



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**

**TUESDAY, 29 SEPTEMBER 2020
AT 10.01 AM**

Continued from 28.9.20

DAY 33

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)*

MS N. SHARP SC appears with MR A. BELL SC as counsel assisting the Inquiry

MR N. YOUNG QC appears with MS C. HAMILTON-JEWELL for Crown Resorts Limited & Crown Sydney Gaming Proprietary Limited

5 **MR N. HUTLEY SC appears with DR HIGGINS SC, MR A. D'ARVILLE and MR T. O'BRIEN for CPH Crown Holdings Pty Ltd and Mr Johnston and Mr Jalland**

MR J. STOLJAR SC appears with MS Z. HILLMAN for Melco Resorts & Entertainment Limited

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COMMISSIONER: Yes, Ms Sharp.

15 MS SHARP: Good morning, Commissioner. Before I resume my examination of Mr Johnston, can I tender some new documents.

COMMISSIONER: Yes, of course.

20 MS SHARP: This tender consists of invoices and statements regarding services provided to Crown Resorts and fees charged for those services.

COMMISSIONER: Yes.

25 MS SHARP: These were documents produced in answer to summons 149 and I will tender them as exhibits AD1 to 48.

COMMISSIONER: Yes, I will mark those as exhibit – they are confidential, I presume, are they?

30 MS SHARP: Yes.

COMMISSIONER: At the moment. Is that what Crown has said?

35 MS SHARP: Yes. The position is reserved at this stage.

COMMISSIONER: The position is reserved, yes, thank you. I will mark them exhibit AD1 to AD48.

40 **EXHIBIT #AD1 TO AD48 DOCUMENTS PRODUCED IN ANSWER TO SUMMONS 149**

45 MS SHARP: Thank you, Commissioner.

COMMISSIONER: Sorry, did someone speak then; yes, Mr Johnston, I'm sorry.

<EXAMINATION BY MS SHARP

5

MR JOHNSTON: Yes, I'm sorry. Ms Sharp, the audio cut out for me while she was speaking. I heard what you said but not what she said.

10 COMMISSIONER: Yes, all that has happened, Mr Johnston, and I'm sorry, something – the gremlins, I think, were in the system a little while ago. But what has happened is that Ms Sharp has tendered the group of invoices that were produced by Crown in respect of the services provided by the executives of CPH over the period 1 July 2016 to some later date.

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MR JOHNSTON: Okay. Thank you.

COMMISSIONER: And those invoices have become exhibit AD1 to AD48. That is all that has happened in your absence and nothing further has happened.

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MR JOHNSTON: Okay. Thank you.

COMMISSIONER: Yes, Ms Sharp.

25 MS SHARP: Mr Johnston, yesterday in evidence, you told us that you were aware of a licence condition attaching to both the Crown Sydney licence and the Crown Melbourne licence, to the effect that those companies must only have business associations with those of good repute. Is that a licence condition to which you turned your mind when you conducted your 2016/2017 review of junkets?

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MR JOHNSTON: Yes.

MS SHARP: Did you take the obligation imposed by that condition seriously at that time, Mr Johnston?

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MR JOHNSTON: Yes.

MS SHARP: Is it correct that your review of junket operators in 2016 to 2017 was more focused on the creditworthiness of those junkets than on the propriety of those junkets?

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MR JOHNSTON: No.

MS SHARP: What do you say the correct situation was?

45

MR JOHNSTON: Well, we certainly looked at the propriety of the junkets. That's why, for example, we looked for criminal record checks or DICJ registration for each

of the junkets that was a prerequisite which of course had nothing to do with credit. So we were also quite heavily focused on the propriety of the junket operators.

5 MS SHARP: Given your evidence yesterday that as a result of this review, your working group determined to no longer deal with around 100 junket operators, doesn't it follow that you had some doubts about the robustness of the due diligence process applied to junket operators prior to your review?

10 MR JOHNSTON: Well, we applied a stricter lens. I'm not sure that we necessarily concluded that the junkets that we had – had dealt with previously were of ill repute, if that's the correct terminology, but we certainly applied a stricter lens going forward.

15 MS SHARP: So I'm just asking you now for your personal view. Was your personal view in 2016 to 2017 that the prior due diligence process applied to junket operators was not sufficiently robust?

20 MR JOHNSTON: I mean, the key elements from a probity perspective was the World-Checks that were done and the fact that they had to get a visa to get into the country. The visa to get into the country meant that they had a form of criminal propriety check done by those who had access to law enforcement data. So in that respect, I thought it had a degree of robustness but I thought – I agree, I thought it could be improved in the manner in which we did.

25 MS SHARP: Now, following your review in 2016 into 2017, it's correct that further changes were made to the due diligence process for junket operators?

30 MR JOHNSTON: Yes. Yes, we added – sorry, yes. It's a simple answer. Sorry, keep going.

MS SHARP: And one of those changes was that you became involved in the approval process?

35 MR JOHNSTON: Yes.

MS SHARP: And is it right that what happened is that in the case of every new junket operator, a committee comprising yourself, Mr Felstead and Mr Preston would make the final decision regarding approval?

40 MR JOHNSTON: Yes.

MS SHARP: And is it the case that in relation to the review of existing junket operator relationships, you and Mr Preston and Mr Felstead may have a role in the approval process in certain circumstances?

45 MR JOHNSTON: That – you're talking about following the initial review that happened post the China arrests on an ongoing basis?

MS SHARP: That is so.

MR JOHNSTON: Yes. That's correct, yes.

5 MS SHARP: And in relation to your decision-making with respect to the review of relationships with existing operators, when would those decisions be escalated to you, Mr Johnston?

10 MR JOHNSTON: They would be escalated, as I understood it, where material new information came to light that may have a bearing on the propriety of the junket operator.

15 MS SHARP: And that was the new process put in place following your review which concluded in around May or June of 2017?

MR JOHNSTON: In June I believe, yes.

20 MS SHARP: Why is it that as a director you had a decision-making role in relation to due diligence of junket operators at all?

MR JOHNSTON: I think, as I mentioned yesterday, I don't think that was in my capacity as a director. It was done pursuant to – as I understood it, done pursuant to the services agreement between CPH and Crown.

25 MS SHARP: Tell me, when the media allegations broke in July of last year, did you tell your fellow directors on the Crown Resorts board that you did play a role in the due diligence process for junkets?

30 MR JOHNSTON: I believe they were aware of that, from earlier points in time.

MS SHARP: And on what basis do you hold that belief?

35 MR JOHNSTON: I thought that briefings had gone to the board through the risk management committee to that effect.

MS SHARP: Now - - -

40 MR JOHNSTON: Sorry. And, also, I believe Rowen Craigie reported back to the board following the China arrests, the processes that were going on and that I was involved there.

45 MS SHARP: Insofar as you played a decision-making role in reviewing relationships with existing junket operators, it's correct, isn't it, that those existing relationships were only escalated to you on five occasions between June 2017 and the time the media allegations broke in July of 2019?

MR JOHNSTON: I can't recall the number of occasions. I'm sorry.

MS SHARP: I will show you a - - -

COMMISSIONER: You can assume that it's five.

5 MR JOHNSTON: Yes. Okay. Thank you.

COMMISSIONER: Thank you.

MS SHARP: Does that sound about right to you, Mr Johnston?

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MR JOHNSTON: Probably something in that sort of order. Yes, yes.

MS SHARP: Is that a very robust system if there are only five escalations to your decision-making team in that three-year period?

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MR JOHNSTON: Well, I mean, these are junkets that had previously gone through a review as part of the late '16, early '17 process. And this was to take account of material development with respect to the propriety of them. So I assumed that the system was working as intended.

20

MS SHARP: Now, Mr Preston has told us in his – and it's annex 3 to his March 2020 statement, that annual reviews were conducted on Alvin Chau on the 4th of January 2017, the 26th of March 2018 and the 4th of March 2019. Were you involved in any of those annual reviews?

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MR JOHNSTON: I – I can't recall, to be honest.

MS SHARP: Well, Alvin Chau is one of Crown Resorts largest junket operators, isn't he?

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MR JOHNSTON: Yes.

MS SHARP: Surely you would remember if you played a role in reviewing the question of whether to have ongoing business relations with Alvin Chau?

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MR JOHNSTON: I can't, I'm afraid. I'm sorry.

MS SHARP: Is it most likely that you did not play any role in those annual reviews of the relationship with Mr Chau?

40

MR JOHNSTON: I – I'm just – I just can't recall.

MS SHARP: Well, you were only involved in five such reviews during that period.

45 MR JOHNSTON: But there were other reviews coming up, which were the – the new junkets, and I think there were 30-odd of those. So I can't recall, sorry.

COMMISSIONER: But you did the new junkets and the ones where there were additional material information in relation to propriety; is that right?

MR JOHNSTON: That's right.

5

COMMISSIONER: And you said that you thought – you thought that you were doing it in your capacity as an executive services provider under the services agreement; is that right?

10 MR JOHNSTON: That's right.

COMMISSIONER: When you said you thought that was the case, you're not sure that's the case or - - -

15 MR JOHNSTON: I'm sorry. No, that's what I believe to be the case. I'm sorry.

COMMISSIONER: Yes, I see. Yes, Ms Sharp.

20 MS SHARP: Could I show you a document please, Mr Johnston. It's exhibit BE82. It can go up on the public feed. It's CRL.606.0211. I'm sorry. I think I have given the wrong number, Commissioner. I'll try again: CRL.606.001.0211.

MR JOHNSTON: And – sorry – what tab reference is that? Sorry.

25 MS SHARP: That, Mr Johnston, is BJ – I beg your pardon, BE82.

MR JOHNSTON: BE82.

30 MS SHARP: Now, if I could – Mr Johnston, at the top of the page, can you see it's an email from AUSTRAC, someone in compliance, to Scott Howell at Crown Melbourne?

MR JOHNSTON: Yes.

35 MS SHARP: And you will see the date is 8 June 2017?

MR JOHNSTON: Yes.

40 MS SHARP: So this is at a time when the new procedure is in place where relations with existing junket operators will be escalated to you when material new information comes to light?

MR JOHNSTON: Yes.

45 MS SHARP: And you'll see that what AUSTRAC is saying here is that it is clear that Crown is aware that Mr Chau is both a foreign PEP and has a substantial criminal history.

MR JOHNSTON: Yes.

MS SHARP: And AUSTRAC states here:

5 *It will be appreciated if you could provide us with documentation evidencing Crown's consideration of the appropriateness of continuing to provide designated services to Mr Chau.*

MR JOHNSTON: Yes.

10

MS SHARP: Now, do you agree that's material new information in that it is a serious concern expressed by the anti-money laundering regulator?

MR JOHNSTON: Yes.

15

MS SHARP: Was this information escalated to you back in June of 2017?

MR JOHNSTON: I don't believe so. No.

20

MS SHARP: Do you agree it is a serious oversight that this information was not escalated to you at that time?

MR JOHNSTON: Yes.

25

MS SHARP: Do you agree that shows that there was a lack of robustness in the review process of existing junket operator relationships?

MR JOHNSTON: It seems to be a flaw in the process. Yes.

30

MS SHARP: Now, it's correct, isn't it, that insofar as you made decisions on approving new junket operators or in relation to approving the continuation of relationships with existing junket operators, you did not document your decision-making process in any way?

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MR JOHNSTON: Only in the form of the minutes that we were referring to yesterday, as I understand it. I mean – sorry – there was - - -

MS SHARP: But that – that - - -

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MR JOHNSTON: There was documentation that came up to us, but, in terms of the documentation of the committee, no, there was not – there were no formal minutes kept.

45

MS SHARP: So you'll agree that means it's not possible to go back and review a document that sets out your reasons for giving or withholding approval?

MR JOHNSTON: Well, other than the – the material that came up to us was the basis of the decision.

5 MS SHARP: But you – you would make your own independent decision on the basis of that material, wouldn't you?

MR JOHNSTON: Yes.

10 MS SHARP: And that independent decision-making process was what you did not document; is that correct?

15 MR JOHNSTON: If we were in a meeting, I – I certainly didn't keep minutes. At times, we were sent email requests for approval, in which case I would have responded by email, I believe, or by way of phone call; it would vary.

MS SHARP: But do you accept you did not document the reasons why you gave your approval?

20 MR JOHNSTON: Yes, I accept that. Yes.

MS SHARP: And do you accept that, in the recent review of junket probity processes, Deloitte identified that as one of the areas where there could be improvement moving forward?

25 MR JOHNSTON: Yes.

30 MS SHARP: Do you agree, Mr Johnston, that immediately prior to the media allegations airing in June – sorry – July of 2019, Crown Resorts' due diligence procedures for junkets were not robust?

MR JOHNSTON: Sorry. Can you repeat that question?

35 MS SHARP: Certainly. Do you agree that prior to the media allegations in July of 2019, Crown Resorts' due diligence of junket operators was not robust? Mr Johnston - - -

MR JOHNSTON: I'm sorry, you've just come back now, I'm sorry. You were out for a while.

40 MS SHARP: I'll put the question again, Mr Johnston. Do you agree that prior to the media allegations in July of 2019, Crown Resorts' due diligence procedures for junkets were not robust?

45 MR JOHNSTON: No. I think there is certainly some improvements that could be made to the process as we've agreed, but I don't think that goes to whether they were robust given the information that we were using as a gateway for our junket operators.

MS SHARP: I'm just wondering how it is that you give that answer in light of your agreement as a member of the board of directors to suspend relationships with all junket operators pending review of those relationships?

5 MR JOHNSTON: I think that the – that decision is – is, from my perspective, is based on a couple of things. One is looking at that business as a matter of principle, firstly. Secondly, I think that based on the findings of – or sorry, the observations of this Inquiry and the external advice that we've received, it is opportune to properly assess our ongoing practices in that respect. So I think that processes can always be improved or continuously improved and we're certainly seeking to do that.

10 And I think that, you know, as I acknowledged yesterday, this is a part of the business where it is very difficult to get complete information. We have required criminal history checks in order to do business with anyone from 2016, so I think that that affords a degree of robustness to the process. But I certainly will agree with you that we can make it more robust.

MS SHARP: Can I just alert you to what Mr Barton said in his 10 August 2020 paper to the board of directors. He said that:

20 *Due diligence carried out on some junket operators either did not identify all necessary information or was not analysed sufficiently to accurately assess the risk.*

25 Do you agree with that or not?

MR JOHNSTON: Sorry, can you just repeat that again?

MS SHARP: Yes. Or would you prefer that I showed it to you?

30 MR JOHNSTON: Yes, that would be helpful.

MS SHARP: If I could call up – this is a confidential document, please. Mr Johnston, for you it's exhibit CB4 and the Ringtail number is CRL.682.001.0001. And Mr Johnston, could I ask you to go to pinpoint 0006, which is page 6.

MR JOHNSTON: Yes.

MS SHARP: And under the heading Context, can you see that second dot point that says:

40 *Due diligence carried out on some junket operators either did not identify all necessary information or was not analysed sufficiently accurately to assess the risk.*

45 Now, do you agree with that observation or not?

MR JOHNSTON: Well, I think isn't that his observation of - - -

COMMISSIONER: No, no, just pause.

5 MR JOHNSTON: Yes.

COMMISSIONER: Don't worry about analysing the document. You see the question is that's an observation that has been made; do you agree with that observation or not?

10

MR JOHNSTON: Okay. Certainly, I think that the due diligence didn't necessarily identify all the necessary information, and perhaps was not analysed sufficiently. So yes, I think I can agree that - - -

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

MS SHARP: Mr Johnston, do you agree that by the time the media allegations broke in July of 2019, that you had a deep understanding of Crown's relationships with its junket operators?

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MR JOHNSTON: I had an understanding of the checks we did on who we dealt with. I didn't have an understanding of the relationships – the contractual relationships we necessarily have with our junket operators. I'm not sure if that's answering your question.

25

MS SHARP: No, it's not. I'm asking you whether you, by the time of these media allegations, had a deep understanding of Crown's relationships with its junket operators?

30 MR JOHNSTON: No. No, I don't think I did, for the reasons that I previously stated.

MS SHARP: But you were one of a small number of people who reviewed, in 2016 and 2017, all of Crown's relationships with its junket operators, weren't you?

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MR JOHNSTON: Yes. Sorry, who - - -

MS SHARP: And you - - -

40 MR JOHNSTON: Sorry, just – perhaps I'm misunderstanding your question. Relationships I would take to mean the contractual terms between the parties as well. If we're excluding that, then I would agree with your proposition.

45 MS SHARP: Thank you. And just to make the point abundantly clear, you had a very good understanding of the people with which Crown had junket operator relationships?

MR JOHNSTON: Yes, I had the understanding that was available to me based on the information that was provided in that due diligence process, yes.

5 MS SHARP: And based on your decision-making role with respect to reviewing existing junket operator relationships and approving new junket operation relationships?

MR JOHNSTON: Yes.

10 MS SHARP: Do you agree, Mr Johnston, that it is ultimately the board's responsibility to set guidance on the type of junket operators with which Crown ought deal?

MR JOHNSTON: Yes, I do.

15 MS SHARP: And do you agree that a function reserved for the board is identifying areas of significant risk and ensuring arrangements are in place to adequately manage those risks?

20 MR JOHNSTON: Yes.

MS SHARP: Do you agree that in the past the board of Crown Resorts has failed to ensure that appropriate arrangements were in place to adequately manage the risks associated with junkets?

25 MR JOHNSTON: No, not necessarily. I think that the board made it clear that we did not want to deal with individuals that had a criminal connection or were, you know, obviously with criminals. The system may have broken down but I don't think that's because the board didn't set the parameters in the correct space.

30 COMMISSIONER: So one of the problems that has arisen for you is that, first of all, who asked you to go into the process by which you would be part of the approval of junkets? Who was it that asked you to do that?

35 MR JOHNSTON: That was Rowen Craigie, I believe, originally when I joined this group.

COMMISSIONER: So the three steps are Mr Packer asked you to become involved in the VIP business in 2013; correct?

40 MR JOHNSTON: Yes, that was a different involvement, but – yes. Yes.

COMMISSIONER: Yes, I understand the nature of it. Then Mr Craigie asked you to become involved in the review of the junket relationships after the China arrests; correct?

45

MR JOHNSTON: That's right.

COMMISSIONER: And then Mr Craigie asked you again, then, to form part of the group that would approve the junket arrangements for the future after your review; is that right?

5 MR JOHNSTON: Sorry. No, on that third step – sorry.

COMMISSIONER: Yes.

10 MR JOHNSTON: So the first two, yes. The third step, I think – the – the broader group that Mr Craigie was a part of and had formed post the China arrests started the process and then, of course, people left, including Mr Craigie. And those that were left continued on in – in that role. So I'm not sure that it was a separate decision. I think it continued, if that makes sense.

15 COMMISSIONER: So, as part of the review, the corpus of the group that was there for the review stayed on - - -

MR JOHNSTON: Yes.

20 COMMISSIONER: - - - to then become the approvers; is that right?

MR JOHNSTON: That's right, yes.

25 COMMISSIONER: And, as I apprehend what you told me, you were doing all of this as a CPH executive providing services to Crown under the services agreement?

MR JOHNSTON: That's right.

30 COMMISSIONER: And so when it came to the board behaving in the usual way, you were then sitting on the board that was reviewing the work that you'd done as a service provider?

MR JOHNSTON: Yes.

35 COMMISSIONER: And - - -

40 MR JOHNSTON: Well, sorry, I think the risk committee reviewed the work that we'd done as a service provider at first – a service provider at first instance. I'm sorry. Yes.

COMMISSIONER: So it was the two instances, both at the risk committee level and then at the board, but, then, now you're on the risk committee; is that right?

45 MR JOHNSTON: Yes, but only quite recently. Yes.

COMMISSIONER: But do you see that there could be some difficulty with all the hats that you're wearing and trying to which role you're behaving in at the particular time?

5 MR JOHNSTON: Yes.

COMMISSIONER: How do you cure that?

10 MR JOHNSTON: Well, it's proposed that I step off this – well, we've suspended the business, but it not be proposed that I have that involvement on a go-forward basis.

COMMISSIONER: Do you mean in relation to junkets?

15 MR JOHNSTON: That's right.

COMMISSIONER: What about the risk committee?

20 MR JOHNSTON: Well, I think, if I'm off the junkets review committee, I think that potential for conflict has gone.

COMMISSIONER: I see. Yes, Ms Sharp.

25 MS SHARP: Do you accept that it was a conflict at the time, Mr Johnston?

MR HUTLEY: I object.

COMMISSIONER: Yes. It's a bit broad, isn't it?

30 MR HUTLEY: It has got to be made clear that - - -

COMMISSIONER: Yes, yes, yes; that's all right, Mr Hutley. The question is rejected. Yes.

35 MS SHARP: I will move on. Mr Johnston, what is the board's current risk appetite with respect to junket operators?

40 MR JOHNSTON: I think it is pretty low at the present time. I think that that's evidenced by the work that the board has been doing, over the last period of time, in terms of getting external advice and, now, in suspending the business and completely revisiting the metrics that are used in judging which junkets we will do business with.

45 MS SHARP: Is it right that the board's risk appetite with respect to junkets has changed?

MR JOHNSTON: I think that would be fair. Yes.

COMMISSIONER: And you endorse that, and you think it's a good idea, don't you?

MR JOHNSTON: I do. I do.

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COMMISSIONER: Yes, yes. Thank you.

MS SHARP: Do you agree that one of the components of setting the board's risk appetite for junkets involves setting a level of proof when reviewing allegations made against junket operators or their associates?

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COMMISSIONER: Or setting a regime for the application of proof, I think you - - -

MS SHARP: Yes.

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MR JOHNSTON: Yes, yes, yes.

COMMISSIONER: So, Mr Johnston, what you're being asked is a good idea to set the application – what is going to be the application of a level of proof that's going to be applied to the decision-making. You understand that?

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MR JOHNSTON: Yes, I do. Yes.

COMMISSIONER: Yes. All right.

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MR JOHNSTON: And I agree that that's an appropriate decision for the board.

COMMISSIONER: Yes. All right.

MS SHARP: And what, if any, decision has the board made about that level of proof?

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MR JOHNSTON: Well, that will be part of the process that we'll be going through in the review that's currently underway.

35

MS SHARP: So is it right that the board has not formed a concluded view, at this stage, about what level of proof will be applied in relation to various allegations against junket operators and their associates?

MR JOHNSTON: Yes.

40

MS SHARP: Do you agree that there is a tension that needs to be resolved between maximising the turnover that a junket operator may bring into the casino and ensuring the integrity of the junket operator?

45

MR JOHNSTON: Well, I suppose, there's a number of layers to that question. I think there's a threshold issue as to whether you deal with a junket operator in the

first place, number one. And then, number two, the subsidiary issue is are you happy with the players that the junket operator is bringing on any particular venture.

5 MS SHARP: Well, perhaps I could show you a board – a set of board minutes – and seek your comment on it. It's exhibit BJ72, a confidential document, if it could be brought up confidentially, CRL.515.001.0001. And, I'm sorry, I don't have a page number. If I could just scroll through the pages for a moment, operator. Next page, next page, next page.

10 COMMISSIONER: What is the heading?

15 MS SHARP: The heading is Junket. I'll just put the proposition to you, because I can't immediately locate it. I apologise. The minutes record that the board discussed the junket business in detail and asked questions of management regarding the financial impacts of tightening of control around junket operators. Now, do you agree that there will be a financial impact if the board tightens controls around junket operators?

