



INDEPENDENT LIQUOR AND GAMING AUTHORITY OF NSW

INQUIRY UNDER SECTION 143 OF THE CASINO CONTROL ACT 1992 (NSW)

**THE HONOURABLE PA BERGIN SC
COMMISSIONER**

**PUBLIC HEARING
SYDNEY**

**MONDAY, 28 SEPTEMBER 2020
AT 9.59 AM**

Continued from 25.9.20

DAY 32

Any person who publishes any part of this transcript in any way and to any person contrary to an Inquiry direction against publication commits an offence against section 143B of the *Casino Control Act 1992 (NSW)*

MR A. BELL SC appears as counsel assisting the Inquiry
MR N. YOUNG QC appears with MS C. HAMILTON-JEWELL for Crown
Resorts Limited & Crown Sydney Gaming Proprietary Limited
MR N. HUTLEY SC appears with DR HIGGINS SC, MR A. D'ARVILLE and
5 **MR T. O'BRIEN for CPH Crown Holdings Pty Ltd and Mr Johnston**
MR J. STOLJAR SC appears with MS Z. HILLMAN for Melco Resorts &
Entertainment Limited

10 COMMISSIONER: Yes. Thank you. What should happen is those with leave to
appear should receive the transcript. Those with leave to appear understand the
confines of any non-publication order. But it's not appropriate to keep from those
who have leave to appear the copy of the transcript. So Mr Sullivan will be sending
the transcript to those with leave to appear this morning. Thank you. Yes, Mr Bell.

15 MR BELL: Commissioner, before I start, could I tender additional documents
AB38 to 42.

COMMISSIONER: Yes.

20 MR BELL: They've been provided to the parties and exhibit AB38 to 41 are - - -

COMMISSIONER: Would you say that again for me.

25 MR BELL: Yes, exhibit AB38 to 41 are hearing room only.

COMMISSIONER: So the documents will be marked exhibit AB34 – is it - - -

MR BELL: Sorry, 38 to 42.

30 COMMISSIONER: 38 to 42. Thank you.

EXHIBIT #AB38 TO 42 DOCUMENTS

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COMMISSIONER: Yes. Yes, now, Mr Johnston, are you ready to proceed?

40 <MICHAEL ROY JOHNSTON, ON FORMER OATH [10.01 am]

<EXAMINATION BY MR BELL

45 MR JOHNSTON: Yes, thank you, Commissioner.

COMMISSIONER: And you are bound by the oath that you took last Friday; you understand that?

MR JOHNSTON: Yes, I understand that.

5

COMMISSIONER: Thank you.

MR BELL: Mr Johnston, could you look at exhibit AB33, confidential link CRL.568.027.0463. Now, Mr Johnston, you said on Friday that you were reviewing this financial plan and making suggestions in relation to it in your capacity as an executive of CPH providing services to Crown Resorts under the services agreement. Do you recall saying that?

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MR JOHNSTON: Yes.

15

MR BELL: And as an executive of CPH, you understood that you owed obligations of loyalty to CPH, didn't you?

MR JOHNSTON: I had duties to CPH, yes. I'm not sure if loyalty is necessarily something I had in mind but I certainly had duties to CPH.

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MR BELL: And as a director of CPH, you understood that you owed obligations of loyalty to CPH in that capacity as well, didn't you?

MR JOHNSTON: I had duties as a director to CPH, yes.

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MR BELL: And you understood, as an executive of CPH providing services to Crown Resorts under the services agreement, that you owed obligations to Crown Resorts in that capacity as well, didn't you?

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MR JOHNSTON: Yes, under the terms of the service agreement, yes.

MR BELL: And you understood that that included an obligation to notify Crown Resorts of any actual or potential conflict of interest which you perceived arising out of the provision of the services; correct?

35

MR JOHNSTON: Yes.

MR BELL: And you understood also, as a director of Crown Resorts, that you owed obligations of loyalty to Crown Resorts; correct?

40

MR JOHNSTON: Yes.

MR BELL: And you also understood that the financial information which you were reviewing had been requested by Mr Packer; correct?

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MR JOHNSTON: It was financial information that was being prepared in the normal course of the Crown budgeting process. I was aware that Mr Packer had sent an email to Mr Barton with respect to his expectations from the budgeting process. But it was a – it was a normal process that was conducted by Crown at this time every year.

MR BELL: You understood that the financial information which you were reviewing had been requested by Mr Packer from Mr Barton, and that Mr Packer had asked Mr Barton for a financial plan that he believed in, didn't you?

MR JOHNSTON: A financial plan that was prepared in accordance with Crown's normal budgeting processes, that Mr Barton believed in, yes.

MR BELL: And you knew it would be provided to Mr Packer following your review of it, didn't you?

MR JOHNSTON: Yes.

MR BELL: And you understood that one of the reasons why Mr Packer wanted to see this financial information was in connection with the proposed sale of Crown Resorts shares by CPH Crown Holdings; correct?

MR JOHNSTON: No, I didn't – I didn't know that.

MR BELL: I see. But by around 18 May 2019, you were aware that Melco Resorts had indicated that it had decided on the option of acquiring 19.9 per cent of the shares in Crown Resorts from CPH Crown; correct?

MR JOHNSTON: Yes, we didn't have a deal, so to speak, at that point, but yes.

MR BELL: And by about 21 May 2019 you were aware that this was Mr Packer's preferred option, weren't you?

MR JOHNSTON: I thought that was by the 22nd but I could be wrong on that, on the date. I thought it was slightly later than that because I had a – I can recall having a discussion with Mr Jalland on 22 May US time – I was in Boston at the time – where he advised me where things were at.

MR BELL: You were aware by 21 May that Mr Packer was seriously considering that proposal from Melco; correct.

MR JOHNSTON: Again, I think I became aware of that on the 22nd.

MR BELL: You told us on Friday, at transcript page 3008, line 43 that you were aware a short time after 18 May that this was Mr Packer's preferred option.

MR JOHNSTON: Yes.

MR BELL: Do you stand by that evidence?

MR JOHNSTON: Yes, I think the 22nd was a short time after the 18th.

5 MR BELL: All right. You knew that it was one of the options which was under consideration at this time, didn't you?

MR JOHNSTON: Yes.

10 MR BELL: And you understood that Mr Packer wasn't entitled to receive this financial information under the services agreement, didn't you?

MR JOHNSTON: Yes.

15 MR BELL: You understood that - - -

MR JOHNSTON: Well, sorry, let me correct that. I'm not sure that's absolutely clear but I had assumed he would be receiving it under the substantial shareholder agreement.

20

MR BELL: But Mr Johnston, you had specifically raised a proposed amendment to the services agreement because you understood that under the existing services agreement regime, Mr Packer wasn't entitled to receive information under it as he was no longer a director of CPH. That's correct, isn't it?

25

MR JOHNSTON: I think that, from memory, the advice I got at the time was out of an abundance of caution, we should put in – we should amend the services agreement and the substantial shareholder protocol was a suggestion of Crown in response to that suggestion.

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MR BELL: Can we just have a look at exhibit Y7 again, Mr Johnston. It's confidential link CRL.501.050.8325.

MR JOHNSTON: Sorry, what tab was that? Yes.

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MR BELL: Now, I took you to this document on Friday and you see that you have written:

40 *Given that Mr Packer has resigned as a director of Crown Resorts and this company, we consider it appropriate in the interests of both companies to agree to a minor amendment to the CPH services agreement with the object of allowing Crown Resorts to continue to provide its confidential information to Mr Packer as it has done in the past.*

45 Do you see that?

MR JOHNSTON: Yes.

MR BELL: And you had no difficulty in agreeing with me on Friday that the purpose of this letter was to permit Mr Packer to continue to receive confidential information because he was no longer entitled to it under the services agreement; do you stand by that evidence?

5

MR JOHNSTON: Sorry, I thought that I had agreed that this was an amendment to the services agreement that was prudent. I'm not sure that I – I specifically acknowledged that he had no rights under the services agreement, but I stand corrected. You were travelling very quickly on Friday.

10

MR BELL: You understood that the whole reason for the controlling shareholder protocol was to ensure that there was a mechanism for Mr Packer to continue to receive confidential information of Crown Resorts notwithstanding that he was no longer an officeholder in CPH; that's right, isn't it?

15

MR JOHNSTON: That's right, yes.

MR BELL: You understood that the whole reason for the controlling shareholder protocol was to ensure that there was a mechanism for Mr Packer to continue to receive confidential information of Crown Resorts notwithstanding that he was no longer an officer holder in CPH; that's right, isn't it?

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MR JOHNSTON: That's right, yes.

MR BELL: And you understood that the directors and officers of Crown Resorts had important obligations to act carefully in providing information to Mr Packer under the protocol; correct?

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MR JOHNSTON: Correct.

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MR BELL: And you were the sole director of CPH Crown Holdings Pty Limited, the company which was proposing to sell a significant amount of its Crown Resorts shares at the time; correct?

MR JOHNSTON: Yes.

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MR BELL: And as the sole director of CPH Crown holdings, you understood that you owed directors' duties to that company?

MR JOHNSTON: Yes.

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MR BELL: And including an obligation to ensure that the price which it sold its shares in Crown Resorts was a price which was in the best interests of the company to accept; correct?

45

MR JOHNSTON: Correct, subject to the – any indication from shareholders. Yes.

MR BELL: But it was your obligation alone, as the sole director, to ensure that the transaction that was being contemplated was in the best interests of the company, wasn't it?

5 MR JOHNSTON: Yes. Yes.

MR BELL: And the financial information you were reviewing was financial forecasts of Crown Resorts prepared by management; correct?

10 MR JOHNSTON: Correct.

MR BELL: And when you commenced your review of the documents, on or about the 17th of May, these were still draft management plans until you and the executives of Crown Resorts had completed your review and suggested possible changes;
15 correct?

MR JOHNSTON: Well, they're still draft plans until the board considers them. Yes.

20 MR BELL: Sure, but when you first looked at them, they hadn't even been reviewed by you and all of the other executives who were provided those plans.

MR JOHNSTON: That's right.

25 MR BELL: And you understood – yes – that your review of those draft forecasts would be perceived by a reasonable person being relevant to your assessment of appropriate price of which CPH Crown Holdings would purchase its shares in Crown Resorts; correct?

30 MR JOHNSTON: No, I don't know that I accept that.

MR BELL: You did understand that Crown Resorts had asked you to review those financial forecasts as part of its normal budget process, didn't you?

35 MR JOHNSTON: Yes.

MR BELL: Not for the purpose of you deciding whether to sell shares in Crown Resorts; correct?

40 MR JOHNSTON: That's right. That's right.

MR BELL: And your duty, as an executive of CPH providing services under the services agreement, was to assist Crown Resorts in completing its normal budget process, wasn't it?
45

MR JOHNSTON: Yes.

MR BELL: And, by 2019, you had well over 10 years of experience as a director of a public listed company; correct?

5 MR JOHNSTON: Sorry. By which date? By 2019, did you say?

MR BELL: Yes.

MR JOHNSTON: Yes. Yes.

10 MR BELL: And you told us, at transcript page 3014, that you were very sensitive to actual conflicts of interest and also to perceived conflicts of interest between CPH and Crown Resorts. Do you remember giving that evidence?

15 MR JOHNSTON: Sorry. When – when did you say that I said that??

MR BELL: Do you recall telling - - -

COMMISSIONER: Mr Bell, if you can just go more slowly for Mr Johnston.

20 MR BELL: Do you recall telling the inquiry on Friday you were very sensitive to actual and perceived conflicts of interest at CPH and Crown Resorts?

25 MR JOHNSTON: Well, I think in connection with this matter, I said that I didn't see actual or potential conflicts of interest. But I acknowledge that I hadn't necessarily given a lot of thought to how they may be perceived by third parties. Am I misunderstanding your question?

30 COMMISSIONER: I don't think so. Mr Bell will take you to the next one, Mr Johnston.

MR BELL: On Friday at transcript page 3014, line 41, I asked you this – sorry. I will start at line 36:

35 *You were very sensitive to conflicts of interest between CPH and Crown Resorts; you've told us; correct?*

You said:

40 *Correct.*

And that sensitivity extended not just to actual conflicts of interested, but perception of conflicts of interest, as well; did it not?

45 *Yes, I did not – sorry. The answer is yes.*

Do you stand by that evidence that you gave to the inquiry on Friday?

MR JOHNSTON: Yes. I certainly would not have wanted a perception of a conflict of interest. But I certainly thought deeply about whether there were conflicts or potential conflicts.

5 COMMISSIONER: You're just being asked, at the moment, Mr Johnston - - -

MR JOHNSTON: Yes. Sorry.

10 COMMISSIONER: - - - do you – you're just being asked at the moment whether you accept and stand by that evidence that you gave on Friday; you understand that?

MR JOHNSTON: Yes. Yes.

15 COMMISSIONER: And you agree that you gave that evidence?

MR JOHNSTON: Yes, I do. Yes.

COMMISSIONER: And do you stand by that evidence, was the next question?

20 MR JOHNSTON: Yes. Yes, I do.

COMMISSIONER: Yes. Thank you.

25 MR BELL: And do you agree that a reasonable person would perceive a real possibility of conflict between your duties to CPH Crown Holdings – to CPH, on the one hand, and your duties to Crown Resorts, on the other, in reviewing the draft financial forecast in all the circumstances?

30 MR JOHNSTON: I'm sorry. Could you repeat that question?

MR BELL: Yes. Do you agree that a reasonable person would perceive a real possibility of conflict between your duties to CPH Crown Holdings and CPH, on the one hand, to your duties to Crown Resorts, on the other, in reviewing the financial forecasts in all the circumstances?

35

MR JOHNSTON: No.

40 MR BELL: And I suggest that, before you reviewed and involved yourself in discussions relation to these forecasts, you had an obligation to disclose to Crown Resorts that CPH Crown Holdings was at an advanced stage of negotiating to sell 19.9 per cent of its Crown Resorts shares to Melco; do you agree?

MR JOHNSTON: No, I don't.

45 MR BELL: And you understood that the services agreement contained a procedure to resolve conflicts of interest, didn't you?

MR JOHNSTON: Yes, I do.

MR BELL: And you understood that the procedure under the services agreement involved discussions between the managing director of Crown Resorts and the
5 managing director of CPH or their respective Nominees to endeavour to resolve the conflict?

MR JOHNSTON: Yes.

10 MR BELL: And you knew Mr Alexander was the executive chairman of Crown Resorts at the time, didn't you?

MR JOHNSTON: Yes, I did.

15 MR JOHNSTON: Yes. Well, why didn't you at least have a confidential discussion with Mr Alexander, as executive chairman of Crown Resorts, to inform him of the position that you were in to see if there could be an appropriate resolution?

MR JOHNSTON: Well, because I didn't see a conflict.
20

MR BELL: Even though you're very sensitive to that?

MR JOHNSTON: Yes.

25 MR BELL: Did you have any discussions with Mr Alexander, prior to the sale agreement with Melco, to inform him of what was occurring from the point of view of CPH Crown Holdings?

MR JOHNSTON: No.
30

MR BELL: Can we have a look at exhibit AA116. That is confidential link CRL.501.006.4192. You see that the email that Mr Barton sent to Mr Packer is copied to you, Mr Alexander and, also, Mr Felstead?

35 MR JOHNSTON: Yes.

MR BELL: Was Mr Felstead involved in the review of the financial plans which was then underway?

40 MR JOHNSTON: Yes. Well, he would have been involved in – in putting into the financial plans. Yes.

MR BELL: Did you have discussions with him in that regard in that period?

MR JOHNSTON: Not that I recall.
45

MR BELL: And you said on Friday that, following your discussion with Mr Barton and Mr Kady on the 21st of May 2019, there was a modification to the financial

plans after which they were provided to you, Mr Kady and Mr Packer. Do you recall giving that evidence?

MR JOHNSTON: Yes.

5

MR BELL: And I assume you also provided the plans to Mr Jalland?

MR JOHNSTON: No, I didn't.

10 MR BELL: Not at all?

MR JOHNSTON: Not that I recall, no.

MR BELL: Did you discuss any of the information in the plans with him?

15

MR JOHNSTON: I – I don't recall doing so prior to my meeting with Mr Packer in LA. Afterwards, I may have because he was in Sydney by that point and I was back in Sydney.

20 MR BELL: Just to be clear, you are referring to a meeting on 23 May 2019, are you?

MR JOHNSTON: Yes, with Mr Packer at his residence in LA.

25 MR BELL: If we look at exhibit AA36, it's on the confidential link at CPH.001.650.0007. I may have given you the wrong - - -

COMMISSIONER: It's the text messages.

30 MR BELL: It may be exhibit AB36, I'm sorry, Mr Johnston.

MR JOHNSTON: That's okay.

35 MR BELL: For hearing room only; you see these are some texts that you exchanged with Mr Packer on 23 May 2019; correct?

MR JOHNSTON: Yes.

40 MR BELL: And that's in connection with the meeting in Los Angeles that you referred to a moment ago?

MR JOHNSTON: That's right.

45 MR BELL: Who else was scheduled to attend that meeting?

MR JOHNSTON: It was just James and I. I had asked whether he would like Brad Kady to join us – and just to get the logistics right, I was in Boston as opposed to

Sydney so I had to go from Boston to LA to see Mr Packer. Mr Kady was in Sydney and as it turned out, we couldn't get the flights to – the timing of the flights correct, so Mr Kady couldn't join us, so it was just Mr Packer and I.

5 MR BELL: You mention in one of these texts that:

Mr Kady was in Macau earlier in the week to get as much information as possible on developments there.

10 MR JOHNSTON: Yes.

MR BELL:

And what everyone else was looking at doing.

15

MR JOHNSTON: Yes.

MR BELL: And you said that:

20 *This would be useful information in our discussions.*

Do you see that?

MR JOHNSTON: Yes, I do.

25

MR BELL: What was Mr Kady doing in Macau at this time?

MR JOHNSTON: He had gone to a gaming conference that was in – being held in Macau at that time. Which is - - -

30

MR BELL: information - - -

MR JOHNSTON: It's an industry conference. So it was just - - -

35 MR BELL:

MR JOHNSTON: So he would have got an update on developments as to what was happening in the Macau market and other gaming markets more generally.

40 MR BELL: How would that be useful to the discussions that you were going to have with Mr Packer?

MR JOHNSTON: Just bringing him up to date with how the markets were going.

45 MR BELL: Well, except Mr Packer replies:

Sure, but Mike it's my life and I'm going to overrule you.

MR JOHNSTON: Yes.

MR BELL: So what did you understand him to mean by that? What was he going to overrule you about?

5

MR JOHNSTON: So this was – this was a discussion – so I had, through the course of this process, been providing – sorry, Mr Kady and I had been providing Mr Packer with a range of options he could be thinking about, if he was thinking of selling down his interest in Crown. Mr Jalland had – had advised me on 22 May that Melco had come back and that they had agreed a price and that they were thinking about selling at that price. And Mr Packer, I think, had assumed that I was still trying to get him to focus on alternatives. So I think by that point in time he was thinking that he preferred the Melco transaction and so that was a gentle way of intimating that, I think, to me. But at the end of the day, he was still willing to take the meeting.

15

COMMISSIONER: When you say “still willing to take the meeting”, I presume that part of the agenda was to discuss the options?

MR JOHNSTON: Yes. There was a paper that, really, Mr Kady had put together that was sent to James and I in advance of the meeting on the 23rd that I had with Mr Packer, yes, but which went through a whole range of options. Some of them didn't make sense and some of them were – were worth thinking about, yes.

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MR BELL: Mr Johnston, you replied to Mr Packer:

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I note that more information can't hurt.

Do you see that?

MR JOHNSTON: Yes.

30

MR BELL: More information about what?

MR JOHNSTON: More information about the other options that may have been available to him.

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MR BELL: Were you trying to suggest to Mr Packer that there were better alternatives than selling 19.9 per cent of these shares to Melco?

MR JOHNSTON: I think I was suggesting that it was appropriate to make sure that we had considered all the options available to us.

40

MR BELL: But were you, for some reason, not in favour of the sale to Melco?

MR JOHNSTON: No, I wouldn't – I wouldn't say that. Of the other options in the – in the paper that we sent Mr Packer, I still did like exploring whether there may

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have been another approach by Wynn following the break-off of discussions earlier, so I did discuss that with Mr Packer.

5 MR BELL: If we look at exhibit AA120. It's confidential link CPH.001.005.0123.

MR JOHNSTON: Sorry, tab number? Sorry, was that 121, tab 121, Mr Bell?

COMMISSIONER: 120.

10 MR JOHNSTON: 120, thank you. Thank you, Commissioner.

MR BELL: This is the email from Mr Kady; Mr Packer copying to you and Mr Jalland with some discussion materials. Is that the materials that you were referring to a little earlier?

15 MR JOHNSTON: That's right.

MR BELL: If we could look at those materials; it's hearing room only. It's exhibit AA121, CPH.001.005.0134.

20 COMMISSIONER: 134 or 143?

MR BELL: 134.

25 COMMISSIONER: Yes, take that one down, then. 134, yes.

MR BELL: So just looking at page 0136, by this stage the proposal had firmed to a proposal for Melco to acquire 10 per cent of Crown Resorts from CPH Crown Holdings for \$13 a share plus a further 9.9 per cent of Crown Resorts at the same price in September 2019.

30 MR HUTLEY: Excuse me. Might I - - -

35 COMMISSIONER: Yes.

MR HUTLEY: This is the subject of a confidentiality claim. Again, if my learned friend proposes to read it out, that's going to rather defeat that exercise.

40 COMMISSIONER: Yes. I think the fact that it's a proposal may be confidential. This is all material that has been published, the two tranches were in this fashion. But, Mr Bell, Mr Hutley is suggesting that this particular document is confidential.

45 MR BELL: I expected that he would have sensitivities about this document, but I apprehend that what I'm going to ask about it won't cause any problems - - -

COMMISSIONER: All right.

MR BELL: - - - but I may be wrong.

COMMISSIONER: Yes. Well, so far, you have indicated the content of it, but that content is not of concern, I wouldn't have thought, because that's all in the public
5 domain. But if you just be assured that Mr Hutley is objecting to it at the moment, and if we can just go carefully.

MR BELL: I can't imagine that the question I just asked - - -

10 COMMISSIONER: No, that's in, that's in.

MR BELL: I'm not sure if Mr Johnston answered it?

COMMISSIONER: Yes. He did not.
15

MR JOHNSTON: Apologies. Sorry. With all of that, could you just repeat the question please, Mr Bell.

MR BELL: Yes. I'll ask the question again. By 23rd of May 2019, the proposal
20 with Melco had firmed to the proposal for Melco to acquire 10 per cent of Crown Resorts from CPH Crown Holdings for \$13 a share, plus a further 9.9 per cent of Crown Resorts at the same price in September 2019; is that correct?

MR JOHNSTON: Yes. By the 23rd, at the point that I was meeting with Mr
25 Packer, which was the 23rd of May in LA, yes, it was being seriously considered; that's right.

MR BELL: And it's been described as the current proposal.

30 MR JOHNSTON: That's right.

MR BELL: The first bullet point on this page; do you see that?

MR JOHNSTON: Yes. Yes, I do.
35

MR BELL: And this was the deal which ultimately proceeded one week later; correct?

MR JOHNSTON: Yes. Yes, it is. Yes.
40

MR BELL: Now, if I could ask you to look at page .0138. And all I really want to ask you about that is that, at this point in time, Mr Kady was raising – still raising – as a possibility the sale of 19.9 per cent of Crown Resorts shares to Suncity; is that
45 right?

MR JOHNSTON: Yes. As I said, this was really just meant to be a complete collection of possibilities as opposed to things that were being recommended.

MR BELL: Now, is it the case that, following the discussions on the 23rd of May 2019, Mr Packer said that he supported proceeding with the transaction for Melco Resorts to purchase 19.9 per cent of the issued shares at \$13 a share in two tranches?

5 MR JOHNSTON: Yes.

MR BELL: And you understand Mr Packer telephoned Mr Ho on the 23rd of May 2019 telling him that he was happy to move ahead with that transaction?

10 MR JOHNSTON: Yes.

MR BELL: And that the transaction then proceeded to be documented; correct?

MR JOHNSTON: Yes.

15

MR BELL: CPH had legal advisers acting for it?

MR JOHNSTON: Yes.

20 MR BELL: Correct? Melco Resorts had legal advisers acting for it; correct?

MR JOHNSTON: Yes. Correct.

MR BELL: Now, can I ask you to look at exhibit AB41, which is hearing room only, CPH.001.021.0006.

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MR JOHNSTON: Yes.

MR BELL: So this is a letter, which you signed on the 29th of May 2019, to Melco Resorts requiring certain confidentiality undertakings from officers of Melco Resorts; is that correct?

30

MR JOHNSTON: Yes, it is.

MR BELL: And if we look at exhibit AB39, which is also hearing room only, CPH.001.021.0054. Is that the signed confidentiality undertakings by certain officers of Melco Resorts?

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MR JOHNSTON: Sorry. Just give me one second. I'm just getting it now. Yes, it is.

40

MR BELL: So just going back to exhibit AB41 we looked at a moment ago, which is your letter to Melco of the 29th of May 2019, under this arrangement, you declared CPH as the trustee of a trust of which Crown Resorts and its related bodies corporate were beneficiaries; is that correct?

45

MR JOHNSTON: I am sorry? Sorry. Which - - -

MR BELL: If you have a look at the second page of the letter, clause 2.

