voting Power Consents and the negotiation of, and entry into, the Section 142 Agreements by the Authority has occurred under the oversight of the Authority's appointed independent process auditor, IAB Services led by senior consultant Jason Masters. Under Mr Masters' guidance and advice appropriate protocols have been in place to ensure that:

- the Authority's statutory obligations are discharged, that the Authority has no conflicts of interest as regards its consideration of the Genting HK application;
- the confidentiality of relevant parties under the Genting HK application is appropriately protected; and
- the consideration of the Genting HK application by the Authority in New South Wales and consideration of a similar application made by Genting HK to the Office of Liquor Gaming and Racing in Queensland in respect of Echo's Queensland casinos have remained independent of each other and have relied on their own statutory and contractual considerations. However, where appropriate, the Authority has liaised with the Queensland Office of Liquor Gaming and Racing in relation to some joint and overlapping investigations undertaken.

Chris Sidoti
Chairperson

3 September 2015

Attachment

This attachment sets out the Voting Power Consents provided under the relevant Section 142 Agreements.

The following terms have been extracted from the relevant Section 142 Agreements.

Capitalised terms not defined below have the meaning given to those terms in the media release dated 3 September 2015.

Definitions

Applicants means Genting HK, Star Cruises Asia Holding Limited, Shine Ventures Limited and Cheer Century Limited;

Associate means a person who, in accordance with the Corporations Act, is an associate of the primary person for the purposes of determining the primary person's Voting Power in Echo;

Control has the same meaning given to it in section 50AA of the Corporations Act and **Controlled** is to be interpreted accordingly;

Corporations Act means the *Corporations Act 2001 (Cth)*;

Genting HK Parties means:

- (a) the Applicants;
- (b) each Subsidiary of Genting HK [specified as at the date of the Genting HK Deed]; and
- (c) any company (now or in the future) which is a Subsidiary of the companies listed in paragraphs (a) and (b) or which is Controlled by any one or more of those entities;

Listed Genting Entities means:

- (a) Genting Berhad;
- (b) Genting Malaysia Berhad;
- (c) Genting Plantations Berhad;
- (d) Genting Singapore PLC;
- (e) any entity Controlled by the persons listed in subparagraphs (a) to (d) of this definition;

Related Body Corporate has the meaning given to it in the Corporations Act;

Subsidiary has the meaning given to that term in the Corporations Act;

Upstream Party means:

- (a) Tan Sri Lim Kok Thay;
- (b) Golden Hope Limited;
- (c) First Names Trust Company (Isle of Man) Limited;
- (d) Joondalup Limited;
- (e) Goldsfine Investment Limited;
- (f) Woodvale Sdn Bhd;
- (g) Time Life Equity Sdn Bhd;
- (h) Kien Huat International Limited;
- (i) Kien Huat Realty Sdn Bhd;
- (j) Inverway Sdn Bhd; and
- (k) Parkview Management Sdn Bhd;
- (l) any entity controlled by the entities listed in paragraphs (a) to (k) of this definition; and
- (m) any bodies corporate Controlled by either or both of:
 - (1) Tan Sri Lim Kok Thay; and
 - (2) Golden Hope Limited,

but excludes the Genting HK Parties;

Voting Power means Voting Power as it is defined in Echo's constitution.

Voting Power Consents

The drafting of the Voting Power Consents proceeded on the basis that:

- the current consent to hold a higher level of Voting Power in Echo should be capped at a 23% (rather than 25%) level, subject to terms set out in the Section 142 Agreements negotiated in respect of the Genting HK Application (**Ownership Cap**);
- the Ownership Cap will be raised if any relevant party's Voting Power increases above 23% as a result of Echo conducting any subdivision, consolidation, share buy-back, redemption of shares, capital return or reduction of capital and further issues of shares whether by way of a rights issue, bonus issue, or any other in relation to which the Authority's approval has been obtained under the Act (but excluding certain placements of shares) (**Capital Event**);

- 36 months after the date of the Section 142 Agreements (**Sunset Date**), the Ownership Cap will be set at a number which is equal to:
 - the aggregate of the Voting Power in Echo held by the Genting HK Parties and the Upstream Parties as at the Sunset Date; or
 - if the Ownership Cap increases as a result of a Capital Event, that increased amount; and
 - due to ownership and control relationships as between Genting HK and the Upstream Parties, the class of persons being provided consents and approvals will extend beyond the Applicants to include individuals and entities associated with either or both of Genting HK and the Upstream Parties.