20 MR JOHNSTON: I think to – to properly answer that, I would have to see how the tightened controls apply to our junket operators. But I think it would be a reasonable assumption to believe that, if we don't pass a higher level of threshold proof given some of the allegations on some of the junkets, that that could certainly be an impact. Yes.

25 MS SHARP: Well, do you agree with this simple proposition: the tighter the controls, the less turnover from junket operators?

30 MR JOHNSTON: To – to a point, yes. I mean, certainly, as you tighten them, there would be an initial impact. You could then continue tightening them and it may have no impact, but I don't disagree with your proposition. Yes.

MS SHARP: To the extent that that tension exists, how does the board resolve that tension?

35 MR JOHNSTON: I think that in the same way that we have taken a very conservative view, relative to the market, in terms of how we do business in foreign countries now, equally, I think it would – it would be not inappropriate to take a conservative view on our junket relationships as well.

40 MS SHARP: Could I show you a document, Mr Johnston. This is – I'm told this is an open document. It's exhibit BJ129. If we can pull this one up, please. It's CRL.579.019.4759. And you will see that this is a Wealth-X dossier for Cheok Wa Chau, otherwise known as Alvin Chau.

45 MR JOHNSTON: Yes.

MS SHARP: And Wealth-X was one of the companies that Crown would obtain reports from as part of its due diligence process of junket operators?

5 MR JOHNSTON: Yes, I believe so. It certainly is nowadays. Yes.

MS SHARP: And may I take it that the reason Crown obtained dossiers with Wealth-X was because Crown thought it could rely on the information provided by Wealth-X?

10 MR JOHNSTON: I think it was useful information. I'm not sure that reliance is the right term, but it certainly gives us information to follow up. Yes.

MS SHARP: Well, you wouldn't obtain information from this kind of service provider if you couldn't place any reliance in it, would you?
15

MR JOHNSTON: Well, for these sorts of things, you sort of – you get information from a variety of sources to try and determine what is or is not accurate.

MS SHARP: Could I take you to pinpoint 4760.
20

MR JOHNSTON: Yes.

MS SHARP: And then under the heading Biography you will see that it states:

25 *He appears to have been a former member of the 14K triads Macau branch in the 90s and was reportedly in charge of loansharking and gambling under the leadership of Kuok Coi Wan.*

And then a little bit further along:
30

Chau started his own gang.

Now, with the Crown board's current risk appetite, is this information provided by Wealth-X sufficient to justify a decision not to deal with Alvin Chau as a junket operator?
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MR JOHNSTON: It would certainly raise some significant issues, I would have thought.

40 MS SHARP: Well, is this enough?

MR JOHNSTON: Well, it would be for me, given my current setting. Yes.

MS SHARP: Now, as a director of Crown Resorts, do you accept that, in the past,
45 Crown Resorts has not been proactive in relation to anti-money laundering?

MR JOHNSTON: No. My understanding was we were quite proactive in anti-money laundering.

5 MS SHARP: To the extent that Mr Barton has given evidence to this inquiry to the effect that Crown has not been proactive in the past, do you dispute the accuracy of that evidence?

10 MR JOHNSTON: My understanding, as a director, was that the reporting that we were getting was that we had compliance systems that we were proactively working with. The regulators, including AUSTRAC, that the reviews that were being done by the regulators gave us – well, it said that we had compliant systems. We always had recommendations for enhancements, but that’s what you would expect and anticipate and, for that matter, encourage from a regulator. So I wasn’t – I wasn’t of the view that – or I wasn’t led to believe that we didn’t have compliant systems or that we
15 weren’t proactive in our dealings with our regulators on it.

MS SHARP: Mr Barton also told this inquiry that Crown’s focus in the past had been on reporting rather than on preventing money laundering. Is that a proposition you agree with?
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MR JOHNSTON: No, I think that where you have systems that are directed at discovering the wrong sort of transactions and that appropriately report them, I think that that is – that should be seen as – as seeking to discourage such behaviour. I’m not saying - - -
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COMMISSIONER: But why? You see, one of the problems, Mr Johnston, has been that I’m going to assume that Crown is a good reporter. In other words - - -

MR JOHNSTON: Yes.
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COMMISSIONER: - - - that, under the legislation, reports are made to AUSTRAC when necessary and required?

MR JOHNSTON: Yes.
35

COMMISSIONER: One of the problems that’s been exposed is that when that is done, there does not seem to be, then, the shifting of the gaze to the internal regime. In other words, now that we’ve reported it, what do we do to stop it?

40 MR JOHNSTON: Right.

COMMISSIONER: And I think that’s where Mr Barton was trying to identify a flaw in the process. In other words, what do you do when you see smurfing or the things that we have discovered in your accounts.
45

MR JOHNSTON: Yes.

COMMISSIONER: And so I think you've been to the meeting in September and August. It's obvious that there's going to be a shift in focus, isn't there?

5 MR JOHNSTON: Yes. Yes, there is.

COMMISSIONER: Yes.

10 MR JOHNSTON: And, on those points, I agree that we can do more to cease relationships with people that are giving us obvious signs. Yes.

COMMISSIONER: Yes. But the thing that I've read that you're going to have a direct report to the board, now, for the AML compliance officer, so that person is not perceived to be put upon by those that make the profits and can report freely and independently to the board. That's one of the suggestions, isn't it?

15 MR JOHNSTON: Yes, it is.

COMMISSIONER: And you agree with that, I presume?

20 MR JOHNSTON: Absolutely. Yes.

COMMISSIONER: And so, in the past, that didn't happen and so, as you see, that email from AUSTRAC seemed to have got buried in the system, didn't it?

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

COMMISSIONER: So it's trying to ensure that, notwithstanding you may be classified as a good reporter, it's the things that go underneath it and the culture of the company; you understand that?

30 MR JOHNSTON: Yes. Yes, I do.

COMMISSIONER: Yes, Ms Sharp.

35 MS SHARP: Now, how long have you known about the existence of the Southbank and the Riverbank bank accounts?

40 MR JOHNSTON: I believe I became aware of them at a CEO meeting, I think, in 2014. It's a long time ago, but I think it was around that time.

MS SHARP: And what did you understand to be the purpose of those bank accounts?

45 MR JOHNSTON: I understood the purpose of the bank accounts was to afford our VIP customers a degree of confidentiality in their dealings.

MS SHARP: And when you say that, is that because the names of the companies in which these accounts were held would not disclose, on the face of the bank accounts, that there'd been a transaction with a casino?

5 MR JOHNSTON: Yes.

MS SHARP: Did you turn your mind, at that time, as to whether that level of non-disclosure could give rise to money laundering concerns?

10 MR JOHNSTON: As I recall it, it was explained to me that these accounts did fall within our normal AML processes. So, in that respect, I think I was comfortable that it should not. So I think the answer to that is, yes, I did. And, based on the explanation I was given, I was satisfied that they should not provide any greater capacity for money laundering.

15 MS SHARP: Are you aware that Southbank Investments Proprietary Limited and Riverbank Investments Proprietary Limited did not provide designated services in operating these bank accounts within the meaning of the Anti-Money Laundering Act?

20 MR JOHNSTON: No, I was certainly not aware of the legal basis for the view. It was just expressed to me that they – they did report their transactions in the same way as any other Crown account.

25 MS SHARP: Sorry, are you saying that you were told that the Southbank and Riverbank companies were reporters for the purpose of the Anti-Money Laundering Act?

30 MR JOHNSTON: No. As I said, I'm not sure of the legalities as to how they were covered but the transactions were reported. If that distinction makes sense.

MS SHARP: Did you understand that Southbank, the company, and Riverbank, the company, were not required to make any reports to AUSTRAC?

35 MR JOHNSTON: No.

MS SHARP: So you've never been made aware of that?

40 MR JOHNSTON: Only through the course of this Inquiry, I heard that that was the case.

MS SHARP: That's a fairly material piece of information, isn't it, Mr Johnston?

45 MR JOHNSTON: Yes, it is.

COMMISSIONER: Who told you that they were covered by the normal AML processes?

MR JOHNSTON: It is a fair while ago but I think that I was – well, I know I had the discussion with Rowen.

COMMISSIONER: Mr Craigie, is that who you are referring to?

5

MR JOHNSTON: Mr Craigie, I'm sorry.

COMMISSIONER: Yes.

10 MR JOHNSTON: And I can't remember for sure who told me, but I imagine it was Mr Craigie.

COMMISSIONER: Mr who?

15 MR JOHNSTON: Mr Craigie. I mean, it was in the same discussion that he told me that they were covered by our normal AML processes.

COMMISSIONER: So it was only Mr Craigie, was it?

20 MR JOHNSTON: That's who I was having the discussion with. But it was in the course of the CEO meeting, so somebody else may have piped in; I can't – I can't recall.

MS SHARP: It's right that Mr Preston wrote a memorandum to you and Andy Carr
25 about the Southbank and Riverbank accounts in August of last year?

MR JOHNSTON: Yes.

MS SHARP: And that was written to you at a time when you were aware that the
30 media was about to air allegations about the Riverbank and the Southbank accounts?

MR JOHNSTON: Yes.

MS SHARP: And why was Mr Preston writing you a memo at this time; did you
35 request it?

MR JOHNSTON: Yes, I did. I asked him to provide a memo which basically went
40 through the reporting that those two companies did to make sure that they were reporting their transactions as – as we had been told.

MS SHARP: And did you seek that report because you were formulating a response
to the media allegations?

MR JOHNSTON: No. I asked for that report because I wanted to verify – I wanted
45 verification that these accounts were meeting reporting obligations.

MS SHARP: And in which capacity did you ask for that report to be prepared: in your CPH capacity or in your Crown Resorts director capacity?

MR JOHNSTON: As a director.

5

MS SHARP: Is there some reason then why the memo was not addressed to all directors but only you as a director?

MR JOHNSTON: I think perhaps because I had asked for it, and I had asked that it be copied to Andy Carr who is another lawyer at Crown, to – for him to review it.

10

MS SHARP: And he, just to be clear, is the executive vice-president of business development?

MR JOHNSTON: That's his new title but he – he was in the Crown legal department previously.

15

MS SHARP: Can I take you to this advice. We've got various draft copies going up to 4 August, which you referred to in your statement, Mr Johnston. It's marked as subject to legal professional privilege, so I'll have it brought up on the confidential screen, please. It's exhibit DJ62 and it's CRL.563.002.4027. Is it correct that you don't have the attachments to your statement, Mr Johnston?

20

MR JOHNSTON: No, I don't. I don't, I'm sorry.

25

MS SHARP: It may be tab 60, if that assists you.

MR JOHNSTON: Yes, thank you. Yes.

MS SHARP: Now, you will agree this is a draft as at 2 August 2019?

30

MR JOHNSTON: I'm sorry, the tab – it might not be tab 60. Hang on one minute. 62, I'm sorry. Yes. Yes.

MS SHARP: And in your statement, you went on to refer to further drafts of this document and I will take you to the draft appearing at what should be tab 64 to your statement. And I will call this up again on the confidential screen only, please. CPH.001.028.8429. Now, can I just take your attention, please, Mr – and I should say I'm assuming you read this at the time; correct?

40

MR JOHNSTON: Yes, I did.

MS SHARP: If I could just take you to the first page, please, you see that a reporting entity is identified for when the funds are received into the bank account?

45

MR JOHNSTON: Yes.

MS SHARP: And you see that the bank is identified as the reporting entity?

MR JOHNSTON: Yes.

5 MS SHARP: You will agree that Crown is not identified as a reporting entity there?

MR JOHNSTON: Yes.

10 MS SHARP: And you will agree that Southbank and Riverbank are not identified as the reporting entity there?

MR JOHNSTON: Yes.

15 MS SHARP: Then could I take you over to pinpoint 8435. You will see that there is a reference under the heading Purpose to Crown's Transaction Monitoring Program?

MR JOHNSTON: Yes.

20 MS SHARP: Do you agree that it refers only to monitoring of transactions in respect of designated services?

MR JOHNSTON: Yes.

25 MS SHARP: And is it your evidence that you did not know that these bank accounts were not designated services?

MR JOHNSTON: Yes, that's right.

30 COMMISSIONER: So at the time that you read the memo did you believe that they were required to report and were providing designated services?

MR JOHNSTON: I believed they were required to report, yes.

35 COMMISSIONER: Because they were providing designated services, or was that not the level of your understanding?

MR JOHNSTON: That was not the level of my understanding.

40 COMMISSIONER: I see.

MR JOHNSTON: That's why I got another lawyer to take an independent look at it.

COMMISSIONER: Yes, I see. Yes.

45

MS SHARP: And if I could just take you to point 8438 please, Mr Johnston, which is page 10.

MR JOHNSTON: Yes.

MS SHARP: And there's a question:

5 *Who manages the Southbank and Riverbank bank accounts?*

MR JOHNSTON: Yes.

10 MS SHARP: And do you see under the heading Southbank, it is stated:

Cage have no real responsibility with respect to the bank accounts.

MR JOHNSTON: Yes, I see that.

15 MS SHARP: Did that suffice to put you on notice that Southbank was not a report –
or that Southbank Investments Proprietary Limited was not a reporting entity and
that Crown was not obliged to report with respect to these accounts?

20 MR JOHNSTON: No. No, it didn't. If I go on to the next page under the heading
Southbank, below the four arrowed bullet points and the last sentence of the next
paragraph, it says:

*Transactions through these bank accounts are subject to all our usual
reporting obligations including our obligations under AML/CTF legislation.*

25

So that – that gave me comfort. Do you see that there? And - - -

30 MS SHARP: But do you understand, now you know that Southbank and Riverbank
weren't providing designated services, that that information is not correct?

MR JOHNSTON: I – I accept - - -

35 MR YOUNG: That's all right. Just a moment, Mr Johnston. Commissioner, there's
a point I'd like to raise about this questioning, and it's probably most convenient to
do it in the absence of the witness.

40 COMMISSIONER: I don't think we need to pursue it, Mr Young. I think the
position of Ms Sharp is that this has been said. And I'm happy for Mr Johnston to
tell me about it. And I don't think that last question needs to be asked. So I'll move
to the next question. Yes, Ms Sharp.

MR YOUNG: Well, Commissioner, may I just make this observation, because it
will be relevant later?

45 COMMISSIONER: Yes, surely.

MR YOUNG: We will say that the questioning proceeds on a misunderstanding of
..... and - - -

COMMISSIONER: Of what?

5

MR YOUNG: - - - and the evidence that has been given.

COMMISSIONER: Well, what particular question are you saying is a
misunderstanding?

10

MR YOUNG: The question that was just put, to the effect that there was no
reporting in relation to the transactions.

COMMISSIONER: It's not so much the reporting. It's a legal requirement to
report. I made an assumption, as you know, that Crown may well have reported a lot
of things over time, and I don't think that the question of whether it did or didn't
report – and Ms Orr has told me that Crown has tried to get an exemption to tell me
about reporting. But I think the most convenient way, in the circumstances, is to
assume that Crown reported things, and that's – that's the position, Mr Young.

20

MR YOUNG: Yes.

COMMISSIONER: I don't know that it's going to help anybody to dwell on this for
the moment. I think we need to move on. Yes, Ms Sharp.

25

MS SHARP: Could I take you to an article that appeared in the Australian Financial
Review on 5 August. I beg your pardon. I think it appeared in the Sydney Morning
Herald. It's INQ.1 – and this is an open document – 100.010.0092, and it is exhibit
F65. For your assistance, Mr Johnston, it should be tab 59 of your present bundle of
documents.

30

MR JOHNSTON: Yes. Thank you. 59?

COMMISSIONER: So do you have it on a screen there, Mr Johnston?

35

MR JOHNSTON: No. We're – we're just trying to find it.

COMMISSIONER: I see. All right.

40

MR JOHNSTON: Sorry. I do have it on the big screen. If it could be - - -

COMMISSIONER: Yes. All right.

MR JOHNSTON: - - - if it could be put on the smaller screen I'd be able to - - -

45

COMMISSIONER: Yes. All right. So that can be enlarged. Yes.

MR JOHNSTON: Well, yes. Enlarged, yes.

MS SHARP: So, Mr Johnston, this is the newspaper article where the allegations
5 were first aired. Did you read that article at the time?

MR JOHNSTON: I'm sorry. Could you blow it up? Hang on. It's just come on to
the smaller screen.

10 MS SHARP: Yes. I'll just enlarge the first page, the top half, if I could. If it assists
you, Mr Johnston, I'm told you may have this as CB15.

MR JOHNSTON: Yes. Sorry. I've now got a copy – a hard copy of it. Yes.
15 Thank you. Yes. I – I would have – I imagine I would have read this at the time.
Yes.

MS SHARP: And just so I can understand, the reason you arranged for Mr Preston
to prepare you a memorandum about the operation of the Southbank and Riverbank
20 accounts was because you had some notice that allegations were going to be aired in
the media about Riverbank and Southbank?

MR JOHNSTON: Yes.

MS SHARP: And you wanted to prepare to respond to that allegation?
25

MR JOHNSTON: No. I wanted to satisfy myself that – that those accounts were
being – were subject to normal reporting – well, normal reporting processes to our
regulator.

30 MS SHARP: Could I take you, please, Mr Johnston, to pinpoint 0094. If I could
just enlarge the last three paragraphs – or last four paragraphs. Sorry. You'll see
that reference is made in the article to a "Crown Resorts spokeswoman"?

MR JOHNSTON: Yes.
35

MS SHARP: And one of the things that spokeswoman is recorded as saying is that:

*Transactions through those accounts are subject to all of our usual reporting
obligations, including our obligations under the AML legislation.*
40

MR JOHNSTON: Yes.

MS SHARP: Did you have any role in putting together that statement?

45 MR JOHNSTON: No, I didn't. I think I received an email from Mark Arbib that
was alerting me to this, from memory. He said the last time questions had been
raised with respect to these accounts, this was the response. And I – I'd asked him a

question as to should we have the same response, but I didn't get a response back from him.

5 MS SHARP: Now, at the time this statement was made, it was your view, based on Mr Preston's memorandum to you, that this statement was correct?

MR JOHNSTON: That was the statement that had been made to me by Mr Preston. Yes.

10 MS SHARP: Now you are aware that Southbank and Riverbank are not reporting entities, and that those bank accounts were not designated services, do you accept that this statement is incorrect to the extent it says:

15 *Transactions through those accounts are subject to all of our usual reporting obligations.*

MR JOHNSTON: If – if your legal analysis is correct, it would appear that that's the case. I'm not sure whether it is correct or not, but, on the assumption it is, yes.

20 COMMISSIONER: When Mr Arbib wrote to you, did he have a copy of the memo that you'd received from Mr Preston?

MR JOHNSTON: No. I don't believe so.

25 COMMISSIONER: But it looks like that quote there comes straight from that memo. It looks like that, doesn't it?

30 MR JOHNSTON: I'm not sure, because, as I said, he'd sent – in the email he sent to me, he had given me what the last response was last time they'd been questioned on those accounts. So I'm not sure whether it had been taken - - -

COMMISSIONER: Yes. Because I'm just suggesting – I'm just suggesting to you - - -

35 MR JOHNSTON: Yes. No, I agree. I agree it's the same form of words. Yes.

COMMISSIONER: Yes. But did you have a look at the accounts at all?

MR JOHNSTON: The bank accounts? No.

40

COMMISSIONER: Yes.

MR JOHNSTON: No. No, I did not.

45 COMMISSIONER: Your company secretary told me that he certainly didn't. And I have a feeling that a lot of people took the view that it was being done by somebody

else to check whether the accounts were, in fact, troublesome. Is that your assumption as well?

5 MR JOHNSTON: Yes. I certainly didn't look at them.

COMMISSIONER: It's all very well to have a memo, as I have seen you received and you asked for, but nobody seems to have looked at the accounts at the time. You understand that?

10 MR JOHNSTON: Yes.

COMMISSIONER: And basic commonsense would tell you, wouldn't it, that if you've got an allegation made by a national press or television programs, or whatever it was, that it might be a good idea to have a look at the actual transactions
15 in the accounts.

MR JOHNSTON: It certainly could assist. I'm not sure how much information you get from the accounts, but it would certainly assist. Yes. I agree with that.

20 COMMISSIONER: Well, I suppose anyone without an anti-money laundering background might feel that, but if you look at the accounts that have been shown to me in the Inquiry it is very, very plain that people were going around Sydney and various other places putting all these dollops of cash in below the reporting amount day after day after day, and that doesn't take a jurisprudential giant to work that out,
25 does it, Mr Johnston?

MR JOHNSTON: No, it doesn't.

COMMISSIONER: It's obvious: have a look at the accounts, and if you had seen
30 that you would have said, "We've got problems here". Do you agree with that?

MR JOHNSTON: Yes.

COMMISSIONER: So whosever task it should have been to have a look at the
35 accounts to help you as a director know what to respond to and how to respond to it, seems to have broken down and you weren't given the information. That's what seems to have what happened; do you agree with that?

MR JOHNSTON: Yes.

40

COMMISSIONER: Yes, Ms Sharp.

MS SHARP: So when you sought advice from Mr Preston at the time, you sought
45 an assurance as to compliance with reporting obligations; correct?

MR JOHNSTON: Yes.

MS SHARP: You did not - - -

MR JOHNSTON: Sorry, compliance with reporting obligations, number 1. And number 2, assurance that in fact they were reporting, which was - - -

5

MS SHARP: But you were aware that the media allegations were that money had in fact been laundered through these accounts by drug traffickers, weren't you?

MR JOHNSTON: Yes.

10

MS SHARP: So whilst you sought assurance about whether Crown had complied with reporting obligations, you did not seek any assurance about whether there had, in fact, been any money laundering in these accounts?

15 MR JOHNSTON: That – that's correct, yes.

MS SHARP: Doesn't that rather underscore Mr Barton's observation that Crown's culture was focused on reporting rather than the prevention of money laundering?

20 MR JOHNSTON: I think that in my mind at least the fact that these accounts were subject to the ordinary reporting obligations and, therefore, were not any more susceptible to money laundering than any other account, led me to the view that – that that was a prohibitive aspect. But I – you know, with the benefit of hindsight, I can see the point that you're making.

25

MS SHARP: Tell me, did anyone – at the time you took this advice from Mr Preston, did anyone make you aware that ANZ had shut these accounts in 2014 because it had detected what's called structuring or smurfing in the accounts?

30 MR JOHNSTON: No.

MS SHARP: Had anyone made you aware that the New Zealand bank, ASB, had shut the accounts in New Zealand because of money laundering concerns?

35 MR JOHNSTON: No.

MS SHARP: Do you think it would have been of assistance to you, had you been provided with that knowledge at the time?

40 MR JOHNSTON: Yes.

MS SHARP: Do you accept that it was a serious oversight to fail to provide that information to you when you had expressly sought advice about reporting obligations?

45

MR JOHNSTON: Assuming that those that were involved in providing the advice were aware of it, yes.

MS SHARP: Well, what comment do you make in relation to the fact that the person who was providing you with this advice was aware of the closure of the ASB accounts and the reasons for that, and was also the Crown Resorts AML compliance officer?

5

MR JOHNSTON: It was an oversight.