MR JOHNSTON: Yes.

5 MR BELL: Tell me – tell me if you need a moment to read it first.

MR JOHNSTON: I - - -

10 MR BELL: - - - but what I'm asking you to agree with is whether you declared CPH as the trustee of the trust of which Resorts and its related bodies corporate were Crown beneficiaries?

MR JOHNSTON: I think I might be looking at the wrong document here. What is your document reference?

15 COMMISSIONER: At paragraph 2A, Mr Johnston.

MR BELL: It should be exhibit AB41, hearing room only, CPH.001.021.0006.

20 MR JOHNSTON: I think – hang on one sec, please.

COMMISSIONER: It is the letter to Melco that you wrote.

25 MR JOHNSTON: Okay. I'm sorry.

COMMISSIONER: That's all right. It's on page 2. And it's paragraph 2A, to which Mr Bell has taken you.

30 MR BELL: Let me ask the question again. Under this arrangement, you declared CPH as the trustee of a trust for which Crown Resorts and its related bodies corporate were beneficiaries; is that correct?

35 MR JOHNSTON: That appears to be what it's saying, but I'm not a lawyer so I'm – this was obviously a document that was drafted by CPHs lawyers to deal with the requirements of the services agreement regarding disclosing information.

MR BELL: But you signed it, didn't you?

40 MR JOHNSTON: Yes.

MR BELL: You're a highly experienced tax accountant, aren't you?

MR JOHNSTON: Yes.

45 MR BELL: And you've had dealings with trusts and trustees on many occasions and in many different contexts in your experience, haven't you?

MR JOHNSTON: Yes.

MR BELL: And you understand that a trustee has serious legal responsibilities to act in the best interests of the beneficiaries of a trust, don't you?

5

MR JOHNSTON: Yes.

MR BELL: And you understood, from a risk perspective, that a breach of this undertaking by Melco Resorts could cause irreparable harm to Crown Resorts, didn't you?

10

MR JOHNSTON: The undertaking to keep things confidential? Yes.

MR BELL: And Crown Resorts is a publicly listed company in Australia. Did you inform Crown Resorts that you declared CPH as its trustee in relation to the promises in this arrangement?

15

MR JOHNSTON: No. My advice was – didn't – didn't suggest that I needed to do that.

20

MR BELL: So you presumed to declare CPH as the trustee of a trust for Crown Resorts in respect of an arrangement which you knew exposed Crown Resorts to the risk of irreparable harm without informing Crown Resorts of that fact; is that the position?

25

MR HUTLEY: I object.

COMMISSIONER: Yes.

MR HUTLEY: Well, one, Commissioner, if you look at the agreement – the document – it uses the words "acknowledge"; that comes out of another agreement which actually - - -

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COMMISSIONER: Sorry, could you speak up, Mr Hutley.

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MR HUTLEY: I do apologise, Madam Commissioner.

COMMISSIONER: That's all right.

MR HUTLEY: It's an acknowledgement, not a declaration; and the effect of the trust, I think, comes out of another agreement which says if you enter into a thing in this form it will be held. So it's actually – my learned friend, in effect, is putting an incorrect legal proposition to the witness.

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COMMISSIONER: Well, I think he can put to him what he has so far, that even if it's not a declaration of trust in the letter, it's an acknowledgement that it exists. Certainly, CPH is purporting, at least in this document, to suggest to Melco that it is

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in fact in a trustee beneficiary relationship with Crown and there's no problem with that. If I may, speaking of problems, Mr Hutley, I do want to hear what you say with clarity. If somehow the microphone into which you're speaking could be brought closer to you, I'd be grateful. Thank you.

5

MR HUTLEY: Thank you, Madam Commissioner; I have.

COMMISSIONER: Yes. Thank you. Yes, Mr Bell.

10 MR BELL: Could I ask this question then, Mr Johnston. Do you say that you presume to enter into an arrangement with Melco Resorts in which CPH became a trustee of a trust for Crown Resorts under an arrangement which you acknowledged exposed Crown Resorts to the risk of irreparable harm if it was breached without first informing Crown Resorts of that fact?

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MR JOHNSTON: As I understood it, the purpose of this document was to comply with the requirements in the services agreement and these were the requirements. So if – I can't comment on whether your characterisation of what this is providing for is the correct legal characterisation.

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COMMISSIONER: Well, let me just see. You see, what Mr Bell is asking you is, did you tell Crown that you had told Melco that you, as CPH's representative, or that CPH had an arrangement with Crown in which it, CPH, acted as a trustee in relation to the information?

25

MR JOHNSTON: No, I didn't.

COMMISSIONER: Yes. All right.

30 MR BELL: And is it your evidence that it didn't occur to you that Crown Resorts would need to know that it was incurring risks under this arrangement with Melco Resorts which were exposing it to the possibility of irreparable harm?

35 MR JOHNSTON: No. We – as I said, we – I was taking advice on the appropriate protocol to follow. This was the result of that advice and the advice didn't – didn't – didn't tell me that I had to disclose this to Crown.

40 MR BELL: If we look at exhibit AB40, I'm conscious, for the benefit of all of the parties, that this is a highly confidential document and I will deal with it as carefully as I can. It's exhibit AB40, hearing room only, CPH.001.021.0004. I'm sorry, I have given the wrong reference, it's actually – the last four digits are 0051. Do you have that document, Mr Johnston?

45 MR JOHNSTON: Yes, I do.

MR BELL: This is the letter which you signed on 29 May 2019 annexing certain confidential information of Crown Resorts; is that correct?

MR JOHNSTON: Yes, it is.

MR BELL: And is this the disclosure letter which you were referring to in your evidence at the end of the day last Friday?

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MR JOHNSTON: Yes. Yes, it is.

MR BELL: And I'm only going to take you to items 1 and 2 in the annexure. You see that item 1 refers to the Crown Resorts EBITDA for 2019 indicating it would be two per cent below analysts' consensus expectations?

10

MR JOHNSTON: Yes.

MR BELL: And item 2 refers to Crown Resorts budget for financial year, 2020; do you see that?

15

MR JOHNSTON: Yes, I do.

MR BELL: And it indicates management expect it to be four per cent below analyst expectations; do you see that?

20

MR JOHNSTON: Yes, I do.

MR BELL: So I take it that your purpose in making this disclosure to Melco Resorts was to share the inside information concerning Crown Resorts which CPH had so that CPH could not be accused of trading Crown Resorts shares with inside information that was not available to Melco; is that right?

25

MR HUTLEY: I object.

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COMMISSIONER: Yes, Mr Hutley?

MR HUTLEY: The witness hasn't accepted that the information was inside information. In fact, therefore, it's a multiple question and the witness – it should be broken up.

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COMMISSIONER: I thought he had accepted that it wasn't – I thought he had suggested that it wasn't price sensitive. I don't know that he has actually said anything about that other matter, but you can take me to the transcript.

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MR HUTLEY: That's precisely my point. He should be asked; it should be broken up.

COMMISSIONER: Yes.

45

MR BELL: I'm happy to break it up, Commissioner.

COMMISSIONER: Yes. Yes.

MR BELL: Well, let me ask you this, Mr Johnston: what was your purpose in making this disclosure?

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MR JOHNSTON: With respect to – I’m sorry, was somebody else talking? No, sorry.

COMMISSIONER: No, no.

10

MR JOHNSTON: Sorry. With respect to these two items, whilst - - -

MR BELL: No, no, sorry. That’s not quite what I wanted to ask you. What was your purpose in providing this disclosure letter?

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MR JOHNSTON: I’m sorry, I misunderstood your question. The disclosure letter was to provide to Melco information that, whilst we didn’t necessarily think it was price sensitive, we thought out of an abundance of caution it was appropriate to disclose to a purchaser.

20

MR BELL: Yes. And you were taking a conservative approach, were you?

MR JOHNSTON: Yes. Yes.

25

MR BELL: So why didn’t you take the same conservative approach to your obligation to disclose the potential conflicts of Crown Resorts when you were reviewing the management forecasts a little earlier?

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MR HUTLEY: I object. He hasn’t accepted the proposition which is the premise to that question.

COMMISSIONER: Mr Bell.

MR BELL: Well - - -

35

COMMISSIONER: What Mr Johnston has said is that he didn’t look, at the time, the perceived conflicts.

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MR BELL: But I understand you to say that you were disclosing this information to Melco Resorts because you were taking a conservative approach to the issue of whether it may or may not be inside information; is that right?

MR JOHNSTON: Yes.

45

MR BELL: So why didn’t you take the same conservative approach to your assessment to the possibility of inside information when you were reviewing the management forecasts.

MR HUTLEY: I object. I object to the question. The question, with respect, is a non sequitur. If he is being asked about a question of conflict or perceived conflict, that's one thing. But the conservatism with respect to the predicate has got nothing to do – in the question has nothing to do with insider trading laws.

5

COMMISSIONER: Well, I think in the circumstances he can be asked at the time that he looked at the information whether he could take a conservative approach to tell Crown about the prospect of it being provided to a third party. I don't find that offensive in the circumstances. Yes, Mr Bell, you may proceed.

10

MR BELL: Let me go back a step, Mr Johnston. You told us on Friday that one of the reasons you didn't perceive an actual or potential conflict of interest was because you didn't perceive that the information which you were viewing was price sensitive information or inside information; correct?

15

MR JOHNSTON: Correct.

MR BELL: You've nevertheless disclosed this information to Melco because you were taking a conservative approach that you regarded as inside information; correct?

20

MR JOHNSTON: Yes.

MR BELL: Why didn't you take the same conservative approach to your assessment of inside information when you were considering your position in relation to the review of the management accounts?

25

MR JOHNSTON: Well, I think – I think they're different – different points, as I would understand them. I thought I was taking quite a considered view, in terms of whether there was a conflict or potential for conflict. That – that is a different analysis, in my mind, as to taking a cautious approach with respect to a transaction with a third party.

30

MR BELL: You said in your answer that you took a considered approach to the assessment of conflicts. Do I understand from that that, before you took on the task, under the services agreement, of reviewing or suggesting changes to the management accounts, you carefully considered whether there was an actual or potential conflict of interest?

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MR JOHNSTON: Yes. I did consider whether there was actual or potential conflicts, and I didn't believe there was for the reasons that I've outlined previously.

40

MR BELL: I suggest that you're too experienced a company director, too sensitive to conflicts of interest, to have failed to appreciate the obvious potential conflict that existed in you taking on that role. Do you agree?

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MR JOHNSTON: No. As I said - - -

MR BELL: Do you agree with that?

MR JOHNSTON: No. I don't agree with that.

5 MR BELL: Now - - -

COMMISSIONER: Can I just make sure that I understood your evidence, because, last Friday, you told me that you didn't consider the perceived conflict; that's still the case, isn't it?

10

MR JOHNSTON: Well, yes, I didn't spend a lot of time thinking about how third parties may perceive it. Yes. But I did think about - - -

15 COMMISSIONER: But didn't you tell me – didn't you tell me last week that you didn't consider it, full stop?

MR JOHNSTON: I can't recall exactly what I said but – but I'm happy to accept that I did not think about the perception by third parties - - -

20 COMMISSIONER: All right.

MR JOHNSTON: - - - as opposed to considering the – the actual conflict. Yes.

25 COMMISSIONER: But, today, you're not just dealing with actual, you're dealing with the second part of that, which is the potential. So you're telling me today that you did consider actual and potential.

MR JOHNSTON: Yes. Yes.

30 COMMISSIONER: But your position remains the same as it was on Friday, that you didn't consider perceived?

MR JOHNSTON: Yes.

35 COMMISSIONER: Yes. All right. Thank you.

40 MR BELL: Now, could I ask you to look at exhibit AA142, CPH.001.030.0001. Confidential link. You see this document appears to be minutes of a meeting of the selling company, CPH Crown Holdings Pty Limited, on the 30th May 2019 at 3.55 pm; is that right?

MR JOHNSTON: Yes. That's correct.

45 MR BELL: And if you turn to page .0002, you've signed those minutes as a true and correct record of the meeting; is that right?

MR JOHNSTON: That's right.

MR BELL: And the minutes record both you and Mr Jalland present as directors. Do you say that was a mistake?

5 MR JOHNSTON: Yes. I've certainly learnt to make sure I read draft minutes much more carefully going forward. Yes.

MR BELL: And that's – the mistake was because you were the only appointed director of CPH Crown Holdings; is that right?

10 MR JOHNSTON: That's correct.

MR BELL: And Mr Packer was the controlling shareholder of CPH, the holding company of CPH Holdings; correct?

15 MR JOHNSTON: Yes.

MR BELL: And you gave complete loyalty to Mr Packer, didn't you?

20 MR JOHNSTON: I think "complete loyalty" is a very strong statement. I'm loyal to Mr Packer, absolutely. There are other things that may take precedence, but I'm – I'm loyal to Mr Packer, yes.

25 MR BELL: Well, the very first question I asked you on Friday was whether you would agree that, for a long time, you've shown complete loyalty to Mr Packer, and you answered, "Yes". Do you stand by that evidence?

MR JOHNSTON: "I have shown complete loyalty," is – is past tense. Yes.

30 MR BELL: So you stand by the evidence you gave on Friday?

MR JOHNSTON: Yes.

35 MR BELL: And you knew that Mr Packer, as the controlling shareholder of CPH, wanted you, as the director of CPH Crown Holdings, to resolve to execute the share agreement with Melco Resorts, didn't you?

MR JOHNSTON: Yes, I did.

40 MR BELL: And you were accustomed to act in accordance with Mr Packer's instructions or wishes, weren't you, as the director of CPH Crown Holdings?

MR JOHNSTON: That's not to say I don't push back on occasions. I do push back on occasions, but, on this occasion, I was happy to follow his wishes. Yes.

45 MR BELL: You wouldn't – you wouldn't, for a moment, consider acting as the sole director of CPH Crown Holdings contrary to Mr Packer's wishes, would you?

MR HUTLEY: I object. It's such a broad question. I mean - - -

COMMISSIONER: It is rather broad, Mr Hutley. Yes.

5 MR HUTLEY: Well, but, I mean, without giving a proper predicate to all the possible circumstances which might call on for disagreement – and I don't need to expand that, Madam Commissioner – it's an unfair question.

COMMISSIONER: Yes. All right. Yes. All right. Yes, Mr Bell.

10

MR BELL: Let me ask a more precise question of Mr Johnston.

COMMISSIONER: Yes.

15 MR BELL: You knew, at the time of this meeting, that Mr Packer wanted you, as the director of CPH Crown Holdings, to execute the share sale agreement with Melco Resorts, didn't you?

MR JOHNSTON: Yes, I did.

20

MR BELL: And you didn't, for a moment, consider acting contrary to Mr Packer's wishes in relation to that matter, did you?

MR JOHNSTON: Based on the discussion I'd had with him on the 23rd, I agreed
25 with him that it was the right course of action and, therefore, no.

MR BELL: Now, according to these minutes, there was an evaluation of the transaction which must, in fact, have been an evaluation by you alone; is that correct?

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MR JOHNSTON: I discussed it with Mr Jalland, who was present at the meeting.

MR BELL: But it was an evaluation which led to a determination by you alone as the sole director of CPH Crown Holdings; correct?

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MR JOHNSTON: That's right.

MR BELL: And the minutes record that you determined that the share purchase agreement would benefit CPH Crown Holdings?

40

MR JOHNSTON: Yes.

MR BELL: So you assessed it was in the best interests of CPH Crown Holdings to agree to a price of \$13 a share?

45

MR JOHNSTON: That's right.

MR BELL: And I assume, in forming that view, you took into account all the financial information concerning Crown Resorts that was available to you?

5 MR JOHNSTON: No. I took account of the other options that we had looked at with respect to the sale of those shares.

MR BELL: But the determination of the price was a determination for you, alone, as the director of CPH Crown Holdings?

10 MR JOHNSTON: The determination as to whether I would accept the price?

MR BELL: Yes.

15 MR JOHNSTON: Yes.

MR BELL: And I take it that, in determining whether or not to accept the price, as a careful and diligent director, you took into account all the financial information of Crown Resorts that was available to you at the time?

20 MR JOHNSTON: Well, there were a number of reasons underpinning the decision to sell 19.99 per cent of Crown and, given that the commercial desire was to sell 19.99 per cent of Crown for the reasons that we had, my consideration was whether this was the appropriate manner to realise that shareholding. And I've considered
- - -

25 MR BELL: I'm asking you a more specific question than that, Mr Johnston.

MR JOHNSTON: Yes.

30 MR BELL: I'm asking you about your consideration concerning the price that you would accept. My question is this: I assume that, as a careful and diligent director of CPH Crown Holdings, in determining that price you took into account all of the information – all of the financial information concerning Crown Resorts that was available to you? That must be right, isn't it?

35 MR JOHNSTON: Well, I think as I said, the consideration was based upon what options were available to realise that – that asset.

40 COMMISSIONER: No, Mr Johnston, I'm going to ask Mr Bell to ask you once again, if you could listen, please.

MR JOHNSTON: Okay.

45 COMMISSIONER: Yes, Mr Bell.

MR BELL: You've told us that you and you alone had to determine that the price of \$13 was in the best interests of CPH Crown Holdings. My precise question to you is

this: in determining that that was an appropriate price to accept, I take it, as a careful and diligent director, you took into account all of the financial information concerning Crown Resorts that was available to you; correct?

5 MR JOHNSTON: Yes, that would have been one of the – one of the factors I took into account.

MR BELL: And as the sole director of the company selling the shares, you had the power to prevent this transaction occurring, didn't you?

10 MR JOHNSTON: Realistically, perhaps only temporarily, but yes.

MR BELL: You and you alone caused the company to enter into this transaction; correct?

15 MR JOHNSTON: I obviously took account of the views of Mr Packer and Mr Jalland. It's a wholly owned subsidiary.

MR BELL: But it was your decision, as the sole director of CPH Crown Holdings, to enter into this transaction; correct?

20 MR HUTLEY: I object. The witness should be allowed to finish his answer and if it is an appropriate answer, I'm not going to go into questions of company law but, Madam Commissioner, you would realise the issues.

25 MR BELL: If I interrupted the witness, I do apologise.

COMMISSIONER: No, he wasn't interrupted. He wasn't interrupted. It may be that you apprehend he was, Mr Hutley, but he had finished his answer. Yes, Mr Bell.

30 MR BELL: For this transaction to occur, Mr Johnston, it was necessary for you as the sole director of CPH Crown Holdings to resolve that CPH Crown Holdings execute the agreement; correct?

35 MR JOHNSTON: Well, as I said, it's a wholly owned subsidiary. So I did take account of the views of the directors in parent entities as well.

MR BELL: I have no doubt that you did but I wonder if you could answer my question. As the sole appointed director of CPH Crown Holdings, this transaction could not occur unless you, as the director, resolved that the company enter into the transaction. That must be right, isn't it?

40 MR JOHNSTON: Yes. Yes.

45 MR BELL: And you, therefore, had the power to prevent this transaction occurring, for example, by refusing to resolve to – for the agreement to be executed; correct?

MR JOHNSTON: As I said before, given it was a wholly owned subsidiary, temporarily perhaps, yes.

5 MR BELL: Well, you could have certainly, as the sole appointed director of Crown – CPH Crown Holdings, deferred the resolution until certain steps were taken if you considered them warranted; correct?

10 MR JOHNSTON: The certain – sorry, which steps are you talking about in that question?

MR BELL: You just said a moment ago that you understood that you had power to defer this transaction for a while as the sole director; do you remember giving that evidence?

15 MR JOHNSTON: I don't – I don't think they were my words but – but – but - - -

COMMISSIONER: You said temporarily.

20 MR JOHNSTON: Temporarily.

MR BELL: But you do accept, don't you, that this transaction could never occur unless you resolved, as the sole director, that it should; correct?

25 MR JOHNSTON: I'm not sure that I agree with that, on the basis that I could temporarily cease it, but it would be a temporarily halt given the circumstances of the ownership of the vendor.

30 MR BELL: No doubt you could be removed as the sole director but whilst you were the sole director, it was your decision to cause the company to enter into that transaction. That must be right?

MR JOHNSTON: Yes.

35 MR BELL: Now, at the same time as you were director of CPH Crown Holdings, you were also a director of Crown Resorts, weren't you?

MR JOHNSTON: Yes, I was.

40 MR BELL: And you were also the director of a company which had appointed itself as trustee for Crown Resorts in relation to the provision of information to Melco Resorts, weren't you?

MR JOHNSTON: If – if that is the proper characterisation of the earlier letter, yes.

45 MR BELL: You knew that Crown Resorts had entered into regulatory agreements with the New South Wales Independent Liquor and Gaming Authority containing

provisions intended to prevent entities associated with Dr Stanley Ho from taking an interest in Crown Resorts?

5 MR JOHNSTON: Yes. Sorry, I knew there was a sensitivity to Stanley Ho having an involvement with Crown Resorts, yes.

10 MR BELL: You know that wasn't my question, don't you, Mr Johnston. I will ask it again. You knew that Crown Resorts had entered into regulatory agreements with the New South Wales Independent Liquor and Gaming Authority containing provisions intended to prevent entities associated with Dr Stanley Ho taking an interest in Crown Resorts; correct?

MR JOHNSTON: Yes.

15 MR BELL: And at this time Melco Resorts was well known to you, wasn't it?

MR JOHNSTON: Yes. Melco Resorts as an entity, yes.

20 MR BELL: You knew that Melco International held its shareholding in Melco Resorts via its subsidiary Melco Leisure and Entertainment Group Limited; correct?

MR JOHNSTON: I knew that Melco International had a substantial shareholding, yes.

25 MR BELL: You knew that Melco Resorts was a subsidiary of Melco International at the time, didn't you?

MR JOHNSTON: No, I'm not sure that I did, no.

30 MR BELL: You did, though, know that Melco International held its shareholding via its subsidiary Melco Leisure and Entertainment Group; do you agree with that proposition or disagree with it as the case may be?

35 MR JOHNSTON: That is the listed company you're talking about.

MR BELL: Both Melco International and Melco Resorts were listed, weren't they?

MR JOHNSTON: Yes.

40 MR BELL: And you knew that Melco International held its shareholding in Melco Resorts via its subsidiary, Melco Leisure and Entertainment Group; correct?

MR JOHNSTON: No, I'm not sure that I had that specific knowledge.

45 MR BELL: On Friday at transcript page 2924, line 26, I asked you this question:

You knew that Melco International held its shareholding in Melco Resorts via its subsidiary Melco Leisure and Entertainment Group Limited –

5 and you said yes. Do you stand by the evidence that you gave to this Inquiry on Friday?

10 MR JOHNSTON: I think I might have misunderstood your question. I assumed that you were talking about the listed entity being Melco Resorts, so I apologise for that.

15 MR BELL: There was nothing ambiguous or confusing about the question, Mr Johnston. The question was that you knew that Melco International held its shareholding in Melco Resorts via its subsidiary, Melco Leisure and Entertainment Group Limited, and you said yes. And you said yes, I suggest, because that was the truthful answer.

MR JOHNSTON: I think there are a lot of entities with Melco's – with the Melco name in them, so I apologise.

20 MR BELL: I suggest that the answer you gave on Friday was a truthful answer and you're trying to depart from it now because you perceive it is unhelpful to the position that you would like to propound; do you agree?

25 MR JOHNSTON: No.

MR BELL: You knew that in the past Dr Stanley Ho had an interest in Melco International, didn't you?

30 MR JOHNSTON: No, I'm not sure that I did know that.

MR BELL: You knew in the past that Dr Stanley Ho had been the chairman of Melco International, didn't you?

35 MR JOHNSTON: Yes, I did, originally, yes.

MR BELL: And you knew that an entity associated with Dr Stanley Ho bought his interest in the City of Dreams joint venture, Melco International, so that it could be part of the assets of the Melco PBL joint venture, didn't you?

40 MR JOHNSTON: Sorry, could you repeat that question.

MR BELL: Yes. You knew that an entity associated with Dr Stanley Ho brought his interest in the City of Dreams joint venture to Melco International so that it could be a part of the Melco PBL joint venture, didn't you?

45 MR JOHNSTON: Yes.

MR BELL: And you knew that Great Respect had converted convertible notes in Melco International into an approximately 20 per cent shareholding in Melco International?

5 MR JOHNSTON: Yes, based on what we saw last week, yes.

MR BELL: You knew that Great Respect was the Stanley Ho entity which had brought his interest in the City of Dreams joint venture to Melco International, didn't you?

10

MR HUTLEY: Sorry, could I object. I think there has to be an attention here to timing and when, having regard to the last answer of the witness.

COMMISSIONER: Yes, of course.

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MR HUTLEY: They may be at cross-purposes as to time.

COMMISSIONER: Yes. Yes, Mr Bell.

20 MR BELL: You agreed on Friday that you knew, in the context of the joint venture between Crown Resorts and Melco International – I withdraw that. You did know in the context of the Melco International Crown Resorts joint venture that Great Respect was the Stanley Ho entity that and brought his interest in the City of Dreams joint venture to Melco International - - -

25

MR JOHNSTON: No, I'm not sure that I knew that.

MR BELL: You hadn't reviewed by May 2019 any documents as to the timing of the Crown Resorts Melco joint venture to indicate that Great Respect no longer had an interest in Melco International, did you?

30

MR JOHNSTON: No, no. I wasn't aware that – sorry, no. The answer is no.