In giving the Voting Power Consents under the Section 142 Agreements, the Authority consents to:

- the Voting Power in Echo of each of the Genting HK Parties exceeding 10%;
- the Voting Power in Echo of each of the Upstream Parties exceeding 10% provided that either:
 - one or more of the Upstream Parties remains an Associate of Genting HK; or
 - one or more Upstream Parties are deemed, by virtue of section 608(3) of the Corporations Act, to have the same relevant interest in Echo shares as held by Genting HK from time to time;
- each of the Genting HK Parties becoming entitled to more than 5% of the shares in the capital of Star City Holdings, provided that:
 - the entitlement of the Genting HK Parties does not exceed the percentage ownership that Echo holds in Star City Holdings; and
 - none of the Genting HK Parties or Upstream Parties directly or indirectly hold shares in Star City Holdings; and
- each of the Upstream Parties becoming entitled to more than 5% of the shares in the capital of Star City Holdings, provided that:
 - the entitlement of the Upstream Parties does not exceed the percentage ownership that Echo holds in Star City Holdings;
 - none of the Genting HK Parties or Upstream Parties directly or indirectly hold shares in Star City Holdings; and
 - one or more Upstream Parties remains an Associate of Genting HK or one or more Upstream Parties are deemed, by virtue of section 608(3)

of the Corporations Act, to have the same relevant interest in Echo shares as held by Genting HK from time to time.

Further prior written consent of the Authority is required for the Voting Power in Echo held by any one or more of the Genting HK Parties or the Upstream Parties to be in excess of the Ownership Cap.

Conditions on the Voting Power Consents

The Section 142 Agreements state that the Voting Power Consents do not entitle any of the Genting HK Parties or any Upstream Party to:

- own directly or indirectly a greater percentage of shares in Star City Holdings than the percentage of shares owned by Echo in Star City Holdings from time to time; or
- directly or indirectly hold shares in Star City Holdings.

Furthermore the Voting Power consents are not provided for any Listed Genting Entity to hold Voting Power in Echo in excess of 10%.

Under the Section 142 Agreements, the Voting Power Consents are subject to a term that the Voting Power in Echo held by one or more of the Genting HK Parties, determined in accordance with the rules set out below, does not exceed the Ownership Cap.

To determine whether the Voting Power in Echo of a Genting HK Party has exceeded the Ownership Cap under the Section 142 Agreements, the following rules apply:

- the Voting Power in Echo held by any one or more of the Listing Genting Entities will be aggregated with the Voting Power held by the Genting HK Parties;
- where one or more Upstream Parties remain an Associate of Genting HK or one or more Upstream Parties are deemed, by virtue of section 608(3) of the Corporations Act, to have the same relevant interest in Echo shares as held by Genting HK from time to time, the Voting Power in Echo held by any one or more of the Genting HK Parties will be aggregated with the Voting Power held by the Upstream Parties;
- where one or more Upstream Parties hold a relevant interest in greater than 10% of Genting HK Shares but less than 20% of Genting HK Shares, the Voting Power in Echo held by any one or more of the Genting HK Parties will be aggregated with the Voting Power held by Upstream Parties; and
- for the purposes of calculating the Voting Power in Echo of the Listed Genting Entities and Upstream Parties, the votes attached to voting shares in Echo that are included in the calculation of the Voting Power in Echo of the Genting HK Parties will be disregarded.