MR HUTLEY: any information about any particular payment. Such a high level of generality, I don't see how there's a breach because you're - - -

10

COMMISSIONER: Mr Hutley, I can hear you.

MR HUTLEY: I do apologise. We were just debating this problem of AML accounting and whether this is getting too close to the line. I do apologise you had to actually participate in our discussion.

15

COMMISSIONER: That's all right, Mr Hutley. It's a thorny problem.

MR HUTLEY: Yes, fraught, I think.

20

COMMISSIONER: Yes. Yes, Ms Sharp.

MS SHARP: Mr Johnston, the Inquiry has heard evidence from two anti-money laundering experts being Mr Aub Chapman and Ms Jessica Lin, and they have both told us that it is important for an organisation to have a culture of compliance with anti-money laundering requirements. What is your view of that proposition?

25

MR JOHNSTON: I – I would agree with that, absolutely.

30

MS SHARP: Based on the discussions that you have had as a director of Crown Resorts since this Inquiry has commenced, do you agree that there was a lack of AML compliance culture at Crown Resorts?

MR JOHNSTON: I think that where we had got to is that whilst there was a compliance culture, there may not have been a proactive culture as you've been referring to before in terms of going the next step. So that's certainly been the concerns that – at the board that – that things have not been appropriately elevated where there have been – where there have been issues.

35

MS SHARP: Could I take you, please, to the 31 July 2019 ASX media release. It's exhibit A219. We can bring it up on the public screen, INQ.100.010.0895. And if I can go to the second page. You, of course, signed this document or I should say signed off as one of the directors on this document?

40

MR JOHNSTON: Sorry, can you blow that up. I can't see that from here.

45

MS SHARP: Certainly. This is the full-page advertisement that was run in some of the newspapers in early August. If I can take you to the bottom right-hand corner, please.

5 MR JOHNSTON: Yes. Yes.

MS SHARP: You see there's a little box that says a message from the Crown Resorts board?

10 MR JOHNSTON: Yes, I do.

MS SHARP: And you're named as one of these members of the board.

MR JOHNSTON: Yes.

15

MS SHARP: And you approved this advertisement before it was placed?

MR JOHNSTON: Yes, I did.

20 MS SHARP: Now, would you accept that when we look at the board papers of 10 August this year, and September of this year, there has been a distinct change in the tone of the board of directors in that period?

MR JOHNSTON: I think that this message was released in response to a number of
25 very strong allegations, such as knowingly dealing with criminals, knowingly
abetting or facilitating money laundering, knowingly breaking the law, etcetera. And
I'm not sure that the board would agree with those today any more than we did at the
time that we released this advertisement. In terms of accepting that there needs to be
some work on the systems around which junket operators we do business with or
30 whether we do business with them, and the AML systems, I think that there is an
acceptance by the board that we can do better.

MS SHARP: And you set out in your statement at paragraph 33 your feelings at the
35 time you first reviewed some of these media articles, and you say you were left in
shock and disbelief?

MR JOHNSTON: Yes.

MS SHARP: And you thought the media allegations were unreasonably sensational
40 in tone and presentation?

MR JOHNSTON: Yes.

MS SHARP: And your immediate impression was that the 60 Minutes story was
45 wrong, unfair and unbalanced?

MR JOHNSTON: Yes.

MS SHARP: Do you agree that Ms Manos, the company secretary, advised the board that a full page ad responding to the allegations was a matter to be approached with caution?

5 MR JOHNSTON: In terms of verification, yes.

COMMISSIONER: No, whether you did it or not.

10 MR JOHNSTON: I can't – I can't specifically recall that. I do know that we were being advised by MinterEllison at the time.

COMMISSIONER: Don't worry about the other – don't worry about the other advice. You're just being asked about Ms Manos?

15 MR JOHNSTON: I don't recall that specifically, I'm afraid.

COMMISSIONER: Yes. All right.

20 MS SHARP: Do you accept that, by signing on to this advertisement as one of the directors, you took ultimate responsibility for what was said in this ad?

MR JOHNSTON: Yes, I do.

25 MS SHARP: And that that ultimately reflected on your judgment?

MR JOHNSTON: Yes.

30 MS SHARP: Now, you were aware, when you received – I withdraw that. You first received notice on about the 12th of July 2019 that 60 Minutes was proposing to air allegations about Crown's relationships with junket operators?

MR JOHNSTON: Some time around then. Yes. Sorry.

35 MS SHARP: And you were made aware of that - - -

MR JOHNSTON: When I – it was a broad – it was a broad awareness as opposed to many of the specifics at that point, but – yes.

40 MS SHARP: And it was Mr Karl Bitar who made you aware of that?

MR JOHNSTON: I believe so. Yes.

45 MS SHARP: And it's right that Mr Preston and Mr Felstead had carriage of an investigation into those allegations?

MR JOHNSTON: Yes.

MS SHARP: Do you agree that you were somebody who was well-placed to tell them about the due diligence process for junkets?

COMMISSIONER: To tell whom?

5

MS SHARP: Mr Preston and Mr Felstead, given that you worked with them in making decisions about whether to proceed with junket operator relationships?

10 MR JOHNSTON: I mean, they were heavily involved. They were able to have their own views on that, as I had my own view on it.

MS SHARP: Did you have a discussion with them at the time about whether due diligence arrangements for junkets were sufficiently robust?

15 MR JOHNSTON: No, I had a view on that at the time, which was that it – that it was.

MS SHARP: And you were aware, at this time, that one of the allegations was that the due diligence of junket operators was not sufficiently robust?

20

MR JOHNSTON: Yes.

MS SHARP: And yet you, Mr Felstead and Mr Preston, had ultimate responsibility, at that point in time, for the approval of junket operators?

25

MR JOHNSTON: Yes.

MS SHARP: Did it occur to you, at that time, that there may have been a conflict in asking Mr Felstead and Mr Preston to conduct an investigation in relation to the junket operators with which Crown then dealt and its due diligence procedures?

30

MR JOHNSTON: No, I thought that, given their familiarity, they were best placed to do the analysis.

35 MS SHARP: It didn't occur to you that people from risk or audit might be better placed to independently review these allegations?

MR JOHNSTON: Not at the time, no.

40 MS SHARP: When you say "not at the time", has it occurred to you now?

MR JOHNSTON: Only as you say it.

MS SHARP: That's the first time that that has occurred to you?

45

MR JOHNSTON: Yes.

MS SHARP: Do you accept now that aspects of that ASX media release are wrong and were at the time it was published?

5 MR JOHNSTON: Well, there was certainly an error with respect to the reference to Suncity. I think that, otherwise, at the time that it was released, we certainly believed all the statements in it to be correct and that there had been diligence done to support the statements. In terms of what I believe now, I think – you know, I think that the statements around anti-money laundering, that is, that we have a comprehensive anti-
10 money laundering and counterterrorism financing program which is subject to ongoing regulatory supervision is correct.

I still think that, whilst we can improve the systems around – and we will improve the systems around the junkets, I still do think that we had robust due diligence at the time that we released this statement, that is, we required criminal history checks on
15 all of our junket operators. They had to get into the country and, thus, had to get through the visa approval processes. I think that's still a robust process. I think, given the lens that we're now talking about applying – sorry – and we were not dealing with people that were unique to Crown. I believe that, you know, the industry generally was dealing with these people. With the lens we're now going to
20 adopt, I think that there may be a different group of junket operators or, perhaps, even none that we deal with, going forward. So I still think that the statements made here are not wrong. I think that we have certainly learnt a lot through the course of this Inquiry and - - -

25 MS SHARP: Is – I'm sorry.

MR JOHNSTON: I'm sorry?

30 MS SHARP: I didn't mean to cut across you. I'm sorry.

MR JOHNSTON: That's okay. We certainly learnt a lot through the course of this Inquiry. And I think we're going to do a fair bit of work in further improving some of our systems and, for that matter, work on – on culture, in terms of going above and beyond. But I think the statements made in here, I – I still stand by them, other
35 than the one that I mentioned.

MS SHARP: But if you had your time over again, would you sign off on that ad?

40 MR JOHNSTON: That's a hard answer – a hard question to answer, because the situation we found ourselves in at this point in time was potentially perilous. I mean, there was an absolute media storm going on – and any organisation relies on a range of stakeholders – and if some of those stakeholders lose faith in the organisation, some difficult things or some severe things can happen. And this really was in response statements that accused Crown and, therefore, the board, of knowingly
45 dealing with criminals, breaking Australia's border protection, facilitating espionage. I mean, the range of very broad accusations couldn't go unchallenged. And they weren't stopping; the media campaign was just rolling on. So you know, if we knew

that the media campaign was going to stop and you had time to – you had time to repair stakeholder relationships without it continuing, then perhaps we would have done a more traditional approach. But you know, you have to react to the circumstances in which you are in at the time.

5

COMMISSIONER: And when you say a more traditional approach, what do you mean?

10 MR JOHNSTON: A more traditional approach, I mean, you know, for example, the responses, from memory, to the Four Corners programs were more our traditional response which is reaffirming our commitment to complying with our obligations, affirming that we do have adequate AML procedures in place, and we do do proper due diligence on those that we contract with. It's a - - -

15 COMMISSIONER: There's an element of that in your advertisement.

MR JOHNSTON: Yes, there's an element of that, but it's – I would describe it a much blander form of response would be our typical response.

20 COMMISSIONER: But you see, you obviously did have junkets that were connected to criminal elements. You accept that?

MR JOHNSTON: There were accusations that they were at the time, but I believe that we had put them through proper diligence.

25

COMMISSIONER: That's not what I'm asking you. You do accept, do you not, Mr Johnston, that some of your junkets were connected to criminal elements?

MR JOHNSTON: It would appear that way, yes.

30

COMMISSIONER: And you do accept that the Riverbank and Southbank accounts had evidence of structuring within it?

MR JOHNSTON: Yes.

35

COMMISSIONER: And you do accept that at the moment the AML program has yet to be rolled out across Melbourne and Perth?

MR JOHNSTON: The joint program, yes.

40

COMMISSIONER: And so in terms of how you might approach it, I get the distinct impression that you're a careful man in some respects, in many respects, and I don't accept that you would put your signature on this particular advertisement today, would you?

45

MR JOHNSTON: Well, as I said, I mean, we were – given what's happened and the fact that the media campaign stopped and we didn't have a – for example, a problem

where the banks decided to close all our accounts, etcetera, no, I wouldn't. I mean this is – this was, as I saw it, a response that was required to a fairly immediate need for accusations that were going to the very heart of the integrity of the organisation.

5 COMMISSIONER: I see. Anything further, Ms Sharp?

MS SHARP: One further thing I wish to ask you about, Mr Johnston. The board minutes for the 10 August 2020 meeting refer to the board noting the importance of setting the tone from the top. Was that a sentiment you agreed with, or is that a
10 sentiment you agree with?

MR JOHNSTON: Yes.

MS SHARP: What does this mean?
15

MR JOHNSTON: I – it means that there has to – the cultural aspects that we've been talking about this morning. It has to be clear to the organisation as a whole that the board expects certain cultural elements within the organisation and the behaviours that flow from it.
20

MS SHARP: And prior to the media allegations airing in July of 2019, were you, as a director, appropriately setting the tone from the top?

MR JOHNSTON: I believe that I was, in that any interaction I had with
25 management or staff I always gave the indication or gave the clear impression that anything less than compliance was unacceptable. And I certainly didn't encourage any behaviours that you could describe as risky.

MS SHARP: Do you agree or disagree that the international VIP business had too
30 aggressive a risk appetite?

MR JOHNSTON: It would – sorry, and I assume you're talking of prior to the arrests?

35 MS SHARP: I'm talking prior to the media allegations in July 2019.

MR JOHNSTON: Certainly, prior to the arrests I would agree that it would appear that that was the case. I think the sales team outside Australia certainly appeared to have an aggressive approach. With respect to the period subsequent to the arrests, I
40 think that we've taken a very conservative approach on how we do business. But there are further learnings that we have with respect to the junkets that we do business with. I accept – I accept that and I'm not sure if that necessarily translates into your conclusion. But I accept that we need to recalibrate on that component,
45 absolutely.

MS SHARP: Do you agree that the board of directors of which you are a member, failed to appropriately rein in the overly aggressive risk appetite of the VIP international team?

5 MR JOHNSTON: I think that had we had the information we would have done so. So there was a system failure, if you like, in terms of allowing the board to – to fulfil that role.

10 MS SHARP: Isn't it the case, Mr Johnston, that in that period up to the China arrests, you were one of the key stakeholders in the VIP international business?

MR JOHNSTON: I think this is a discussion we had yesterday. I think that - - -

15 COMMISSIONER: Yes, I believe it is. Let's move on, Ms Sharp.

MS SHARP: I have no further questions, Commissioner.

20 COMMISSIONER: Yes. All right. Mr Bell, do you have any questions of Mr Johnston as you indicated yesterday or not? All right. Are you able to go ahead now or do you want me to adjourn?

MR BELL: I can proceed now, if it's convenient.

25 COMMISSIONER: All right. Mr Johnston, Mr Bell will just ask you a few questions now.

MR JOHNSTON: Certainly.

30 <EXAMINATION BY MR BELL [11.38 am]

35 MR BELL: Mr Johnston, do you understand that inside information for the purposes of the insider trading laws means information which is not generally available and if it were generally available, a reasonable person would expect it to have a material effect on the price or value of the relevant financial product?

MR JOHNSTON: In broad terms, yes.

40 MR BELL: Can we look at exhibit AB40, it's hearing room only; CPH.001.021.0051. Can you look at the information that's disclosed in the annexure at page .0052 and Mr Johnston, I would be grateful if you would answer my questions, please, without identifying the facts disclosed in this document.

45 COMMISSIONER: If possible.

MR BELL: If possible.

COMMISSIONER: Yes.

MR BELL: I understand the evidence that you have given about paragraph 1 and paragraph 2, but I take it that you agree that some or all of the information in
5 paragraphs 3, 4, 5, 6 and 7 is what you would understand to be inside information of Crown Resorts at the time.

MR HUTLEY: I object. It's a wholly unfair question. He should be directed to precise material, if my learned friend's going to put that proposition, so that the
10 witness has an opportunity to concentrate on the question. That is a question of quite – and I object.

MR BELL: In my submission, the question was perfectly fair. I'm directing Mr Johnston's attention specifically to paragraphs, 3, 4, 5, 6 and 7, and I'm asking
15 whether some or all of that information is what he would understand to be inside information of Crown Resorts. And I'm also trying to do so in a way which protects the confidentiality, which I understand is a sensitive matter.

COMMISSIONER: Yes. I think for the purposes of protecting the confidential
20 information, the question and the status of the exhibit. Mr Johnston, if you just read for yourself for the moment, quietly, paragraphs 3 to paragraph 7. Start again.

MR JOHNSTON: No, I don't think so.

25 MR BELL: Well, I'm going to have to explore that with you a little further. Just look at paragraph 6. You see it deals with Barangaroo development costs?

MR JOHNSTON: Yes.

30 MS SHARP: And it estimates the total gross project cost. I won't say the number.

MR JOHNSTON: Yes.

MR BELL: Do you see that?
35

MR JOHNSTON: Yes, yes.

MR BELL: And it estimates a net project cost?

40 MR JOHNSTON: Yes.

MR BELL: And it identifies a number of the units subject to sales contracts and the purchase price - - -

45 MR JOHNSTON: Yes.

MR BELL: - - - and so forth. And, taking a conservative approach, a reasonable person might consider that some of that information would have a material effect on the price or the value of Crown Resorts shares at the time?

5 MR HUTLEY: I object. I object. He should – my learned friend should identify that which he is putting to the witness is – has that character - - -

MR BELL: I've attempted to identify the material precisely.

10 COMMISSIONER: Well, it's – it's the two bullet points. I think it's the content of the two bullet points, Mr Hutley.

MR BELL: Yes.

15 MR HUTLEY: - - - for the witness to understand all of it or any part of it.

COMMISSIONER: Yes, yes. Yes, the two – the whole of the two bullet points.

MR BELL: And the question, Mr Johnston, is – I'm trying to take you to this
20 material without disclosing too precisely the information in it. But I'm asking you whether, looking at those two bullet points and the information that's disclosed, whether you agree that a reasonable person might consider that some or all of that information would have a material effect on the price or value of Crown Resorts' shares at the time?

25 MR JOHNSTON: No, I don't. I think that the information in the first bullet point was understood in the market. And I don't think the information in the second bullet point is of concern in that respect.

30 MR BELL: Well, then let's have a look at paragraph 3, which deals with the Zantran class action, and it discloses certain information about Crown Resorts' attitude to that. Do you see that?

MR JOHNSTON: Yes.

35 MR BELL: Now, taking a conservative approach, do you agree that a reasonable person might consider that some of that information would have a material impact on the price or value of Crown Resorts' shares?

40 MR JOHNSTON: Again, no, I don't think so. I think that the – from memory, the disclosures that were made to the market about the class action are not inconsistent with that.

MR BELL: Mr Johnston, why were you disclosing this information to Melco
45 Resorts?

MR JOHNSTON: I think it – as I said the other day, I think it was just out of an abundance of caution.

5 MR BELL: You were disclosing information to Crown Resorts out of an abundance of caution to avoid the accusation that CPH Crown Holdings was trading in Crown Resorts securities with information that was – could be perceived to be inside information to the disadvantage of Melco Resorts; correct?

10 MR JOHNSTON: We thought that it was appropriate to disclose these matters. I mean, obviously, the consequences of insider trading are very severe. So you take a very conservative view on it. Yes.

15 MR BELL: Right. And so you were taking a conservative approach to what a reasonable person might consider to be inside information for the purpose of making this disclosure, weren't you?

MR JOHNSTON: I think I'd gone beyond that. I think a reasonable person would not consider this to be inside information.

20 MR BELL: But the very reason you are disclosing this is because you wanted to take a conservative approach in case someone looked at this subsequently and accused CPH of trading with inside information. That's why you were making the disclosure; correct?

25 MR JOHNSTON: Well, as I said, I think it was significantly below the threshold of being inside information or price-sensitive information. I'm sorry.

MR BELL: But – sorry. You go on.

30 MR JOHNSTON: No, no. Sorry. Continue.

MR BELL: No. You go on. I didn't mean to interrupt you.

35 MR JOHNSTON: Okay. So, I mean, I reiterate what I said, it really was an abundance of caution. I think that it was – it was not done because I thought this was price-sensitive information.

40 MR BELL: Well, it was out of an abundance of caution in relation to the issue of whether it might be inside information that led you to make this disclosure; correct?

MR JOHNSTON: Sorry. Just repeat that one more time, the review – the review proposition.

45 MR BELL: That's all right. It was out of an abundance of caution that this might be subsequently construed to be inside information that led you to make this disclosure; correct?

MR JOHNSTON: It may be perceived as opposed to construed. I don't think there was any proper construction.

5 MR BELL: Well – but you were concerned about the perception; correct?

MR JOHNSTON: Yes.

10 MR BELL: Now, can I ask you to look at exhibit AB43. I'm sorry. Before I commenced, I should have tendered some additional documents which were provided to interested parties overnight, Commissioner. I tender those documents as exhibits AB43 to 51.

15 COMMISSIONER: Yes. I'll mark those exhibits as AB43 to 51 with the recorded identifications.

EXHIBIT #AB DOCUMENTS 43 TO 51

20 COMMISSIONER: Yes.

25 MR BELL: Do you see that this is – this is a considerable link, CRL.506.006.5468. Mr Johnston, do you see these are minutes of a meeting of directors of the board of Crown Resorts, on the 11th of December 2018, which you attended?

MR JOHNSTON: Yes, by telephone.

30 MR BELL: And do you see that, at page .5476, there was an item of business in connection with the securities trading policy of Crown Resorts?

MR JOHNSTON: Yes.

35 MR BELL: And if you look at page – if you look at that page, do you see that you and your colleagues resolved to approve a revised securities trading policy for Crown Resorts?

MR JOHNSTON: Yes.

40 MR BELL: And you understood that this was an important policy designed to ensure that Crown Resorts and its directors and employees operated within the spirit and the letter of the law; correct?

MR JOHNSTON: Yes.

45 MR BELL: And you understood that it was an important policy which was also designed to protect the integrity of Crown Resorts?

MR JOHNSTON: Yes.

MR BELL: And I'm sure you read the policy before you approved it; correct?

5 MR JOHNSTON: I imagine that was the case, yes.

MR BELL: And if we could look at that policy; it's dated 11 December 2018, exhibit AB44, INQ.010.003.0124. Could I ask you to turn to paragraph 2, page .0126. Do you see that at paragraph 2 it says:

10

This policy regulates dealings in Crown securities by Crown's director and employees.

Do you see that?

15

MR JOHNSTON: Yes.

MR BELL: And it goes on to say that:

20

It extends to dealing in Crown securities by any persons or entities or close associates of Crown's directors and employees.

Do you see that?

25 MR JOHNSTON: Yes.

MR BELL: And it defines "close associate" to include a company which is managed by a Crown director. Do you see that?

30 MR JOHNSTON: Yes.

MR BELL: Or a company which is directly or indirectly controlled by a Crown director; do you see that?

35 MR JOHNSTON: Yes.

MR BELL: And if you look at page .0127, "inside information" is defined in a way consistent with your understanding of it; correct?

40 MR JOHNSTON: Yes.

MR BELL: And if you look at clause 4.1 on that page it states that:

45 *Crown directors and employees and their close associates must not, despite anything to the contrary in this policy, trade in Crown securities while that person is in possession of inside information.*

Do you see that?

MR JOHNSTON: Yes.

5 MR BELL: As the sole director of CPH Crown Holdings Pty Limited, you directly controlled that company, didn't you?

MR JOHNSTON: Yes.

10 MR BELL: And you were at this time conscious that there might be a perception at least that some of the information which you held could be, taking a conservative approach, considered to be inside information; correct?

MR JOHNSTON: I didn't consider it was inside information, but I was concerned
15 about subsequent perceptions.

MR BELL: Yes. And were you concerned that you might have been trading Crown Resorts' shares in potential breach of this policy?

20 MR JOHNSTON: No, because I didn't consider it to be insider information.

MR BELL: But you weren't even concerned about the perception that that might be seen to be the case?

25 MR JOHNSTON: I'm not sure that that's the – that's the relevant test.

MR BELL: But it's the question I'm asking you. You weren't concerned that that might be the perception that that would be the case?

30 MR JOHNSTON: No, not in the circumstances.

MR BELL: And I take it that – I withdraw that. Now, if we could look at exhibit AB45, confidential link CRL.709.001.0001. I'm sorry, just before we go to that, Mr
35 Johnston, I should have asked you this: is it your evidence that you took this securities trading policy into account in your deliberations on the afternoon of 30 May 2019?

MR JOHNSTON: It was – whether it – we had insider information was something we took advice on, so yes.
40

MR BELL: Sorry, you took advice, did you, on whether you held inside information?

MR JOHNSTON: Yes.
45

MR BELL: And who provided that advice?

MR JOHNSTON: Ashurst.

MR BELL: Was it in writing?

5 MR JOHNSTON: I can't recall now. I would have to – I would have to have a look, sorry.

MR BELL: Do you recall whether you made a note of that advice?

10 MR JOHNSTON: No.

MR BELL: No, you don't recall or, no, you didn't make a note?

MR JOHNSTON: I don't believe I would have taken a note.

15

MR BELL: But there may be some record of the advice to which you refer; is that the case?