MR BELL: And you hadn't reviewed any documents since the time of the Crown Resorts Melco joint venture to indicate that Stanley Ho or any entity associated with him no longer had an interest in Melco International, had you?

35

MR JOHNSTON: No.

MR BELL: And I suggest you knew enough on 30 May 2019 to know that the transaction in which CPH Crown Holdings was proposing to sell 19.9 per cent of its shares in Crown Resorts to Melco Resorts, would expose Crown Resorts to a potential breach of its regulatory agreements with the Independent Liquor and Gaming Authority of New South Wales.

45

MR HUTLEY: I object. The form of that question is unfair. "You knew enough". If he's putting to the witness that he actually knew in fact or as a conclusion - - -

COMMISSIONER: Yes. All right. Yes, Mr Bell.

MR BELL: On the basis of the matters to which you have just agreed, Mr Johnston,
that you did know, I suggest that those matters were enough to know the transaction
5 in which CPH Crown Holdings was proposing to sell 19.9 per cent of its shares in
Melco – I withdraw that.

MR HUTLEY: I object again. The use of the word “enough” is very unfair to the
witness.

10 COMMISSIONER: The question is withdrawn, Mr Hutley.

MR HUTLEY: I’m sorry, I do apologise, Commissioner. I didn’t hear the
withdrawal. There’s a moment when you’re flicking and you cut out a word. I
15 didn’t hear the withdrawal.

COMMISSIONER: Yes. I think what I will ask is for Mr Bell just to slow down a
little bit so that the technology can give you the opportunity to hear that. Yes, Mr
Bell.

20 MR BELL: On the basis of the matters which you have just told us this morning
you knew, you knew that the transaction in which CPH Crown Holdings was
proposing to sell 19.9 per cent of the shares in Crown Resorts to Melco Resorts
would expose Crown Resorts to a potential breach of its regulatory agreements with
25 the Independent Liquor and Gaming Authority of this State; you agree?

MR JOHNSTON: No, I don’t agree with that.

MR BELL: I suggest that on the basis of what you’ve told us this morning you
30 knew, you knew that that meant that this proposed transaction needed to be reviewed
by Crown Resorts for itself to see if it would put Crown in breach of its regulatory
agreements; do you agree?

MR JOHNSTON: No. I don’t agree with that.

35 MR BELL: And I suggest that this was the second occasion in less than two weeks
in which you had ignored an actual or perceived conflict of interest between your
duties to CPH Crown Holdings and your duties to Crown Resorts. Do you agree
with that?

40 MR HUTLEY: I object. I object.

COMMISSIONER: Yes. It’s a bit broad, I think, Mr Bell. I think you need to
identify – and it’s included in both. And the first, he’s denied, in any event. So you
45 need to break it up. Thank you.

MR BELL: Well, I won't proceed with that. But I do suggest that, in this regard, Mr Johnston, in relation to matters in which you were - - -

5 MR JOHNSTON: Sorry. Could I ask you to start again. You cut out there for a second. I'm sorry.

COMMISSIONER: Just let me ask you, if I may, Mr Johnston.

10 MR JOHNSTON: Yes.

COMMISSIONER: You were aware that the New South Wales Government and the authority, ILGA, were deeply concerned about Dr Stanley Ho having any indirect or direct interest in the public company Crown Holdings – Crown Resorts; you were aware of that, weren't you?

15 MR JOHNSTON: Yes. I was aware there was a sensitivity to that, yes.

COMMISSIONER: No, no. I asked you, you understood that the government of this State was concerned that Dr Stanley Ho did not get a foothold or get an indirect or direct interest in the public company that was a close associate of the casino that it was authorising; you understood that, did you not?

20 MR JOHNSTON: Yes. Yes, I did. Yes.

25 COMMISSIONER: And so, at the time, that is, the time that Mr Bell is asking you about, in May of 2019, you knew that that was a deep concern of the Government of New South Wales and the authority, didn't you?

30 MR JOHNSTON: Yes.

COMMISSIONER: Yes, Mr Bell.

35 MR BELL: And, in those circumstances, I suggest you ought to have, before proceeding with this transaction, informed Crown Resorts of the proposed transaction so that it could investigate whether this transaction would put it in breach of its regulatory agreements with the Independent Liquor and Gaming Authority?

40 MR JOHNSTON: I'm sorry. Again, you cut out the last little bit of that question. You went silent. I'm sorry.

MR BELL: I suggest, in those circumstances, Mr Johnston, that you had an obligation to inform Crown Resorts of this proposed transaction so that it could check for itself whether the transaction would put Crown Resorts in breach of its regulatory agreements with the Independent Liquor and Gaming Authority.

45 MR JOHNSTON: No. I don't agree with that. I had no understanding that Stanley Ho had an involvement with the transaction.

COMMISSIONER: But you didn't check, you told me.

MR JOHNSTON: I had no reason to believe that he would be.

5 COMMISSIONER: But if you didn't check – you see, this is the problem, isn't it, Mr Johnston, with the layer upon layer of your obligations, which is not free from complexity, but, at this time, you didn't check and, therefore, you couldn't know, could you?

10 MR JOHNSTON: Well, I mean, the party that we were dealing with was Melco Resorts. I wasn't aware that - - -

COMMISSIONER: Yes.

15 MR JOHNSTON: I – I was not aware that Stanley Ho, or any entities associated with him, had an interest in Melco Resorts.

COMMISSIONER: But you knew, over the years, that that was a particularly interesting question for all regulators to see if Stanley had a role in Melco. You
20 knew that, didn't you?

MR JOHNSTON: Yes.

COMMISSIONER: And you hadn't known, since 2017, when the Melco parted
25 company with Crown, what had happened vis-à-vis Stanley and Melco; you agree with that?

MR JOHNSTON: Yes. I agree with that, yes.

30 COMMISSIONER: So, you see, what I'm saying to you is, if you didn't check, you couldn't know, could you?

MR JOHNSTON: Well – but, I suppose, we took advice on what – what approvals, if anything, was required in order for this transaction to be – to be consummated.
35 And the advice was that there were – there were no approvals required and that we didn't have to disclose it to – to Crown Resorts. I mean, at the end of the day - - -

COMMISSIONER: But that's a different – that's a different question, at the end day, as you say. But all I'm suggesting to you is, with the sensitivity to which
40 you've referred so often, you couldn't know whether or not Stanley, Dr Stanley Ho – the late Dr Stanley Ho now – had an interest in Melco unless you or someone on your behalf checked it out. Would you agree with that?

MR JOHNSTON: Positive – absolutely, no. No.
45

COMMISSIONER: And if you have a State Government putting in a contract a prohibition such as this, as to described by Mr Neilson to you, wouldn't it have been

a very good idea to check whether Stanley did have an interest in Melco, even as a director of CPH?

5 MR JOHNSTON: Well, I mean, we had dealt with Melco for many years, as part of the joint venture, and there was no suggestion that Stanley did have any interest in – in Melco Resorts or involvement in Melco Resorts, based on your knowledge from that time. So there was – and Melco Resorts had been approved as a joint venture partner with Crown or – sorry. Melco – Melco Investments had been approved as a joint venture partner and Melco Resorts, of course, had been approved by a range of
10 regulators, including the ILGA, at the time that we entered into – or we were granted the licence. So there was – there was nothing that was putting me on notice that there were issues there; quite the opposite, I'd - - -

15 COMMISSIONER: But that was – that was all in the past, Mr Johnston; that was all up to 2017. You see, you had no knowledge of what had happened in the 24 months between Melco and Crown parting company at the end of the joint venture and the sale to Melco in June '19; correct?

20 MR JOHNSTON: Correct.

COMMISSIONER: And so, for abundant caution and for the sake of Crown's obligations to this Government of New South Wales, or to the Government of New South Wales, wouldn't it have been a good idea to have it checked out?

25 MR JOHNSTON: As I said, we took the advices that we did at the time.

COMMISSIONER: Are you saying it wasn't a good idea to have it checked out?

30 MR JOHNSTON: No, I'm not saying that. I'm not saying that. We took – we thought – we thought we took the right advices at the time. I think, with the benefit of hindsight, I think that, perhaps, we should have looked more deeply. Yes. Given - - -

35 COMMISSIONER: And, of course, it wasn't – it wouldn't have been a difficult thing to fix, on one view of it. You could have said, "Well, we can't deal with Stanley," Crown, that is. "We can go ahead with the transaction so long as you get out the interest of Stanley." It was straightforward stuff, wasn't it, Mr Johnston? It would have been.

40 MR JOHNSTON: It could have been. And we approached it a different way. When – when we discovered that there might have been an issue, we – we went back to Melco and we amended the agreement.

45 COMMISSIONER: Yes. Well, you say that, but that doesn't seem to be the position. But one of the problems that you face is that you didn't check at the time, but had you checked and had you seen the indirect interest to which Mr Bell has taken the Inquiry, you could have made it a condition on Melco to say, "We'll

complete the transaction so long as the Stanley interest is removed from the company with whom we are transacting.” That would have been a straightforward request; would it not?

5 MR JOHNSTON: Yes. Yes.

COMMISSIONER: Mr Bell.

10 MR BELL: Mr Johnston, when you say that you took advice, you were taking advice from lawyers who were acting for CPH; correct?

MR JOHNSTON: That’s right.

15 MR BELL: And you understood that Crown Resorts had not had the opportunity to consider its position, as a corporation, to obtain its own legal and commercial advice on the propriety of the transaction?

MR JOHNSTON: That’s right.

20 MR BELL: Now, is it the case that the exchange of contracts of the share sale agreement occurred at about 6 pm, Sydney time, on the 30th of May 2019?

MR JOHNSTON: As I recall it, it was around that time. Yes.

25 MR BELL: Can I ask you to look at exhibit AA125. It’s confidential link MEL.001.001.6721. Do you see that 5.33 pm on the 30th of May, a draft announcement by Melco International was sent to CPHs lawyers, among others?

30 MR JOHNSTON: I’m not sure if that’s 5.33 Hong Kong time or Sydney time; do you know?

MR BELL: But it’s between lawyers in Sydney, isn’t it?

35 MR JOHNSTON: Yes, it would appear so. Yes. I’m sorry. Yes, yes.

MR BELL: So if you have a look at the draft announcement, which is exhibit AA126, confidential link MEL.001.001.6729. Can I ask you to turn to page .6735.

40 MR JOHNSTON: Yes.

MR BELL: Now, do you see that the draft announcement identifies Great Respect as the holder of over 20 per cent of the shares in Melco International?

45 MR JOHNSTON: Yes.

MR BELL: And it also states that:

Great Respect is a company controlled by a discretionary family trust, the beneficiaries of which included Mr Ho –

5 and, to be clear, that's Mr Lawrence Ho –
and his immediate family members.

Do you see that?

10 MR JOHNSTON: Yes.

MR BELL: In contrast to the other corporate shareholders, which is said to be companies owned by Mr Ho or trusts associated with him; do you see that?

15 MR JOHNSTON: Yes.

MR BELL: Did you review this draft announcement by Melco International before the exchange at 6 pm?

20 MR JOHNSTON: I don't – I don't recall that I did. No.

MR BELL: All right. Is it the case that you first told Mr Alexander about the share sale agreement at approximately 11.15 pm Sydney time on the 30th of May 2019?

25 MR JOHNSTON: Yes.

MR BELL: And is it the case that he told you that he had just landed in Los Angeles and was exiting the plane when he was speaking to you?

30 MR JOHNSTON: Yes.

MR BELL: What was the substance of what you told Mr Alexander?

35 MR JOHNSTON: I first asked whether he'd read his emails, because, prior to that point, I had sent an email to all directors about the transaction. He said he had not. So I advised him of the sale and that we would – we would be continuing with a 26 per cent shareholding, going forward, and that the sale was to occur in two tranches.

40 MR BELL: And what was the substance of what Mr Alexander told you?

MR JOHNSTON: He didn't – he didn't say much. He sort of – I can't recall the exact words he used, but he – I think he – he, basically, accepted the news and – but, you know, he didn't – didn't sound happy with the news.

45 MR BELL: Can I ask you to look at CPH – sorry. It's exhibit AA145.

COMMISSIONER: When you say "he didn't sound happy", what did he say?

MR JOHNSTON: It was more the tone in his voice, as opposed to what he said, Commissioner. My recollection is - - -

COMMISSIONER: What did he say?

5

MR JOHNSTON: He – he – it was basically, “Thanks for telling me,” and it wasn’t much – wasn’t much – wasn’t much other than that, but his voice was very flat, which is understandable, because if we’d had something like the Wynn transaction, he would have benefitted quite handsomely under his executive remuneration plans, given he had options in the company.

10

COMMISSIONER: I see. Well, apart – apart from that, the only words you can remember him saying is, “Thanks for telling me.”

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MR JOHNSTON: Yes.

COMMISSIONER: I see. Yes, Mr Bell.

MR BELL: Mr Johnston, can we look at exhibit AA145.

20

MR JOHNSTON: Yes.

MR BELL: Confidential link CPH.001.023.0067. This is a text, is it, that you sent to Mr Jalland after you had spoken to Mr Alexander that night?

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MR JOHNSTON: Yes, it was.

MR BELL: You said:

30

JA didn't sound surprised, but didn't sound happy.

MR JOHNSTON: Yes.

35

MR BELL: What, if anything, did he say to you to indicate that he wasn’t surprised?

MR JOHNSTON: Well, I suppose it was – it was just a bland acknowledgement. So, you know, it wasn’t – he didn’t – didn’t express surprise to me at the transaction, which is why I said he didn’t sound surprised.

40

MR BELL: And is it the case that, after the sale was announced and in the period up to and including the Crown Resorts board meeting on the 12th of June 2019, that you had discussions with a number of the independent directors on the board about the share sale transaction?

45

MR JOHNSTON: Yes.

MR BELL: And did any of the independent directors express to you, or in your presence, any concerns about the fact that they hadn't been informed about the share sale agreement before it was signed?

5 MR JOHNSTON: Not that I recall. No.

MR BELL: Is that a convenient time, Commissioner?

10 COMMISSIONER: Yes. I will just take a short adjournment, Mr Johnston and I will return in about 10 minutes.

MR JOHNSTON: Thank you.

15 **ADJOURNED** [11.32 am]

RESUMED [11.44 am]

20

COMMISSIONER: Yes, thank you. Yes, Mr Bell.

25 MR BELL: Mr Johnston, you were aware of most of the media allegations which were made in late July 2019 against Crown Resorts?

MR JOHNSTON: Yes. Yes, I was.

MR BELL: Including those made in relation to the China arrests?

30 MR JOHNSTON: Yes.

35 MR BELL: And you appreciated, I take it, that the allegations that were made in relation to the China arrests are not merely about whether Crown Resorts knew that its employees were breaking those gambling laws?

MR JOHNSTON: I'm not quite following your question, Mr Bell.

40 MR BELL: All right. You appreciated, didn't you, that the media allegations concerning the China arrests included allegations that Crown Resorts failed to heed warning signs from the Chinese government that its employees were at risk; correct?

MR JOHNSTON: Yes.

45 MR BELL: And you appreciated that the media allegations concerning the China arrests included allegations that as the risks escalated Crown Resorts continued to impose a high-pressure sales environment on the staff in China?

MR JOHNSTON: Yes.

MR BELL: And that the media allegations included allegations that Crown Resorts attempted to have its staff in China promote gambling under the radar of the Chinese authorities?
5

MR JOHNSTON: Yes.

MR BELL: And that Crown Resorts acted unethically by trying to falsely claim to the Chinese authorities that the staff in China were not working for Crown Resorts in China but from overseas locations?
10

MR JOHNSTON: I don't recall that one specifically but yes.

MR BELL: All right. But you appreciated that the allegations that the media were making about the China arrests were wider and more nuanced than simply the question of whether or not Crown Resorts knew that its employees were breaking Chinese gambling laws.
15

MR JOHNSTON: Yes.
20

MR BELL: So why didn't you address any of those wider media allegations in relation to the China arrests in the response which you and your colleagues published in July
25

MR JOHNSTON: I think that the response that we issued was appropriate to the most, if I could say it, egregious of the accusations which is relevant to your – the point you've just been raising that Crown was knowingly breaking Chinese law.

MR BELL: Well, can we focus on the wider allegations that you and your colleagues did not address, and in particular in relation to the management of risk. An observer listening to the evidence given to this Inquiry in relation to the China arrests might draw the conclusion that the response by Crown Resorts management to the crackdown on foreign casinos in China in 2015 was to take steps to reduce the visibility of Crown Resorts' activities in China or by taking steps to try and deceive the Chinese authorities in relation to its business activities. My question is this: do you agree that the first thing that management should have done when it became aware of the crackdown on foreign casinos was to make full disclosure to the relevant risk management committees so that the official risk management processes of the company could be engaged?
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35
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MR JOHNSTON: No. I think - - -

MR BELL: Are you saying that when management became aware of the crackdown on foreign casinos in China in 2015, there was no basis to engage the risk management processes of the company?
45

MR JOHNSTON: No, I don't – I'm sorry, I don't think that was your question. I think your question was the first thing they should have done. I think the first thing they should have done was what I understood they did, which is they went and took advice to make sure what implications that crackdown would have on the company.

5

MR BELL: Well, perhaps I asked a wrong question. But do you agree that one of the responses of management to the crackdown on foreign casinos in China in 2015 should have been to engage the risk management processes of the corporation?

10 MR JOHNSTON: I think that with all of the signals that were coming in, there came a point in time when that should have happened, yes.

MR BELL: Well, I suggest to you the first point where that should have happened is when management became aware that the Chinese authorities were cracking down on foreign casinos luring Chinese citizens to gamble abroad. Do you agree or not?

15

MR JOHNSTON: I haven't seen the advices that they received at that point but if the advices that they received at that point were that that was limited to a specific case, that may not have been the case. But I accept there came a point when that should have happened. I would have to go through and look at everything in detail, which I haven't because I'm a witness in another case, yes.

20

MR BELL: Well, let's not debate the precise moment in time in 2015, but you do accept the proposition, do you, as a current director of Crown Resorts, that management failed to engage with the risk management structures of the corporation in the way they dealt with the escalating risk in China?

25

MR JOHNSTON: Yes.

MR BELL: Do you agree that if risk management processes had been properly engaged at that time, then mitigation strategies could have been developed which were focused on protecting the staff in China and were consistent with Crown Resorts' obligation to act ethically and with integrity?

30

MR JOHNSTON: That would have provided the opportunity for that to happen, yes.

35

MR BELL: And do you agree that you were one of the people at Crown Resorts who failed to properly engage the risk management process of Crown Resorts when you became aware of relevant information concerning risks to the safety of the staff in 2015?

40

MR JOHNSTON: No, I don't accept that.

MR BELL: Notwithstanding the fact that it would appear that you were the only director on the board of Crown Resorts who knew two important facts – both of two important facts: firstly, that there was a crackdown on foreign casinos by the

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Chinese authorities in 2015; and secondly, that a few weeks after the arrest of South Korean operators, a staff member of Crown Resorts was being questioned by the police and accused of organising gambling tours, notwithstanding that you were the only director who knew both of those facts. Do you tell this Inquiry that you do not
5 accept that you failed to engage with the risk management structures of the company in relation to what was occurring at this time?

MR JOHNSTON: I advised the board following the Korean arrests, so I did engage with the board at that point. So in terms of the first item, I considered that – sorry,
10 the first item being the announced crackdown, I believe that had been covered by the time that I had engaged with the board following the Korean arrests, and I had observed that the arrest – or sorry, not the arrest, the questioning of an employee was going through the appropriate channels in – in what I consider to be the appropriate channels in Crown.

15 MR BELL: So even today, knowing what you know now, you don't accept any responsibility for the failure of Crown Resorts to engage with its risk management committees and risk management processes to protect the safety of its staff; is that right?

20 MR JOHNSTON: I think, as I said the other day, with the benefit of hindsight, I should have seen more in – in the last in event I was privy to, but I did not.

MR BELL: Did you just say as part of your earlier answer that you understand that
25 all of the members of the board were aware that there was a crackdown on foreign casinos announced by the Chinese authorities in 2015?

MR JOHNSTON: No, I – I believe that by virtue of bringing the Korean arrests to the attention of the board, that the issue of – of the risks of what was happening in
30 China was at least brought to the attention of the board.

MR BELL: And do you say that you informed all of your colleagues on the board that there was a crackdown on foreign casinos announced by the Chinese authorities that was not merely limited to the South Koreans?
35

MR JOHNSTON: I'm not sure that I advised them of that, no.

COMMISSIONER: Is there some reason that you did not?

40 MR JOHNSTON: I can't recall exactly whether I would have raised that, Commissioner.

COMMISSIONER: I see.

45 MR JOHNSTON: But I certainly – I can clearly remember raising the Korean arrests, yes.

COMMISSIONER: Yes, I understand.

MR BELL: Now, Mr Johnston, you attended the Crown Resorts annual shareholders meeting on 23 October 2019?

5

MR JOHNSTON: Yes.

MR BELL: Can I ask you to look at exhibit AA218, which is INQ.010.006.0312.

10 MR JOHNSTON: Yes.

MR BELL: Do you see that this is the transcript of the meeting. If I could ask you to look at page 8 of the transcript, which is page .0319, you see that starting at the bottom of page 8, a shareholder asked a question. I will read it in full:

15

Okay, now what's the protocol. I mean, I'm suggesting that you're not communicating very well with your shareholders. What's the protocol - - -

COMMISSIONER: Could you just go a little more slowly, please.

20

MR BELL: Sorry.

COMMISSIONER: That's all right.

25 MR BELL: I will read the question in full:

Okay, now what's the protocol. I mean, I'm suggesting that you're not communicating very well with your shareholders. What's the protocol with how we are communicating with Mr Packer. He's just a shareholder. He's a big one but he's just a shareholder. So what is – this is one for the independent directors – so is he getting access to company documents, is he getting selectively briefed? Did he ring up and ask for a briefing on the scandal? So is he – does he get special treatment? Does he get access to information or is he treated like me and he's looking at the ASX announcements for Crown's response to front page after front page of allegations.

30

35

And do you see Mr Barton responded – his is at page .0320 – and I will read that in full as well:

Perhaps, chairman, if I could make – thanks for the question. And I think if I could answer your question in the context of Crown's relationship with CPH, which is probably slightly broader than the question you asked, and you will be aware from our accounts and disclosures that for an extended period of time we have had an arrangement with CPH where they provide a range of services to Crown, valuable services around our management, around our strategy. In order for them to fulfil those services, we provide information to CPH, so information is provided to them to enable them to prepare those services. That

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45

has been disclosed for many years now in our accounts, both the existence of those arrangements as well as the amounts that have been paid for under those arrangements.

5 It's clear and it must have been clear to you, I suggest, at the time of the meeting, that Mr Barton was referring only to the services agreement and hadn't referred to the controlling shareholder protocol in his answer?

MR JOHNSTON: I didn't – I didn't take it that way. I thought he was
10 acknowledging that CPH – and, of course, everybody understands that Mr Packer is CPH – that CPH was getting information. However, I do accept that looking at it more critically as you're doing it, you could read it the way you're doing it. But I didn't – I didn't understand it that way. I thought he was acknowledging that
15 information was being supplied. He didn't say "No, only executives" – he wasn't saying "No, only other executives at CPH get this information". He was saying – he was acknowledging that there was a flow of information.

MR BELL: But you must have understood at the time that this shareholder was asking about arrangements for the flow of information to Mr Packer personally.
20

MR JOHNSTON: Yes.

MR BELL: Correct?

25 MR JOHNSTON: Yes.

MR BELL: And you knew that Mr Packer wasn't getting information personally under the services agreement but under the controlling shareholder protocol, didn't you?
30

MR JOHNSTON: At that point in time, yes.

MR BELL: So it must have been clear to you at the time that Mr Barton wasn't answering the question correctly?
35

MR JOHNSTON: No, as I said, it wasn't – I thought he was acknowledging there was a flow of information. I accept he wasn't making it clear how that information was flowing.

40 MR BELL: So you say it didn't occur to you at the time that Mr Barton hadn't answered the question correctly?

MR JOHNSTON: That's right.

45 MR BELL: Now, can I ask you to look at your statement to the Inquiry dated 23 December 2019, exhibit AA223. It's confidential link WIT.CPH.001.0001. Could I ask you to look at paragraph 68, page 0011. Now, you refer there to the variation of

the share sale agreement on or about 28 August 2019 to defer completion of the second tranche of sale shares; do you see that?

MR JOHNSTON: Yes. Yes, I do.

5

MR BELL: You say that:

10 *The amendment made the obligations of the parties concerning the second tranche of shares conditional on there being no finding from the Inquiry which would or could reasonably be expected to restrict completion of the second tranche and the buyer receiving written notice of the suitability to be associated with the management of the casino from the ILGA and certain other gaming regulators. The amendment provides that the parties may terminate the share sale agreement if those conditions are not satisfied or waived before 31 May*
15 *2020 or at either party's election before 30 November 2020.*

Do you see that?

MR JOHNSTON: Yes, I do.

20

MR BELL: Now, can I ask you to look at exhibit AA238, which is ANQ.100.011 you see that behind the ASX release is a copy of the termination agreement between CPH Crown Holdings Pty Limited and Melco Resorts dated 6 February 2020?

25

MR JOHNSTON: Yes.

MR BELL: So by 6 February 2020, there had been no event which had occurred which gave rise to a right for either party to terminate the share sale agreement in accordance with the terms of the variation deed dated 28 August 2019, had there?

30

MR JOHNSTON: No, there hadn't.

MR BELL: And you can take it from me that on 6 February 2020, the date of the termination, there's evidence that the closing price of Crown Resorts' shares on that day was \$11.61. That means that by your agreeing to terminate the share sale agreement as the sole director of CPH Crown Holdings, you gave up a contractual right which is worth over \$90 million having regard to the contract price of \$13 a share. My question is how were you able to conclude that it was in the best interests of CPH Crown Holdings to give up a contractual right worth over \$90 million?

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MR JOHNSTON: I think that wasn't a hard decision. Quite simply, I thought that given the unexpected concern that was raised as a consequence of the earlier transaction, it was appropriate, firstly, to vary the contract in the first place. When we got to this point, it was apparent that the processes that were required in order for completion before the drop-dead date was not – were not going to be completed. There was no prospect of them being completed by even the six-month extension.

45

So therefore, we thought that it was – there was little point in allowing the arrangement to continue.

5 MR BELL: Did you have any discussions with Mr Ho or Mr Winkler about this termination?

MR JOHNSTON: I did not, no.

10 MR BELL: You referred to the unexpected concern expressed by the regulators. Had Melco made known to you or to CPH, to your knowledge, that it considered that there had been non-disclosure concerning the sensitivities, as you put it, that the New South Wales government had in relation to Stanley Ho?

15 MR JOHNSTON: Not to my knowledge.

MR BELL: Can I ask you to look at exhibit AA220.

20 COMMISSIONER: Can I just understand, Mr Bell. You said it was a giving up of something worth 90 million. I think the company was entitled to 800 million.

MR BELL: Yes, that's true but by retaining the shares, it retained the market value of those shares which you would need to offset from the 800 million.

25 COMMISSIONER: Yes, so in terms of the ultimate amount that was lost, I suppose, it was far more than 90 million, on one view of it.

MR BELL: Perhaps.

30 COMMISSIONER: Yes, I see. All right.

MR JOHNSTON: Yes. I think that was – yes, I was going to say, you'd have done a mark to market, as I would understand it.

35 COMMISSIONER: Yes. Yes.

MR BELL: Can I move on to another topic, Mr Johnston. If we look at exhibit AA220.

40 MR JOHNSTON: Yes.

MR BELL: You see that – and I took you to this document on Friday.

MR JOHNSTON: Yes.

45 MR BELL: It's a confidential link, this document. I'm sorry, that's CRL.568.002.4716. On 25 October you offered to sell as a member of the Sydney subcommittee member of the board.

MR JOHNSTON: Yes.

MR BELL: And Mr Alexander approved that straightaway in about two minutes?

5 MR JOHNSTON: Yes.

MR BELL: And if we look at exhibit AA233, sorry, which is HAC.502.001.0299. You offered yourself as a member of the risk committee of the board on 21 January 2020?

10

MR JOHNSTON: Yes.

MR BELL: If you look at - - -

15 MR JOHNSTON: I'm not sure who that is an email to but, yes, it would have been around that time.

MR BELL: Well, our understanding is that it was to the then chairman, Ms Coonan.

20 MR JOHNSTON: Yes.

MR BELL: But if you look, there's a response at page – at exhibit AA234, confidential link HAC.502.001.030.

25 MR JOHNSTON: Right.

MR BELL: And do you see approximately four minutes later Ms Coonan accepted your suggestion.

30 MR JOHNSTON: Yes.

MR BELL: So why have you chosen to put yourself forward to so many committees on the board of Crown Resorts?

35 MR JOHNSTON: Well, perhaps if we deal with them in turn. On the Sydney committee, Mark Arbib was involved with the original bid process, and he works for CPH. And he was involved with some of the undertakings around things like Indigenous employment and Crown College and so forth that I thought that I could, through his knowledge, be able to contribute to the Sydney committee on that. With
40 respect to the risk committee, I thought it was appropriate that I went on to the risk committee and sort of formalised the way that I was able to inquire of some of the operating risks in the business.

45 MR BELL: But you're also a member of many other committees of the board, as you told us on Friday; correct?

MR JOHNSTON: Yes.

MR BELL: Did you think there's a case for easing your burden by reducing the number of board committees of Crown Resorts that you were involved in?

5 MR JOHNSTON: There may be a case, absolutely. I mean, I'm – I'm a busy director, yes.

10 MR BELL: Commissioner, I have no more questions at this stage but I should indicate that over the course of the weekend, those assisting the Inquiry have issued summonses to CPH and to Crown Resorts arising out of some of the evidence given by Mr Barton and Mr Johnston. We have received production overnight from CPH. We haven't yet received production – we have received now. I haven't had an opportunity to review that material. And it may be that once I have, I will need to ask some further questions of Mr Johnston.

15 COMMISSIONER: I understand, Mr Bell. Mr Johnston, just on the topics that Mr Bell was just asking you about on the various committees, I did ask you on Friday about whether there was a register of identifying conflicts within Crown Resorts. Do you remember that?

20 MR JOHNSTON: Yes, I do. Yes.

25 COMMISSIONER: And I know that you've indicated to Mr Bell and to me, obviously, what you considered at the time about conflicts. But it's clear that if you are providing services as an employee, that is, an executive of CPH, you become an employee of Crown to provide the services in the budget process; do you remember that?

MR JOHNSTON: Yes. I'm not sure if I'm an employee or a consultant but, yes.

30 COMMISSIONER: Yes.

MR JOHNSTON: Whatever is the proper characterisation, I'm sorry, yes.

35 COMMISSIONER: That's all right. It's always important to understand the difference but whether you are a contractor or an employee, you would understand that at the time you were providing services to Crown for Crown.

MR JOHNSTON: Yes.

40 COMMISSIONER: So to identify at that stage, if that were to continue, that is, if the services arrangement were such in the future that you and Mr Jalland and the other people who are identified in the services agreement were to continue to provide the services to Crown, albeit that they're employed, in inverted commas, by CPH, it would be very important for those that provide the services to be, as you are, as you
45 say, sensitive to the conflicts that could arise in that process, I presume?

MR JOHNSTON: Yes, I accept that.

COMMISSIONER: And that's from the point of view of Crown having the benefit of knowing that there is that sensitivity and it will be informed of things appropriately?

5 MR JOHNSTON: Yes.

COMMISSIONER: And in the circumstances, just taking the example of you looking at the figures at a time that you are about to sell to Melco, if someone on the board who is, let's say, an independent director, looks at you and sees that you are
10 about to do a deal with Melco but you don't tell them, and they give you their information, that would probably give rise to a concern, would it not, even though you would be wanting to behave properly, it would give rise to a concern that if you are negotiating for a sale price of the shares that you receive information about the financial budget of Crown. You would agree with that?

15 MR JOHNSTON: I suppose just one point that I would make. I wasn't involved in the negotiations, as such. Mr Jalland was doing that on his own, and he wasn't involved in the budgetary process.

20 COMMISSIONER: But he is sitting at the board table as well, you see. So what I'm trying to explore with you is how to make a suggestion or perhaps - - -

MR JOHNSTON: Sure, yes, absolutely.

25 COMMISSIONER: - - - see whether one can identify a process, because if you have so many hats on, one to CPH, one to CPH Crown Holdings, one to Crown and the other as executives providing services to Crown, then there is obviously an exquisite situation where you might want to focus on how you make sure - - -

30 MR JOHNSTON: Yes.

COMMISSIONER: - - - that these conflicts of identified. And so have you been on boards where there are registers of conflicts?

35 MR JOHNSTON: Not that I can recall, Commissioner. There may very well have been. I mean, that's a process that - certainly I've been on plenty of boards where directors have disclosed conflicts. And you know, I've obviously disclosed conflicts on a number of - quite a number of occasions with Crown. But I accept a register could be a very fruitful way of - of making it obvious.

40 COMMISSIONER: Yes. Yes. All right. Ms Sharp.

<EXAMINATION BY MS SHARP

[12.15 pm]

45

MS SHARP: Mr Johnston, I will now ask you some questions. First of all, it's correct, isn't it, that you licensed as a close associate of the restricted gaming facility licensee in New South Wales?

5 MR JOHNSTON: I believe so, yes.

MS SHARP: And may we take it that you are aware that one of the key objectives specified in section 4A of the New South Wales Casino Control Act is ensuring that the management and the operation of a casino remain free from criminal influence or exploitation.

MR JOHNSTON: Yes.

MS SHARP: And do you accept that the reason for this objective is because casinos are vulnerable to infiltration by organised crime?

MR JOHNSTON: There is a risk of infiltration, yes; whether vulnerable is the right term but there's certainly a risk, yes.

MS SHARP: And is it right that you have been aware of what you describe as this risk, the entire time you have been a director of Crown Resorts?

MR JOHNSTON: Yes.

MS SHARP: Do you accept that casinos are vulnerable to money laundering?

MR JOHNSTON: Again, I'd use the word "risk", but yes.

MS SHARP: What's distinction are you making between risk on the one hand and vulnerability on the other?

MR JOHNSTON: Well, to some extent I think the difference goes to the systems. But – but if – if you don't have the appropriate systems, you – you end up with certainly vulnerability. But any casino has a risk that it will be sought to be used by people seeking to launder money. Did that make it clearer?

MS SHARP: And in relation to this vulnerability to money laundering if a casino operator does not have the appropriate systems in place, is that a vulnerability of which you have been aware at all times since becoming a director of Crown Resorts?

MR JOHNSTON: Yes.

MS SHARP: Do you accept that there is a significant risk that junket operators may have associations with organised crime?

MR JOHNSTON: There is a risk, I'm not sure if – if it's significant but there's certainly a risk, absolutely.

MS SHARP: Well, I just want to probe you on that. Do you accept that it is a significant risk, Mr Johnston?

5 MR JOHNSTON: Well, could you explain what you mean by significant just so we don't get caught up in misunderstanding.

MS SHARP: You are aware, as a director, aren't you, that the casino operator approaches the regulation of risk using a risk-based framework?

10 MR JOHNSTON: Yes.

MS SHARP: And in order for that framework to work effectively, it is important to correctly identify the level of risk in the first place?

15 MR JOHNSTON: Yes.

MS SHARP: And one of the levels of risk that Crown uses is the level of significant risk; do you agree?

20 MR JOHNSTON: Yes.

MS SHARP: So I will ask, with that explanation in mind, do you accept that it is a significant risk that junket operators may have associations with organised crime?

25 MR JOHNSTON: Yes.

MS SHARP: Have you been aware the entire time you have been a director of Crown Resorts of that significant risk?

30 MR JOHNSTON: I think that's probably been something that I have become increasingly aware of.

MS SHARP: Over what period of time have you become increasingly aware of that?

35

MR JOHNSTON: I think, obviously, most aware most recently. I think that it's – it's something that you – you appreciate as you become more experienced as a director on something like Crown as you see the interactions and, obviously, you – you take account of third party comment.

40

MS SHARP: But you have been a director of Crown Resorts since about 2007, haven't you?

MR JOHNSTON: That's right.

45

MS SHARP: So when did you first become aware that there was a significant risk that junket operators may have associations with organised crime?

MR JOHNSTON: I can't give you a precise timing, but there would have been a number of years as a – as a director and then as I became more experienced, the – the grading of the risk. I always understood there was a risk, as I said, when I started. As to when I got significant, it was probably – probably around 2016 or so, when I
5 started to become more actively involved in looking at – at junkets.

MS SHARP: Was this the period of time after the China arrests where you engaged in a review of certain VIP operations including junkets?

10 MR JOHNSTON: Yes.

MS SHARP: Could I just take you to one of the internal control statements that has been approved by the regulator in Victoria. You will find this, Mr Johnston, at CRL.523.001.0918. I'm told no claim for confidentiality is made over that
15 document. It's exhibit BA46. I'm hoping this comes up on the screen for you, Mr Johnston. Have you seen this internal control statement before?

MR JOHNSTON: Not that I'm aware of, no.

20 MS SHARP: Can I take you, please, to pinpoint reference 0924.

MR JOHNSTON: Sorry, was there a tab number?

COMMISSIONER: Yes, 46.
25

MR JOHNSTON: 46.

MS SHARP: It is exhibit BA46, Mr Johnston.

30 MR JOHNSTON: Okay. Thank you. It's just a bit easier to read it in hard copy, thank you.

COMMISSIONER: Yes.

35 MS SHARP: Now, this is the document by which Crown Resorts agrees to regulate its relationships with junket operators. Can I just draw your attention, Mr Johnston, to the initial risk rating appearing on .924, and can you see for the event, "criminal influence and exploitation", the initial risk rating is S for significant.

40 MR JOHNSTON: Right. Yes.

MS SHARP: Yes, but you say that's a matter that you only became aware of in around 2016?

45 MR JOHNSTON: Well, sorry; as I said, I always had an understanding. My understanding that – as to the significance probably increased once I came on to that committee that I was talking about.

MS SHARP: Do you agree that it is notorious that a number of major junket operators in Macau have links with organised crime?

5 MR JOHNSTON: There is certainly media reporting on it – that fact, yes.

MS SHARP: So do you agree it is notorious?

MR JOHNSTON: If that's the concept of notoriety, then yes.

10 MS SHARP: And how long have you been in possession of that understanding?

MR JOHNSTON: I couldn't tell you exactly but for some time.

MS SHARP: Is that a matter of years, months?

15

MR JOHNSTON: Yes, years. Years. Years.

MS SHARP: Now, Mr Johnston, given the vulnerability of casinos to money laundering if appropriate settings are not in place, what steps have you taken to familiarise yourself with the means by which money laundering can be effected at casinos?

20

MR JOHNSTON: We – as board members, we've had quite a number of presentations over the years on Crown's AML/CTF systems. We also get the results of third-party reviews of those systems and regulatory reviews. So we did receive over a, you know, quite a number of years assurances as to the integrity of those systems.

25

MS SHARP: Do you understand that an entity needs to report where – and that is report to AUSTRAC – where it provides a designated service?

30

MR JOHNSTON: Yes.

MS SHARP: And for how long have you had that understanding?

35

MR JOHNSTON: Again, I couldn't tell you exactly when I got the understanding but for quite some time.

MS SHARP: And there, we're talking a matter of years rather than a matter of months?

40

MR JOHNSTON: Yes.

MS SHARP: Have you, Mr Johnston, had any specific training in anti-money laundering?

45

MR JOHNSTON: Not that I recall. The board is – it's proposed the board now go through AML – formal AML training, but I did have a broad understanding of the AML system.

5 MS SHARP: When you said that the board now go through multiple AML training, when did that start?

COMMISSIONER: He did say it was proposed.

10 MR JOHNSTON: Proposed.

MS SHARP: I withdraw that. I didn't hear that correctly. So it's correct that to date the board have not gone through AML training to your knowledge?

15 MR JOHNSTON: Sorry, some board members may have but I have not.

MS SHARP: Do you intend to?

MR JOHNSTON: Yes, I do.

20

MS SHARP: Can I take you to a board paper that you referred to in your statement, which is one that was prepared by the CEO, Mr Ken Barton, dated 10 September 2020. This is a confidential document, so I will bring it up only on the confidential screen. It's exhibit CB6. It is CRL.695.001.0004. Just to make sure you have got the 10 September paper in front of you, Mr Johnston?

25

MR JOHNSTON: Yes, do I.

MS SHARP: And I take it you've looked at this before?

30

MR JOHNSTON: Yes, I have.

MS SHARP: Is it right, actually, that you carefully reflected on it?

35 MR JOHNSTON: Yes.

MS SHARP: Could I take you, please, to appendix A of that report which appears at pinpoint 0018 over to 0019. And what you will see here, Mr Johnston is Mr Barton setting out from his perspective the key issues that have been identified through the course of the Inquiry to date. Now, given that you have reflected on this before – and if you need more time, please take it – do you agree with each and every one of these reflections set out from pinpoint 0019 through to pinpoint 0021?

40

MR JOHNSTON: Sorry, just so I understand your question, do I agree that these are correct reflection of what has been identified through the course of the Inquiry?

45

MS SHARP: Yes, thank you, Mr Johnston.

MR JOHNSTON: I'm – as I mentioned earlier, I've only watched snippets of the Inquiry. My original advice was I shouldn't watch other people's evidence. So I followed that advice. And, therefore, I've only really watched snippets after it was apparent that other people were. So I'm not in a position to – to comment on
5 whether it's a correct reflection. But – but I assume that Ken is able to properly summarise them.

MS SHARP: As a director, you're not in a position to indicate to this Inquiry now whether you agree with these reflections?
10

MR JOHNSTON: No, given that I haven't followed – I'm sorry. Sorry. Did I miss something? Sorry. No, given I haven't followed the Inquiry. But, obviously, as soon as I finish this, I'll – I'll set about making myself familiar with everything that's transpired through the transcripts.
15

MS SHARP: I'm just trying to understand, because the board has presented a position that it is going to implement a range of changes following on from this Inquiry. And I wish to understand whether you, as a director, agree with these observations that were notified to you on the 10th of September. Is - - -
20

MR YOUNG: Commissioner. Commissioner, I object to that question. It's the third time it's been asked. The list to which Ms Sharp is directing herself is a list of observations that Mr Barton has made about the course of the inquiry. And Mr Johnston has said he has not followed the evidence through the Inquiry.
25

COMMISSIONER: Thank you, Mr Young. Yes, Ms Sharp.

MS SHARP: Well, Mr Johnston, could I ask you to do this, please. Over the luncheon adjournment, could you please review these three pages and could you let us know whether you agree with the general issues that have been identified as areas where there is room for improvement at Crown Resorts?
30

MR HUTLEY: I object. Madam Commissioner, I don't want to be difficult in relation to this, but the witness simply won't be able to accede to that for the reason indicated by my learned friend, Mr Young, because of the way in which these particular schedules are expressed. It is unlikely to be a helpful exercise, unless my learned friend phrases it in a different way, with respect.
35

COMMISSIONER: Ms Sharp.
40

MS SHARP: Yes. Mr Johnston, at this time, have you had the opportunity to carefully reflect upon the issues that have arisen during the scope of – or the course of this Inquiry?

COMMISSIONER: Well, just pause there. Perhaps if I – I think, Mr Johnston, you indicated earlier that you went to the board meeting at which this document was discussed, I presume?
45

MR JOHNSTON: That's right.

COMMISSIONER: And when these observations were made by Mr Barton and the proposed changes that were to be implemented by the board, it seems as a
5 consequence of them being raised in this document, you agreed with the resolution, did you?

MR JOHNSTON: Yes, I did.

10 COMMISSIONER: Yes. All right. Yes, Ms Sharp.

MS SHARP: Thank you. Are you aware, Mr Johnston, that one of the licence conditions on the, I'll call it the Crown Sydney licensee, is to ensure that its business associates are of good repute?
15

MR JOHNSTON: I – I would assume that that is a requirement. Yes.

MS SHARP: And are you also aware that that very same requirement attaches to Crown Melbourne's licence in Victoria?
20

MR JOHNSTON: Yes.

MS SHARP: And have you understood that that is a licence requirement for the entire time you've been a director of Crown Resorts?
25

MR JOHNSTON: Yes.

MS SHARP: Mr Johnston, as a careful and diligent director of Crown Resorts, do you agree that you've done your best to make sure that you have followed media coverage in relation to Crown Resorts and, particularly, adverse media coverage?
30

MR JOHNSTON: Yes. Where we have adverse media coverage, as far as I can recall it, the board has always tasked management with investigating the accusations and reporting back to the board on them.
35

MS SHARP: Do you agree that Crown Resorts, via media coverage, has long been on clear notice of allegations that the major – that some of the major junkets with which it deals have links to organised crime?

40 MR JOHNSTON: There have been media allegations. Yes.

MS SHARP: And do you agree that Crown Resorts has long been aware of those media allegations?

45 MR JOHNSTON: Well, obviously, it's been aware of them, as the media allegations have arisen. Yes.

MS SHARP: Indeed, it is right, isn't it, that those media allegations go back to 2009, when it was asserted that Melco Crown's Altira dealt with Ng, N-g, Man, M-a-n, Sun, S-u-n, who was alleged to be a member of a triad that controlled the Amax and junkets?

5

MR JOHNSTON: I can recall that there were some allegations at that point. I can't recall the specifics of them today.

10 MS SHARP: And may we take it you do recall the September 2014 Four Corners broadcast about a number of junkets with which – or with whom Melco Crown then dealt?

MR JOHNSTON: Yes.

15 MS SHARP: And those junkets that were named as allegedly having links with organised crime were the Amax junket, the Chan Meng Kam junket, the Man Pou Gaming Promotion Company, the Ocean Star junket, which was said to be linked to the Neptune junket, and the Suncity junket.

20 MR HUTLEY: That is a lot of questions, Commissioner – Madam Commissioner.

COMMISSIONER: It's all right, Mr Hutley.

25 MS SHARP: I'll – I will put it another way.

COMMISSIONER: Yes.

MS SHARP: I withdraw that question.

30 COMMISSIONER: I think Mr Johnston has agreed that he was aware of the allegations in September 2014. That's the high roller, high risk one, is it?

MS SHARP: That's so, Commissioner.

35 COMMISSIONER: Yes. Yes, Ms Sharp.

MS SHARP: And may we take it that that Four Corners broadcast, at the time, was a matter of some concern to Crown Resorts?

40 MR JOHNSTON: Yes.

MS SHARP: And you'll agree that one of the junkets that was alleged to have links with organised crime was the Suncity junket?

45 MR JOHNSTON: That's correct, yes.

MS SHARP: And another of the junkets with which Crown is alleged to have dealt, which was alleged to have had links to organised crime, was the Neptune junket.

MR JOHNSTON: Yes.

5

MS SHARP: And may we take it you are aware of the Four Corners, Crown Unmasked broadcast of March 2017?

MR JOHNSTON: Yes.

10

MS SHARP: And you were aware of that broadcast at about March of 2017?

MR JOHNSTON: Yes, I would have been. Yes.

15

MS SHARP: And you were aware that that broadcast again made allegations that Crown dealt with the Neptune group, which was allegedly linked to organised crime?

MR JOHNSTON: Yes.

20

MS SHARP: Mr Johnston, what involvement, if any, did you have with Melco Crown?

25

MR JOHNSTON: I – I didn't. I was involved, from Crown's perspective, in the selling out of our interest in Melco Crown. But I didn't have any – any involvement in Melco Crown from an operational perspective or – I wasn't on the board or didn't have any involvement with management.

MS SHARP: At 13 of your – at paragraph 13 of your third statement, you say that:

30

While Crown Resorts held a stake in Melco Crown, the Crown Resorts board packs included updates in relation to Melco Crown.

And you say that:

35

The updates included some information about the VIP business conducted at Melco Crown.

Can you give us an indication of what these board updates would typically relate to?

40

MR JOHNSTON: It's a while ago now, but my recollection is that we – we got update on trading performance. So our - - -

MS SHARP: Did you - - -

45

MR JOHNSTON: - - - various – various segments of the business.

COMMISSIONER: Sorry. I missed that.

MR JOHNSTON: Sorry. We got updates on trading performance of Melco Crown: how various parts of the segments of the business were going, in a financial sense. There would have - - -

5 MS SHARP: Did you receive – I beg your pardon. I didn't mean to cut across you, Mr Johnston.

MR JOHNSTON: No, no, that's okay. We also got updates on developments within Melco. So, for example, if there were capital works. So, for example, the
10 Studio City development, we would have got updates about that sort of thing, when there were major capital developments proposed as well.

MS SHARP: The board packs provided to Crown Resorts include updates about the junkets that Melco Crown was dealing with?
15

MR JOHNSTON: Not that I recall. No.

MS SHARP: Are you aware, Mr Johnston, that early on, following the opening of City of Dreams in Macau, there was a pivot by Crown Resorts towards the use of
20 junket operators in dealing with VIP players?

MR JOHNSTON: I'm sorry. Could you repeat that question?

MS SHARP: Yes. Certainly, Mr Johnston. Are you aware that, early on, following the opening of City of Dreams in Macau, there was a pivot by Melco Crown to the
25 use of junket operators in dealing with VIP players?

MR JOHNSTON: No, not that I recall.

30 MS SHARP: Is it correct that the Crown Resorts board, of which you've been a member since 2007, viewed the corruption crackdown in China as a business opportunity for Crown Resorts?

MR JOHNSTON: It – it wasn't immediately apparent, but it developed that way.
35 So, yes, we developed an appreciation that that was the case. Yes.

MS SHARP: Mr Johnston, do you agree that the VIP market is the backbone upon which the Crown Sydney business model was developed?

40 MR JOHNSTON: I'm not sure that you would describe it as the backbone. It was – it was a component of the business.

MS SHARP: I'll use, perhaps, Mr Packer's words rather than my own. Could I take you to exhibit A136. This is marked as a commercial in confidence document, but
45 I'm told it's not confidential because it is exhibit A136. It's INQ.010.004.0001. Mr Johnston, do you have a letter dated 21 June 2013 before you?

MR JOHNSTON: It's up on the big screen, which I can't see unless I move up to the screen.

COMMISSIONER: Yes. Just wait there.

5

MS SHARP: Yes. I'll – I'll have the top half of this – if I can have the top half enlarged, you'll see that the letterhead - - -

MR JOHNSTON: Yes.

10

MS SHARP: - - - is Mr Packer as chairman of Crown?

MR JOHNSTON: Yes. I can read it now. Thank you.

15

MS SHARP: And you can see that it's addressed to the Director-General of the Department of Premier and Cabinet?