MR JOHNSTON: There could be. I would have to go back and review my files.

20

MR BELL: On what date was this advice provided to you?

MR JOHNSTON: That would have been contemporaneously with the transaction.

25 MR BELL: Would it have been at or about the time of the disclosure letter that we've looked at?

MR JOHNSTON: Yes.

30 MR BELL: Now, sorry, so turning to exhibit AB45, confidential link CRL.709.001.0001; do you see that these are the minutes of meeting of the nomination and remuneration committee of Crown Resorts held on 19 September 2018?

35 MR JOHNSTON: Yes.

MR BELL: And if you look at page .0004, do you see that these are the minutes which the chairperson, Mr Dixon, has signed as being true and correct?

40 MR JOHNSTON: Yes.

MR BELL: And if you look at page .0003, and going over to page .0004, you see this was a meeting at which the controlling shareholder protocol was discussed?

45 MR JOHNSTON: Yes.

MR BELL: And I showed you the draft minutes of this meeting last Friday, transcript page 2992 to 2993, and you gave evidence that you had declared an interest, and stepped out of the meeting for the discussion because you understood that there was a conflict between your duty as a director of Crown Resorts and your
5 duties as a director of CPH in relation to that item of business. Do you remember giving that evidence?

MR JOHNSTON: Yes.

10 MR BELL: And I asked you last Friday if you were suggesting that the minutes were inaccurate, and you said that seemed to be the case. Do you recall giving that evidence?

MR JOHNSTON: Yes.

15 MR BELL: And there is no record, is there, in the signed minutes that you declared an interest and stepped out of the meeting?

MR JOHNSTON: I haven't read them, but I will accept that there's not.
20

MR BELL: And – well, perhaps you should just confirm that for your own satisfaction. Please take as long as you need and let me know when you are ready to proceed.

25 MR JOHNSTON: Yes, it does seem to be the case.

MR BELL: And it's clear, do you agree now that you've seen the signed minutes, that contrary to your evidence last week, you did not declare an interest and step out of the meeting?
30

MR JOHNSTON: Well, not according to these minutes, no.

MR BELL: Well, are you still saying that the minutes are inaccurate?

35 MR JOHNSTON: I believe I would not have participated in that discussion, yes.

MR BELL: Are you still saying that the minutes are inaccurate?

MR JOHNSTON: So in that respect, yes.
40

MR BELL: And can I suggest that if the minutes had been inaccurate on such an important matter about which you are so sensitive that you would have taken steps to correct them?

45 MR JOHNSTON: I – I accept that I may not have read draft minutes or minutes of past meetings as carefully as perhaps I should have. I - - -

MR BELL: Sorry.

MR JOHNSTON: I assumed that the secretarial function would pick that up.

5 MR BELL: See, these minutes record the true position. And your evidence that you declared an interest and stepped out of the meeting was not true.

MR JOHNSTON: I don't agree with that.

10 MR BELL: See, you haven't been truthful with your evidence to this Inquiry when you've perceived the truth to be inconvenient, have you?

MR JOHNSTON: Yes, I have.

15 MR BELL: No further questions.

COMMISSIONER: Yes. Now, Mr Hutley, do you wish to obtain leave to ask any questions about any matters?

20 MR HUTLEY: Just one question arising out of the last matter, if I might.

COMMISSIONER: Yes. Of course.

25 <EXAMINATION BY MR HUTLEY [12.00 pm]

MR HUTLEY: Yes, Commissioner. You were just asked by Mr Bell about minutes of the meeting of the 19th of September of the nomination and remuneration
30 committee, which is exhibit AB, tab 45. And could that – if you could you go back to those. They're CRL.709.001.0001.

MR JOHNSTON: Yes.

35 MR HUTLEY: And you're shown, at the commencement of those minutes, as by invitation; is that correct?

MR JOHNSTON: That's right.

40 MR HUTLEY: You weren't a member of that committee; correct?

MR JOHNSTON: No. No, I wasn't.

MR HUTLEY: All right. And you – the minutes – the minutes were, as you were
45 shown by Mr Bell, were signed by Mr Dixon; do you see that?

MR JOHNSTON: Yes.

MR HUTLEY: Now, would you have, in the ordinary course, received copies of these minutes in your capacity as an invitee?

5 MR JOHNSTON: I don't recall having received them. And I don't recall receiving them in the normal course as an invitee. No.

MR HUTLEY: All right. And do you know whether you did or you didn't?

10 MR JOHNSTON: I don't know, categorically, I'm afraid.

MR HUTLEY: Thank you. Nothing further.

15 COMMISSIONER: Do these sorts of committee minutes come up to the board from time to time?

MR JOHNSTON: Yes, Commissioner, they're normally attached to board packs, the committees of the – sorry – the minutes of the subcommittee meetings. Yes.

20 COMMISSIONER: But your – but your recollection is that you would have stepped out?

MR JOHNSTON: Yes. Yes.

25 COMMISSIONER: Mr Young, did you want to seek leave to ask any questions of Mr Johnston?

MR YOUNG: Commissioner – Commissioner, yes, I have one question.

30 COMMISSIONER: Yes, of course. You proceed.

<EXAMINATION BY MR YOUNG

[12.02 pm]

35 MR YOUNG: Mr Johnston, you were taken to some minutes or some notes of various meetings. The reference is exhibit BJ, tab 164.

MR JOHNSTON: Yes.

40 MR YOUNG: Mr Johnston, you were taken to several entries relating to the proposal about opening a bank account in Macau.

MR JOHNSTON: Yes.

45 MR YOUNG: Can I direct you to the pages you were taken to: pinpoint 0078, firstly.

COMMISSIONER: Could you give us the full reference, please.

MR YOUNG: Of course, Commissioner.

5 COMMISSIONER: Thank you.

MR YOUNG: My apologies.

COMMISSIONER: Thanks, Mr Young. That's all right.

10

MR YOUNG: The document the CRL.613.001.0018.

COMMISSIONER: Yes. Thank you.

15 MR YOUNG: And I was going to pinpoint 78.

COMMISSIONER: Thank you. Yes.

MR YOUNG: Mr Johnston, do you see the reference, at that page in the middle of
20 the page, to – under the heading Bank of China Macau Branch?

MR JOHNSTON: Yes.

MR YOUNG: Now, just have a glance at that for a moment. And I'll direct you to
25 the other reference you were taken to. The other reference was at pinpoint .0028.
Now, do you have that page?

MR JOHNSTON: Yes, I do.

30 MR YOUNG: You'll see two entries for "Guardforce Macau" and below that
"Macau bank account"; do you see that?

MR JOHNSTON: Yes, I do.

35 MR YOUNG: Now, you gave evidence that the Guardforce Macau proposal didn't
proceed. Are you able to tell the Commissioner whether the Macau bank account
proposal proceeded?

MR JOHNSTON: No, it did not, as I understand it.

40

MR YOUNG: Thank you.

COMMISSIONER: Yes. Thank you.

45 MR YOUNG: I have nothing further, Commissioner.

COMMISSIONER: Yes. Thank you, Mr Young. Mr Stoljar, do you wish make – to ask any questions?

MR STOLJAR: if the please the Commission.

5

COMMISSIONER: Did you say, “No, thank you”?

MR STOLJAR: I did.

10 COMMISSIONER: Yes. I’m sorry, I didn’t hear. Mr Johnston, I wanted to clarify a couple of matters. One was relating to the conversations that you referred to with Mr Packer in May of last year.

MR JOHNSTON: Yes.

15

COMMISSIONER: If I could just ask you, firstly, the services agreement to which you have referred a number of times that were signed in July 2016, whose idea was that?

20 MR JOHNSTON: Mr Rankin’s idea, when he became the chair of Crown.

COMMISSIONER: And that was entered into at a time when Mr Packer was not on the board of Crown; is that correct?

25 MR JOHNSTON: Yes, that would have been correct. Yes.

COMMISSIONER: So Mr Packer left the board on about the 21st of December 2015.

30 MR JOHNSTON: Yes.

COMMISSIONER: I think you have given that evidence.

MR JOHNSTON: Yes.

35

COMMISSIONER: On the 1st of July 2016, the services agreement was entered into between CPH and Crown; do you recall that?

MR JOHNSTON: Yes.

40

COMMISSIONER: And so the services that were provided – I withdraw that. Mr Packer was, of course, a director of CPH or the chairman of CPH at the time, was he?

45 MR JOHNSTON: Yes. He was a director of CPH.

COMMISSIONER: And, as you saw it, as I understand your evidence – but tell me if this is wrong – as you saw it, that particular agreement enabled Mr Packer to receive information from executives or others because he was – that is, Crown information - - -

5

MR JOHNSTON: Yes.

COMMISSIONER: - - - because he was a director of CPH; is that right?

10 MR JOHNSTON: That's my understanding. Yes.

COMMISSIONER: Yes. And, then, when Mr Packer, albeit that he came back on to the board in 2017, he left again in March or thereabouts in 2018; correct?

15 MR JOHNSTON: That's right.

COMMISSIONER: And then you've already informed me that he went off all the boards of the CPH structure during the middle of 2018; that's right, isn't it?

20 MR JOHNSTON: Yes.

COMMISSIONER: And so, at that time, is this right, you envisaged that there wasn't a structure or an agreement pursuant to which Mr Packer could receive the confidential information of Crown, and that's why you proposed the amendment to the services agreement?

25

MR JOHNSTON: I think that there were still some arguments that we could provide the information to Mr Packer. I think there's a clause in the services agreement that says that we, being CPH, can use it for our own purposes. But I thought that it assisted everybody if we clarified the situation, which is why I'd suggested the proposed amendments to the services agreement.

30

COMMISSIONER: That was your suggestion?

35 MR JOHNSTON: Yes. Yes.

COMMISSIONER: And it was your idea?

MR JOHNSTON: Sorry. No, no. No. It was based on advice, obviously. So I was advised that it would be prudent to do that.

40

COMMISSIONER: Yes, I see. And so that's when it then converted – or your idea wasn't acceptable – or it wasn't accepted. I'm sorry. And then the controlling shareholder protocol was entered into in October 2018 at the time when Mr Packer had no directorial role either in CPH or in Crown?

45

MR JOHNSTON: That's right.

COMMISSIONER: And so when you gave the evidence that Mr Packer – when you were dealing with the proposed deal to sell the shares in CPH Crown Holdings, that Mr Packer overruled you in those – or Mr Packer said he was overruling you - - -

5 MR JOHNSTON: Yes, I think, ultimately, I agreed with his view. I can explain why I changed my view, if that would assist.

COMMISSIONER: Perhaps if I can just ask you the question, if I may.

10 MR JOHNSTON: I'm sorry. I'm sorry.

COMMISSIONER: That's all right. When Mr Packer informed you that he was overruling you - - -

15 MR JOHNSTON: Yes.

COMMISSIONER: - - - that was something that you could have resisted, isn't it?

MR JOHNSTON: Yes, for a period. Yes.

20

COMMISSIONER: When you say "for a period", I think you said this yesterday, temporarily.

MR JOHNSTON: Yes.

25

COMMISSIONER: You could have resisted a non-director telling you that you were being overruled, couldn't you?

MR JOHNSTON: Yes, a non-director of the vendor entity. Yes, I could have.

30

COMMISSIONER: Well, he was a non-director of everything, wasn't he?

MR JOHNSTON: No, he was still at that point a director of the ultimate parent of the CPH Group.

35

COMMISSIONER: So on the 23rd of May 2019 - - -

MR JOHNSTON: Yes.

40 COMMISSIONER: - - - Mr Packer still held directorships of some of the companies, did he?

MR JOHNSTON: Of one company, yes.

45 COMMISSIONER: And which company was that?

MR JOHNSTON: The ultimate parent is a company by the name of consolidated Press International Holdings Limited.

5 COMMISSIONER: I see. So did you take the view that in that circumstance, Mr Packer was entitled to overrule you as a director of CPH Crown Holdings?

MR JOHNSTON: I'm not sure that – given ultimately I agreed with him, I'm not sure I had to make that very difficult decision. But I think - - -

10 COMMISSIONER: Why would it be a difficult decision?

MR JOHNSTON: Well, if I – if I decided to resist what he wanted to do, that – you know, that obviously is a difficult decision.

15 COMMISSIONER: And I suppose it's difficult because of what?

MR JOHNSTON: Well, ultimately if he wished to resist me, he could remove me from office and put somebody else in – in place, through a process.

20 COMMISSIONER: But if you had the view that the transaction shouldn't go forward in the best interests of CPH Crown Holdings, that may have ultimately been the only way forward, I presume?

25 MR JOHNSTON: Yes. Yes. That's correct.

COMMISSIONER: And so in your role, one of the things that has been exposed – and let me just explore this with you – you have operated in a number of ways under the services agreement over time since 2016; correct?

30 MR JOHNSTON: Yes.

COMMISSIONER: And when you have done that, you have told me that you've rendered fee notes or invoices to Crown pursuant to the agreement. That's right, isn't it?
35

MR JOHNSTON: Yes.

COMMISSIONER: And you understand that some of the things that you have done with Crown, for instance, the involvement in the VIP business, the review of the
40 junkets and then the approval of junkets, you understood that that was effectively as a contractor or employee of Crown supplied by CPH; correct?

MR JOHNSTON: Yes.

45 COMMISSIONER: Now, I wanted to ask you about the good sense of that in the circumstances which have erupted in the media allegations last year of placing you as

a director of a public company down with – without being pejorative, down with the management. Do you understand that?

MR JOHNSTON: Yes, I do. I do.

5

COMMISSIONER: So isn't that an exquisitely difficult situation for the company to maintain its governance regime of keeping directors in a position to make sure that they can judge things sensibly from a risk management point of view?

10 MR JOHNSTON: I always considered that I had – whilst I was wearing a number of hats, that – that the hats were never inconsistent in – in that I never had a risk appetite that was inconsistent with the one I would have had as a director. But I can certainly understand that it's probably less than a perfect scenario to be put in.

15 COMMISSIONER: And you see, one of the things that was pointed out by you in your evidence when Mr Bell was asking you questions was that you didn't give consideration to the perception of a conflict. Do you remember telling me that?

MR JOHNSTON: Yes.

20

COMMISSIONER: That, in itself, may have been avoided had you had less hats on; would you agree with that?

MR JOHNSTON: Yes. Yes.

25

COMMISSIONER: And so the good sense – and please don't misunderstand, whatever structure and legal structure Crown or CPH puts in place to minimise its tax or to create profit, is not the subject of criticism. But putting this in place and then causing a director of Crown to become effectively an employee of Crown at the same time as expecting a director to make judgment about management, is not
30 sensible, is it?

MR JOHNSTON: Well, I'm not sure I was an employee. I viewed myself as a
35 consultant. But it's – I think that I was able to provide valuable services to Crown in the consulting role. I think that with the benefit of hindsight, going forward I think that some of the roles, such as the VIP roles, I probably wouldn't repeat. I think that there's a management structure that can better do that.

COMMISSIONER: There's a which structure?

40

MR JOHNSTON: A management structure that would better facilitate that.

COMMISSIONER: And the very question of whether you are an employee or a contractor or a consultant, identifies one of the difficulties, doesn't it?

45

MR JOHNSTON: I'm not sure that I follow you there, sorry, Commissioner.

COMMISSIONER: Well, when you provide your services, as we've seen earlier, for instance in reviewing the junket arrangements at a time of high controversy - - -

MR JOHNSTON: Yes.

5

COMMISSIONER: - - - and then the board has to make decisions about whether they do or do not do things in respect of future operations of junkets, your advice and work is being reviewed by the board including yourself; correct?

10 MR JOHNSTON: Yes. Yes.

COMMISSIONER: And that's just not acceptable, is it?

MR JOHNSTON: No, I think on a go-forward basis I will certainly do less.

15

COMMISSIONER: Yes. And how many committees are you on?

MR JOHNSTON: I'm on at least five committees, yes; I think six with risk now, yes.

20

COMMISSIONER: And so far as the processes that we have spoken about are concerned, most of them, that is, the services agreement and the controlling shareholder protocol – have been aimed in the main of securing information and processes that assist Mr Packer. Would you agree with that?

25

MR JOHNSTON: The controlling shareholders' protocol, I think it's always been accepted by Crown that Mr Packer has provided very valuable input to Crown. I think, you know, Macau, for example, was totally his idea and the shareholders got back more than six times their money on that investment, which was a significant investment.

30

COMMISSIONER: Yes.

MR JOHNSTON: The Sydney investment, and there have been a variety of other initiatives along the way, including the redevelopment of the Australian Resorts, which have been initiatives and highly successful initiatives that were promoted by Mr Packer. So I think that – and I'm sure that the independent directors of Crown wouldn't have entered into the substantial shareholder protocol unless they were convinced that there was some benefit. And likewise, the services agreement; I think we have assisted Crown with a variety of issues over the years that have been – have been very valuable to Crown. I mean, it may be something perhaps that you could ask my fellow directors as to their views on.

40

But I think, again, both – both agreements have – have facilitated benefits to Crown and, of course, at the end of the day, CPH is a shareholder like any other shareholder. We – we get most benefit out of the success of Crown.

45

COMMISSIONER: And as a shareholder like any other shareholder, the only arrangements that have been put in place for the sharing of information, however, has been with Mr Packer and CPH.

5 MR JOHNSTON: Yes.

COMMISSIONER: Yes. Anything arising from that, Mr Bell?

MR BELL: Arising from Mr Hutley's questions.

10

COMMISSIONER: Yes, of course Mr Bell.

MR BELL: Mr Johnston, on Friday at transcript page 2992 you said that you quite regularly attended the nomination and remuneration committee as an invitee; do you remember giving that evidence?

15

MR JOHNSTON: Yes.

MR BELL: And I take it that means that you quite regularly reviewed the minutes of meetings of the nomination and remuneration committee?

20

MR JOHNSTON: I would have – I would have reviewed them not – not as an attendee; I reviewed them as part of the normal board pack material.

25 MR BELL: Quite regularly.

MR JOHNSTON: Well, they were included in the board pack so, yes, I tried to look at the subcommittee minutes for the meetings of each subcommittee.

30 COMMISSIONER: Yes. Now, Mr Johnston, that brings us to the end of your evidence and the position is that I have said with other witnesses, you may or may not be aware, that it is presumed that you will not be recalled to give evidence. But if it should arise, I don't expect it to arise, but should it arise then the solicitors assisting the Inquiry will make contact with your solicitors. Do you understand that?

35

MR JOHNSTON: Yes, I do, Commissioner.

COMMISSIONER: Yes, thank you Mr Johnston. I will now adjourn until – Mr Jalland is to give evidence, is he not. 1 pm our time because he is giving evidence from another jurisdiction; is that right? I will adjourn then until 1 pm.

40

MR JOHNSTON: Thank you.

45 <THE WITNESS WITHDREW

ADJOURNED

[12.22 pm]

RESUMED

[1.02 pm]

5

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

MR BELL: I call Guy Jalland.

10

COMMISSIONER: Mr Jalland.

MR G. JALLAND: Yes. Good morning, Commissioner.

15 COMMISSIONER: Good morning. And good afternoon from here. Would you prefer to give an oath or take an affirmation?

MR JALLAND: An affirmation, please, Commissioner.

20

<GUY JALLAND, AFFIRMED

[1.03 pm]

<EXAMINATION BY MR BELL

25

COMMISSIONER: Yes, Mr Bell.

MR BELL: Would you please state your full name.

30

MR JALLAND: Guy Jalland.

MR BELL: And your – a business address at which you can be contacted is known to this Inquiry. Would you please state your occupation?

35

MR JALLAND: Company director.

MR BELL: And you are currently a director of Consolidated Press Holdings Proprietary Limited; is that correct?

40

MR JALLAND: That's correct.

MR HUTLEY: Just before my learned friend proceeds, Madam Commissioner, could I - - -

45

COMMISSIONER: Yes.

MR HUTLEY: - - - announce my appearance with Dr Higgins and Mr d'Arville and Mr O'Brien for Mr Jalland, who, as you understand, appears under compulsion, and just raise one matter before my learned friend continues with his cross-examination. I understand Mr Jalland - - -

5

COMMISSIONER: It's examination.

MR HUTLEY: This it's examination. Well, as you have it Madam Commissioner. I understand Mr Jalland would like to make one small connection – correction to paragraph 120 of his second statement.

10

COMMISSIONER: Yes.

MR HUTLEY: And he might be asked as to what that correction is.

15

COMMISSIONER: All right, then. Mr Jalland, do you wish to make an amendment to the statement that is placed before the Inquiry in paragraph 120?

MR JALLAND: Yes, please, Commissioner.

20

COMMISSIONER: Could you tell us, please, what it is that you wish to correct and how it is to be corrected?

MR JALLAND: May I refer to the written copy?

25

COMMISSIONER: Of course. Of course.

MR JALLAND: Thank you. Commissioner, the opening words to paragraph 120 should read:

30

At or about 2 August 2019 –

instead of:

35

At the time of the publications and before the Crown Resorts advertisements.

COMMISSIONER: Thank you very much. That amendment will be noted. Thank you, Mr Jalland. Anything further, Mr Hutley?

40

MR HUTLEY: Nothing, Madam Commissioner.

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

MR BELL: Mr Jalland, I'll refer to Consolidated Press Holdings Proprietary Limited as CPH; do you follow?

45

MR JALLAND: Yes, I do.

MR BELL: You – you are also the chief executive officer of CPH?

MR JALLAND: That's correct.

5 MR BELL: And you've been a director of CPH since 2014; is that correct?

MR JALLAND: That's correct.

10 MR BELL: And have you also been the chief executive officer of CPH since 2014?

MR JALLAND: No. I believe I became chief executive officer in January 2017, Mr Bell.

15 MR BELL: Thank you. And you and Mr Johnston are the two current directors of CPH; is that correct?

MR JALLAND: That is correct.

20 MR BELL: Now, prior to the establishment of Crown Resorts in 2007, you were the group general counsel and company secretary of Publishing and Broadcasting Limited; is that right?

MR JALLAND: That's correct.

25 MR BELL: I will refer to that company as PBL; do you follow?

MR JALLAND: Yes, I do.

30 MR BELL: Now, you were appointed as group general counsel of PBL in November 2004; is that right?

MR JALLAND: That sounds correct. I couldn't be certain on exactly when, but that sounds correct.

35 MR BELL: Yes. And were you appointed as company secretary of PBL in August 2005?

MR JALLAND: I couldn't be certain on that date, but that's – that sounds correct.

40 MR BELL: And prior to your appointment as group general counsel of PBL, is it the case that you had worked for the PBL Group in other roles since 1998?

MR JALLAND: More in the CPH Group, from October 1998.

45 MR BELL: Now, after the demerger of PBL in 2007, did you have any roles in Crown Resorts at that time?

MR JALLAND: No, I didn't.

MR BELL: And you've been a non-executive director of Crown Resorts since April 2018?

5

MR JALLAND: That's correct.

MR BELL: And you are a nominee of CPH on the board of Crown Resorts?

10 MR JALLAND: That's correct.

MR BELL: And prior to your appointment as a director of Crown Resorts, you regularly attended board meetings as an invitee; is that correct?

15 MR JALLAND: That's correct.

MR BELL: And who extended that invitation to you?

20 MR JALLAND: Mr Packer.

MR BELL: And what did you understand were the reasons why you were invited to attend board meetings of Crown Resorts as an invitee?