MR JOHNSTON: Yes.

20

MS SHARP: Could I just take you, please, Mr Johnston to 0003. And I'll have the top half enlarged for you. Do you see there's a heading:

Crown's proven track record will result in an increase in Sydney's share of the international VIP gaming market.

25

MR JOHNSTON: Yes.

MS SHARP: And could I draw your attention, please, Mr Johnston, to paragraph 3 and you will see the statement of Mr Packer:

30

I believe that Crown Sydney will be able to almost treble the volume of VIP business coming to Sydney from Asia and, in particular, China.

MR JOHNSTON: Yes.

35

MS SHARP: Okay. Will you agree, Mr Johnston, that the key business case for Crown Sydney was attracting VIP business to Sydney and, in particular, from China?

40

MR JOHNSTON: Again, I'm not sure it's the key business case but it was a component of the business case, yes.

MS SHARP: Well, it is a restricted gaming facility, is it not?

MR JOHNSTON: Yes.

45

MS SHARP: Isn't that because it was directed to the VIP gaming market?

MR JOHNSTON: Yes, local and international VIP, yes.

MS SHARP: And could I take you, just while we're here, to pinpoint 0004. And at
5 this stage you will see, Mr Johnston, in the first paragraph, if I can have that enlarged
- - -

MR JOHNSTON: Sorry, I can't see it – now I can see it – hang on.

MS SHARP: Can you see that it says that:
10

*The VIP gaming facilities will not be accessible to the New South Wales
general public.*

MR JOHNSTON: Yes. Yes, I see that.
15

MS SHARP: And it will be a members' only facility?

MR JOHNSTON: Yes.

MS SHARP: And you will see that it was then estimated that only five per cent of
20 local gaming patrons would play in such a restricted gaming facility?

MR JOHNSTON: By number of patrons, yes.

MS SHARP: Now, could I take you to a document that I understand was recently –
in fact, I need to tender this document, Commissioner. If I can show it on the all
parties link. I understand it was served last week. It can come up on the all parties
link. It is INQ.010.004.0546. I beg your pardon; I'm told it was in fact served
today. In that event, Mr Johnston, I am not sure that you will have seen this
30 document.

MR JOHNSTON: No, I haven't. My assistant here has just grabbed it from under
the door so I've got it in front of me now.

MS SHARP: What this document does, Mr Johnston, is summarise some
35 information disclosed in the annual reports of Crown Resorts from 2014 through to
2018 and the relevant pages of the reports are appended as attachments to this
document. What the document endeavours to do is look at the VIP revenue reported
as percentage of the total revenue of Crown Melbourne and Crown Perth
40 respectively.

MR JOHNSTON: Yes, I see that.

MS SHARP: Commissioner, I will tender that. I understand it should be marked
45 AC29.

COMMISSIONER: Yes, I will mark that as exhibit AC29.

**EXHIBIT #AC29 DOCUMENT SUMMARISING CROWN RESORTS
ANNUAL REPORTS 2014-2018 (INQ.010.004.0546)**

5 COMMISSIONER: Yes, Ms Sharp.

MS SHARP: And Mr Johnston, if I could direct your attention to the entry for 2014, you will see that in relation to Crown Melbourne, the VIP revenue as a percentage of total revenue was 25.95 per cent?

10

MR JOHNSTON: Yes.

MS SHARP: And if we work through 2015 and, again, I will look only at Crown Resorts, if I can highlight 2015, that the VIP revenue as a percentage of total revenue had increased to 31.63 per cent.

15

COMMISSIONER: That's Crown Melbourne.

MS SHARP: I beg your pardon, Crown Melbourne.

20

MR JOHNSTON: Yes.

MS SHARP: And I won't take you through the rest of the document, Mr Johnston, but you will agree, won't you, that the VIP revenue as a percentage of total revenue of both Crown Melbourne and Crown Perth was significant?

25

MR JOHNSTON: Absolutely. It's a very different business model, so the margins are completely different. But, yes, the revenue is – is significant.

30 MS SHARP: And when you speak of margins, do you intend to say that it is a fairly low margin business, that VIP business?

MR JOHNSTON: It's a very low margin business, yes.

35 MS SHARP: Could I please take you to a board paper prepared in August 2020. This is a confidential document only to be brought up on the confidential link, please. Mr Johnston, it's exhibit CB4 at CRL.682.001.0001. And if you just have regard to the first page of the document. Do you agree that you've read this document before, Mr Johnston?

40

MR JOHNSTON: Yes, I would have read it ahead of the board meeting, yes.

MS SHARP: And is it fair to say you would have studied it carefully?

45 MR JOHNSTON: I've certainly read it, yes. Yes.

MS SHARP: But did you study it carefully?

MR JOHNSTON: I believe I took due care in reading it, yes.

MS SHARP: And it was the subject of specific discussion at a meeting of the board of directors in August 2020, wasn't it?

5

MR JOHNSTON: Yes, it was.

MS SHARP: And this paper formed the basis of what's described in the minutes as a strategic discussion.

10

MR JOHNSTON: Yes.

MS SHARP: Could I just take you, please, Mr Johnston, to pinpoint 0008.

15

COMMISSIONER: Can I just ask before you leave the cover page.

MS SHARP: Yes.

COMMISSIONER: Mr Johnston, you see the cover page there?

20

MR JOHNSTON: Yes.

COMMISSIONER: And you see the description of the company down the bottom there?

25

MR JOHNSTON: Yes.

COMMISSIONER: Is Crown the only company that has those in Australia?

30

MR JOHNSTON: Integrated resorts?

COMMISSIONER: Yes.

35

MR JOHNSTON: No, Star has integrated resorts as well. So it's – it just means that you've got a whole range of – of different entertainment experiences in the one – in the one place.

COMMISSIONER: Yes.

40

MR JOHNSTON: And that's quite a common name throughout the industry as a whole.

COMMISSIONER: Yes. So it's not the only one?

45

MR JOHNSTON: No. No.

COMMISSIONER: Yes. All right, Mr Johnston. Yes, Ms Sharp.

MS SHARP: And if I could just take you to the second page, pinpoint 0002.

MR JOHNSTON: Yes.

5 MS SHARP: We need to go back – we’ve got the wrong page coming up on the link. If we could go back to 0002.

COMMISSIONER: Thank you, Ms Sharp. Mr Johnston has it in hard copy.

10 MS SHARP: Yes. You will see there under the heading Introduction, the very first dot point is that:

Crown’s licence to operate is a privilege.

15 MR JOHNSTON: Yes.

MS SHARP: Is that a proposition with which you agree?

MR JOHNSTON: Absolutely, yes.

20

MS SHARP: And then a second proposition is:

We must always recognise that the people with whom Crown chooses to associate ultimately reflect on Crown.

25

Is that a proposition with which you agree?

MR JOHNSTON: Yes, I do.

30 MS SHARP: And then this document went on to provide a background on various issues that had been considered in this Inquiry, including junkets and anti-money laundering; do you agree?

MR JOHNSTON: Yes.

35

MS SHARP: Could I take you, please, Mr Johnston, to pinpoint 0008 under the heading VIP Operations.

MR JOHNSTON: Yes.

40

MS SHARP: And can you see right at the top it says:

An aggressive sales culture can contribute to increased risk-taking, which is a particular risk within the international VIP business.

45

Is that a proposition with which you agree?

MR JOHNSTON: Yes, if it is an aggressive sales culture, that's correct, yes.

MS SHARP: And then you will see there's the heading Context and another dot point:

5

Crown's international VIP team has historically run on an aggressive sales culture with a higher risk appetite than the rest of the business.

Do you agree with that proposition?

10

MR JOHNSTON: I think that there was a period in time when that was probably the case, which is prior to the China arrests. But I think that's – that point was not based in – in a timeframe.

15 MS SHARP: And you were aware that on 24 September this year, Mr Barton, the CEO of Crown Resorts, said that in evidence to this Inquiry that the VIP international team was part of the business that had the balance wrong between generating revenue and managing an appropriate balance of risk and compliance.

20 MR JOHNSTON: Was there a timeframe that he was talking to in that respect?

MS SHARP: No, there wasn't, Mr Johnston.

25 MR JOHNSTON: Okay. Well, sorry, no, I wasn't – I wasn't aware of that and I think - - -

MS SHARP: Is that an observation with respect to which you agree, Mr Johnston?

30 MR JOHNSTON: I think that – I think that there was a period in time as it has transpired, when that may have been the case, yes, prior to – prior to the China arrests.

35 MS SHARP: It's right, isn't it, Mr Johnston, that you were very heavily involved in the VIP international business during the period 2013 until at least 2018?

MR JOHNSTON: I had different roles in the VIP business through that period, so with respect to specific tasks, I had an involvement with the VIP business, yes.

40 MS SHARP: And it's fair to say that you were heavily involved in the VIP international business during the period 2013 through to at least 2018?

MR JOHNSTON: No, I wouldn't say I was heavily involved. As I said, I had specific tasks that I was focused on.

45 MS SHARP: Do you agree that at all times during the period 2013 till 2018 you maintained a keen interest in Crown Resorts VIP international business?

MR JOHNSTON: That's a – it's an interesting adjective. I was – as I said, I was involved in particular elements of it, and I'm interested in all of Crown's businesses, yes.

5 MS SHARP: Now, at paragraph 14 of your third statement you say that in March 2013 Mr Packer raised the idea of you participating in what was then called the VIP working group?

MR JOHNSTON: That's correct.

10

MS SHARP: And you identify in your statement that the VIP business was struggling in 2013.

MR JOHNSTON: It – it – it was struggling with a number of specific issues, yes.

15

MS SHARP: And what were they?

MR JOHNSTON: It had issues with its debt collection. There were issues that had arisen because of China tightening its currency controls. There were some competitive issues around relative tax rates on VIP players between different jurisdictions and, in particular, the taxing jurisdiction – the taxing regime in Western Australia was out of sync with the rest of the market. It was at a higher rate of 12 per cent. And we were also – they were also struggling with understanding properly the win rate in the business and, therefore, the pricing that they could offer to players around things like rebates, commissions and so forth.

20
25

MS SHARP: And is it correct that Mr Packer asked you to assist the VIP working group with these issues?

30 MR JOHNSTON: With those issues, yes.

MS SHARP: And you did so from early 2013?

MR JOHNSTON: Yes, I did, yes.

35

COMMISSIONER: And Mr Packer was the chairman of Crown at that time?

MR JOHNSTON: Yes, he was the chairman of Crown up until mid-2015, I believe, yes.

40

MS SHARP: Would that be a convenient time?

COMMISSIONER: Yes, yes, Ms Sharp. Mr Johnston, I'm now going to take the luncheon adjournment and I will resume at 2, so if you can be available at just a little before 2, please.

45

MR JOHNSTON: Yes, thank you, Commissioner.

COMMISSIONER: Yes, thank you.

ADJOURNED

[12.59 pm]

5

RESUMED

[2.00 pm]

10 COMMISSIONER: Yes, thank you. Yes, Ms Sharp.

MS SHARP: Mr Johnston, could I take you to a document. It's a confidential one, so I'll have it brought up on the confidential screen only. It is exhibit M109, which is CRL.527.001.1826.

15

MR JOHNSTON: Yes.

MS SHARP: Mr Johnston, you'll see that this is a VIP marketing kick-off workshop for financial year '15 – 2015?

20

MR JOHNSTON: Yes.

MS SHARP: Can you tell me, did you attend that workshop?

25 MR JOHNSTON: No. I don't believe I did.

MS SHARP: Can you tell me, do you think that you received this document at about the time it was brought into existence?

30 MR JOHNSTON: I don't – I don't believe so.

MS SHARP: Could I just take you, please, Mr Johnston, to pinpoint 1832, which is page 7 of the document.

35 MR JOHNSTON: Yes.

MS SHARP: Do you see there's an identification of key stakeholders with active involvement or interest in VIP?

40 MR JOHNSTON: Yes.

MS SHARP: And you'll see that you are recorded as being one of those people?

MR JOHNSTON: Yes.

45

MS SHARP: And you'll agree that it is right that you were one of the key stakeholders with active involvement or interest in VIP?

MR JOHNSTON: Well, as I said before, I – I had a number of specific issues that were relevant to the VIP business that I was assisting them with, but I wasn't in the management structure of the VIP business. So I'm not sure what "stakeholder" means in this context, but I just reiterate my involvement as I expressed it.

5

MS SHARP: Well, is it right or fair to say you were a key stakeholder with active interest in VIP?

MR JOHNSTON: Well, if, as a Crown board member, I was a stakeholder, then, yes. And I - - -

10

MS SHARP: Well, I don't think – if I stop you there, Mr Johnston.

MR JOHNSTON: Yes.

15

MS SHARP: I don't think that's the way it's described. In fact, you're identified as the finance director of CPH in the document. But is the document accurate or not? Were you a key stakeholder with active involvement or interest in VIP?

MR HUTLEY: I object. The witness has – it's really someone else's words, Madam Commissioner, and you won't be assisted by a debate of this variety.

20

MS SHARP: Well, with respect, Commissioner, yes, it's somebody else's words, but it's somebody in Crown's words. And I'm just seeking to ascertain from this witness whether he accepts that description of himself?

25

COMMISSIONER: Yes. You may proceed, Ms Sharp.

MS SHARP: Mr Johnston, is this document accurate or not when it identifies you as a key stakeholder with active involvement or interest in VIP?

30

MR JOHNSTON: No. I don't think I was a key stakeholder.

MS SHARP: So do you say this document is quite wrong?

35

MR JOHNSTON: I can see a couple of things on it that are quite wrong on that particular page. Yes.

COMMISSIONER: I think you told me yesterday – or was it Friday, I'm sorry – about the thing under the key meetings.

40

MR JOHNSTON: Sorry. Being under the CEO meetings, do you mean? Sorry?

COMMISSIONER: Yes. Under the heading Key Meetings, on the right-hand side. It says:

45

Key meetings CPH VIP working group.

MR JOHNSTON: I'm sorry. Yes. Yes. So it's – it was a VIP working group. It wasn't a CPH VIP working group.

COMMISSIONER: Yes, yes.

5

MR JOHNSTON: It was a Crown one. And the other error here is that Mr Ratnam didn't report to me at any time. In fact, I wasn't particularly familiar with Mr Ratnam at this point in time at all.

10 COMMISSIONER: Perhaps that line was meant to go behind you rather than through you, I think, Mr Johnston.

MR JOHNSTON: Yes. Sorry. As I look at it, you're probably right, Commissioner. I'm sorry.

15

COMMISSIONER: Yes. Anyway – yes, Ms Sharp.

MS SHARP: Mr Johnston, it's right, though, that you attended meetings of the VIP working group in the period 2013 until at least late 2014?

20

MR JOHNSTON: Yes, that's correct.

MS SHARP: And it's correct that you attended the monthly CEO meetings?

25 MR JOHNSTON: Yes.

MS SHARP: Are you seeking to understate to this Inquiry the level of involvement you had in the VIP international business of Crown Resorts?

30 MR JOHNSTON: No.

MS SHARP: Well, it's right that you were one of the people responsible for setting the VIP International business strategy, weren't you?

35 MR JOHNSTON: No, I wasn't. As I said, I was involved in specific issues and, you know, in terms of setting or suggesting strategy for those issues at the CEO meeting, then, yes, I was involved in that.

40 MS SHARP: Is it quite wrong to describe you as somebody involved in setting the VIP international business strategy?

MR JOHNSTON: In totality, yes.

45 MS SHARP: Can I just show you an email, please, Mr Johnston. It's exhibit M97, CRL.527.001.4669. And could I take you, please, Mr Johnston, to an email from Mr Alexander to yourself and Mr Felstead, dated the 28th of August 2014.

MR JOHNSTON: Yes.

MS SHARP: And you accept that you and Mr Felstead are the only recipients of this email?

5

MR JOHNSTON: Yes, it would appear to be. Yes.

MS SHARP: And you see Mr Alexander says:

10 *Mike –*

that is you –

15 *putting your VIP hat on, I think it would be a good idea to have some sort of planning get-together on VIP.*

Do you agree that you wore a VIP hat?

MR JOHNSTON: For specific issues, as I said. Yes.

20

MS SHARP: And can you have a look at your reply to Mr Alexander, midway up the page, 28 August 2014, you say:

25 *We had started to get some good momentum going into late last year. We are planning a catch-up in two weeks. So we will look to have a discussion aimed at refreshing our strategy at that time.*

MR JOHNSTON: Yes.

30 MS SHARP: Now, is it right or is it wrong that you played a role in setting the VIP international strategy at Crown Resorts?

MR JOHNSTON: No, not the totality of the strategy, as I've said.

35 MS SHARP: Are you seeking to minimise the role you played in the VIP business in your evidence to this tribunal?

MR JOHNSTON: No.

40 MS SHARP: Now, you do say, at paragraph 21 of your third statement, that:

The VIP working group met periodically in the period from April 2013 to December 2014.

45 How frequently did it meet, Mr Johnston?

MR JOHNSTON: So, in 2013, it met, I would say pretty much monthly from April through to December. And, in 2014, I think there were probably four or five meetings.

5 MS SHARP: And you attended each of those meetings?

MR JOHNSTON: As many as I could have. Yes.

10 MS SHARP: And it's correct that the group work – the VIP working group continued meeting after 2014?

MR JOHNSTON: Yes, I believe so. Yes. Yes, it did, through to - - -

15 MS SHARP: And you attended some of the meetings after 2014, didn't you?

MR JOHNSTON: I attended, I think, one meeting each of '15 and '16.

20 MS SHARP: Now, the other attendees at this VIP working group meetings were Mr Felstead, Mr O'Connor, Mr Chen, Mr Theiler, Mr Brad Kady and Mr Steve Bennett; is that correct?

MR JOHNSTON: So Mr Kady and Mr Bennett would have attended in '13 and '14 only and not to all of the meetings.

25 MS SHARP: And what was the purpose of the VIP working group, Mr Johnston?

MR JOHNSTON: It was to focus on a number of issues that were – that the VIP business was struggling with at the time.

30 MS SHARP: So, was it to – is this a fair proposition: the purpose of the meetings was to improve the revenue derived from the VIP International business?

35 MR JOHNSTON: That may have been a by-product of some of the things I was involved in, yes.

MS SHARP: Well, that was the reason why you were involved, wasn't it?

40 MR JOHNSTON: No, no. I think, as I said before, there were a couple of specific issues around debt – bad debts or the credit policies appropriate, around were there any – were there any ways in which the constraints imposed by the capital restrictions or currency restrictions in China could be – could be alleviated. Were there things we could do to get tax equalisation between jurisdictions and were we looking at the economics of the business in the right way.

45 MS SHARP: And what do you mean when you say were you looking at the economics of the business in the right way?

MR JOHNSTON: So the issue was win rate analysis. We were operating on the assumption that we had a theoretical win rate of 1.35 per cent. So in other words, for every – every dollar spent or every dollar gamed by a customer, you would expect to get 1.35 cents in revenue, theoretically. Of course, actual play doesn't necessarily go to theoretical but on a long enough timeframe, the actual win rate should accord with your theoretical win rate. The problem that we were facing was that our main competitor in Australia, the Star, was assuming a much higher win rate. By assuming a much higher win rate they could, of course, consider their business was more profitable or revenue turnover at their casino was more profitable and therefore they could afford to be more generous in what they were offering their customers than we could. So it was important that we properly analyse whether our win rate was appropriate or not, and I got an actuary in to assist us on that.

MS SHARP: Could I take your attention specifically, Mr Johnston, to paragraph 19 of your third statement, you there say that to the extent the VIP working group focused on mainland China, a significant portion of the discussions in which you were involved related to how debts owed by mainland Chinese patrons might be recouped, the credit policy appropriate for such customers and the implications of China's tightening of capital controls.

20

MR JOHNSTON: Yes.

MS SHARP: Now, in that context, did you have cause to consider whether strategies you were devising complied with Crown's anti-money laundering framework?

25

MR JOHNSTON: No, we didn't. No, that wasn't a consideration that we were looking at on those items.

MS SHARP: But do you say that it didn't cross your mind that there was a prospect of money laundering in players from mainland China getting their money out of mainland China?

30

MR JOHNSTON: No, that wasn't something I was asked to focus on in terms of - we were looking simply at the rules around currency repatriation out of China, from a Chinese perspective and we were – we were talking to people on the ground in Hong Kong, basically, I think, from memory and ultimately we didn't – we didn't get past the fact that the currency restrictions were real and there's nothing you could do about them and therefore we didn't get on to what you're now describing, which is an obvious subsequent phase.

35

40

MS SHARP: Well, I just want to understand, did it not cross your mind that one of the by-products of the tight currency controls in mainland China might be money laundering?

45

MR JOHNSTON: Sorry, money laundering here in Australia or in China, I'm sorry?

MS SHARP: Either, Mr Johnston.

MR JOHNSTON: Well, as I said, I was simply looking at whether there were legal means to – that customers could use to get money out of China, and the analysis was
5 ultimately pretty simple that they were not over and above the limits that were set by the Chinese authorities.

MS SHARP: When you say that you were looking at legal means to move the money, do we understand that it crossed your mind that there may be illegal means
10 by which money was moved out of mainland China and into Crown's casinos?

MR JOHNSTON: That there were legal means that people used, absolutely, yes.

MS SHARP: Did it cross your mind that there may be illegal means by which that
15 money was moved, Mr Johnston?

MR JOHNSTON: Not to Crown because that was the purpose of the exercise, was to see whether there were legal means, given that we didn't want to use illegal means.
20

MS SHARP: So - - -

MR JOHNSTON: We didn't want to encourage the use of the illegal means, sorry; let me clarify that.
25

MS SHARP: So is it right that you did understand that there was a prospect that people would use illegal means to move money out of mainland China and into the coffers of Crown Resorts?

30 MR JOHNSTON: Yes.

MS SHARP: And is it right that one of the reasons why you were involved in the VIP working groups was to consider how more debts could be paid from both VIP patrons and junkets that operated out of China?
35

MR JOHNSTON: We looked at information that could assist in - the sources of information that could assist in credit analysis, and we looked at whether there were ways to collect debts and we didn't end up coming up with anything novel with respect to either of those. We – we got some suggestions on additional information
40 sources we could look at in terms of analysing credit. But they didn't prove to be any more useful than what we had used in the past.

MS SHARP: Can I take you, please, to paragraph 21 of your statement. You there say, Mr Johnston, that:
45

Other issues relating to the VIP business were discussed during these meetings including in relation to specific junkets and players.

So you do accept you were present while those discussion took place?

MR JOHNSTON: Yes.

5 MS SHARP: May we take it that you developed a familiarity with the key junkets with which Crown dealt at that time?

MR JOHNSTON: Not overly. Some of them I did. I think I acknowledge
subsequently that there were a few junkets that I became familiar with, which were a
10 few of the main ones. But I – I have to admit I'm not particularly good at remembering Chinese names.

MS SHARP: Now, you say at paragraph 16 of your third statement that you
attended Crown Resort CEO meetings until some time in 2015.

15 MR JOHNSTON: Yes.

MS SHARP: And that is the case, is it?

20 MR JOHNSTON: Yes.

MS SHARP: And other people who attended those meetings included Mr Felstead?

MR JOHNSTON: Yes.
25

MS SHARP: And certain directors of Crown Resorts, including Mr Packer while he was a director, Mr Alexander and Mr Craigie?

MR JOHNSTON: That's right.
30

MS SHARP: It is correct, isn't it, that papers would be circulated before those CEO meetings?

MR JOHNSTON: Yes.
35

MS SHARP: And those papers would include updates on the VIP international business?

MR JOHNSTON: Yes.
40

MS SHARP: And at those CEO meetings, it's right, isn't it, that Mr Felstead and Mr O'Connor would generally provide an update on the VIP International business?

MR JOHNSTON: Yes, one or the other, yes.
45

MS SHARP: Mr Johnston, were you aware of Crown's platform junket strategy?

MR JOHNSTON: In broad terms, yes.

MS SHARP: Can you tell us what that strategy was, please?

5 MR JOHNSTON: It was, I suppose - and I hope I'm not doing it a misjustice but, as I recall it, it was about referring, if you like, players that we would not be comfortable with the credit profile of, to junkets.

10 MS SHARP: And you did that in order to shift the credit risk from Crown Resorts to the junket; is that correct?

MR JOHNSTON: No, we did that in order that our credit risk was the junket, so I think it's a slightly different point.

15 MS SHARP: We might be talking at cross-purposes. The attraction of Crown dealing with a junket rather than with a premium player directly is that Crown could collect any debt from the junket operator; correct?

20 MR JOHNSTON: That's right.

MS SHARP: And that was seen as a safer way of enforcing the debt than going against the premium player directly; correct?

25 MR JOHNSTON: Of collecting the debt, yes.

MS SHARP: So do you - - -

30 MR JOHNSTON: Sorry, these were people that we wouldn't - because of a whole range of reasons, including not being able to get sufficient background detail on them, these were people we wouldn't extend credit to otherwise, if they wanted it.

35 MS SHARP: Is it fair to say that one of the purposes of the platform junket strategy was to direct certain premium players towards engaging with junket operators who then would arrange junket programs to Crown Resorts casinos in Australia?

MR JOHNSTON: Who would cover those players under a junket program, yes. I'm not - as broad as you just described, yes.

40 MS SHARP: Is it fair to say that the platform junket strategy involved a collaboration between Crown Resorts on the one hand and the platform junkets on the other?

45 MR JOHNSTON: Again, I'm not sure; it's a collaboration. These were junket operators that we were comfortable (1) doing business with; (2) the credit profile of, and we would accept the credit risk of if they introduced a particular player to us.

MS SHARP: And while perhaps not meeting the strict legal definition of a partnership, is it right that the platform junket strategy involved Crown Resorts partnering with the platform junkets?

5 MR JOHNSTON: No.

MS SHARP: Sorry, I think Mr Hutley may have objected.

MR HUTLEY: The witness may have answered.

10

MR JOHNSTON: Sorry, I said - my answer was no, I'm sorry.

MS SHARP: Could I return to a document I asked you about a little earlier, Mr Johnston. It's exhibit M109. It is a confidential document, so I'll only have it brought up in the hearing room. It's - and, I beg your pardon, on the confidential link. It's CRL.527.001.1826. Now, Mr Johnston, can you exclude, altogether, the possibility that you've previously seen this document, and I mean seen it at around the time it was brought into existence?

20 MR JOHNSTON: I don't - I don't recall seeing it.

MS SHARP: Can I take you, please, to pinpoint 1856. Do you see there's a - - -

MR JOHNSTON: Sorry. Hang on a sec.

25

MS SHARP: Yes. Thank you. Page 31 is over here.

MR JOHNSTON: Yes. Thank you.

30 MS SHARP: And you'll see there's a little box with the heading Opportunities?

MR JOHNSTON: Yes.

MS SHARP: And one of those opportunities is:

35

Activating junket marketing platforms for Crown.

Now, do you agree at the time - and take it from me the time is late 2014 - that was considered by Crown to be an opportunity?

40

MR JOHNSTON: I'm not sure of the exact terminology here. We certainly saw the relationships with junkets as an opportunity to increase the business.

MS SHARP: Could I take you, please, to pinpoint 1872, and that's page 47. You'll see a heading Critical Needs for Marketing. And point 3 is:

45

Working with key junket partners and activating Crown on their marketing platforms.

5 Now, does that language of “working with key junket partners” accurately describe what the platform junket strategy was about?

10 MR JOHNSTON: I mean, I describe my understanding of the junket platform strategy before. I mean, these are another person’s words. I’m – “working with key junket partners”. Yes. I’m – I’m not sure what they mean by “activating Crown on their marketing platforms”. I’m not sure that I’ve seen that before. And “working with key junket partners”, I don’t believe they were ever our partners. We had contractual relationships with the junkets. They were certainly not our partners.

15 COMMISSIONER: Yes. You can accept that there are numerous documents referring to these junkets as “partners” and I – what you say, I’m going to assume, is that you wouldn’t use that terminology; is that right?

MR JOHNSTON: That’s right.

20 COMMISSIONER: And so was it ever brought to your attention that the management were using these descriptions of the junkets as “partners”?

MR JOHNSTON: Not that I recall, no. I mean, this – this is a marketing document. And I’m not sure that I saw too much from the marketing people.

25 COMMISSIONER: Yes. I’m not quite sure what sort of a document is, but it has certainly got the word “partners” in it, as have others. But you wouldn’t use that, because you don’t regard them as partners.

30 MR JOHNSTON: No, I don’t.

COMMISSIONER: Yes. All right. Yes.

35 MS SHARP: Could I take you, please, Mr Johnston, to CRL.527.001.2277. If we could bring that up on the confidential screen. I will just obtain an exhibit number for it.

COMMISSIONER: Yes.

40 MS SHARP: I’m told that is M120.

COMMISSIONER: Thank you.

45 MR JOHNSTON: Thank you.

MS SHARP: Now, on this front page, this document is identified as being a document of VIP international team. It's the January 2015 sales summit. Did you attend that sales summit?

5 MR JOHNSTON: No, I didn't.

MS SHARP: Have you seen this document before?

MR JOHNSTON: Not to my knowledge.

10

MS SHARP: Is it right you can't exclude the possibility that you've seen it before?

MR JOHNSTON: I think it's unlikely. I wasn't – I don't believe I was getting these sorts of documents.

15

COMMISSIONER: When you say this sort of stuff, you are referring to sales material, are you?

MR JOHNSTON: Yes, it's a sale – yes. It seems like it's a document that the sales team would have been using.

20

MS SHARP: Isn't this the sort of matter that ought to have been drawn to your attention as part of the CEO meetings, when updates were being provided on the VIP International business?

25

MR JOHNSTON: No. I don't think we would have got this amount of detail. This is – I mean, this is a pretty detailed document.

MS SHARP: Could I take you, please, Mr Johnston, to pinpoint 2291, which is page 15 of that document. Do you see that nine platform junkets are identified at that page?

30

MR JOHNSTON: Yes.

35 MS SHARP: And one of them is the Suncity junket?

MR JOHNSTON: Yes, I do.

MS SHARP: And another one is the Guangdong Club, including Chan, C-h-a-n, Yan, Y-a-n, To, T-o?

40

MR JOHNSTON: Yes, yes.

MS SHARP: Did you understand that the Guangdong Club was related to the Neptune junket?

45

MR JOHNSTON: I'm not sure that I did. No. I was familiar with the Neptune junket, but I'm not sure that I understood they were connected.

5 MS SHARP: And you'll see that another of the platform junkets is the Song junket?

MR JOHNSTON: Yes.

MS SHARP: Did you know that at the time?

10 MR JOHNSTON: Yes. I – I was familiar with the Song junket. Yes. Sorry. I'd heard it referred to. Yes.

MS SHARP: And you see another of the junkets is the Chinatown junket?

15 MR JOHNSTON: Yes.

MS SHARP: Were you aware that the Chinatown junket was considered by Crown to be a platform junket at the time?

20 MR JOHNSTON: Not – not that I recall. But I was – again, I – I had heard the Chinatown junket referred to before. I can recall that.

MS SHARP: Can I take you to a further document, please, Mr Johnston, which is exhibit BJ53. Again, it's a confidential document, so I'll have it brought up on the
25 confidential link. It's CRL.505.001.0062. Now, this junket platform strategy document of February 2015, is this a document that you saw at around the time it was brought into existence?

MR JOHNSTON: Again, not that I recall.
30

MS SHARP: And can I take you your attention, please, to 0065.

MR JOHNSTON: Yes.

35 MS SHARP: And you'll see that there are eight platform junkets indicated on that page?

MR JOHNSTON: Yes.

40 MS SHARP: Did you know at the time that they were the platform junkets?

MR JOHNSTON: Not that I recall.

MS SHARP: And this is your evidence, despite the fact that you were attending
45 CEO meetings where there were briefs at each such meeting by the VIP international business?

MR JOHNSTON: Yes.

COMMISSIONER: I presume you knew there were a number of junket – platform junkets?

5

MR JOHNSTON: Yes, yes. I was aware of the strategy. And I was - - -

COMMISSIONER: Yes.

10 MR JOHNSTON: As I said, I was aware that there were a number of large junkets that we relied on for credit and the Suncity, Song, I think, Chinatown, I recall - - -

COMMISSIONER: And I think you said the Neptune Group.

15 MR JOHNSTON: And the Neptune Group, yes. But in terms of this broader list, no.

COMMISSIONER: And you told me a little earlier about the win rate. I presume that - - -

20

MR JOHNSTON: Yes.

COMMISSIONER: I presume that if it's necessary to compete with your competitors in the way that you've described how Star was able to make an assumption about a higher win rate, this platform junket strategy would help with that; would it not?

25

MR JOHNSTON: No. No, it doesn't. Win rate is really how the – how the cards fall on the table, Commissioner. It's - - -

30

COMMISSIONER: But isn't the assumption based on revenue?

MR JOHNSTON: No, no.

35 COMMISSIONER: I see.

MR JOHNSTON: So it's the - - -

COMMISSIONER: So when you told me a little earlier – just a minute.

40

MR JOHNSTON: Yes.

COMMISSIONER: When you told me – when you told me a little earlier that the win rate - - -

45

MR JOHNSTON: Yes.

COMMISSIONER: - - - was based on revenue and that Star could make a much higher, or assume a much higher win rate because it was able to make assumptions on its revenue, would it not follow - - -

5 MR JOHNSTON: No. Sorry. Keep going.

COMMISSIONER: Well, I'll start again, if you'd just wait. If I am wrong, I'd be grateful if you'd tell me.

10 MR JOHNSTON: Sorry, Commissioner.

COMMISSIONER: So you'll get the opportunity, because I want your help.

MR JOHNSTON: Yes, of course.

15

COMMISSIONER: So with the win rate

MR JOHNSTON: Yes.

20 COMMISSIONER: - - - you've told me that it's based on revenue; correct?

MR JOHNSTON: No, no. It results in revenue. So win rate's based on turnover. So it's based on your turnover. A certain proportion of that comes out as revenue.

25 COMMISSIONER: Yes.

MR JOHNSTON: The proportion that comes out as revenue is your win rate.

COMMISSIONER: And your 1.35 per cent of your turnover is your revenue?

30

MR JOHNSTON: Correct. Yes.

COMMISSIONER: And so what you're looking at is the basing this on turnover and if you have the capacity to do business with platform junkets, then big junkets are bringing people in. You increase your turnover. You take a bigger – you take the same percentage on a bigger turnover, which helps your win rate; does it not?

35

MR JOHNSTON: No, no, no. It doesn't help the win rate. It helps the revenue. I'm sorry.

40

COMMISSIONER: It helps the revenue.

MR JOHNSTON: Yes.

45 COMMISSIONER: And the win rate of 1.35 per cent, is it?

MR JOHNSTON: Yes, yes. It remains – it should remain constant.

COMMISSIONER: All right.

MR JOHNSTON: So each game has its own theoretical mathematical odds - - -

5 COMMISSIONER: All right.

MR JOHNSTON: - - - and that's – that's calculated - - -

10 COMMISSIONER: And you've got 1.35.

MR JOHNSTON: Correct. Yes.

COMMISSIONER: The 1.35 will remain static or constant; correct?

15 MR JOHNSTON: It should, in a theoretical sense – and just give me a moment here to explain, because it's a little bit – it's a little bit complicated.

COMMISSIONER: Yes. Yes. Okay.

20 MR JOHNSTON: Theoretically, it should. But each hand will come out as each hand comes out. So you get what's called variances to theoretical win rate in particular time periods. So casino companies, in each annual report or each set of accounts, will report what their revenue would be at theoretical on this – only on this VIP play. And they will also report the variance, in that specific period, to the
25 theoretical win rate, just because luck has gone for the casino or against the casino.

COMMISSIONER: Yes.

30 MR JOHNSTON: But you can't – you can't budget on luck going one way or another. So you've got to base the business model on what you would win at a theoretical level and, in the continuum of the business, it will come out at theoretical. So Crown's win rate from inception to date is pretty close to 1.35 per cent, for example, at this point in time. But the year just gone by, we had a – we did have variance to the theoretical win rate for that year. But you can't – you can't structure
35 your business around those variances. You've got to say what should we win in any – from the VIP business, in structuring the business and offering the – offering the incentives to players or junkets at any particular - - -

40 COMMISSIONER: So does the level of turnover affect win rate?

MR JOHNSTON: No. Once you get to a certain level of turnover – so if you had a very small turnover, you couldn't comfortably say that win rate would go to theoretical, because it's not enough turnover to get that. But once you get to a – a certain level of turnover – and you have to assume all these big casinos have it – the
45 win rate is a factor of the games played at the table not the turnover.

COMMISSIONER: And so when you were speaking earlier of Star, your competitor, being able to achieve a much higher win rate - - -

MR JOHNSTON: Yes.

5

COMMISSIONER: - - - what was it about Star that enabled it to do that, compared to your inability to do so?

MR JOHNSTON: They had a different method of calculating win rate. As I recall it, they went back a number of – a limited number of years to determine the win rate that was applicable to VIP players, whereas we did it from a mathematical perspective, if you like, from an actuarial perspective and based on the history of the casino to that time, not just limited to a few years.

COMMISSIONER: So this was something that you could adjust, choosing to do it in the same manner as Star, should you wish to do so, and not on a mathematical basis?

MR JOHNSTON: Yes, but I don't know that we would have believed that would have been the correct way of doing it.

COMMISSIONER: No, but I was just interested to hear that you said that your win rate, based on turnover, etcetera, that you have described to me - - -

MR JOHNSTON: Yes.

COMMISSIONER: - - - was different from your competitors because they were able to assume a much higher win rate.

MR JOHNSTON: Yes.

COMMISSIONER: Now, I understand – and tell me is this right, they were able to make that assumption because of the approach that they adopted to assessing or fixing that win rate that was different to the approach that you adopted at Crown; that's right?

MR JOHNSTON: That's right, yes, that's my understanding, yes.

COMMISSIONER: Yes. And so that has nothing – I withdraw that. And you did say to me that that enabled them to offer the various rebates to the players; do you remember telling me that?

MR JOHNSTON: Yes. Yes.

COMMISSIONER: And so what I'm interested in, you were an able to offer rebates to the players; correct?

MR JOHNSTON: Yes.

COMMISSIONER: And that was linked to your assessed or theoretical or hopeful win rate; is that right?

5

MR JOHNSTON: To our assessed, yes.

COMMISSIONER: Yes. And so all of those things that you do to reach a position of being able to offer the rebate is relevant to the junkets because you want to be able to lure the junkets with good rebate offers, I presume?

10

MR JOHNSTON: Yes. Yes. I mean, the junkets will obviously shop for the best deal, I think, yes.

COMMISSIONER: Yes, so what you are doing competitively in one sense, is to press for good rebates and good rebate play so that the junket players or operators will find you attractive just as much as it might find your competitors attractive, or perhaps a bit more than your competitors; is that right?

15

MR JOHNSTON: Yes, that would be the ideal but that wasn't where we were, yes.

20

COMMISSIONER: No. And so when you are pursuing your platform junkets, not only are you seeking to ensure that you are in a position to adjust your credit risk, that is, the risk of people not paying their debts, but you also want to be able to offer that group a good rebate attraction to come to your casinos, I presume?

25

MR JOHNSTON: If – if you can, yes. Yes. A competitive one, yes.

30

COMMISSIONER: Yes, thank you. Yes, I'm sorry to interrupt, Ms Sharp.

MS SHARP: Could I take you to another document, Mr Johnston, which is exhibit R20, again a confidential document, if it can be brought up on the confidential screen, CRL.638.001.0108. Now, you see this is a VIP international business update.

MR JOHNSTON: Yes.

35

MS SHARP: It is most likely, isn't it, that you did see this document at around the time it was brought into existence?

MR JOHNSTON: Yes, it's – it's likely I probably did see this one, yes.

40

MS SHARP: Because this is the type of update that was presented to the CEO meeting; correct?

MR JOHNSTON: It – yes, I mean I can't remember specifically but it looks like the sort of thing we would have seen, yes.

45

MS SHARP: Can I take you, please, to page 14 of this document, which is pinpoint 0121. You will see this is a heading Debts for the VIP international business.

MR JOHNSTON: Yes.

5

MS SHARP: And you will agree this was the very matter that you were interested in, the debts?

MR JOHNSTON: The technology around debts I was interested in, yes, if that's – if that makes sense.

10

MS SHARP: Not really. What do you mean?

MR JOHNSTON: So I was looking at whether we could get better information to assess credit quality, and whether – once we had a debt, whether there were other things that we could do. And we looked, you know, for example, of whether you could – whether you could have a financial institution, if you had a long outstanding bad debt, that may be willing to pay you some sum in the dollar for it. Now, we didn't end up going down that path but that was the sort of thing that we investigated.

15
20

COMMISSIONER: So you were looking at factoring your debts?

MR JOHNSTON: Well, sorry that was one of the ideas that we looked at as to whether there was any capacity to do that, with a bank. And we didn't – we didn't end up having any – any luck in that respect. But it was more around were there different things that we could do. But, sorry, I'm rambling; please keep going.

25

MS SHARP: You will see that one of the headings on this page is that customers are delaying payments more frequently and you'll agree that was the sort of trouble you had identified at this time?

30

MR JOHNSTON: Yes, absolutely. Yes.

MS SHARP: And there it states that:

35

Debtors in China are finding it more difficult to move funds.

And I take it that was a problem that you were aware was being experienced at that time?

40

MR JOHNSTON: Yes, absolutely. Yes.

MS SHARP: That was because of the tightening of currency controls in mainland China?

45

MR JOHNSTON: Yes.

MS SHARP: And you will see it is then stated that:

Banks in Hong Kong and Singapore have strict AML requirements. Payments are sometimes returned to the depositor.

5

MR JOHNSTON: Yes.

MS SHARP: So is it right that the prospect of money laundering was on your radar in the context of examining how debtors in China were restricted in moving their money?

10

MR JOHNSTON: You mean money laundering in China as opposed to people bringing money here to launder it? Is that – I'm just trying to understand your question, I'm sorry.

15

MS SHARP: Well, it can work both ways but you understand, don't you, that one of the reasons why players in mainland China dealt with junkets was in order that the junkets could assist them move their money out of mainland China so they could gamble?

20

MR JOHNSTON: No, I'm not sure I necessarily understood that. I understood that the particular players may have had various sources of funds. We weren't able to verify where the sources were. And therefore, we – we would prefer to deal with a junket that we were comfortable with the credit quality of. I mean, we – the whole essence of us not wanting to deal with the player was we didn't want to have to try and go through all of the effort required to verify whether they could or they couldn't or whether they did or they didn't have the necessary funds to repay the debt. It's – it's – it was beyond our capacity to get information.

25

MS SHARP: Is that not turning a blind eye to money laundering?

30

MR JOHNSTON: No, I don't – I don't believe so. I think that the – the funds that are ultimately brought to Australia are subject to the AUSTRAC reporting obligations. Any of these players has – or Crown retains the play details for any player, whether they're playing directly or via a junket, and any law enforcement agency here in Australia can, and they do, come to Crown and ask for the players' play records which will show the total amount bet, the total amount won and the total amount lost. So if somebody is trying to say, "I got all this money because I won it at Crown", it's a bit hard to do that if a law enforcement official follows up Crown and asks for the details of their play, which Crown can give them.

35

40

MS SHARP: I just want to go back to this point. Did you understand that one of the attractions of junkets to some VIP players was to help them move money out of mainland China and avoid the currency controls that the Chinese government had imposed?

45

MR JOHNSTON: No, I don't think I did know that.

MS SHARP: Is that your full and frank answer to this Inquiry?

MR JOHNSTON: Yes.

5 MS SHARP: Can I take you, please, to a further document, which is a confidential document and I will just have the exhibit number pulled up. It's CRL.522.001.0136. This is exhibit M169, Commissioner.

COMMISSIONER: Thank you.

10

MS SHARP: Now, Mr Johnston, this is the strategic business plan - - -

MR JOHNSTON: Sorry, just give me one second.

15 MS SHARP: Yes, certainly.

MR JOHNSTON: Yes.

20 MS SHARP: Now, this is the Financial Year 2016 to '20 Strategic Business Plan Executive Review VIP International. It's most likely, isn't it, that you saw this document at about the time of its creation?

MR JOHNSTON: Do you know when it was created?

25 MS SHARP: I suggest to you that some time on or about the financial year of 2016 because it seems to be the four-year strategic business plan.

MR JOHNSTON: It's certainly – it again, looks like the sort of thing that I probably would have seen, yes.

30

MS SHARP: Well this would be the very kind of thing that you would be interested in, given your role with respect to VIP international business at Crown, isn't it?

35 MR JOHNSTON: Well, my role - by this point my role was starting to become a bit different but, yes, I would imagine that I would have seen this document, yes.

40 MS SHARP: Could I just take you, please, to pinpoint 0151. You will see that one of the strategies identified is to unlock the platform junkets and it's stated there to collaborate with key creditworthy platform junkets. Now, that's an accurate description, is it, of the relationship that Crown intended to have with the platform junkets?

MR JOHNSTON: Yes. Yes.

45 MS SHARP: And if I could just take you, please, Mr Johnston, to the next page, pinpoint 0152.

MR JOHNSTON: Yes.

MS SHARP: Here we have some critical issues being identified, and one of them is”

5

Is cross-border currency movement restrictions creating significant business financing and debt collection issues.

MR JOHNSTON: Yes.

10

MS SHARP: Now, that was a matter to which you were very much alive at the time, wasn't it?

MR JOHNSTON: Yes.

15

MS SHARP: And one of the things that you sought to do was propose ways to reduce that debt risk?

MR JOHNSTON: Yes.

20

MS SHARP: And you will see one of the proposals here at the last dot point was to:

Complete set-up of Macau banking facility.

25 Did you know about that plan at the time?

MR JOHNSTON: Yes, I knew that there was a proposal post the Chinese arrests that Crown set up a bank account with – with one of the banks in Macau.

30 MS SHARP: Now, given that these days it's possible to transfer money all over the world, what did you understand to be the advantage of setting up a banking facility in Macau as opposed to Australia?

35 MR JOHNSTON: I think that, as I understood it – and I'm not sure that I have all of the background to it – but, as I understood it, customers were used to doing that and, you know, for example, Star had a Macau bank account. So customers had asked us why we didn't have the same sort of facility.

40 MS SHARP: And what do you see as the attraction for the customer in depositing or operating – I withdraw that. What do you see is the attraction to the customer in depositing money into a Macau bank account as opposed to an Australian bank account?

45 MR JOHNSTON: Convenience, I think. I mean, we would have had to have gone through and satisfied ourselves of AML procedures, so I assume it was convenience.

MS SHARP: What do you mean you would have had to satisfy yourself of AML matters?

5 MR JOHNSTON: Well, I think – I mean, ultimately, the – the capacity to meet our AML obligations here in Australia would need to be met. So I didn't – I didn't progress through the – the – the AML consequences of doing this sort of thing. But – but I – I would imagine that the AML considerations would have been taken into account.

10 MS SHARP: Well, can I ask you this: was your view that opening a bank account in Macau that it may result in less rigorous money laundering reporting requirements, and that might be an attraction for customers to deposit their money in Macau?

15 MR JOHNSTON: I didn't think of it that way. I – I mean, international fund transfers are something that necessitates a reporting obligation here. So I – therefore, I didn't think of it in that – in that manner.

20 MS SHARP: So is your evidence to this Inquiry that it didn't even cross your mind that there might be attractions to customers in depositing their money in Macau, because there may be a less rigorous anti-money laundering framework in Macau?

25 MR JOHNSTON: No, I – I don't think that it – I would have assumed that we wouldn't have done something that facilitated money laundering, is what I'm trying to say.

MS SHARP: And so is your evidence that it did not cross your mind at the time?

30 MR JOHNSTON: I can't recall what crossed my mind at the time, but if you were to ask me today that – would I look at something that assisted money laundering? No. No, I wouldn't. But I can't recall exactly what crossed my mind at the time. I think that I would have assumed that – that Crown would have got it – would have got itself comfortable that we weren't facilitating money laundering by doing this.

35 MS SHARP: Could I just ask you to have a look at another document, please, Mr Johnston. This one is exhibit M257. And it's a confidential document. If it could be brought up on the confidential screen. CRL.527.001.2006. Now, can you see this document dates from April 2016?

40 MR JOHNSTON: Yes.

MS SHARP: And it's a VIP International strategy workshop?

MR JOHNSTON: Yes.

45 MS SHARP: Given that this is the nature of the document, is it most likely you saw this document at the time?

MR JOHNSTON: No, I don't – don't think I would have seen a – a strategy workshop planning document. But – so I don't recall seeing it. I wasn't involved in their workshops, and so forth.

5 MS SHARP: Could I just take you to pinpoint 2010. And can you see this is some dot points on the market outlook in the VIP market?

MR JOHNSTON: Yes.

10 MS SHARP: And can you see that the second-last dot point is entitled "WW" which I assume is "world-wide banking and AML regulations"?

MR JOHNSTON: Yes.

15 MS SHARP: And do you see it says:

All jurisdictions, except Manila, appear to be tightening AML oversight. Even Manila likely to tighten after recent scandals.

20 MR JOHNSTON: Yes.

MS SHARP: Now, I hear you say that you don't think you saw this document at the time, but does that proposition summarise your view at about that time, that, so far as the VIP market was concerned, all jurisdictions except for Manila appeared to be
25 tightening their anti-money laundering oversight?

MR JOHNSTON: I didn't have that visibility over the totality of the market.

MS SHARP: Well, can I stop you there, Mr Johnston. The reason, or one of the
30 reasons you say Mr Packer brought you in to look at the VIP international business was to advise in relation to debt recovery; correct?

MR JOHNSTON: Yes.

35 MS SHARP: Are you really saying that – is it your genuine evidence to this Inquiry that anti-money laundering frameworks did not cross your mind when you were contemplating how the payment of debts could be improved?

MR JOHNSTON: Sorry. No, I don't think that's what I said. I said I don't think I
40 had the perspective on the totality of the markets, which is what this point's talking about.

MS SHARP: Well, can you tell us - - -

45 MR JOHNSTON: It – it credit.

MS SHARP: - - - at this time, that is, in 2016, what were your views on Australia's anti-money laundering framework and the repayment of debts owed to Crown by either VIP players or junket operators? Were – and I'll ask more specifically, did you perceive Australia's anti-money laundering framework to be an impediment to Crown receiving repayment of debts due to it?