25 MR JALLAND: Originally, the practice started, I think, probably in the early, you know, 2011, I think, because I had been assisting Crown on projects, and it was helpful for me to sit in the board meetings in case it was requested for an update on those projects.

30 MR BELL: So I gather you first started attending Crown Resorts board meetings as an invitee in about 2011?

MR JALLAND: I couldn't be certain, Mr Bell, but I think that sounds about right.

35 MR BELL: Yes. And did you regularly attend Crown Resorts board meetings as an invitee after that time until you were, in fact, appointed as a director?

MR JALLAND: Yes. Yes, I did. I suppose it depends on "regularly". I think it was probably about half the time.

40 MR BELL: Okay. And when you were invited to attend Crown Resorts board meetings, did you receive the board papers prior to the relevant meeting?

MR JALLAND: To the best of my recollection. Yes.

45 MR BELL: Right. And I would assume, as an invitee to the board meetings it was your practice to read those board papers for the meetings to which they related?

MR JALLAND: I'm hesitating because I can't be certain I read the packs for every meeting.

MR BELL: No.

5

MR JALLAND: Particularly if I was attending just for a particular topic.

MR BELL: But it was your practice to do so, was it?

10 MR JALLAND: Not in every instance.

MR BELL: All right. And I assume that after you were appointed as a board member in April 2018, it was your practice to read the board papers in advance of the relevant meeting?

15

MR JALLAND: That's correct.

MR BELL: Now, I'm sure you understand that at all times whilst you have been a director of Crown Resorts, you have owed duties of care and diligence to Crown Resorts?

20

MR JALLAND: That's correct.

MR BELL: And do you say that at all times you have been a careful and diligent director of Crown Resorts?

25

MR JALLAND: Yes, I do.

MR BELL: And as a careful and diligent director of Crown Resorts, I take it it has been your practice to ensure that you have understood the effect of important agreements to which Crown Resorts is a party?

30

MR JALLAND: Those which are brought to my attention by management, yes.

35 MR BELL: Yes. Now, have you been informed about the substance of the evidence given to this Inquiry by other witnesses?

MR JALLAND: No. I have had sessions with – with my lawyers in preparation for this and things have been discussed but I have not watched the evidence of other Crown executives.

40

MR BELL: All right. And does that include Mr Barton and Mr Johnston's evidence; you haven't been informed of the substance of their evidence?

45 MR JALLAND: No. I understand some things that, but I hadn't – I hadn't – I didn't watch their evidence and I haven't read the transcripts.

MR BELL: All right. And when did you last communicate with Mr Johnston?

MR JALLAND: To the best of my knowledge, Wednesday last week.

5 MR BELL: And have you had any discussions with him about the evidence either he or you is giving to this Inquiry?

MR JALLAND: Not – not – or definitely not since then and prior to that, only generally on themes, not his specific evidence or my specific evidence.
10

MR BELL: So what general themes in relation to the evidence have you discussed with Mr Johnston?

MR JALLAND: Just generally about the share sale but nothing specifically.
15

MR BELL: And when did you last communicate with Mr Rankin?

MR JALLAND: To the best of my recollection, July 2017.

20 MR BELL: And to your knowledge when did anyone on behalf of CPH or Mr Packer last communicate with anyone on behalf of Mr Rankin?

COMMISSIONER: Sorry, I don't understand that question; could you put it again, please.
25

MR BELL: Yes. Sorry. You said you haven't spoken with Mr Rankin for some years, correct.

MR JALLAND: That's correct.
30

MR BELL: Are you aware of whether there has been any other communications by anyone else on behalf of CPH or Mr Packer with Mr Rankin since that time?

MR JALLAND: Not on behalf of CPH. I am aware, I think, of one – I wasn't there
35 but I had heard of one social encounter between Mr Rankin and Mr Packer.

MR BELL: And when was that?

MR JALLAND: To the best of my recollection – again, I wasn't there, Mr Bell, but
40 to the best of my recollection, maybe 18 months ago.

MR BELL: Now, could I ask you to look at exhibit AA255. I'm not sure whether you have got hard copies of all the documents, but we can hopefully bring it up on the screen if you don't have it. Do you have hard - - -
45

MR JALLAND: Yes, I do have hard – we'll just find it. AA255.

MR BELL: That is reference INQ.010.006.0346. Do you have that now?

MR JALLAND: I have a hard copy. There's nothing on the screen. Is that how it's meant to be, Mr Bell?

5

MR BELL: No, it should – it's on my screen. It's INQ.010.006.0346, all parties.

MR JALLAND: Yes, it's not on my lower screen but I do have a hard copy, if it's the Crown Resorts Limited code of conduct.

10

MR BELL: That's right. Well, I take it that you're aware that this is the current Crown Resorts code of conduct that came into force in July this year?

MR JALLAND: I believe so, Mr Bell.

15

MR BELL: Right. And if I could ask you to look at clause 1.1 on page .0349; there's numbering in the top right-hand corner, it's the last four digits .0349.

MR JALLAND: Yes, I have that.

20

MR BELL: Do you see that it states in the second sentence under clause 1.1:

It is imperative that our services are carried out lawfully, ethically, honestly and responsibly and with the highest standards of integrity and professionalism.

25

Do you see that?

MR JALLAND: Yes, I do.

30

MR BELL: You would understand that a principle to this effect has been enshrined in Crown Resorts corporate governance documents for a long time?

MR JALLAND: I'm not – I'm not aware of the documents it has been enshrined in, but I accept the proposition.

35

MR BELL: You would certainly understand that it has been a core principle – a core business principle of Crown Resorts for a long time?

40

MR JALLAND: That's correct.

MR BELL: And you would agree, would you, that this standard applies to everyone at Crown Resorts in all jurisdictions in which it is carrying on business activities?

45

MR JALLAND: Yes, I agree.

MR BELL: And I take it that you'd agree – I withdraw that. I take it that you would regard any failure to comply with that principle to be a serious matter?

5 MR JALLAND: I think whether – serious may depend upon the infraction, but as a matter of concept, I agree.

MR BELL: All right. Now, can I take you to the current ASX Corporate Governance Principles and Recommendations for listed companies. It's the fourth edition, dated February 2019. It's exhibit P22.

10 MR JALLAND: Yes, I have it.

MR BELL: And that's all parties, INQ.100.001.0408. Mr Jalland, would you please look at the commentary on recognising and managing risk, page .0436.

15 MR JALLAND: Apologies, Mr Bell, it's taking a moment to load.

MR BELL: It should also be on your screen, if that helps.

20 COMMISSIONER: That's what he said; it's taking a moment to load.

MR BELL: Apologies.

COMMISSIONER: That's all right.

25 MR JALLAND: I have it now, Mr Bell.

MR BELL: So do you see under the heading Commentary in the left-hand column it states:

30 *Recognising and managing risk is a crucial part of the role of the board and management.*

I take it that you would agree with that principle.

35 MR JALLAND: Yes, I do.

MR BELL: And do you see in the right-hand column, it refers at the top to the role of a risk committee in a listed entity; do you see that?

40 MR JALLAND: Yes, I do.

MR BELL: And in the fourth bullet point, it states that:

45 *One role of the risk committee is to receive reports from management on new and emerging sources of risk and the risk controls and mitigation measures that management has put in place to deal with those risks.*

I take it that you would recognise the importance of that role of the risk management committee of Crown Resorts in all aspects of its business operations?

MR JALLAND: Yes, I do.

5

MR BELL: And if you look at the next page, .0437.

MR JALLAND: Yes.

10 MR BELL: Under the heading Commentary in the left-hand column. Do you see that the principle states that:

15 *One of the key roles of the board listed entity is to monitor the adequacy of the entity's risk management framework and satisfy itself that the entity is operating with due regard to the risk appetite set by the board.*

I take it that you recognised the importance of that principle?

MR JALLAND: Yes, I do.

20

MR BELL: And do you agree that it follows from that principle that it is the role of the board to set the risk appetite for the listed entity?

MR JALLAND: Yes, I do.

25

MR BELL: Now, you were aware at the time that, commencing in 2004, PBL, the predecessor to Crown Resorts, entered into a number of agreements with Melco International Development Limited?

30 MR JALLAND: Yes, I am.

MR BELL: And I'll refer to that company as Melco International; do you follow?

MR JALLAND: Yes, I do.

35

MR BELL: And you were aware that, whilst you were the general counsel and company secretary of PBL, that one of those agreements entered into in 2004 between PBL and Melco International was to set up a joint venture agreement to establish casinos in the Asia-Pacific region?

40

MR JALLAND: I'm hesitating about the date, but, yes, I understand and agree with the proposition.

45 MR BELL: All right. And the joint venture vehicle was the company now called Melco Resorts and Entertainment; correct?

MR JALLAND: Yes, that – that sounds correct.

MR BELL: Now, do you recall that the joint venture company was originally called Melco PBL Holdings from 2004 until 2006?

5 MR JALLAND: I can't be certain of the Holdings bit, but I do recall it had both Melco and PBL in the name.

MR BELL: Yes. And are you able to recall that the company was called Melco PBL Entertainment Macau Limited from 2006 on 2008?

10 MR JALLAND: I wouldn't have recalled that precise detail until you mentioned it, but – but that sounds correct.

15 MR BELL: All right. And do you recall that the Crown subsidiary that held the shares in Melco Resorts was Crown Asia Investments Proprietary Limited. It may have used other names at various times?

20 MR JALLAND: Again, I wouldn't have recalled that – sorry, if I can correct – until I saw a document yesterday, I wouldn't have recalled that, and the same with the previous answer. I knew there was a PBL subsidiary.

MR BELL: Yes. Now, you were involved in documenting and signing some of the contractual arrangements between PBL and Melco International for the purposes of the joint venture, weren't you?

25 MR JALLAND: Yes, that's correct.

MR BELL: Yes. And you were familiar with the structure of the joint venture and the assets which it held whilst you were the general counsel and company secretary of PBL?

30 MR JALLAND: At the time, yes. I – I don't recall a lot of the detail now.

35 MR BELL: Yes. You were aware, whilst you were the general counsel and company secretary of PBL, that the shareholding agreement between PBL and Melco International was documented and re-documented several times?

40 MR JALLAND: To the best of my knowledge, Mr Bell, it was, I think, a joint venture agreement which included some shareholder arrangements or shareholding arrangements.

MR BELL: Yes. If we look at exhibit AB34. It's confidential link CRL.707.001.0001.

45 MR JALLAND: Yes. I have that, Mr Bell.

MR BELL: Do you see that this is the amended and restated shareholders deed relating to Melco PBL Entertainment Macau Limited?

MR JALLAND: Yes.

MR BELL: And if you look at page 1 of the deed, page ending in .0003, you see
5 that Melco International held its shareholding in the joint venture company via its
subsidiary Melco Leisure and Entertainment Group Limited?

MR JALLAND: Yes, I see that.

MR BELL: Yes. And you were aware of that at the time, no doubt?
10

MR JALLAND: That's correct.

MR BELL: And if you look at the page numbered 37 of the document, which is
15 page ending in .0040.

MR JALLAND: Yes, I have it.

MR BELL: You've signed this document as the company secretary of PBL at the
20 time?

MR JALLAND: That's correct.

MR BELL: Yes. And if we look at exhibit AB7, confidential link
25 MEL.001.044.1453.

MR JALLAND: Yes, I have it, Mr Bell.

MR BELL: Yes. Do you see this is a deed of variation to the joint venture
30 arrangements which occurred when Crown Limited was created from PBL?

MR JALLAND: Yes, I see that.

MR BELL: Sorry. Just bear with me a second. I'm sorry. If you could turn to page
35 ending in .1521, you see that you and Mr Alexander have signed this agreement on
behalf of PBL?

MR JALLAND: It just has our names there, but I presume that's taken off a
signature page.

40 MR BELL: Yes. And you were aware, whilst you were the company secretary and
general counsel of PBL, that Melco International brought to the joint venture with
PBL as an asset, the land which was used for the purpose of building the casino
which became known as the City of Dreams Casino in Macau?

45 MR JALLAND: I'm hesitating, Mr Bell, because I don't know if that was at the
time or if that was later.

MR BELL: All right. Well, can we have a look at the PBL annual report for 2005, which is exhibit AB4, and it's all parties, INQ.030.001.4131.

MR JALLAND: Yes, I have it.

5

MR BELL: And do you see that – I'm sorry, can you go to page .4155.

MR JALLAND: Yes, I have that.

10 MR BELL: And if you look in the right-hand column in the last paragraph, do you see that it says:

15 *In May 2005, the joint venture entered into an agreement with the Macau Government to acquire a 25 year lease over an 11 hectare site on the Cotai Strip in Macau.*

Do you see that?

MR JALLAND: Yes, I do.

20

MR BELL:

25 *And the joint venture proposes to use the land to construct a major integrated resort named City of Dreams.*

25

Do you see that?

MR JALLAND: Yes, I do.

30 MR BELL: And you were aware at the time it was largely through the efforts of Dr Stanley Ho that the Macau Government granted a lease of the land on which the City of Dreams was established?

MR JALLAND: No. I wasn't aware of that.

35

MR BELL: All right. Now, could I ask you to look at exhibit AB3, which is all parties.

MR JALLAND: Yes, I have that.

40

MR BELL: All parties, INQ.030.001.4107. Did you see it's a Melco International announcement to the Stock Exchange of Hong Kong dated 13 May 2005?

MR JALLAND: Yes, I do.

45

MR BELL: And if I could ask you to turn to page 22, the page ending in .4128, do you see at the bottom of the page, there's a definition of Melco PBL Holdings Limited:

5 *A joint venture established between Melco and PBL under the laws of the Cayman Islands to engage in the businesses of gaming, entertainment and hospitality in the Asia-Pacific and Greater China regions?*

MR JALLAND: Yes, I see that.

10

MR BELL: That's the company now called Melco Resorts and Entertainment Limited, of course.

MR JALLAND: Yes.

15

MR BELL: And there's also a definition a little bit further up that page of Melco Entertainment as:

An 80 per cent subsidiary of the joint venture company.

20

Do you see that?

MR JALLAND: Yes, I see that.

25

MR BELL: And there's a definition about a third of the way down the page of joint venture MOA as:

A legally binding memorandum of agreement dated 28 October 2004 between Melco Leisure and Great Respect.

30

Do you see that?

MR JALLAND: Yes, I see that.

35

MR BELL: And if you look at page 21, it's a page ending in .4127, so you see there's a definition of Great Respect as:

A company incorporated in the British Virgin Islands which is controlled by a discretionary family trust of Dr Stanley Ho.

40

Do you see that?

MR JALLAND: Yes, I do.

45

MR BELL: And do you see there's also a definition just above that of "first agreement" as:

As an agreement dated 11 May 2005 between Melco Entertainment, Great Respect and Melco relating to the acquisition by Melco Entertainment of the 49 per cent interest in Great Respect in the joint venture.

5 MR JALLAND: Yes, I see that.

MR BELL: And if you look at page 1, page .4107, you see that just under the bullet points it refers to:

10 *An offer by the Macau government to grant a long-term lease of the land in the name of Melco Hotels which was secured through the efforts of Great Respect, a company controlled by a discretionary trust of Dr Stanley Ho.*

MR JALLAND: Yes, I see that.

15

MR BELL: And if you look at page 2, the page ending in .4108, do you see that it says at the top of the page that:

20 *On 11 May 2005 Melco Entertainment agreed to acquire the interest of Great Respect in the joint venture.*

MR JALLAND: Yes, I see that.

25 MR BELL: Further down that page under the heading Acquisition Agreements, do you see it refers to:

30 *The first agreement dated 11 May 2005 with Great Respect, Melco Entertainment and Melco International pursuant to which Melco Entertainment purchased the 49 per cent interest in the joint venture held by Great Respect for a consideration of HK\$1.175 billion.*

MR JALLAND: Yes, it says “million” but I presume that’s a typographical error.

35 MR BELL: Yes. And do you see just below that it states that:

Great Respect has undertaken to immediately subscribe the entire amount of the consideration to be received by it for convertible loan notes to be issued by Melco.

40 MR JALLAND: Yes, I see that.

MR BELL: And if you look at page 6, the page ending in .4112, about the middle of the page you see it describes Dr Stanley Ho as the chairman and an executive director of Melco?

45

MR JALLAND: I can’t see where on the page that is.

MR BELL: More or less directly in the middle of the page, there's a sentence that reads – perhaps the operator can zoom it up.

MR JALLAND: Yes. No, I see it now.

5

MR BELL: Yes. And if you look at page 16, the page ending in .4122, you see that there is a table in the second half of the page identifying the large shareholders of Melco International?

10 MR JALLAND: Yes, I see that.

MR BELL: And they include Dr Ho personally; do you see that?

MR JALLAND: Yes, I do.

15

MR BELL: And they also include a number of entities which you were aware were associated with Dr Ho including Shun Tak Shipping and STDM; correct?

20 MR JALLAND: I'm not certain if I was aware that they were associated with Dr Ho at the time.

MR BELL: All right. And you see there's another reference there to Great Respect's shareholding upon exercise of the convertible notes?

25 MR JALLAND: Yes, I see that.

MR BELL: And if you look at the page numbered 8, which is the page ending in .4114, you see there's a diagram explaining the transactions and how the transaction involving Great Respect tied in to the Melco PBL joint venture?

30

MR JALLAND: Yes, I see that.

MR BELL: And you understand this was all publicly available information?

35 MR JALLAND: I presume so, yes, Mr Bell.

MR BELL: Yes, and you were aware whilst you were the general counsel and company secretary of PBL that Dr Stanley Ho had been the chairman of Melco International from the 1980s until about 2006, weren't you?

40

MR JALLAND: No, I wasn't aware of that, Mr Bell.

MR BELL: You were aware that he was a director of Melco International whilst you were involved in documenting the joint venture arrangements, weren't you?

45

MR JALLAND: I don't know if I was at the time.

MR BELL: Right. When did you become aware of that?

MR JALLAND: To the best of my recollection, I had heard that he had resigned at some point.

5

MR BELL: Right. And you were aware, whilst you were the general counsel and company secretary of PBL, that Dr Stanley Ho and entities associated with him had shareholdings in Melco International.

10 MR JALLAND: No, I wasn't aware of that, Mr Bell.

MR BELL: Well, you were aware, weren't you, that prior to the establishment of the joint venture between PBL and Melco International, a Melco International subsidiary, Melco Leisure and Entertainment had entered into a joint respect for the establishment – I withdraw that. You were aware in the period whilst you were the general counsel and company secretary of PBL, that prior to the establishment of the joint venture between PBL and Melco International, that a Melco International subsidiary, Melco Leisure and Entertainment, had entered into a joint venture with Great Respect for the establishment of the City of Dreams project?

15
20

MR JALLAND: No, I wasn't aware of that, Mr Bell.

MR BELL: You were aware of Dr Stanley Ho at the time, I take it?

25 MR JALLAND: I knew of the person, Dr Stanley Ho, yes.

MR BELL: Yes. And you knew he was a notorious figure in the casino industry at the time?

30 MR JALLAND: Yes, that's correct.

MR BELL: And you knew that he was alleged to have had links with triad gangs in Macau?

35 MR JALLAND: I don't know if I was aware of that at the time, Mr Bell, but I have heard those stories subsequently.

MR BELL: When did you hear those stories?

40 MR JALLAND: Shortly after we were negotiating to form the joint venture.

MR BELL: So do you mean around 2005?

45 MR JALLAND: It might have been later, 2006.

MR BELL: But you were aware that the Ho family had shareholdings in Melco International, weren't you?

MR JALLAND: Not – not specifically, Mr Bell, no.

MR BELL: Who did you think were the shareholders – the significant shareholders
5 in Melco International at the time that you were involved in documenting the joint
venture arrangement?

MR JALLAND: Lawrence Ho – Mr Lawrence Ho.

MR BELL: But you were aware, weren't you, about Stanley Ho bringing into the
10 joint venture the land on which the City of Dreams casino was developed?

MR JALLAND: I – I don't – I don't – my hesitation is "bringing in". I knew that
the joint venture acquired the land from the government.

15 MR BELL: Yes. Yes. But you knew, didn't you, that that had occurred via the
efforts of Dr Stanley Ho?

MR JALLAND: No. I wasn't aware of that.

20 MR BELL: Weren't you aware that Dr Stanley Ho received convertible notes in
Melco International for his work in relation to that?

MR JALLAND: I don't recall being aware of that.

25 MR BELL: All right. And so when did you become aware that Dr Stanley Ho, or
entities associated with him, did have a shareholding in Melco International?

MR JALLAND: I never became aware of that, Mr Bell.

30 MR BELL: Really? And, well, did you ever – did you ever, at any time during the
time when you were the general counsel and company secretary of Melco
International, read an annual report of Melco International?

MR JALLAND: Not that I recall, Mr Bell, but it's going back 15 years.
35

MR BELL: Yes. And – no doubt. And it's possible that you did, but you can no
longer recall, I imagine?

MR JALLAND: It's possible but I don't – I don't believe I read a Melco
40 International annual report.

MR BELL: Well, you were aware that PBL and, later, Crown's investment in
Melco Resorts and Entertainment was a significant investment for both PBL and also
for CPH as its largest shareholder?
45

MR JALLAND: Yes, it was.

MR BELL: And for many years Mr Packer served as co-chairman of the Melco Resorts board; correct?

MR JALLAND: That's correct. That's correct.

5

MR BELL: And, well, in that context, would you have reviewed an annual report of Melco International?

MR JALLAND: Not of Melco International, of Melco Resorts.

10

MR BELL: Right. So you did review annual reports of Melco Resorts?

MR JALLAND: Not – sorry. If I can correct – not reviewed. I was aware of them. I don't – I didn't review them.

15

MR BELL: Sorry. You didn't review the annual reports of Melco Resorts?

MR JALLAND: Correct.

20

MR BELL: Ever?

MR JALLAND: Sorry. Pardon, Mr Bell? I'm - - -

25

MR BELL: Are you saying that you never looked at an annual report of Melco Resorts even during the period in which PBL and, later, Crown Resorts was in a joint venture with Melco International, and Melco Resorts was the joint venture company?

30

MR JALLAND: My hesitation is "review" Mr Bell. I – I do remember reading some of the chairman's statements, but in terms of reviewing the annual report, I don't believe so.

35

MR BELL: Now, could I ask you to look at exhibit AA – I'm sorry. Exhibit AA9. INQ.010.002.0795. So just going back to your evidence a moment ago, Mr Jalland, are you saying that you knew that Dr Stanley Ho or anybody associated with him did not have shareholdings in Melco International or are you saying you just didn't know one way or the other?

40

MR JALLAND: No. I did not believe Dr Stanley Ho had any interest in Melco International. I believed it was Mr Lawrence Ho's company.

45

MR BELL: But how could you have believed that when you were so closely involved in documenting the joint venture arrangements with Melco International that you signed some of the relevant agreements?

45

MR JALLAND: To the best of my knowledge, none of those relevant agreements disclosed any interest of Dr Stanley Ho.

MR BELL: If that is the case, you couldn't have known, one way or the other, whether Dr Stanley Ho or anybody he was associated with had an interest in Melco International, could you?

5 MR JALLAND: It was my belief at the time that Melco International was Mr Lawrence Ho's company.

MR BELL: And you're saying that you believed affirmatively, are you, that Dr Stanley Ho did not have an interest of any kind, direct or indirect, in Melco
10 International, either personally or via any entity associated with him?

MR JALLAND: I believed at the time that it was Mr Lawrence Ho's company and Dr Stanley Ho wasn't involved.

15 MR BELL: Let's have a look at this document. It's exhibit AA9, INQ.010.002.0795. Do you see it's an ASX media release by Crown Limited, as the company was then called, dated the 10th of May 2013?

MR JALLAND: That's correct.
20

MR BELL: You were aware at the time that, in May 2013, Crown Limited received approval from the Independent Liquor and Gaming Authority of New South Wales to increase its shareholding in Echo Entertainment Group Limited, then the ultimate owner of the Star Casino, above 10 per cent.
25

MR JALLAND: That's correct.

MR BELL: Yes. If you look at the page ending in point 0797.

30 MR JALLAND: Yes, I have it.

MR BELL: You were aware at the time that, in that context, the responsible New South Wales Minister had approved the Independent Liquor and Gaming Authority of New South Wales entering into a regulatory agreement with Crown Limited under
35 the Casino Control Act to regulate Crown's acquisition of shares in Echo Entertainment Group Limited?

MR JALLAND: Yes. I was aware of that.

40 MR BELL: And you understood at the time that this was an important agreement under which the State of New South Wales conferred rights and imposed liabilities on Crown Limited?

MR JALLAND: That's correct.
45

MR BELL: And could I ask you to look at exhibit AA8, confidential link CRL.512.001.2231. And do you see that this is minutes of a meeting of the board of Crown Limited dated 20 February 2013, which you attended by invitation?

5 MR JALLAND: And by teleconference. Yes, I see that.

MR BELL: Yes. And it's likely that you reviewed the board papers at that meeting, prior to the meeting, I take it, in accordance with your practice?

10 MR JALLAND: I don't recall, Mr Bell.

MR BELL: All right. Well, can I show you one of the board papers at exhibit AA6. It's confidential link CRL - - -

15 MR JALLAND: Yes, I have it.

MR BELL: Thank you. Confidential link CRL.512.001.1993. You see it's a memorandum from Mr Neilson, dated the 15th of February 2013?

20 MR JALLAND: Yes, I see that.

MR BELL: And it concerns deeds to be signed with the State of New South Wales and the State of Queensland in relation to the approval for Crown Limited to increase its shareholding in Echo?

25

MR JALLAND: Yes, I see that.

MR BELL: And if you look at page 2 of the memorandum, at page point 1994, you see that Mr Neilson was stating that the summary of the key terms of the New South
30 Wales deed were set out in annexure A?

MR JALLAND: Is that - - -

MR BELL: Third paragraph.
35

MR JALLAND: Yes, I see that.

MR BELL: And if you look at annexure A, which is page ending in .1995, do you see that it sets out key terms of the New South Wales deed; do you see that?
40

MR JALLAND: Yes, I do.

MR BELL: And the third last bullet point states that:

45 *A key term of the deed was that Crown covenanted to monitor and report periodically to the Independent Liquor and Gaming Authority regarding*

ownership interests of and commercial dealings with Stanley Ho and his associates.

MR JALLAND: Yes, I see that.

5

MR BELL: And that this was similar to what was currently done for the Pennsylvania Gaming Control Board?

MR JALLAND: Yes, I see that.

10

MR BELL: And were you aware at the time of the provisions of Crown Limited agreements with the Pennsylvania Gaming Control Board?

MR JALLAND: No, I wasn't.

15

MR BELL: Did you inquire about that?

MR JALLAND: No, Mr Bell, but I don't see my role as an invitee is to inquire.

20

MR BELL: All right. But you do see that Mr Neilson was specifically drawing attention to the fact that the New South Wales deed contained provisions relating to the ownership interests and commercial dealings of Crown with Stanley Ho and his associates?

25

MR JALLAND: Yes, I see that.

MR BELL: And do you see that he also said that the draft New South Wales deed would be made available at the board meeting?

30

MR JALLAND: Apologies, Mr Bell, I'm just looking for that part. Yes, I see that.

MR BELL: I'm sorry, it's back on the previous page, .1993.

MR JALLAND: Yes, I see that. Thank you.

35

MR BELL: And can we look at the deed, which is exhibit Y1, confidential link CRL.506.005.2966.

MR JALLAND: I don't have a hard copy of that; I'm just looking at it on the screen, Mr Bell. Yes, I see it.

40

MR BELL: Sorry, it's exhibit Z1, my apologies.

MR JALLAND: Z1.

45

MR BELL: Yes, it's confidential link CRL.506.005.2966.

MR JALLAND: Yes, I have it now, Mr Bell, in hard copy.

MR BELL: Good. So if you could look at clause 5.5 at the page ending in .2984.

5 MR JALLAND: Yes, I see that.

MR BELL: You see it provides that Crown gives undertakings to the Independent Liquor and Gaming Authority in the terms set out in schedule 2?

10 MR JALLAND: Yes, I see that.

MR BELL: And if you look at schedule 2, which is the page ending in .3002, it contains certain undertakings. If I could take you to clause 2.4 at page .3004.

15 MR JALLAND: Yes.

MR BELL: You see it is headed Prevention of Associations with Stanley Ho?

MR JALLAND: Yes.

20

MR BELL: And it provides, among other things, that:

25 *To the extent to which it is within its power to do so, Crown will ensure that it prevents Stanley Ho or a Stanley Ho associate from acquiring any direct, indirect or beneficial interest in Crown.*

MR JALLAND: Yes, I see that.

30 MR BELL: And if you look at schedule 3 of the page ending in .3009, you see that it identifies a number of entities and individuals who are deemed associates of Stanley Ho?

MR JALLAND: Yes, I see that.

35 MR BELL: And you see that one of those entities is Great Respect Limited?

MR JALLAND: Yes, I see that.

40 MR BELL: So if you could look at the minutes of the meeting of the directors of Crown Limited on 20 February 2013; it's exhibit AA8.

MR JALLAND: Yes, I have those.

45 MR BELL: It's confidential link CRL.512.001.2231. Now, do you see that, if you look at page 6 of the minutes which is page 2236, going over to page 2237, it records consideration by the directors in relation to the entry into the draft deed.

MR JALLAND: Yes.

MR BELL: Now – and at 2237 it records that:

5 *The directors, having carefully considered the terms of the deed, concluded that they were acceptable to the company, and it was in the best interests of the company to enter into the deeds.*

MR JALLAND: Yes, I see that.

10

MR BELL: Did you review that deed at or before the meeting?

MR JALLAND: No, I didn't.

15 MR BELL: All right. But you were aware at the time, weren't you, of general sensitivity of the New South Wales government in connection with Dr Stanley Ho?

MR JALLAND: Yes, I was.

20 MR BELL: And you were aware that that sensitivity was because the New South Wales government was determined not to let Dr Stanley Ho be given a foothold of any kind in casinos in this State?

MR JALLAND: I wasn't specifically aware of the reasons you've just laid out, but I
25 was aware of the general concern .

MR BELL: And you were aware that this Crown Group consents and approvals deed in general terms contained provisions intended to prevent entities associated with Mr Stanley Ho from taking an interest in Crown?
30

MR JALLAND: Apologies, Mr Bell, would you remind repeating that question.

MR BELL: Yes. You were aware in general terms that this Crown group consents and approvals deed contained provisions intended to prevent entities associated with
35 Mr Stanley Ho from taking an interest in Crown?

MR JALLAND: As a general proposition, but I – as a general proposition, yes. I didn't know how the mechanism was meant to work.

40 MR BELL: No. And in 2013 you became aware that a subsidiary of Crown had made an application to the New South Wales Independent Liquor and Gaming Authority for a restricted gaming licence to operate the Barangaroo restricted gaming facility?

45 MR JALLAND: That's correct.

MR BELL: And in 2013 you became aware that one of the regulatory agreements between Crown Limited and the Independent Liquor and Gaming Authority of New South Wales which would be entered into in relation to the Barangaroo facility was the VIP gaming and management agreement?

5

MR JALLAND: I don't believe I was aware of that in 2013.

MR BELL: Well, can we look at exhibit AA15, which is confidential link CRL.512.001.3911.

10

MR JALLAND: Yes, I have it.

MR BELL: Thank you. Do you see these are the minutes of a meeting of directors of Crown on the 29th of October 2013, which you attended by invitation?

15

MR JALLAND: Yes, I see that.

MR BELL: And if you look at page 2 of the minutes, page point 3912, you see that, under the agenda item Crown Sydney Update, there was a discussion about some presentation slides, first sentence.

20

MR JALLAND: Yes, I see that.

MR BELL: And the minutes record that:

25

Mr Craigie outlined the key legal documents in relation to Crown Sydney.

MR JALLAND: Yes.

30 MR BELL: Do you see that?

MR JALLAND: Yes.

MR BELL: So can we look at the presentation slides, which is exhibit AA16, a confidential CRL.512.001.3881. And if you could turn to page 5 of the slides, which is the page .3886.

35

MR JALLAND: Yes, I see that.

40 MR BELL: Do you see that you were informed at the time that the regulatory agreements for Crown Sydney would include a VIP Gaming Management Agreement with the Liquor and Gaming Authority?

45

MR JALLAND: Yes, I see that's referred to there.

MR BELL: Yes. And it's likely that you – I withdraw that. You understood, at the time, that this would be an important regulatory agreement with the Independent

Liquor and Gaming Authority which would impose liabilities and confer rights on Crown Limited?

5 MR JALLAND: At that time, in late 2013, Mr Bell, I hadn't identified that document specifically. I understood there were a suite of documents being negotiated with the government, which – which would have the character you – you ascribed as being important.

10 MR BELL: Yes. I appreciate it's a long – I appreciate it's a long time ago, but it's likely that you read board papers prior to this meeting?

MR JALLAND: It's likely I read the board papers. I'm not certain if I – I don't recall reading this UBS report.

15 MR BELL: No. But do you see these were presentation slides that were shown to the board meeting?

MR JALLAND: Yes, I see that's mentioned in the minutes. Yes.

20 MR BELL: All I'm suggesting is that, in 2013, you knew that there was going to be an agreement called the VIP Gaming Management Agreement with the Independent Liquor and Gaming Authority?

25 MR JALLAND: Mr Bell, my hesitation is I – I recall being aware of a document of that name in 2014.

MR BELL: All right.

30 MR JALLAND: I don't recall being aware of that in 2013.

MR BELL: Okay. Now, if we could look at exhibit AA22. You see that these – sorry. It's confidential link CRL.512.001.5263.

35 MR JALLAND: In which tab please, Mr Bell?

MR BELL: Yes. AA22.

MR JALLAND: Thank you. Yes I see that.

40 MR BELL: Yes. They're minutes of a meeting of the board of directors on the 7th of August 2014, which you attended by invitation.

MR JALLAND: Yes, by teleconference. Yes.

45 MR BELL: If you look at page 5, which is the page ending in .5267, you see that Mr Craigie and Mr Neilson spoke to a board paper regarding the restricted gaming

licence which had, at that stage, just been issued by the State of New South Wales and the agreements that were executed at that time?

MR JALLAND: Yes, I see that.

5

MR BELL: And if we could look at the board paper, which is exhibit AA23, confidential link CRL.512.001.5146. Do you see that, at pages 2 to 5 of the paper, starting at page .5146, there are references to the agreements which had recently been entered into with the State of New South Wales and the Independent Liquor and Gaming Authority?

10

MR JALLAND: Yes, I see those.

MR BELL: And one of those agreements is identified at page 4, the page ending in .5149, the VIP Gaming Management Agreement?

15

MR JALLAND: Yes, I see that.

MR BELL: So by this time you were aware that the VIP Gaming Management Agreement was one of a number of agreements that had been entered into by the Independent Liquor and Gaming Authority and Crown Resorts in July 2014 relevant to conferring a licence on Crown Sydney to conduct gaming at Barangaroo?

20

MR JALLAND: That's correct.

25

MR BELL: And if we look at exhibit Z13, INQ.080.120.1043.

MR JALLAND: Yes, I have that.

MR BELL: INQ.080.120.1043. You see this is the CPH Group deed, which was one of the agreements entered into with the Independent Liquor and Gaming Authority at this time?

30

MR JALLAND: Yes.

35

MR BELL: And if you look at the page ending in .1078.

MR JALLAND: Yes. Yes, I have that.

MR BELL: Yes. Do you see that you and Mr Johnston signed this agreement on behalf of CPH on the 8th of July 2014?

40

MR JALLAND: Yes, I do.

MR BELL: And this was a significant agreement for CPH to enter into, wasn't it?

45

MR JALLAND: Yes, it was.

MR BELL: And you ensured you thoroughly understood this agreement before you committed CPH to signing it?

MR JALLAND: Yes, I understood it.

5

MR BELL: Yes. And you were aware that one of the purposes of this agreement was to identify the persons associated with CPH who were going to be approved as close associates of Crown Sydney Gaming Proprietary Limited?

10 MR JALLAND: Yes, I believe so. Yes.

MR BELL: And if you look at the page ending in .1077, you see that you, Mr Johnston and Mr Packer were among those approved as close associates of the licensee?

15

MR JALLAND: My hesitation, Mr Bell, is I'm not certain if we were approved as close associates of the licensee or close associates of CPH. That's – sorry, that's my hesitation.

20 MR BELL: Well, it was the – it was Crown Sydney Gaming that was being issued the licence to conduct a casino at Barangaroo, wasn't it?

MR JALLAND: That's correct.

25 MR BELL: And wasn't one of the purposes of this agreement to identify the persons at CPH who were going to be approved as close associates of the entity which was going to conduct a casino at Barangaroo?

30 MR JALLAND: I don't specifically recall that now, but if that's – my only hesitation is whether we were close associates of CPH or of the licensee, but I'm - - -

MR BELL: Okay. Now - - -

35 COMMISSIONER: Just to clear that up. Is it within the agreement?

MR BELL: Yes.

COMMISSIONER: Yes. If we just go back for Mr Jalland so there's no - - -

40 MR BELL: Yes. Now, if you look at the introduction to the deed, at page .1047, you see that it refers, in recital A, to Gaming Co applying to the authority for approval to be issued with a restricted gaming licence.

45 MR JALLAND: Yes, I see that.

MR BELL: That is the entity now called Crown Sydney Gaming Pty Limited, as you would understand it?

MR JALLAND: That's correct.

MR BELL: And recital B refers to the fact that the Independent Liquor and Gaming Authority is constituted under its legislation and authorised among other things to
5 supervise and control the operations of the casino?

MR JALLAND: Yes, I see that.

MR BELL: And recital C records that as a result of the application, CPH – the other
10 CPH close associates require various approvals and consents from the authority under section 13A?

MR JALLAND: Yes, I see that.

15 MR BELL: And recital F records that:

Subject to CPH entering into this deed, the authority proposes to grant the consents and approvals to the CPH close associates amongst others.

20 MR JALLAND: Yes, I see that.

MR BELL: Right. So you would understand that these - - -

COMMISSIONER: Just turn the page, if you wouldn't mind. I would like to see if
25 there's a definition of "CPH close associates".

MR BELL: Yes, there is, Commissioner. CPH close associates - - -

MR JALLAND: Mr Bell, my hesitation before was I thought you were categorising
30 that we were being approved as close associates of Gaming Co and I wasn't certain if we were being approved as close associates of Gaming Go or as CPH close associates.

COMMISSIONER: We are just checking that now, Mr Jalland, for you so we are
35 going to the CPH close associate definition.

MR BELL: So you see the CPH close associates at page .1049 is defined to mean:

40 *The CPH close associate individuals and the close associate entities.*

Do you see that?

MR JALLAND: Yes, I see that.

45 MR BELL: And CPH close associate individuals are the individuals including yourself which I took you to at schedule 3; do you recall?

MR JALLAND: Yes, I do.

MR BELL: And if you look at clause 3.1 consents at page 1056, it goes over to page .1057, you see that:

5

The Independent Liquor and Gaming Authority hereby confirms that it is satisfied that each of the CPH close associates is a suitable person concerned or associated with the operation or management of Gaming Co and the restricted gaming facility.

10

MR JALLAND: Yes, I see that.

MR BELL: So you thoroughly reviewed this agreement because you understood at the time that it had the important consequence of having you, personally, as well as Mr Johnston, Mr Packer and others, approved as close associates of the Barangaroo casino; correct?

15

COMMISSIONER: Licensee.

MR BELL: Licensee of the Barangaroo casino.

20

MR JALLAND: Yes, I reviewed the document, Mr Bell. Yes.

MR BELL: And you agree with me?

25

MR JALLAND: Yes, I agree with you.

MR BELL: Now, if we go to the page ending in .1053, you see there a definition of Minister's approval and consent acknowledgement, meaning the acknowledgement in annexure B.

30

MR JALLAND: Yes, I do.

MR BELL: And if you look at clause 2.1 at page .1056, it refers also to the Minister's approval signified by the Minister's approval and consent acknowledgement.

35

MR JALLAND: Yes, I see that.

MR BELL: And if you look at clause 13.2 at page 1066, you see that it also includes a reference – I withdraw that. Do you see that clause 13.2 deals with assignments by CPH?

40

MR JALLAND: Yes, I do.

45

MR BELL: And this was an important provision of the agreement from CPHs point of view, would you agree?

MR JALLAND: I'm just hesitating at the characterisation of it as important. It's a provision; I don't know if it's necessarily more important than any other.

5 MR BELL: No, they are all important provisions, aren't they?

MR JALLAND: I think some provisions are more important than others.

10 COMMISSIONER: I got the impression, Mr Jalland – please tell me if this is a wrong impression, that you may have been a little surprised to find yourself as a close associate of the licensee?

15 MR JALLAND: It's – it's probably semantics, Commissioner, but whether I was a close associate of CPH which was a close associate of the licensee or a close associate of the licensee directly, that was my only hesitation.

COMMISSIONER: I see. So you were aware at all times from this agreement – from the time of this agreement, that you were personally a close associate of the licensee of the Barangaroo casino?

20 MR JALLAND: That's correct.

COMMISSIONER: Yes, thank you. Yes, I'm sorry.

25 MR BELL: So Mr Jalland, just focusing on clause 13.2, do you see that it also refers to the Minister's approval and consent acknowledgement in relation to the issue of assignment by CPH?

MR JALLAND: Yes, I see that.

30 MR BELL: And if you look at annexure B to the agreement at .1086, do you see that this and the pages which follow are the Minister's approval and consent acknowledgement?

35 MR JALLAND: Yes, I see that.

MR BELL: And if you look at page .1088, do you see that the Minister's approval and consent acknowledgement refers at paragraph numbered 5 to the Minister's approval to entering into certain agreements before the sunset date as that term is defined in the VIP gaming management agreement.

40

MR JALLAND: Yes, I see that.

45 MR BELL: And the paragraph numbered 6 refers to the Minister's approval for the entry into certain agreements in item 3 of the schedule – item 3 of schedule 1, immediately following the execution of the subleases as that term is defined in the VIP gaming management agreement.

MR JALLAND: Yes, I see that.

MR BELL: If you look at page 1089, you see that item 1 identifies agreements to be executed contemporaneously with the restricted gaming licence?

5

MR JALLAND: Yes, I see that.

MR BELL: And they include the VIP gaming management agreement?

10 MR JALLAND: That's correct.

MR BELL: And the next page also refers to the CPH deed as one of those agreements.

15 MR JALLAND: Yes, I see that.

MR BELL: And you see that item 2 on page .1091 refers to the documents that were to be executed on or before the sunset date as defined under the VIP gaming management agreement?

20

MR JALLAND: Yes, I see that.

MR BELL: And item 3 refers to documents to be executed immediately following execution of the subleases as that term was defined in the VIP gaming management agreement?

25

MR JALLAND: Yes, I see that.

MR BELL: So to understand this agreement at the time, it was necessary for you to consider the provisions of the VIP gaming management agreement before you committed CPH to this CPH Group deed; do you agree?

30

MR JALLAND: I don't agree with that, Mr Bell.

35 MR BELL: Why not?

MR JALLAND: This document doesn't require – it simply talks of execution of that – of that, of the VIP gaming management agreement. It doesn't require me to familiarise myself with it and I didn't.

40

MR BELL: But are you able to recall now precisely what agreements you took into consideration before you signed this agreement?

MR JALLAND: Just this agreement.

45

MR BELL: I see. You can recall specifically that you didn't look at any other documents in the context of considering whether it was appropriate for CPH to enter into this deed?

5 MR JALLAND: My recollection is I signed this document on its own and it had no other documents with it.

MR BELL: Did you discuss it with Mr Johnston before you signed it?

10 MR JALLAND: I don't recall.

MR BELL: Did you discuss it with Mr Packer before you signed it.

MR JALLAND: I don't – I don't recall.

15

MR BELL: Did you receive any written legal advice before you signed it?

MR JALLAND: Not to my knowledge.

20 MR BELL: I suggest you can't, now, specifically recall what documents you took into account when you signed this agreement, can you?

MR JALLAND: No. What I'm saying is I took – I had this document and I reviewed its terms, and I signed this document.

25

MR BELL: Yes. And I'm not disputing that, but what I'm suggesting you surely you can't say that you can recall now what other documents or considerations you took into account before you concluded that it was appropriate to sign this – this agreement on behalf of CPH?

30

MR JALLAND: What I'm saying, Mr Bell, is I didn't have the other suite of documents, or the rest of the suite of documents.

MR BELL: All right. Well, let's have a look at the VIP Gaming Management Agreement at exhibit Z12.

35

MR JALLAND: Apologies, Mr Bell, that's reference?

MR BELL: Z12.

40

MR JALLAND: Z12.

MR BELL: INQ.080.120.1298.

45 MR JALLAND: Yes. We had it on that.

MR BELL: Confidential link.

MR JALLAND: Excuse me, Mr Bell, we're just looking for the folder. Z – yes, I have it, Mr Bell.

MR BELL: Thank you. And can you look at the introduction at page .1302. I've
5 been asked to read the reference again. INQ.080.120.1298 confidential link. Now,
you see the recital D on page .1302, Mr Jalland, indicates that this agreement
regulated:

10 *...matters relating to the operation of the restricted gaming facility, the
respective rights and obligations of the Independent Liquor and Gaming
Authority and the licensee.*

MR JALLAND: Yes, I see that.

15 MR BELL: And do you see that at page .1308. Sorry. Do you see that clause 4, at
page 1315 refers, to the Ministerial acknowledgement and consent; clause 4.

MR JALLAND: Yes, I see that.

20 MR BELL: And clause 5.3 provides that Crown Resorts gives undertakings to the
authority in the terms set out in schedule 1.

MR JALLAND: Yes, I see that.

25 MR BELL: And if you look at schedule 1, which starts at page .1338, you see that,
if you move forward to page .1340, there's clause 2.4 headed Prevention of
Associations with Stanley Ho.

MR JALLAND: Yes, I see that.

30 MR BELL: And do you see that clause 2.4 contains a relevantly identical provision
to that contained in the earlier Crown Group consents and approvals deed, namely,
that to the extent that it's within its power to do so, Crown will ensure that it prevents
Stanley Ho or a Stanley Ho associate from acquiring any direct, indirect or beneficial
35 interest in Crown?

MR JALLAND: Yes, I see that.

40 MR BELL: And if you look at schedule 2, page .1347, you see it identifies entities
and individuals who are deemed to be associates of Stanley Ho?