MR JOHNSTON: No, I didn't. I saw that we had a – you know, we had an anti-money laundering system that evolved from the sort of early 2000s and, you know, I think it was a relatively tight system, from my understanding of it. But I didn't see it as an impediment – that was not one of the impediments I was looking at in terms of debt recovery. It was – it was more around were we lending money to the right people. And were the capital controls that meant that, unless our players had resources outside of China, did that mean that it was going to be difficult for people who, otherwise, may have very high net worth, in being able to afford their debts.

MS SHARP: Just to be very clear, at the time, did you understand Australia's anti-money laundering framework to impose an impediment which you sought to get around?

MR JOHNSTON: No.

MS SHARP: Can I take you to another document, please. This one is exhibit M338. It's confidential document CRL.522.001.4133. Now, this is the financial year - - -

MR JOHNSTON: Sorry. Sorry. Just a minute, please. Yes.

MS SHARP: Now, this is a financial year 2017 strategic business plan executive review VIP international.

MR JOHNSTON: Yes.

MS SHARP: Given the nature of this document, is it most likely you saw this at about the time it was brought into existence?

MR JOHNSTON: Yes. Again, this looks like the sort of document I may have seen. Yes.

MS SHARP: Would you have had any role in putting this document together, Mr Johnston?

MR JOHNSTON: No, none.

MS SHARP: And you can take it from me that this document dates from before the arrests in China in 2016.

MR JOHNSTON: Right.

MS SHARP: Can I please take you to point 4140.

MR JOHNSTON: Yes.

5 MS SHARP: And you'll see that there's a summary of initiatives delivered in the 2016 financial year?

MR JOHNSTON: Yes.

10 MS SHARP: And one of the initiatives that was delivered was the platform junket strategy.

MR JOHNSTON: Yes.

15 MS SHARP: And that was your understanding in 2016?

MR JOHNSTON: Sorry. What was my understanding, that - - -

MS SHARP: That the platform junket strategy had been delivered?

20

MR JOHNSTON: That it had been implemented, yes. I believe so, yes. Yes.

MS SHARP: And you'll see the next point is that the key – there was key in-house junket support.

25

MR JOHNSTON: Yes.

MS SHARP: And was it your understanding, in 2016, that that key in-house junket support had been provided?

30

MR JOHNSTON: I am not sure whether it had or it hadn't. I'm – I'm not sure what that's referring to, to be honest.

MS SHARP: Well, what do you think it refers to, Mr Johnston?

35

MR JOHNSTON: It's not – it's not apparent from the words used there. I am – if I was to hazard a guess, I would say that there's some sort of Crown support of those junkets. But I could be – I'm guessing. I'm sorry.

40 MS SHARP: Well, that seems a very reasonable construction, doesn't it?

MR JOHNSTON: Yes, that's – that's – yes.

45 MS SHARP: And you'll agree that those key junkets are identified as Suncity, Chinatown, Niglio and Qiyun?

MR JOHNSTON: Yes.

MS SHARP: And did you know the reference to the Niglio junket was a reference to Nicholas Niglio?

5 MR JOHNSTON: I'm not sure that I did. No. I recognise Suncity and Chinatown, though. Yes.

MS SHARP: Do you know that Mr Niglio is an executive of the Neptune Group?

10 MR JOHNSTON: Yes, I was aware of that. Yes.

MS SHARP: So the fact that there's a reference to Niglio, is it most likely that Crown was dealing with the Neptune Group at this time?

15 MR JOHNSTON: I don't know.

MS SHARP: Well, can I take your attention, please, to .4149. It states there that:

20 *There has been a shift in business towards junket delivering substantial volumes on reduced margins.*

That's consistent with your understanding at the time, isn't it?

MR JOHNSTON: Yes, it is. Yes.

25 MS SHARP: And it says here:

Deliberate focus on junkets to bring in business.

30 MR JOHNSTON: Yes.

MS SHARP: And that's consistent with your understanding at the time?

35 MR JOHNSTON: Yes, there was a greater reliance on – on junkets, in terms of the total amount of business.

MS SHARP: And we see a reference to three junkets here.

MR JOHNSTON: Yes.

40 MS SHARP: Including a reference to the Niglio junket?

MR JOHNSTON: Yes.

45 MS SHARP: And I won't say the numbers, but you'd agree that is a massive turnover identified on the part of that junket operator?

MR JOHNSTON: Yes. Yes. The turnovers - - -

MS SHARP: Okay.

MR JOHNSTON: - - - can be massive, given the maths of the games. Yes.

5 MS SHARP: And – well, at the end of the day, turnover affects revenue, doesn't it?

MR JOHNSTON: Yes.

10 MS SHARP: And this is the kind of number that, in your position, you would be very interested in?

MR JOHNSTON: In terms of the total numbers, as opposed to, necessarily, which particular junkets we were getting them from. Yes.

15 MS SHARP: Well, you were interested, weren't you, in which junkets were delivering the most turnover to Crown at this time?

20 MR JOHNSTON: Well, by this point in time, my involvement with the VIP group had decreased a lot. So this is in '16. I think I attended one VIP meeting in '16. So that's – I wouldn't say that that's a – that that's a close focus. It was really '13 and '14 when I had the more significant involvement with the VIP business. But yes, I accept I probably would have seen this sort of document.

25 MS SHARP: Could I just take you, please, to pinpoint 4159 and you see some critical issues for the 2017 financial year are identified in terms of credit and liquidity.

MR JOHNSTON: Yes.

30 MS SHARP: And one of those is :

Debt recovery concerns due to currency regulations.

35 MR JOHNSTON: Yes.

MS SHARP: And you will see that last dot point is:

Alternative methods of remittance are also required.

40 MR JOHNSTON: Yes.

MS SHARP: Were you aware that that's what the VIP International team was concerned to explore as at this time?

45 MR JOHNSTON: I don't recall having been made aware of them, looking at alternatives at this point, no.

MS SHARP: Based on your experience in examining these debt recovery concerns, are you able to assist this Inquiry in understanding what alternative methods of remittance may contemplate?

5 MR JOHNSTON: At that point in time I'm not sure. As I said, we looked at – we looked at whether there were opportunities earlier in the piece, back in 2013 and '14, and, in fact, I had my group treasurer, Steve Bennett, look at those for me. He was a banker by background. But in terms of what they may have been thinking about at this point, I'm not sure.

10 MS SHARP: Could I take you over the page, please, Mr Johnston, to pinpoint 4160; you will see that some competition issues are identified on this page?

MR JOHNSTON: Yes.

15 MS SHARP: And Manila is identified as emerging as a serious competitor?

MR JOHNSTON: Yes.

20 MS SHARP: And one of the points made there is that there are more relaxed regulations at casinos are exempt from anti-money laundering requirements. Was it your perception, as at 2016, that anti-money laundering requirements put Crown at a competitive disadvantage as opposed to other casinos in other jurisdictions, such as Manila and Cambodia?

25 MR JOHNSTON: Well, I don't think just Crown; I think Australia is at a competitive disadvantage, yes.

30 MS SHARP: And that's in the specific context of anti-money laundering frameworks?

MR JOHNSTON: Possibly, yes. Yes.

35 MS SHARP: Well - - -

MR JOHNSTON: I'm trying to think back as to what I did in 2015 – '16. I – I imagine it's logical that, yes, that would have been the case, yes.

40 MS SHARP: And could I take you, please, to .4170. And, here, you will see some strategies and initiatives being identified "in order to reduce our credit cost". Do you see that?

MR JOHNSTON: Yes.

45 MS SHARP: And you see that the first action identified is to:

Identify alternative payment platforms.

MR JOHNSTON: Yes.

MS SHARP: And the details of that include:

5 *Selectively provide office bank accounts for customer remittances and patron deposits.*

Now, given that one of your concerns was with the repayment of debts, are you able to assist this Inquiry with understanding what that proposal was all about?

10

MR JOHNSTON: No, I'm not.

MS SHARP: Really?

15 MR JOHNSTON: Yes.

MS SHARP: So you can't assist us in any way in understanding the proposal to selectively provide office bank accounts for customer remittances and patron deposits?

20

MR JOHNSTON: Yes. No, I'm – I – I've got – I've got no idea what that's referring to.

MS SHARP: And do you think it might have something – I withdraw that. Isn't this obviously an option stated with the clear intention of evading the monitoring and reporting requirements under the anti-money laundering framework in Australia?

25

MR HUTLEY: I object.

30 COMMISSIONER: Specifically? The whole of the framework or?

MS SHARP: The clear intention to avoid the reporting requirements under the anti-money laundering framework in Australia.

35 MR JOHNSTON: I'm sorry, you cut out there, could you repeat your question?

MS SHARP: Yes. Based on your experience in working with the VIP international team to look at ways of increasing debt repayments, isn't the clear intention of the proposal to selectively provide office bank accounts for customer remittances and patron deposits an intention to evade reporting requirements under the Australian money laundering framework?

40

MR HUTLEY: I object.

45 COMMISSIONER: Yes, it is noted. Yes, Mr Johnston, you can answer that.

MR JOHNSTON: Thank you. I – I’m not sure what is being referred to there. I’ve got no idea. Certainly, all of the interactions I had with the group, when we were looking at things back in 2013 and ’14, I would have left them with the very clear impression that we weren’t to take shortcuts that were not lawful. I mean, we
5 explored things, they didn’t work. It was clear that we couldn’t pursue them.

MS SHARP: As a longstanding director of Crown Resorts, does it concern you in any way to see this proposal of selectively providing office bank accounts for customer remittances and patron deposits?
10

MR JOHNSTON: I mean, if it is as you suggest, of course it does. But I would have to try and speak to someone who knows what they were talking about to see whether, in fact, it is what you are suggesting.

15 COMMISSIONER: I think the - what has happened in the last couple of months is I think a recognition that some of the processes of the company are flawed and you need to have a better AML system in place. You understand that, Mr Johnston, I think?

20 MR JOHNSTON: Yes, I do. Yes.

COMMISSIONER: And having your focus on these words in this document, I suppose now identify that it may well have been the case that something was intended that should have been analysed more closely and if, as you tell me, that had
25 you been alerted to the fact that this might have been a suggestion like the one Ms Sharp has suggested, you would have certainly debunked any idea about that; is that right?

30 MR JOHNSTON: Yes, I would have.

COMMISSIONER: Yes, thank you. Yes, Ms Sharp.

MS SHARP: Now I would like to take you to a document, Mr Johnston. It’s – and I will get the exhibit. It’s exhibit O4. It’s a public document so it can come up on the
35 live screen, INQ.950.002.0112. Can you see, Mr Johnston, that this is an announcement from Mr Chen dated 6 January 2014 about a VIP international sales team update?

40 MR JOHNSTON: Yes.

MS SHARP: Now, was this document brought to your attention at the time?

MR JOHNSTON: No, I wouldn’t have seen something like this.

45 MS SHARP: Could I just ask you whether you knew about what is stated in this document. If you look under the heading Restructuring Macau Junket Sales Team, do you see it says:

In order to deliver critical support to two our most important junkets, we have restructured the Macau junket teams to enable dedicated business development support to Suncity and to the Guangdong Club.

5 MR JOHNSTON: I – I don't believe I would have known about that at the time.

MS SHARP: Did you know at the time that the VIP international team was providing dedicated business development support to Suncity and to the Guangdong Club?

10

MR JOHNSTON: No.

MS SHARP: And did you know at the time that the Guangdong Club was linked to the Neptune junket?

15

MR JOHNSTON: No, I don't believe so.

MS SHARP: Did you know at the time that the Guangdong junket was sometimes referred to as the Nicholas Niglio junket?

20

MR JOHNSTON: No. Sorry, I was going to say that I did know that Niglio was in some way associated with Neptune but not the other matters.

COMMISSIONER: Yes.

25

MS SHARP: Now, you are aware, are you not, that Crown Melbourne had an arrangement with Suncity such that Suncity operated a dedicated VIP room?

MR JOHNSTON: Yes.

30

MS SHARP: And when did you first become aware of that arrangement?

MR JOHNSTON: I can't recall exactly when, but I would have been aware of it certainly prior to the China arrests, I think.

35

MS SHARP: You were aware, weren't you, that Suncity had Suncity branding in that room?

MR JOHNSTON: I never went in the room but there was a Suncity sign outside the room, yes.

40

MS SHARP: And you were aware, were you, that it was for the exclusive use of the Suncity junket?

45 MR JOHNSTON: Yes.

MS SHARP: And that there were a number of Suncity staff present in the room?

MR JOHNSTON: Yes.

MS SHARP: And that Suncity operated a cash desk in that room?

5 MR JOHNSTON: I – I subsequently became aware of that. I wasn't aware of that until an issue arose with respect to that.

MS SHARP: And when did that happen, Mr Johnston?

10 MR JOHNSTON: I can't recall the exact timing.

MS SHARP: Was it before or after the China arrests in October 2016?

15 MR JOHNSTON: I think it would have been after, but I can't – I can't exactly recall, I'm sorry. But I did – I did become aware that there was an issue with that.

MS SHARP: So this arrangement, you accept, started in 2014?

20 MR JOHNSTON: I'm not sure exactly when it started but I – I assume that you've got something to let you know that that's the date, yes.

MS SHARP: Well, if you take it from me that the arrangement with Suncity commenced some time in early 2014, does it concern you that as a director of Crown Resorts, you only became aware some time on or after October 2016 that Suncity operated its own cash desk in there?

25 MR JOHNSTON: Yes.

30 MS SHARP: Is that a matter that ought to have been brought to your attention by the executive team?

MR JOHNSTON: In my understanding was that it was, apart from having Suncity branding and having some Suncity hosts, that it was otherwise a room that was operated by Crown. So yes, I would have liked to have known if they were operating their own cash desk, absolutely.

35 MS SHARP: Well, did you understand at any time that all of the transactions that occurred at that cash desk were not designated services for the purposes of the AML/CTF Act?

40

MR JOHNSTON: No.

MS SHARP: Are you aware of that now?

45 MR JOHNSTON: I am now, yes.

MS SHARP: And when did you first become aware of that?

MR JOHNSTON: As a consequence of the – this Inquiry.

MS SHARP: And is it right that until this Inquiry, you had no understanding that Crown was not legally obliged under the AML/CTF Act to report on transactions
5 occurring at that cash desk?

MR JOHNSTON: That's right.

MS SHARP: Is that a matter that ought to have been brought to your attention as a
10 director?

MR JOHNSTON: I think so, yes.

COMMISSIONER: I think you are sure so, aren't you?
15

MR JOHNSTON: Yes, sorry. That's right. That's an understatement.

COMMISSIONER: Yes, I understand.

MS SHARP: Well, isn't that an area where it could fairly be said that Crown turned
20 a blind eye to money laundering?

MR HUTLEY: I object.

COMMISSIONER: Yes. This goes back to the media allegation, I presume, Ms
25 Sharp?

MS SHARP: Yes.

COMMISSIONER: Yes. Mr Johnston, this is a question put to you in terms of a
30 media allegation that was made; you understand that, do you?

MR JOHNSTON: Yes, I do.

COMMISSIONER: You may proceed on that basis.
35

MR JOHNSTON: Thank you. Sorry, can you just repeat the question, so I make
sure I've got it right.

MS SHARP: Yes. Isn't the fact that you, as a director, that you're not aware that
40 Crown was not obliged to – or not legally obliged to report on those transactions at
the cash desk, an area where Crown turned a blind eye to money laundering?

MR JOHNSTON: Well, the simple answer, I think, is no. But – but I think that, as I
45 understand it, once staff became aware that there was a – what was going on there,
they reported it. But I may – I may, because I haven't been following the full
proceedings, I may not have the full picture, I'm sorry.

MS SHARP: Well, just to put you in the picture, Mr Johnston, the evidence is that some time in 2017 AUSTRAC suggested to Crown that it might like to file suspicious matter reports in respect of suspicious matters it observed occurring at the cash desk. Were you aware of that?

5

MR JOHNSTON: No.

MS SHARP: And does it follow that you were not aware – I withdraw that.

10 MR JOHNSTON: It's all right. Yes.

MS SHARP: It is right, isn't it, that in the aftermath of the arrests of the Crown employees in China in October 2016, Crown reviewed certain aspects of its VIP international business?

15

MR JOHNSTON: Yes, it did.

MS SHARP: And that included the relationships with junket operators?

20 MR JOHNSTON: Yes.

MS SHARP: And what was the purpose of the review at that time, Mr Johnston?

25 MR JOHNSTON: Just the review relating to junket operators or more broadly, I'm sorry?

MS SHARP: I will break it down. What was the review in relation to junket operators?

30 MR JOHNSTON: It was a review of who we should be doing business with. So we, as a matter of policy, decided that we wouldn't do business with Chinese - mainland Chinese-based junket operators. And then we also applied a stricter lens in terms of the criteria that we used in our due diligence processes for the balance of the junkets.

35

MS SHARP: And you say in your third statement that as a result of this review, there were around 100 junkets that Crown determined to cease doing business with.

40 MR JOHNSTON: Yes. Yes. I think about a 100 and – well, over a 100, yes.

MS SHARP: And this review took place over a series of some months between late 2016 and early 2017?

45 MR JOHNSTON: Yes, certainly into the first half of '17, yes.

MS SHARP: And you were a part of this group who were conducting the review?

MR JOHNSTON: Yes, Mr Craigie had asked me to assist him on that.

MS SHARP: Is it right that you were the only director who was part of this review -
of conducting this review?

5

MR JOHNSTON: Yes, but it wasn't done in my role as a director. It was done
pursuant to the CPH services agreement.

MS SHARP: And are you able to explain to us why you got involved in this
review?

10

MR JOHNSTON: I think it – I don't know Mr Craigie's reasons for requesting that
I join the group.

MS SHARP: What did you understand your role to be as part of this group?

15

MR JOHNSTON: I think someone independent of the business to apply, if you like,
an independent mind. I mean, I have no profit accountability for the results of
Crown. So that gives me a degree of independence perhaps others don't.

20

MS SHARP: And the members of this review group including yourselves were
meeting on almost a weekly basis, were you?

MR JOHNSTON: Initially. I think from memory it spread out a bit after that. But
certainly, in the period immediately after the China arrests, I think that there were
sort of weekly meetings. I don't think I attended the first couple but then Rowen
asked me to attend and it might have been the third one or something. I think I
started to attend from. But yes, it started off as weekly and then spread out.

25

MS SHARP: And do you understand that records were kept of these meetings?

30

MR JOHNSTON: Yes.

MS SHARP: And these records were provided to you shortly after each meeting,
were they?

35

MR JOHNSTON: I can't recall whether it was shortly after or whether it was at the
next meeting. But – but – but records were – were – were kept, I can recall that, yes.

MS SHARP: But certainly, you had the opportunity to correct any documents that
you felt did not accurately record what was discussed at the meeting?

40

MR JOHNSTON: I didn't necessarily treat them as – with that degree of strictness
but, yes, I saw them.

45

MS SHARP: Could I show you some records of those meetings, please, Mr
Johnston.

MR JOHNSTON: Sure.

MS SHARP: This is exhibit BJ164. I am told there is a claim for confidentiality, so it can go up on the confidential screen. The document ID is CRL.613.001.0018.

5

MR JOHNSTON: Sorry, was that tab 164?

MS SHARP: Yes, BJ164, Mr Johnston. Could I take you to - I might take you to the end of the document, if I can, to 0078, please.

10

MR JOHNSTON: Yes.

MS SHARP: You will see there's a heading China Issues 9 November 2016?

15

MR JOHNSTON: Yes.

MS SHARP: Do we take it the reference to MJ is a reference to you?

MR JOHNSTON: I believe so.

20

MS SHARP: And KB, is that a reference to Karl Bitar or Ken Barton, are you able to assist?

MR JOHNSTON: How regularly does it appear, can you recall? Or is it only that once?

25

MS SHARP: In fact, only once.

MR JOHNSTON: I - I'm - I apologise but I can't help you.

30

MS SHARP: And is BF a reference to Barry Felstead?

MR JOHNSTON: Yes, it is. Yes.

35

MS SHARP: AM, who is that a reference to?

MR JOHNSTON: I will think on that for a moment; it'll probably come to me but, sorry, it's not coming to me at the moment.

40

MS SHARP: JS is, in fact, a reference to Jacinta Maguire by her - is that her married name?

MR JOHNSTON: Her married or maiden name; one of the two, yes. I can't - I can't recall.

45

MS SHARP: But you agree JS is a reference to Jacinta Maguire.

MR JOHNSTON: Yes.

MS SHARP: BK, a reference to Mr Kady.

5 MR JOHNSTON: Yes, I believe so.

MS SHARP: And RT a reference to Roland Theiler.

MR JOHNSTON: Yes.

10

MS SHARP: Could I ask you to have regard to the second half of the page, under the heading Funds Transfers.

MR JOHNSTON: Yes.

15

MS SHARP: Could I ask you to look at the heading City of Dreams, Cash and Other Casino Chip Collections.

MR JOHNSTON: Yes.

20

MS SHARP: One of the matters noted there is that:

Over the last few years, the City of Dreams has provided a service to us to allow our customers to use City of Dreams in Macau and Manila to deposit cash and other casino chips to facilitate debt repayment and front money deposits for Crown Melbourne, Perth and London.

25

Given that it's recorded in this record of the meeting, can we take it that that was a matter that was discussed at this meeting?

30

MR JOHNSTON: Yes. My – my recollection was that – and I wasn't aware of this facility until it was closed – but my recollection is that it was discussed at the meeting and when our staff were arrested in China, the facility was closed down or was stopped by City of Dreams.

35

MS SHARP: So it wasn't stopped by Crown?

MR JOHNSTON: No. No.

40 MS SHARP: And do you agree that one of the - - -

MR JOHNSTON: Sorry, that's my understanding, yes, that it was not stopped by Crown.

45 MS SHARP: Now, do you agree that a person depositing cash in that account in Macau or Manila, was not subject to any transaction monitoring or reporting requirements in Australia under the Anti-Money Laundering Act?

MR JOHNSTON: I don't know the answer to that question, I'm sorry. I did ask at the time whether AML procedures were followed, and I don't understand the legalities of it as you've just asked. But I was told that IFTIs were lodged under our AML system for deposits made with COD and for moneys paid back by CODs. So
5 I'm not sure in what context that arose. But that was my – that was what I was told.

MS SHARP: Do you understand, Mr Johnston, if in fact money was deposited in Macau or Manila but not thereafter transferred to Crown accounts in Australia, there was no legal obligation on Crown, that is, Crown Melbourne or Crown Perth, to
10 lodge an IFTI?

MR JOHNSTON: Again, and I'm not the person to ask this question of, but my understanding was that one was lodged for the gross deposit and the gross withdrawal as opposed to whether the funds were deposited with Australia. But
15 that's my recollection of a conversation a long time ago so I'm probably not the right one to ask the question, I'm sorry.

MS SHARP: My next question is whether this arrangement of allowing deposits in Manila and Macau raised any concerns about evading reporting requirements under the Australian anti-money laundering Act?
20

MR JOHNSTON: Well, I think that's why I had asked the question and, based on the response I got, it didn't – I was satisfied with the answer.

25 MS SHARP: Sorry. Who did you ask the question of?

MR JOHNSTON: I can't recall at this point, but I can recall I – I asked at the meeting.

30 MS SHARP: And can you see, a little further up the page, Mr Johnston, there's a reference to a Bank of China Macau branch account. And it's recorded that:

Our customers have asked why we do not have such an account to facilitate debt repayments and money deposits.

35

MR JOHNSTON: Yes.

MS SHARP: Now, it's right, isn't it, that, at this time, the plan had been to open a Bank of China account in Macau, but that was put on hold following the China
40 arrests?

MR JOHNSTON: I'm not sure about that. I'm not sure. I – I thought this was looked at as an alternative to the City of Dreams arrangement, but I may be wrong.

45 MS SHARP: Can I take your attention, please, Mr Johnston, to 0074 of these records.

MR JOHNSTON: Yes.

MS SHARP: You see there's a – this is a record, would you agree, of a meeting on
5 the 4th of November 2016. And perhaps I need to take you to pinpoint 0073 to see if
you agree with that.

MR JOHNSTON: I'm not – sorry. Yes. Yes. I see that.

MS SHARP: And, actually, while we are on that page, can I fairly indicate to you,
10 you do not appear to be an attendee at that meeting; can you see that?

MR JOHNSTON: Yes.

MS SHARP: But let me ask you whether you know about this: at the bottom of
15 .0073, the heading is Junkets Operating at Crown and the dot point is:

Determine association, if any, with DICJ approved junkets.

Does that mean that, at the time of this review in November 2016, Crown did not
20 know whether its junket operators were licensed by the DICJ in Macau?

MR JOHNSTON: That's not how I read this. I thought – the way I would read this
is that that is one of the things in the due diligence of any particular junket that is
25 done.

MS SHARP: Well, what I'll suggest to you is that, at the time of this review,
Crown, in fact, did not know whether or not the junkets with which it dealt were
licensed by the DICJ, and this is one of the reforms that were implemented at this
30 time, such that Crown sought to establish which of its junket operators were licensed
with the DICJ. Do you agree with that?

MR JOHNSTON: I'm not sure that I agree with the former statement. I agree that
one of the criteria that we were applying on a go-forward basis was that junkets
either had to be licensed with the DICJ or we needed a criminal record check for the
35 junkets, the relevant individuals. So I'm not sure whether Crown did or did not have
details before this or not. That's not something I'm aware of.

MS SHARP: But you participated, over the course of 2016 and 2017, in a detailed
40 review of relationships with Crown's existing junket operator?