MR JALLAND: Yes, I see that.

45 MR BELL: Including Great Respect Limited?

MR JALLAND: Yes, I see that.

MR BELL: And you – whether you had absorbed all the details of the VIP Gaming Management Agreement, at this time in 2014, you were aware, weren't you, that the VIP Gaming Management Agreement contained provisions akin to the group consents and approvals deed intended to prevent entities associated with Stanley Ho from taking an interest in Crown Resorts?
5

MR HUTLEY: I object. It's got an assumption in there about his familiarity with this document which, as my learned friend would know, would be inconsistent with the obligations under this agreement under clause 22.6.
10

COMMISSIONER: Mr Bell?

MR BELL: Well, I submit I'm entitled to put the question.

15 COMMISSIONER: Yes. It seems to me that you are as well. So put it.

MR BELL: I will put the question again. You were aware, in or about 2014, weren't you, that the VIP gaming and management agreement contained provisions akin to that in the group consents and approvals deed to the effect that they contained provisions intended to prevent entities associated with Stanley Ho from taking an interest in Crown Resorts?
20

MR JALLAND: Mr Bell, I wasn't aware of the provisions of the VIP management agreement. I was aware that a document of that name existed. I wasn't aware that it was associated with the earlier document in relation to Echo.
25

MR BELL: All right. Well, accepting all that, you were aware, in general terms, that it contained provisions intended to prevent entities associated with Dr Stanley Ho from taking an interest in Crown Resorts?
30

MR JALLAND: As a general proposition. Yes.

MR BELL: Now, is that a convenient time to take a short adjournment, Commissioner?
35

COMMISSIONER: It is. Yes. All right then. Mr Jalland, we're going to take about 10 minutes break at this stage. It's about half past 2 here, and I'm not quite sure what time it is there, but we'll adjourn for 10 minutes.

40 MR JALLAND: Thank you, Commissioner.

COMMISSIONER: Thank you.

45 **ADJOURNED**

[2.27 pm]

RESUMED

[2.38 pm]

5 MR BELL: Mr Jalland, could you please have a look at exhibit O44, confidential link CRL.525.001.0001.

MR JALLAND: Apologies, Mr Bell, what was the reference again? Volume?

10 MR BELL: O44.

MR JALLAND: O as in O for Oscar.

MR BELL: Yes, tab 44. Confidential link CRL.525.001.0001.

15 MR JALLAND: Yes. I have it on the screen.

MR BELL: Okay. You don't have it in hard copy, just on the screen?

20 MR JALLAND: No, I'll see. Apologies, we don't have a hard copy.

MR BELL: That's okay. Well, just looking at the screen, do you see that this is the services agreement between Crown Resorts Limited and CPH?

25 MR JALLAND: Yes. Yes, I see that.

MR BELL: And if you turn to page .0004, please, operator. You see that agreement was entered into on 1 July 2016?

30 MR JALLAND: Yes, I see that.

MR HUTLEY: Could I interrupt for a moment?

COMMISSIONER: Yes.

35 MR HUTLEY: Mr Jalland may have this as exhibit Y13 in hard copy, which may make it easier for him.

40 COMMISSIONER: Yes, thank you. Yes, have a look at Y13, Mr Jalland and see if you can find a hard copy. You might find it easier.

MR JALLAND: Yes, thank you. I have it.

45 COMMISSIONER: Good. Thank you. Yes, Mr Bell, Mr Jalland now has a hard copy. Thank you, Mr Hutley.

MR BELL: Yes, so we're now looking at exhibit Y13, confidential link CRL.525.001.0001. Mr Jalland, were you involved in the negotiation of this agreement on behalf of CPH?

5 MR JALLAND: I don't believe so, Mr Bell, no.

MR BELL: All right. Can I just ask you to look at page – I withdraw that. You were aware of this agreement at the time, though, were you?

10 MR JALLAND: Mr Bell, I was aware that it was being negotiated and discussed. I wasn't aware of – I knew what it was general to achieve but I wasn't involved in it.

MR BELL: All right. So you were aware that it was generally intended to achieve an outcome so that Crown Resorts had to pay CPH for services provided by certain
15 CPH executives to Crown Resorts?

MR JALLAND: That was one of the effects of it, yes.

MR BELL: Yes. And if you look at schedule 1 of page .0024.
20

MR JALLAND: Yes.

MR BELL: You see that you are one of the executives of CPH providing services under this agreement?
25

MR JALLAND: Yes, I see that.

MR BELL: And you were aware of that fact at the time, were you?

30 MR JALLAND: I knew that I was one of the executives that would be providing services. I was not aware of this schedule.

MR BELL: Right. And have a look at clause 11.1, which is on page .0015. Were you aware that there was a provision intended to resolve conflicts of interest that
35 might arise in the provision of services by CPH executives to Crown Resorts?

MR JALLAND: Not specifically at that time, Mr Bell, no.

MR BELL: No, but I take it you're not surprised to learn in the circumstances that
40 there was a provision to resolve conflicts in CPH executives providing services to Crown Resorts?

MR JALLAND: That's correct.

45 MR BELL: Yes. And if I could ask you to go to clause 14.4, starting at page .0017 and going to page .0018.

MR JALLAND: Yes.

MR BELL: Did you understand that one of the purposes of the agreement was for
5 CPH and certain CPH executives to be provided with confidential information of
Crown Resorts so that CPH and the executives could provide the services to Crown
Resorts?

MR JALLAND: Yes.

10 MR BELL: Now, I understand from your evidence that at this time you didn't
actually review the agreement itself?

MR JALLAND: I can't specifically recall when I first saw the agreement, Mr Bell.

15 MR BELL: All right. At some stage you did review the agreement and consider its
provisions more carefully; is that right?

MR JALLAND: At some stage I would have received it and reviewed it, but I can't
20 be certain exactly when.

MR BELL: Okay. All right. I'm going to move on to another topic.

COMMISSIONER: So you provided services under the agreement, I presume, Mr
25 Jalland?

MR JALLAND: Yes, Commissioner.

COMMISSIONER: And I've noticed one of the documents that has been produced
30 by Crown in respect of this services agreement are all the fee notes or invoices for
the services provided by the CPH executives; you understand that?

MR JALLAND: Yes, I've only seen them for the first time this morning,
Commissioner.

35 COMMISSIONER: And in those invoices, you have provided services for which
there are some recorded rates and hours but no charges; do you see that?

MR JALLAND: I don't recall – I didn't see that – I reviewed about six or seven of
40 them this morning. I didn't have time to review them all.

COMMISSIONER: So was it your intention when these were recorded to actually
charge Crown for your services so that the Crown would then pay CPH?

MR JALLAND: Commissioner, my difficulty is I don't actually know what
45 document you're referring to. I didn't see any if it had hours charged, but no dollars
charged.

COMMISSIONER: All right. So the question is: you understood that when you provided services to Crown as a CPH executive, your services would be charged out at whatever relevant rate it was and Crown was required, as you understood it, after the services agreement was entered into, to pay CPH for your services?

5

MR JALLAND: Correct, Commissioner, apart from one – one instance.

COMMISSIONER: And what was that?

10 MR JALLAND: To the best of my knowledge I asked that work that I was doing in relation to the ATO tax case not be charged.

COMMISSIONER: All right. I think you did some work on the Las Vegas project, is that right?

15

MR JALLAND: That's correct, Commissioner.

COMMISSIONER: What about the SLR and ICD project; is there anything confidential about them?

20

MR JALLAND: I don't believe there's anything confidential.

COMMISSIONER: And what are they?

25 MR JALLAND: I think SLR was also a hotel restaurant business in America.

COMMISSIONER: I see. And it was a matter for the management of CPH to gather together the time sheets or whatever it was from which they took it to then charge Crown rather than you doing that, I presume?

30

MR JALLAND: That's correct.

COMMISSIONER: Yes. All right. I'm sorry to interrupt.

35 MR BELL: So Mr Jalland, you were aware at the time that commencing in May 2016 Crown Resorts progressively sold down its shareholding in Melco Resorts?

MR JALLAND: Mr Bell, it's my recollection that was the commencement of the sell-down I believe, yes.

40

MR BELL: Yes, and do you recall that in May 2016, Crown Asia Investments – I withdraw that. Do you recall that in May 2016 a Crown subsidiary entered into an agreement with Melco Resorts to purchase some of its shares in Melco Resorts?

45 MR JALLAND: Yes, I recall that was the feature of one of the transactions, yes.

MR BELL: And do you recall that first transaction reduced Crown Resorts' shareholding from about 34 per cent to about 27 per cent?

MR JALLAND: Yes, that's correct.

5

MR BELL: And you are also aware that in December 2016 a Crown subsidiary entered into two transactions to reduce its shareholding in Melco Resorts from about 27 per cent to about 11 per cent?

10 MR JALLAND: That's correct. Whether it was two transactions, or the components were more than that but that is correct, there was a reduction to that level.

MR BELL: So one of those transactions was a share sale agreement with Melco International?

15

MR JALLAND: I believe so. I couldn't be certain, but I believe so.

MR BELL: And the other transaction was a sale of shares in Melco Resorts to three underwriters whose shares were then offered for purchase to the public via a prospectus issued by Melco Resorts.

20

MR JALLAND: That sounds – that sounds correct, yes.

MR BELL: And you were aware that, in May 2017, the Crown subsidiary entered into an agreement with Melco Resorts for the purchase of its remaining interest in Melco Resorts?

25

MR JALLAND: That's correct.

30

MR BELL: And you are aware at the time that, at the conclusion of the May 2017 transaction, Crown Resorts no longer had any shareholding in Melco Resorts and Entertainment?

MR JALLAND: That's correct.

35

MR BELL: And Melco Resorts and Entertainment was now a subsidiary of Melco International?

MR JALLAND: I believe so, yes. I think Melco International had gone over 50 per cent. Yes.

40

MR BELL: Now, you said earlier, I think, that you may have reviewed reports of Melco Resorts – annual reports of Melco Resorts – from time to time?

45

MR JALLAND: I think I read parts of the chairman's address. I don't believe I reviewed the annual reports.

MR BELL: All right. Well, can we look at the 2016 annual report from Melco Resorts. It's exhibit Y21, CRL.506.001.4687.

5 MR JALLAND: Here it is here. Y21. Sorry. Yes, I have that.

MR BELL: I do apologise. I've given you the wrong reference. It's Y22. No, no. I was right. It was Y21, my apologies. Y21.

10 MR JALLAND: Yes, I have that.

MR BELL: And you are aware that Melco Resorts was listed on the Nasdaq and it had to submit reports to the US Securities and Exchange Commission?

15 MR JALLAND: That's correct.

MR BELL: If I could ask you to turn to page point 4812. So this report must have been issued after the second sell-down transaction but before the third, because it's showing the Crown Resorts subsidiary is still owning 11 per cent of Melco International; do you see that?

20 MR JALLAND: Yes.

MR BELL: And Melco Leisure, the Melco International subsidiary holding 51 per cent of Melco Resorts.

25 MR JALLAND: Yes, I see that.

MR BELL: And you see that note 3 in the middle of the page, if we can blow that up operator identifies that Lawrence Ho held shares directly in Melco International and also by companies there identified as Lasting Legend, Better Joy Overseas, Mighty Dragon Developments, The L3G Capital Trust, Maple Peak Investments; do you see that?

35 MR JALLAND: Yes, I see that.

MR BELL: And do see that note 3 goes on to say, apart from those companies which are owned by persons or trusts affiliated with Mr Lawrence Ho, Mr Ho also had an interested in Great Respect Limited, the beneficiaries of which included Mr Ho and his immediate family members?

40 MR JALLAND: Yes, I see that.

MR BELL: And you knew Mister – or Dr Stanley Ho was Lawrence Ho's father, did you?

45 MR JALLAND: Yes, I did.

MR BELL: Now, whether or not you read these words at this time, by this stage, in connection with the sell-down, did you learner that an entity associated with Dr Stanley Ho had an interest in Melco International?

5 MR JALLAND: No.

MR BELL: Right. You do know now, of course, that Stanley Ho was a beneficiary of a trust controlled by Great Respect Limited, which is the largest shareholder in Melco International?

10

MR JALLAND: No, I don't know that, Mr Bell.

MR BELL: You haven't – haven't seen that in any of the opening addresses of this Inquiry?

15

MR JALLAND: I watched the opening address, but I haven't seen anywhere confirmation that Dr Stanley Ho was involved in Melco International.

MR BELL: All right. Well, then, let's have a look at the Melco International annual report for 2016, which is EXY22, INQ.020.001.2353. And if I could ask you to turn to page 448. You understand that Melco International is listed on the Hong Kong Stock Exchange?

20

MR JALLAND: That's correct.

25

MR BELL: And its annual reports are publicly available information; correct?

MR JALLAND: That's correct.

MR BELL: And do you see that, at note 4 – and if you'd blow that up on the page please, operator – Melco International annual report says:

30

35 *Great Respect Limited is a company controlled by a discretionary family trust, the beneficiaries of which include Mr Lawrence Ho and his immediate family members including his father, Dr Stanley Ho.*

Do you see that?

MR JALLAND: Yes, I do.

40

MR BELL: And, at this stage, in 2016, Great Respect is shown on this page as having a 19.85 per cent interest in Melco International, do you see that?

MR JALLAND: Yes, I see that.

45

MR BELL: So do you agree that there is publicly available information, and there was in 2016, showing that Mr Stanley Ho had an interest in a trust controlled by Great Respect Limited, one of the largest shareholders in Melco International?

5 MR JALLAND: Yes. Yes, I agree.

MR BELL: Yes. Now, but I understand your evidence to be that you believed that Melco International was solely associated with Mr Lawrence Ho; is that right?

10 MR JALLAND: That's correct.

MR BELL: So why did you believe that, because we know it's contrary to the fact?

15 MR HUTLEY: I object.

MR BELL: Well let me put it a different way. You now know, don't you, from reading this report, that there was publicly available information that Dr Stanley Ho was a beneficiary of a trust which had a large shareholding in Melco International; correct?

20 MR JALLAND: That's what this document says. Correct.

MR BELL: Yes. And you say that you didn't know that; correct?

25 MR JALLAND: That's correct.

MR BELL: You say that you believed that there were only Mr Lawrence Ho and entities associated with him to the exclusion of Dr Stanley Ho which had an interest in Melco International; correct?

30 MR JALLAND: That's correct.

MR BELL: So my question is why did you believe that?

35 MR JALLAND: I was aware at the time that Mr Lawrence Ho, Melco Resorts and Melco International had been subject to probity checks by ILGA on – on two occasions. We're talking about in 2016, by Queensland, by Victoria, by Western Australia, by Pennsylvania and by Nevada, and none of those regulators had any objection to Mr Lawrence Ho, Melco Resorts or Melco International. And I believed
40 those entities were his, or Melco International was his, his entity. His father had nothing to do with it. I couldn't conceive - - -

MR BELL: But the fact - - -

45 MR JALLAND: - - - regulators would – would have not objected if they had formed a view Dr Stanley Ho was involved.

MR BELL: But the fact that they did or did not object didn't necessarily determine the question of whether Dr Stanley Ho had a direct or indirect interest in Melco International, did it?

5 MR JALLAND: Mr Bell, I think it's – I think – I can't conceive that they wouldn't have objected if they'd formed the view that Dr Ho was involved.

MR BELL: You didn't – I take it, though, that you didn't check by making any inquiries yourself as to whether Dr Stanley Ho did or did not have direct or indirect
10 interest in Melco International?

MR JALLAND: I didn't check myself because I believed that Melco International, that was a company of Mr Lawrence Ho, and that Dr Stanley Ho wasn't involved.

15 COMMISSIONER: But the fact is you didn't check it?

MR JALLAND: That's correct, Commissioner.

COMMISSIONER: Yes, thank you, Mr Jalland.
20

MR BELL: Now, could I ask you to look at exhibit Y7.

COMMISSIONER: Had you met Mr Lawrence Ho, Mr Jalland?

25 MR JALLAND: Yes, on a number of occasions, Commissioner.

COMMISSIONER: And did you have any discussions with him about whether his father had an interest in his companies?

30 MR JALLAND: I didn't have a direct discussion with him about it, but I was aware that he had explained publicly that his father had nothing to do with his – his business.

COMMISSIONER: He had made that plain publicly, had he not?
35

MR JALLAND: Yes, I believe so.

COMMISSIONER: But he did not make that claim to you directly; is that right?

40 MR JALLAND: That's correct. I didn't ask him directly.

COMMISSIONER: Is there some reason you didn't ask him, apart from impoliteness, I suppose?

45 MR JALLAND: I think it's probably impoliteness. He had publicly said the position.

COMMISSIONER: Yes. Yes, Mr Bell.

MR BELL: Mr Jalland, can we look at exhibit Y7, confidential link
CRL.501.050.8325.

5

MR JALLAND: Yes, I have that.

MR BELL: You see there's a letter that Mr Johnston wrote on behalf of CPH to Mr
Barton of Crown Resorts on 23 August 2018?

10

MR JALLAND: Yes, I see that.

MR BELL: Do you see that Mr Johnston pointed out in a letter that Mr Packer had
resigned as a director of both Crown Resorts and CPH?

15

MR JALLAND: Yes, I see that.

MR BELL: And that CPH considered it appropriate in order to permit Crown
Resorts to continue to provide its confidential information to Mr Packer in those
circumstances to agree on an amendment to the services agreement?

20

MR JALLAND: Yes, I see that.

MR BELL: And I take it, as CEO of CPH at the time, you were aware that Mr
Johnston was sending this letter to Crown Resorts?

25

MR JALLAND: I was aware that he was raising the issue. I wasn't aware of this
specific letter, but I was aware he was raising the issue, yes.

30

MR BELL: Yes. And do you see that Mr Johnston was proposing a new clause
14.4D which, firstly, acknowledged that Mr Packer had resigned from the Crown
Resorts and CPH boards?

MR JALLAND: Yes, I see that.

35

MR BELL: And but which also acknowledged that Mr Packer remained a
controlling shareholder of CPH, which effectively was the controlling shareholder of
Crown Resorts?

40

MR JALLAND: Yes.

MR BELL: And you understood in general terms that what Mr Johnston was
proposing was an amendment to the services agreement which would permit Crown
Resorts to continue to provide Mr Packer with confidential information of Crown
Resorts despite him no longer being on the Crown Resorts or CPH boards?

45

MR JALLAND: Yes, I see that.

MR BELL: And you were aware of that at the time?

MR JALLAND: Yes, I was.

5 MR BELL: And you are aware that ultimately rather than agreeing on an amendment to the services agreement a new agreement called a controlling shareholder protocol came into existence?

MR JALLAND: Yes, I'm aware of that.

10

MR BELL: And if we look at exhibit Y5, which is confidential link CRL.509.014.8430.

MR JALLAND: Yes, I have it.

15

MR BELL: You see that's the controlling shareholder protocol which is entered into on 31 October 2018?

MR JALLAND: Yes.

20

MR BELL: And we see at page .8437 that you signed this agreement on behalf of CPH with Mr Johnston?

MR JALLAND: Yes.

25

MR BELL: And you understood that this protocol permitted Crown Resorts to continue to provide information to Mr Packer personally even though he was no longer on the boards of Crown Resorts and CPH.

30 MR JALLAND: That's correct.

MR BELL: That meant he was no longer entitled to receive confidential information of Crown Resorts under the services agreement; correct?

35 MR JALLAND: That's correct.

MR BELL: And you were aware, were you, that after the date of this agreement a number of senior executives at Crown Resorts regularly provided confidential information to Mr Packer under the authority of the controlling shareholder protocol?

40

MR JALLAND: Yes, that's correct.

MR BELL: And you were aware that those executives included Mr Barton, Mr Felstead and Mr Alexander?

45

MR JALLAND: Yes, that's correct.

MR BELL: And you were copied in on some of those communications?

MR JALLAND: Yes, I was.

5 MR BELL: And you were aware that Mr Barton was providing financial information to Mr Packer on almost a daily basis from 31 October 2018 under the authority of this controlling shareholder protocol?

10 MR JALLAND: My hesitation is “on a daily basis”; I knew it was frequent.

MR BELL: Yes. All right. Now, could I ask you to look at exhibit AA94. It is confidential link CRL.506.006.5552. You see these are minutes of a meeting of the board of Crown Resorts Limited on 19 February 2019 which you attended?

15 MR JALLAND: Yes, I do.

MR BELL: And if you look at page .5555, do you see that the CEOs report was taken as read?

20 MR JALLAND: Yes, I do.

MR BELL: And if we look at the CEO report at exhibit AA89, which is confidential link CRL.501.040.8377; if you have that if I could ask you to turn to page .8411. Do you see that there’s there a reference at point number 2 - - -

25 MR JALLAND: Yes, I see that.

MR BELL: - - - to the VIP gaming management agreement and the Crown Group consents and approvals deed. Do you see that?

30 MR JALLAND: Yes, I see that.

MR BELL: And the report in February 2019 identified that under both agreements there were a series of undertakings required to be given to the New South Wales regulator in relation to its interest in Melco Resorts and Entertainment.

35 MR JALLAND: Yes. Yes, I see that.

MR BELL: And so you were being reminded in February 2019 that both of these regulatory agreements – of both of these regulatory agreements and the fact that they required undertakings to the Independent Liquor and Gaming Authority in relation to dealings between Crown Resorts and Melco.

40 MR JALLAND: Sorry, I missed the end after Crown Resorts.

45 COMMISSIONER: And Melco.

MR BELL: And Melco.

MR JALLAND: Yes, I think they were reports about Melco rather than its dealings with Crown.

5

MR BELL: Well, you understood though that this was in the context of the New South Wales regulator's sensitivity about its concern that Dr Stanley Ho not get a foothold in casinos in this State?

10 MR JALLAND: I was aware that those quarterly reports provided information about that. I wasn't aware of the form of the reports or the information they reported.

15 MR BELL: But you were aware that what was generating the requirement for these reports was sensitivity held by the New South Wales Government that Dr Stanley Ho not get a foothold in casinos in this State in any shape or form?

MR JALLAND: I was aware of sensitivity in relation to Dr Ho. As to the – you know, the characterisation, but I was aware of the sensitivity of Dr Ho. Yes.

20

COMMISSIONER: Surely you understood that the government didn't want him in the casino – involved in the casino licence?

MR JALLAND: Yes, correct, Commissioner.

25

COMMISSIONER: Yes, Mr Bell. Was that two thousand and - - -

MR BELL: Yes. February 2019.

30 COMMISSIONER: Mr Jalland, you told me a little earlier that you understood that Melco, in its role as a joint venturer with Crown and, probably before that, PBL, had been approved by the regulator. Do you remember telling me that?

MR JALLAND: Yes, by a number of regulators. Yes.

35

COMMISSIONER: Yes.

MR JALLAND: Well, not so much approved, but they hadn't objected to it being a close business associate of Crown.

40

COMMISSIONER: Yes. Yes. And so far as that is concerned, that was one of the reasons that you informed me, I think, that you didn't have any concern that Dr Ho would be involved in Melco, because Melco had been approved, as I understand it. Is that what you said?

45

MR JALLAND: That's correct.

COMMISSIONER: Yes. Did you attend any of the regulatory interviews at the time of that process?

5 MR JALLAND: I attended regulatory interviews in New South Wales. Yes.

COMMISSIONER: And what was your role in that attendance?