MR JOHNSTON: Yes, I was – I was party to discussions where we set the new
criteria and, ultimately, I looked at recommendations that came up from the credit
team as to whether we should do business on a go-forward basis with junkets or not,
45 particular junkets.

MS SHARP: Can I just - thank you, Mr Johnston. Could I just take your attention to .0074, to see if the following accords with your understanding at the time. Do you see that in black text it's written at point 3 that:

5 *Customer checks undertaken include a World-Check, a requirement of a visas to enter Australia and a credit check with other casinos.*

Now, is it correct that they were the only due diligence checks that were done in relation to junkets by Crown until this review?

10

MR JOHNSTON: Sorry. I think that that's referring to the customers of junkets, not to the junkets themselves.

MS SHARP: Thank you, Mr Johnston. Is it your understanding that – well, I withdraw that. I'm going to suggest to you that "customer" in this context is a reference to the junket, that is, the junket operator.

15

MR JOHNSTON:

20 COMMISSIONER: It looks as though the heading refers to "key players of junkets based" - - -

MR JOHNSTON: Yes. Quite.

25 COMMISSIONER: And so either or, Mr Johnston, do you understand whether it was – they were the only things that were checked at the time, either for the key players or the junkets?

25

MR JOHNSTON: I understand that these are the criteria at the time for key players. Yes.

30

COMMISSIONER: Yes. I see. Can I just – you told me a little while ago that someone – I presume someone asked you to do this task of getting into this review. Who was it?

35

MR JOHNSTON: Mr Craigie.

COMMISSIONER: And you told me that the reason for it, or one of the reasons for it, was that because you were independent. Do you remember telling me that?

40

MR JOHNSTON: Yes.

COMMISSIONER: And that, because you had no profit accountability for the results of Crown.

45

MR JOHNSTON: Yes.

COMMISSIONER: What did you mean by that?

MR JOHNSTON: I'm not a part of the management structure. Sorry. I was not
5 part of the management structure of Crown, so I wasn't in any way responsible for
the trading performance.

COMMISSIONER: So I think then I understand you to say it could have been any
director, so long as it wasn't a member of the management team who was, in fact,
10 pursuing the strategy for VIP international and the junkets. Is that what you are
saying?

MR JOHNSTON: I suppose, any director could have done. Yes. As I said, I think
this was a function I did under the services agreement.

15 COMMISSIONER: How do you know that?

MR JOHNSTON: I charged Crown under the services agreement for this.

COMMISSIONER: So you only – I withdraw that. You say that because you
20 charged fees for the work that you did on the review; is that right?

MR JOHNSTON: Correct. Correct. I don't charge any director fees, either for
sitting on the main board or any committees. Yes.

25 COMMISSIONER: No, I understand that. But – so the work that you did on this
committee, you regarded as the work of the provision of services as a CPH executive
to Crown at their request?

MR JOHNSTON: That's right.

30 COMMISSIONER: And, of course, this was after the services agreement had come
into force?

MR JOHNSTON: Yes, it was. Yes.

35 COMMISSIONER: And can I just also understand that when you provided this
service, it was for the purpose of, effectively, reviewing the whole of the structure of
the junket operations that were going on at the time; is that right?

40 MR JOHNSTON: There were a couple of things that were being looked at. One
was how Crown was doing business in each country of operation outside of
Australia. And we engaged with MinterEllison to use their network of affiliated
firms in the world to get fresh advice on that.

45 COMMISSIONER: Yes.

MR JOHNSTON: And then the second thing was which junkets we would do business with and, for that matter, some parameters around players as well.

COMMISSIONER: I see. Yes. Thank you.

5

MS SHARP: Could I take you to another record at .0071, please. This is a meeting on the 1st of December 2016. It says “MJ” at the top. Do you – do you agree that you were present at this meeting?

10 MR JOHNSTON: It would appear so. Yes.

MS SHARP: And if you look at the heading Junkets, the third arrow down says:

Keep dealing with our junkets until we complete the DICJ process.

15

And then the next arrow is:

Ask Wu, Jiu Ming and Song whether they are linked to a DICJ approved junket.

20 Does this refresh your memory as to whether, prior to this review, there was no requirement on the part of Crown Resorts that its junket operators be licensed by DICJ if they were Macau-based junkets?

MR JOHNSTON: No, it’s not something that I had knowledge of. I’m sorry.

25

MS SHARP: Do you agree that that is the most likely conclusion reading those minutes?

MR JOHNSTON: I mean, it is a – it is a logical way of reading it. Yes.

30

MS SHARP: Well, perhaps, just to be sure, I’ll take you to .0067, please. This is a meeting on the 8th of December 2016. Do you see that “MJ”, that is you, were recorded as attending this meeting?

35 MR JOHNSTON: Yes.

MS SHARP: And do you see, at number 3, heading Junkets, third arrow:

Continue checking who is linked to an approved DICJ or collaborator. Ask our junkets whether they are linked.

40

Then a little further down:

Request our junkets to become approved with DICJ as junkets or collaborators.

45

Then another arrow:

Prepare a vetting process for non-DICJ approved junket operators.

Now, do you agree that it is most likely that, prior to this review, there was no requirement on the part of Crown that operators be approved by the DICJ if they
5 operate in Macau?

MR JOHNSTON: Well, taking those points at face value, I can – I can see where – how you get your conclusion. Yes.

10 MS SHARP: And perhaps you could look for yourself, at 0065, and see if that fortifies your conclusion. Do you agree that fortifies the conclusion?

MR JOHNSTON: No. I'm not sure that that does, because, I mean – that may – that may just be saying given we are looking at everyone afresh, obtain a copy of the
15 DICJ junket licence, being the current one. But I'm not sure that I can conclude, from reading that, what you're – what you're saying.

MS SHARP: And is it your evidence that you just don't remember whether, prior to this review, it was a Crown Resorts requirement that its junket operators be licensed
20 with the DICJ?

MR JOHNSTON: Yes. I was certainly aware that post this, they either had to be licensed with the DICJ or have other criminal record proof.

25 MS SHARP: Could I take you, please, to pinpoint 0028. These are the records of a meeting on 4 May 2017. You will agree from the reference to MJ that it's most likely you attended this meeting?

MR JOHNSTON: Yes.

30 MS SHARP: You will see that the third arrow down refers to:

*Guardforce Macau door to door cash delivery service. HK\$50,000
transportation charge plus .8 per cent for HK\$100 million.*

35 Could you tell us what this Guardforce Macau cash delivery service proposal was about?

MR JOHNSTON: I don't have a clear recollection of it, but I don't recall it ever
40 having been implemented.

MS SHARP: But - - -

COMMISSIONER: Wait until he tells me what it is about.
45

MR JOHNSTON: I think it was something equivalent to an Armaguard type thing where they would physically collect the cash but as to what happened after that, I'm not sure.

5 MS SHARP: There are repeated references in the minutes postdating this meeting to this Guardforce Macau idea.

MR JOHNSTON: Yes.

10 MS SHARP: Are you able to shed any further light on what that proposal was?

MR JOHNSTON: Well, as I said, I think they physically picked up - or they physically took custody of cash. But I don't think this ever got past AML reviews.

15 MS SHARP: Can you assist us where physical cash was being picked up from and delivered to?

MR JOHNSTON: I think it was - it was - by the looks of it, it looks like Hong Kong dollars, but I thought it was Hong Kong, from memory.

20

MS SHARP: Did this raise any concerns in your mind at the time about money laundering - the prospect of money laundering?

MR JOHNSTON: Yes, well, I think as you can see, the action item there is that the - it was to be reviewed regarding AML processes, and it hasn't progressed. So I assume it didn't get through those reviews.

25

MS SHARP: And just underneath that you will see there's another heading:

30 *Macau Bank Account, Jan to prepare documentation to open the account with BOC.*

We can take it that that's the Bank of China, can't we?

35 MR JOHNSTON: Yes.

MS SHARP: And you will agree that the proposal to open a Bank of China bank account in Macau was back on the table by 4 May 2017?

40 MR JOHNSTON: I can't remember the timing of it but, yes, I think it was looked at for a while.

MS SHARP: Do you recall that earlier this afternoon I took you to some VIP strategy documents that spoke of looking for alternative remittance arrangements and selectively providing office accounts to patrons?

45

MR JOHNSTON: Yes.

MS SHARP: Does that proposal have anything to do with this proposal to open a Bank of China bank account in Macau?

MR JOHNSTON: I don't know.

5

MS SHARP: So you're not able to assist us in any way with understanding why, at the meeting you attended, there were discussions about the purpose for opening a Bank of China account in Macau?

10 MR JOHNSTON: Why there were discussions relating to that, did you say?

MS SHARP: Yes.

15 MR JOHNSTON: Well, I think having had the City of Dreams account closed down and customers requesting that sort of facility, I believe it was being explored to see whether it made sense in the broader sense to do that.

MS SHARP: Are you aware that the proposal was actually to open the Macau bank account in the name of Riverbank?

20

MR JOHNSTON: Yes, I did see something on that at some point I recall, yes.

25 MS SHARP: Are you able to shed any light on why it was proposed at this time, that is, in May 2017, to open a bank account in the Macau in the name of Riverbank rather than in the name of Crown Melbourne or Crown Perth?

MR JOHNSTON: From memory, I think it was because it would be – I think it was a faster process to do that, but I can't recall why.

30 MS SHARP: You're suggesting that it was a faster process to open a bank account in the name of Riverbank as opposed to in the name of Crown Melbourne or Crown Perth?

MR JOHNSTON: I – I may be wrong, but that was my recollection.

35

MS SHARP: Could it be that there was a proposal to open a Bank of China bank account in the name of Riverbank to give patrons comfort that transactions would not need to be reported under Australian money laundering requirements?

40 MR JOHNSTON: Not that I can recall being discussed, no.

MS SHARP: And is it your evidence that that prospect did not enter your mind at that time?

45 MR JOHNSTON: No, it wouldn't have entered my mind. As I said, I had asked questions on the City of Dreams account, and I had been told that it was subject to AML IFTI reporting. The Guardforce proposal, I think, as the minutes had reflected

a little while ago was being evaluated from an AML perspective. So I didn't imagine that they were looking at something that was a mechanism to get around the AML rules.

5 COMMISSIONER: Just on this topic of you being present at these meetings - - -

MR JOHNSTON: Yes.

10 COMMISSIONER: - - - and being part of the review, and I know that you have told me that you believed that you were providing services under the services agreement but the fact is that you were a director of Crown Resorts at the time; correct?

MR JOHNSTON: Correct.

15 COMMISSIONER: And management - members of management are exquisitely aware of your position as a director, I presume?

MR JOHNSTON: Yes, they were certainly aware I was a director, yes.

20 COMMISSIONER: Yes. And so bringing a director into this review on - in one sense is an important step but were you the only director of Crown that was on this process?

25 MR JOHNSTON: No, Rowen Craigie, until he left Crown, was a director - he was the managing director, so - yes, he was - if there is such a thing, certainly the lead director.

30 COMMISSIONER: Yes, and so apart from - he was part of management, of course?

MR JOHNSTON: Yes.

35 COMMISSIONER: But the only person who was not part of management, as you've described it a little earlier, was yourself; correct?

MR JOHNSTON: That's right.

40 COMMISSIONER: And the work that you did commenced after the China arrests, as I apprehend what you've told me; is that right?

MR JOHNSTON: I'm sorry, you've just cut out there, Commissioner.

45 COMMISSIONER: The work that you did in reviewing the junket arrangements was work that commenced after the China arrests of the staff; is that right?

MR JOHNSTON: That's right.

COMMISSIONER: And you said that you were aware that you did this as an executive of CPH because you billed Crown for it; correct?

MR JOHNSTON: That's right.

5

COMMISSIONER: And what did you bill it as?

MR JOHNSTON: Assistance in the VIP business. I think it was - - -

10 COMMISSIONER: I see, the VIP business?

MR JOHNSTON: Well, I think the term used was VIP positioning but, yes.

COMMISSIONER: And that was work that you had always done, I presume?

15

MR JOHNSTON: No, I saw this as quite a separate engagement because I had never been involved in looking at how we were doing business in the foreign – in the non-Australian components of Crown before or reviewing the probity of junkets.

20 COMMISSIONER: But the work that you billed Crown for in VIP positioning, you had been doing that prior to the China arrests, hadn't you?

MR JOHNSTON: They were – they were different work streams, though. They were related to, as I said before, debtors that - evaluating win rate, looking at the relative tax rates in various jurisdictions under capital rules in China, they were quite distinct pockets of issues that were facing the business.

25

COMMISSIONER: You saw them as distinct pockets; correct?

30 MR JOHNSTON: Yes. Yes, I did.

COMMISSIONER: And you billed them as distinct pockets, I presume?

MR JOHNSTON: That was prior to the services agreement, so there was no charge at that point.

35

COMMISSIONER: But when you commenced the services agreement, you billed Crown for VIP positioning from the word go, from the 1 July?

40 MR JOHNSTON: No, this commenced in November of - - -

COMMISSIONER: To be fair to you, you provided these things to the Inquiry and it is clear that you were billing Crown for VIP positioning from July onwards.

45 MR JOHNSTON: Okay, yes.

COMMISSIONER: So I presume you see that as the distinct pockets to which you have referred; is that right?

MR JOHNSTON: That's right, yes.

5

COMMISSIONER: And so far as a director's role is concerned then, notwithstanding that you say that you were providing it as the executive, I presume that you reported to your colleagues on the board what you were doing in respect of the review?

10

MR JOHNSTON: This went through to the risk management committee, from memory, this exercise from November on, yes.

COMMISSIONER: So you didn't refer this to your colleagues on the board at the board meetings?

15

MR JOHNSTON: Yes, we would have discussed it, yes. Yes.

COMMISSIONER: Yes. So your work in respect of what the review was doing, that is, reviewing these connections in China with junket operators and junket players, you reported to the board on this; is that right?

20

MR JOHNSTON: It was reported through the risk management committee to the board, yes.

25

COMMISSIONER: I see. So you didn't do it directly?

MR JOHNSTON: I would have had discussions with board members on it but it went through the risk management committee, yes.

30

COMMISSIONER: When you say you had discussions with board members, I'm really asking you whether you reported to the board in a formal sense at board meetings in respect of the work of the review of its junket arrangements?

MR JOHNSTON: Me personally or this committee, sorry?

35

COMMISSIONER: You personally as a director of the Crown board reported to the Crown board about your work?

MR JOHNSTON: No, I didn't. I didn't.

40

COMMISSIONER: I see. Was there some reason for that?

MR JOHNSTON: Well, the work of the committee went through the risk management committee.

45

COMMISSIONER: I see. Yes, Ms Sharp.

MS SHARP: Commissioner, I see the time. I don't know whether you want me to proceed.

COMMISSIONER: Yes, you can proceed for a little while.

5

MS SHARP: Could I take you, please, Mr Johnston to .0055.

COMMISSIONER: Mr Johnston, I should ask you, are you comfortable to proceed for some time?

10

MR JOHNSTON: Sure.

COMMISSIONER: Would you like a short break?

15

MR JOHNSTON: No, no, no, I'm good. Thank you.

COMMISSIONER: Yes, all right. Yes, Ms Sharp.

MS SHARP: You will see this is a record of a meeting of 19 January 2017, and do you agree that you were present at this meeting?

20

MR JOHNSTON: Yes, it would appear so.

MS SHARP: And from this document, we can take it that part of what these meetings were about was carefully reviewing various junket operators and junket representatives to see if Crown would continue to do business with them?

25

MR JOHNSTON: Yes.

MS SHARP: And can you see that one of these people is in the second arrow, identified as ZPL being Zhang, Z-h-a-n-g, Pei, P-e-i, Liang, L-i-a-n-g.

30

MR JOHNSTON: Yes.

MS SHARP: Now, see it's stated there that:

35

ZPL would like to resume working for the Song junket.

MR JOHNSTON: Yes.

40

MS SHARP: And do you see that it's recorded that he's provided a letter saying he only works for the Song junket and is not involved with Chinatown.

MR JOHNSTON: Yes.

45

MS SHARP: So was it your understanding at the time that ZPL had been working with the Chinatown junket, but, from this point, was going to work with the Song junket?

5 MR JOHNSTON: I only knew what was in here. I'm sorry. I don't know the junkets and the various people working for them beyond the information I was provided in here. So if that's what was – if that's what was said, then, yes, that's what I understood.

10 MS SHARP: Was it your understanding that, as a consequence of this review, a decision was made to no longer deal with the Chinatown junket?

MR JOHNSTON: That's my recollection. Yes.

15 MS SHARP: Was it from about this time that the Song junket became a major platform junket of Crown Resorts?

MR JOHNSTON: I can't remember the exact timing, but it did become a significant junket. Yes.

20

MS SHARP: And would you agree, based upon what you have seen here, that there was a fluidity between the representatives that would work for the various junkets.

MR JOHNSTON: They that move from junket to junket? It would appear that he's
25 moved from another junket to the Song junket here. Yes.

MS SHARP: Now, may we take it that, in the course of this review that you were part of, in 2016 to 2017, that you did look at the way that junket operator due diligence had been conducted in the past at Crown Resorts?

30

MR JOHNSTON: No. We set the criteria on a go-forward basis.

MS SHARP: So is it your evidence that you had no understanding of how due diligence of junket operators had been conducted prior to this review?

35

MR JOHNSTON: No, no. I had a – I had an understanding as to how it was done, but we didn't go back in time to look at – at things specifically.

MS SHARP: And is your understanding that, prior to this review, the due diligence that was conducted was conducted by the credit team within VIP international business unit?

40

MR JOHNSTON: Yes.

45 MS SHARP: And the final decision-maker on whether or not to deal with a junket was Jason O'Connor?

MR JOHNSTON: I'm not sure if it was Jason or Barry Felstead, but it would have been one of the two.

5 MS SHARP: Well, if you accept from me that Mr O'Connor told this inquiry that the final decision lay with him, you'd have no reason to doubt that evidence?

MR JOHNSTON: No, I wouldn't.

10 MS SHARP: And up until – are you aware that, up until 2014, when the Four Corners broadcast High Rollers High Risk aired, that the due diligence that was done on junket operators was to obtain a WorldCheck search and consider the ability of the junket operator to obtain a visa?

15 MR JOHNSTON: Yes. I think they were the main components. Yes.

MS SHARP: And do you agree that that is - - -

20 MR JOHNSTON: Sorry. Sorry. No. Sorry. I think they also looked at what other casinos the junket operator was dealing with; whether they had a good payment history with the other casinos. Yes.

MS SHARP: Do you agree that that is not a rigorous process for assessing the probity of a junket operator?

25 MR JOHNSTON: It's certainly a less rigorous process than the one that evolved after 2016. I think that, to the extent to which – sorry. I think that the fact that they had to get a visa to come to Australia meant that a law enforcement body, being Border Force or its precursor organisation – I can't recall – would have done a background check on the person to issue the visa. So I think the business had always
30 seen that as a reasonable check. The fact that they were dealing with other casinos and, of course, in Victoria the fact that we were dealing with a particular junket had to be notified to the VCGLR, there were a number of checks in the process, but I accept that the post-2016 process is a more rigorous process given, effectively, we required, in addition to a visa, a police check in one form or another.
35

COMMISSIONER: Let me see if I can just perhaps shorten some aspects of this, because I do apprehend, Mr Johnston, that you accept that there is a real problem with junket approves; is that right?

40 MR JOHNSTON: It's a difficult – it's a difficult area of business, Commissioner. Yes.

45 COMMISSIONER: And all the things that I've heard about people being with other casinos, the fact is, if they get a foot in the door with another casino, on one view, you see it as a good thing, but, on the other, it may be just as bad for the other casino as it may be for yours, if they are, in fact, connected to the underworld. You'd agree with that?

MR JOHNSTON: Yes, subject to one qualification. Yes.

COMMISSIONER: What's that qualification?

5 MR JOHNSTON: I – to be honest, I always took some comfort from the fact that if they operated in Queensland, which was still a regulated environment for junkets
- - -

COMMISSIONER: Yes.

10

MR JOHNSTON: - - - that I could get some comfort out of that, in addition to the other things that we did. Yes.

15 COMMISSIONER: No. I understand that. Yes. And so I appreciate what you said in your statement about the fact that there's some pragmatism about suspension of the junkets at the moment, because no one can get in anyway, but - - -

MR JOHNSTON: Yes.

20 COMMISSIONER: - - - in reviewing – in reviewing the junkets or the prospect of continuing to deal with junkets and the way in which you'll do it between now and June 2016, I understand that the board has taken the view that the problems are so significant that it needs a suspension and it needs a review; is that right?

25 MR JOHNSTON: Yes.

30 COMMISSIONER: And so far as what has happened in the past and whether it has or hasn't been reported to the board – and it doesn't look as though it was reported to the board – you would appreciate that there has to be an oversight by a board, who, in fact, has the benefit of what's been called the “privilege to operate a casino”, in respect of junkets?

MR JOHNSTON: Yes.

35 COMMISSIONER: And how to do that, that is, how to appreciate – I think it was suggested previously, that the percentage, albeit that it's a large turnover, if you look at the percentage of the business that comes from junkets, it is not a large percentage of the total business of Crown, is it?

40 MR JOHNSTON: Not a – not a huge contributor to what we would call EBITDA or earnings before interest, tax and depreciation. No.

COMMISSIONER: You're looking at about seven or eight per cent?

45 MR JOHNSTON: Yes. Certainly, sub-10. I'm not sure of the exact number, but I would say, certainly, sub-10 per cent. Yes.

COMMISSIONER: And so sub-10 per cent has caused, as I said to someone else, all the problems with the junkets that you've now experienced over the years and been dogged by these press reports for years; you'd agree with that?

5 MR JOHNSTON: Yes.

COMMISSIONER: So let me ask you: is it worth it?

10 MR JOHNSTON: I think it could be worth it in an environment where you got much more comfortable with the probity processes. Whether we can do that, I'm not 100 per cent sure at this point. I mean, we've obviously attempted to create pathways to access law enforcement information better. So the appointment of Nick Kaldas, for example, was an attempt to do that to see whether he could open avenues for us in terms of getting much more detailed law enforcement information, because
15 – I have to be careful how I say this – but a lot of the information with law enforcement can be a one-way street, if you know what I mean. So, certainly, being able to get better information from law enforcement services and then agreeing a strict regime with the regulator, in terms of what you need to have, in a positive sense, in terms of not what fails but what passes, there may be an environment like
20 that that could make sense; an environment where the regulator is given law enforcement access – access to full law enforcement information – and has a power of approval, or having a limited number of junkets, for example, that are approved that have gone through the process. I can see areas where you could – you could get it to work, but it's – I mean, it's – certainly, it's an industry issue. And it's a difficult
25 – a difficult issue, where you are dealing with imperfect information.

COMMISSIONER: I do understand that it doesn't stop at the door of Crown, as you say, rightly, that it is an industry issue. But in terms of the information that was able to be gathered about the people who were proposed as junket operators, that was
30 always going to be a problem for Crown to assess its position vis-à-vis dealing with that person, I presume?

MR JOHNSTON: Sorry - - -

35 COMMISSIONER: Because of the lack of information that you were - - -

MR JOHNSTON: Less than perfect information, yes. Yes. I mean, you get press reports which are accusations that have been around for a very long period of time, but then people have never been charged or never been prosecuted. It's a matter of
40 the weight you give to that, which is why I say that perhaps it's a – you know, what you need to do to pass as opposed to fail fails you is perhaps the lens that should be applied, going forward.

COMMISSIONER: I understand the desire, and the very good desire, to make
45 profit.

MR JOHNSTON: Yes.

COMMISSIONER: I understand that junkets are, and have been, part of that process that has been attractive to casinos.

MR JOHNSTON: Yes.

5

COMMISSIONER: But if you are torn between deciding whether the allegations in 2009, 2014, 2017 and 2019 will ever go away - - -

MR JOHNSTON: Yes.

10

COMMISSIONER: - - - the position is the board has to set the decision-making in respect of this, surely, after all these dreadful allegations, of deciding what the test is to deal with someone. Do you agree with that?

15 MR JOHNSTON: Yes, I do. Yes, I do.

COMMISSIONER: And, in the usual way, I'm told of the criminal world, they're not going to proffer a front man who has five convictions for money laundering.

20 MR JOHNSTON: No.

COMMISSIONER: So you're going to have what's referred to in the vernacular the "clean skin" who is the junket operator, but the funder is the person who has the connections to the underworld and to the money laundering operators; you understand that?

25

MR JOHNSTON: Yes.

COMMISSIONER: And so that's the nature of the business, it seems. And having seen that that is the nature of the business, it's really a matter for the board, isn't it, to decide whether it really is, if you will pardon the expression, worth it?

30

MR JOHNSTON: Yes. And that will be part of the consideration that we undertake over the next number of months.

35

COMMISSIONER: Yes. I see.

COMMISSIONER: I think we might take a break. Mr Johnston, I'm sorry that your evidence hasn't finished, but I understand Ms Sharp has a little while, and then Mr Bell may or may not have questions for you in the morning, early. And so I'll ask you - I'll ask you to return tomorrow just before 10, if you would be so kind.

40

MR JOHNSTON: Certainly. Thank you, Commissioner.

45 COMMISSIONER: I will adjourn. Yes.

MR JOHNSTON: Thank you.

COMMISSIONER: Thank you.

<THE WITNESS WITHDREW

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MATTER ADJOURNED at 4.25 pm UNTIL TUESDAY, 29 SEPTEMBER 2020

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