10 MR JALLAND: As I recall, Commissioner, it was – they were – it was to assess my probity and as to whether I was and as to whether I was fit and proper.

COMMISSIONER: Assess your own – your own probity?

MR JALLAND: Yes. Correct.

15 COMMISSIONER: And that was an interview with you as interviewee, as I understand it; is that right?

MR JALLAND: That's correct.

20 COMMISSIONER: Yes. And did you attend any other interviews?

MR JALLAND: No, I didn't.

25 COMMISSIONER: Yes. And so far as the other regulators are concerned, you were not interviewed?

MR JALLAND: I don't believe I was interviewed. I attended at VCGLR, I think, to be fingerprinted once, but I was not interviewed.

30 COMMISSIONER: Yes, I see. Thank you very much. And you've indicated to me that you – you based your assumption on Dr Lawrence Ho's absence on the fact of regulatory approval from Melco. Do you remember telling me that – I'm sorry. Dr Stanley Ho's absence from the Melco structure by reason of the regulatory approval of Melco?

35 MR JALLAND: It wasn't strictly regulatory approval of Melco. It was no objection being raised to them being a business associate of Crown.

40 COMMISSIONER: So it was, in fact, you understood that they were being investigated for the purposes of being a close associate of a close associate; is that right?

MR JALLAND: A business associate of a close – a business associate of Crown. Yes.

45 COMMISSIONER: Being the close associate of the licensee?

MR JALLAND: Yes. Correct.

5 COMMISSIONER: Yes. And so if it were the case, as it appears it may well have been, that there was an indirect interest of Dr Stanley Ho, and it was the case that he was given approval, that is, Melco was not objected to at the time, that was all done by the time of 2019, the document to which you've just referred here. That's right, isn't it?

10 MR JALLAND: That's correct.

COMMISSIONER: And you were not aware, as I apprehend it, but just tell me if this is wrong: you were not aware of anything that had happened between the time that you were interviewed as a prospective close associate of a licensee and the time this document; is that right?

15 MR JALLAND: That's correct.

COMMISSIONER: And so, in the interim, between 2014 and 2019, you hadn't made yourself aware of what the status of Melco was or what the status of Dr Stanley Ho was in respect of Melco; is that right?

MR JALLAND: Correct.

25 COMMISSIONER: Yes. Yes, Mr Bell.

MR BELL: Do you understand that, in late April 2019, Mr Lawrence Ho telephoned Mr Packer expressing interest in Melco Resorts acquiring shares in Crown Resorts from CPH Holdings? I withdraw that. I haven't put that accurately. You understand that, in late April 2019, Mr Lawrence Ho telephoned Mr Packer expressing interest in Melco Resorts acquiring shares in Crown Resorts from CPH Crown Holdings?

35 MR JALLAND: I was aware of the first part of your question, that a phone call was made. As to the substance of the phone call, I was not aware. Just that - - -

MR BELL: And is it the case that, after that call, Mr Packer asked you to have discussions with Mr Evan Winkler from Melco Resorts, to discuss the possible sale of shares in Crown Resorts?

40 MR JALLAND: Again, I agree with the former, the first part of the question, not necessarily the last part. Mr Packer didn't tell me what - what - what I should be discussing. He just asked me to contact Evan.

45 MR BELL: I see. At that stage, you didn't know what you were to contact him about?

MR JALLAND: I knew the – that there'd been – the prospect of Melco and CPH doing something had been raised, but what form that was in hadn't been fleshed out at that point.

5 MR BELL: All right. And I take it you, then, did have some discussions with Mr Winkler?

MR JALLAND: At that time, I had a telephone discussion with him, and then met with him, I think, in the week after.

10

MR BELL: And I take it that, in those meetings and telephone calls, the topic that was discussed was the possible sale of Crown Resorts' shares to Melco Resorts?

15 MR JALLAND: The early telephone calls were simply to arrange the meetings. At the meeting – at the two meetings, the topic of discussion was a sale of shares from CPH to Melco.

MR BELL: And what were the date of those meetings, or the dates of those meetings?

20

MR JALLAND: To the best of my recollection, Mr Bell – and I've had to try and sort of work this out – to the best of my recollection, the 6th of – of May 2019 and then the 8th of May 2019.

25 MR BELL: And, in this period, did you tell Mr Johnston that you were thinking about a potential sale of 19.99 per cent of CPHs Crown – I withdraw that. Is it the case that, at this time, you told Mr Johnston that you were thinking about a potential sale of 19.99 per cent of Crown Resorts' shares to Melco Resorts?

30 MR JALLAND: Yes.

MR BELL: And did you tell Mr Johnston that one benefit of a transaction of that nature would be that Melco Resorts was well known to CPH from the prior business arrangements which they had together in the Melco Crown joint venture?

35

MR JALLAND: Yes.

MR BELL: So, at this stage, you were aware that the owner of the shares was CPH Crown Holdings Pty Limited?

40

MR JALLAND: Yes.

MR BELL: And you weren't a director of that company, were you?

45 MR JALLAND: Not to my knowledge.

MR BELL: So would it be fair to say that you were acting as an agent of CPH Crown Holdings in the negotiations with Melco Resorts at Mr Packer's request?

5 MR JALLAND: Yes, that – that's the way it would be categorised now. I didn't think through in terms of agency at the time.

MR BELL: So in the meeting with Mr Winkler on 8 May 2019, did you suggest a cash transaction for Melco Resorts to purchase 19.99 per cent of the shares in Crown Resorts?

10 MR JALLAND: Yes, I believe that was first on the 6th of May rather than the 8th of May, but that's correct.

MR BELL: All right. And you suggested that that was CPH Crown Holdings' preference for a transaction of that kind, a cash transaction for 19.99 per cent of the shares?

MR JALLAND: I wouldn't have – I wouldn't have used reference to CPH Crown Holdings. It would have been a generic CPH, but - - -

20 MR BELL: Subject to that, have I captured the gist of it?

MR JALLAND: Yes. Would you mind just repeating the last piece, please; I apologise.

25 MR BELL: Yes. All right. In these meetings on 6 and 8 May – and I'm not sure which it was, is it correct that you suggested to Mr Winkler that a cash transaction for Melco Resorts to purchase 19.99 per cent of the shares in Crown Resorts was CPHs preference?

30 MR JALLAND: That's correct.

MR BELL: And is it also the case that by the 18th of May 2019, Mr Winkler had told you that Melco Resorts had determined that the option of acquiring 19.99 per cent of Crown's issued shares from CPH Crown was the option that it wanted to explore further?

35 MR JALLAND: Yes, I think he had indicated they were prepared to explore it further earlier than 18 May.

40 MR BELL: All right. But you understood that that was the transaction which they were wanting to explore further?

45 MR JALLAND: Yes.

MR BELL: And from that point on, is it correct that you had a number of telephone calls in the next few days with Mr Winkler about the price at which Melco Resorts would purchase 19.99 per cent of the Crown Resorts shares?

5 MR JALLAND: Yes, that's one way of putting it. I was more putting the price at which I believed CPH would be prepared to sell rather than the price it would be prepared to pay.

10 MR BELL: Well, perhaps I should ask you to tell us in your own words the substance of your discussions about the price?

15 MR JALLAND: It evolved in a number of conversations, Mr Bell, starting with a discussion about what the market price was, because Mr Winkler had indicated that – had said Melco would only be prepared to pay market, and so we had a discussion about what was market. And in the later conversations, I said that, in my view, the price would need to have a 13 in front of it. And after that, he went away and considered it and came back and said they would be prepared to purchase at \$13, you know, subject to agreements.

20 MR BELL: Yes. And so at that price of \$13 being – I withdraw that. Did Mr Winkler tell you that Melco Resorts would complete a purchase of half of the shares promptly but would need until 30 September 2019 to pay for the other half?

25 MR JALLAND: Yes, he did.

MR BELL: And you understood that this was the proposal which Mr Packer favoured?

30 MR JALLAND: Not the – not the 50 per cent now and 50 per cent later, but in terms of transacting 19.99 per cent for a cash price, that – yes, I believed that was his preference.

35 MR BELL: All right. And did you understand that on the strength of where you and Mr Winkler were up to, on the 22nd of May 2019 lawyers for CPH started to meet with lawyers for Melco to consider documenting the transaction?

MR JALLAND: That's correct.

40 MR BELL: Could I ask you to look at exhibit AA121, hearing room only CPH.001.005.0134.

MR JALLAND: I think it's here. Yes, I have it, Mr Bell.

45 MR BELL: Perhaps before we look at that, I should ask you to look at the immediately preceding document, exhibit AA120, confidential link CPH.001.005.0133.

MR HUTLEY: Might I interrupt, Madam Commissioner. This is a confidential document.

COMMISSIONER: Yes.

5

MR HUTLEY: And we seek a non-publication order.

COMMISSIONER: Yes. The document contents, as they may be disclosed during the course of the evidence, I will direct that the content of the documents not be published until further direction, other than to those within the hearing room and those representing the parties. So Mr Bell, you've understood that it's a confidential claim?

10

MR BELL: Yes. So Mr Jalland you have exhibit AA120?

15

MR JALLAND: Yes, I do.

MR BELL: So do you see that's an email from Mr Kady to Mr Packer copied to you and Mr Johnston on 23 May 2019 attaching discussion materials?

20

MR JALLAND: Yes, I do.

MR BELL: And is it the case, as you understand it, there was a meeting between Mr Johnston and Mr Packer on 23 May to discuss those materials?

25

MR JALLAND: Yes, I think that's correct. I know there was to be a meeting. I don't know if it was specifically to discuss this, but I know a meeting was held.

MR BELL: And I take it that you weren't present at that meeting?

30

MR JALLAND: That's correct.

MR BELL: Now, if I could ask you to look at the discussion materials, there's really only one, I think, very uncontroversial matter that I wanted to draw your attention to, which is at the top of page .0136. Do you see that at this date, the current proposal was as you described it, that is, for Melco to acquire 10 per cent of Crown now for \$13 a share, to acquire a further approximately 9.9 per cent in September 2019, at the same price?

35

MR JALLAND: That's correct.

40

MR BELL: All right.

COMMISSIONER: Yes, that's not confidential so there's no impediment to publication. Yes.

45

MR BELL: And so, Mr Jalland, as you understand it, is it the case that following the discussions with Mr Johnston and Mr Packer on 23 May 2019, Mr Packer said that he wanted to proceed with that transaction?

5 MR JALLAND: My hesitation is I don't think it actually followed on as a result of the meeting but at that time Mr Packer had decided to proceed with the transaction, yes.

COMMISSIONER: Irrespective of the meeting?

10

MR JALLAND: Pardon, Commissioner, I missed your question?

COMMISSIONER: Do you mean irrespective of the meeting, Mr Packer had decided to proceed with the transaction?

15

MR JALLAND: I wasn't there but I believe so, Commissioner, yes.

COMMISSIONER: Yes. All right.

20 MR BELL: So did you understand why Mr Johnston was trying to suggest alternatives to the transaction Mr Packer wanted to proceed with?

MR JALLAND: I believe Mr Johnston and Mr Kady felt that we should have been achieving a premium over the \$13, and so they were exploring what they thought were alternatives that might achieve a higher price.

25

MR BELL: And so if I could ask you to look at exhibit AA124, confidential link MEL.001.007.2173, is it the case, as you understand it, that on the 23rd of May, Mr Packer contacted Mr Ho and told him that he was happy to go ahead with the transaction that we've been discussing?

30

MR JALLAND: Yes. I agree, save that I think it was – the purpose of the call was for both Mr Ho and Mr Packer to, I suppose, confirm each of them was prepared to go forward. It wasn't just Mr Packer confirming.

35

MR BELL: I see. And is it the case, as you understood it, that the transaction then did proceed with documentation?

MR JALLAND: Yes, that's correct.

40

MR BELL: And CPH had legal advisers acting for it?

MR JALLAND: That's correct.

45 MR BELL: And you understood that Melco had legal advisers acting for it?

MR JALLAND: That's correct.

MR BELL: And did Mr Johnston tell you at this time, in the second half of May 2019, that he'd been reviewing the latest financial forecasts of Crown Resorts?

MR JALLAND: No, he didn't.

5

MR BELL: But I take it that you would have been aware, as a director of Crown Resorts at this time, that Mr Johnston would have been reviewing the latest financial forecasts as part of the normal budget process?

10 MR JALLAND: I wasn't specifically aware, Mr Bell, at this time, of any specific process. It seemed to me, you know, there was always discussions on numbers occurring; it was a routine.

MR BELL: Well, did you understand that there were forecasts being prepared for
15 the consideration of the board of Crown Resorts in 2019?

MR JALLAND: I was aware that, at some point, budgets were coming to the board. Yes. Correct.

20 MR BELL: Yes. Now, at this time, you understood, I take it, that inside information for the purposes of the insider trading laws meant information which was not generally available and, if it were generally available, a reasonable person would expect it to have a material effect on the price or value of the relevant financial product?

25

MR JALLAND: I'm – I'm aware of the insider trading restrictions. Yes.

MR BELL: Yes. And by the 29th of May 2019, is it the case that you and Mr
30 Johnston had recognised that, in order to protect CPH Crown Holdings from any accusation of insider trading in relation to the sale of shares in Melco Resorts, it was necessary for CPH to disclose inside information to Melco Resorts so that there would be an equality of inside information between CPH and Melco Resorts?

MR JALLAND: That's not correct, Mr Bell.

35

MR BELL: Well – well, if you have a look at exhibit AB41. It's hearing room only, CPH.001.021.0006. Do you see this is a letter that you wrote to Melco Resorts and Entertainment on the 29th of May 2019?

40 MR JALLAND: Mr Bell, it hasn't come up on the screen and I don't – I'm trying to find the soft copy. No, we don't have it.

MR BELL: Okay. You don't have it in hard copy?

45 MR JALLAND: No, I don't.

MR BELL: It's on my screen. Is it not on your screen? Because I said hearing room only. Can we make it on the confidential link, please, CPH.001.021.0006.

MR JALLAND: Yes, I have it now, thank you.

5

MR BELL: Do you see that's a letter that CPH has written to Melco Resorts to on the 29th of May 2019?

MR JALLAND: Yes, I do.

10

MR BELL: And if you look at the second page, .0007, you and Mr Johnston signed that letter?

MR JALLAND: That's correct.

15

MR BELL: And you said, back on page .0006, under the heading paragraph 1, Confidential Information, that:

20

CPH intended to provide Melco with certain confidential information in relation to Crown but required an undertaking as set out in this letter.

MR JALLAND: That's correct.

25

MR BELL: So, in your own words, what was your purpose in providing the confidential information to Melco Resorts?

MR JALLAND: I wanted them to be aware of – of confidential information before they agreed to – to complete the transaction.

30

MR BELL: All right. And so when you said you didn't agree with me earlier, was it because I used the words "inside information"?

35

MR JALLAND: Yes. And, I think, the – the – there were references in your question to market price, I think. So that – yes. I didn't agree with that.

MR BELL: Well, I first of all wanted to make sure we were agreeing what inside information meant, and I think we have.

40

MR JALLAND: Yes.

MR BELL: But your point was you weren't intending to provide inside information; is that right?

45

MR JALLAND: I didn't believe this information was – was market price-sensitive. But it was, when we were providing it, we thought it was confidential information that Melco should know.

MR BELL: And why did you think Melco should know?

MR JALLAND: They were committing to spend a lot of money and I felt this information, they should be aware of.

5

MR BELL: You didn't want it to be suggested that you had conducted this significant trade in circumstances where your knowledge was superior to theirs, in relation to this confidential information? Is that a fair way of putting it?

10 MR JALLAND: I think that's a fair way of putting it.

MR BELL: Now, if you look at page 2, page .0007, do you see under this arrangement, you were appointing – well, if it was signed by Melco – you were appointing CPH as the trustee of a trust of which Crown Resorts and its related
15 bodies corporate were beneficiaries?

MR JALLAND: Yes. Or that CPH was holding the benefit of the document for itself and on trust for Crown. Yes.

20 MR BELL: Yes, on trust for Crown. You understand it's a serious matter to act as trustee on someone else's behalf, of course?

MR JALLAND: Yes, I do.

25 MR BELL: And do you see that you've asked for an acknowledgement that a breach of the undertaking may cause irreparable harm to not just to CPH but to members of the Crown Group, for which damages alone may not be an adequate remedy?

30 MR JALLAND: Yes. I see that.

MR BELL: So you understood, from a risk perspective, that a breach of the undertaking by Melco Resorts could cause irreparable harm to Crown Resorts?

35 MR JALLAND: That's the acknowledgement. I don't know – with the specific matters disclosed – if it would cause irreparable harm, but the acknowledgement covers that. Yes.

MR BELL: Yes. And you wouldn't have sought that unless you were concerned
40 that there was a serious undertaking which recognised the prospect of that risk occurring?

MR JALLAND: I agree with that. Yes.

45 MR BELL: And do you say that you didn't inform Crown Resorts of this arrangement in which you were appointing CPH as Crown Resorts' trustee in relation to the promises in this agreement?

MR JALLAND: No, Crown was not informed.

MR BELL: Did it occur to you that Crown Resorts as a public listed company in Australia would want to know that it was incurring risks as a beneficiary under this arrangement before you committed it to that course?
5

MR JALLAND: I hadn't appreciated that Crown was incurring risks. I think the acknowledgement was if – if there was a breach of this, it would cause harm.

10 MR BELL: Well, okay. You certainly – well, I withdraw that. Did it occur to you that Crown Resorts as a public listed company in Australia would want to know that it was going to be caused harm as a beneficiary under this arrangement before you committed it to that course?

15 MR JALLAND: No, I don't believe we had – we had an obligation to inform Crown, no.

MR BELL: What right did you understand CPH had to appoint itself as a trustee of a public listed company in Australia under an arrangement which might expose it to harm?
20

MR JALLAND: As I understood it, Mr Bell, we were permitted to provide confidential information to third parties if we obtained these undertakings and held them all, not only for our benefit but also for the benefit of Crown.
25

MR BELL: And are you referring to the services agreement?

MR JALLAND: That's correct.

30 MR BELL: Are you saying that you understood that it permitted CPH to appoint itself as the trustee on behalf of Crown Resorts?

MR JALLAND: I – I hadn't appreciated the concept of appointing itself as trustee. I was aware that this was common language to hold benefits of a document for yourself and for a third party, and I thought that's what the CPH services agreement permitted us to do.
35

MR BELL: Well, perhaps we should look at the services agreement again, and I think it's easier for you to access as exhibit Y13, which is confidential link CRL.520.001.0001.
40

MR JALLAND: Yes, I have it, Mr Bell.

MR BELL: Take as long as you need, but there's nothing in this contract, is there, which would permit CPH to make itself a trustee of Crown Resorts without informing Crown Resorts of that?
45

MR JALLAND: Correct, I don't see that language, Mr Bell.

MR BELL: All right. Now, did it occur to you at this point that there might be a
5 conflict between your position as a director of CPH on the one hand and your duties
to Crown Resorts on the other in relation to the provision of this confidential
information in respect of which you were appointing yourself – or you were
appointing CPH as trustee?

MR JALLAND: No, I didn't believe I had a conflict.
10

COMMISSIONER: You were a director of Crown at the time?

MR JALLAND: Yes, Commissioner.

COMMISSIONER: Pardon me for this intrusion, but you qualified as a lawyer, I
15 understand; that's right, isn't it, Mr Jalland?

MR JALLAND: Yes, I haven't held a practising certificate for some years, though.

COMMISSIONER: And when you first started work with PBL, you did so as
20 counsel, did you, in-house counsel?

MR JALLAND: Yes, correct; I held a practising certificate in those days.

COMMISSIONER: And so you've been a lawyer for many years, I presume?
25

MR JALLAND: Yes.

COMMISSIONER: And when did you cease holding a practising certificate?
30

MR JALLAND: To the best of my recollection, around 2010 or 2012 but I couldn't
be certain.

COMMISSIONER: Thank you. Yes. Thank you, Mr Jalland.
35

MR BELL: Can I ask you to look at exhibit AA142, which is on the confidential
link CPH.001.030.0001.

MR JALLAND: Yes, I have that.
40

MR BELL: And these are the minutes of a meeting of the selling company, CPH
Crown Holdings, held on 30 May 2019.

MR JALLAND: Yes.
45

MR BELL: At 3.55 pm.

MR JALLAND: Yes.

MR BELL: And the minutes record both you and Mr Johnston present as directors. I take it you say that was a mistake because Mr Johnston was in fact the only director
5 of the company which was selling shares?

MR JALLAND: That's correct.

MR BELL: And at the time of this meeting, you didn't owe any directors' duties to
10 the seller, CPH Crown Holdings Pty Limited, did you?

MR JALLAND: That's correct.

MR BELL: But you did owe directors' duties to the company whose shares were
15 being traded, Crown Resorts; correct?

MR JALLAND: Not in respect of this matter, I don't believe.

MR BELL: I'm sorry, I'm just asking you whether you acknowledge that you, at
20 the time of this transaction you owed directors' duties to Crown Resorts.

MR JALLAND: Yes, I did.

MR BELL: And you knew that Crown Resorts had regulatory agreements with the
25 Independent Liquor and Gaming Authority of New South Wales intended in general terms to prevent Stanley Ho or entities associated with him from obtaining any interest in Crown Resorts; correct?

MR JALLAND: That's correct.
30

MR BELL: And at this time Melco Resorts was well known to you; correct?

MR JALLAND: That's correct.

MR BELL: You knew it was a subsidiary of Melco International?
35

MR JALLAND: That's correct.

MR BELL: And you hadn't checked at this point to see if Stanley Ho or entities
40 associated with him did or did not have an interest in Melco International; is that correct?

MR JALLAND: That's correct.

MR BELL: So there must have been a risk in your mind as to whether Stanley Ho –
45 without having checked, there must have been a risk that Stanley Ho or entities associated with him did now have an interest in Melco International?

MR JALLAND: No, there was no – no risk in my mind.

MR BELL: You hadn't checked so you didn't know; correct?

5 MR JALLAND: Mr Bell, it was my belief that I had held for some considerable period of time that Dr Stanley Ho had no interest in Melco International or Melco Resorts.

10 MR BELL: I understand that, but you knew that the provisions in the regulatory agreements reflected a deep concern held by the New South Wales government to prevent Stanley Ho or entities associated with him taking a foothold in casinos in this State; correct?

15 MR JALLAND: I was aware of that, yes.

MR BELL: And you hadn't checked to see whether Stanley Ho or entities associated with him did have an interest; correct?

20 MR JALLAND: I didn't check.

MR BELL: And knowing that this was a matter of concern to the New South Wales Independent Liquor and Gaming Authority, did it occur to you at this time that you had an obligation as a director of Crown Resorts, to inform it of this proposal before it occurred so that it could consider its own position and take its own legal and commercial advice on the propriety of the transaction?

25 MR JALLAND: No, I don't believe I had an obligation to notify Crown.

30 MR BELL: And you did understand that Crown Resorts had not had an opportunity to consider its own position and take its own legal and commercial advice on the propriety of the transaction; correct?

MR JALLAND: That's correct.

35 MR BELL: And do you say that you, notwithstanding that the only entity in relation to this transaction to which you owed directors' duties to Crown Resorts, you didn't pause even for a moment to consider whether execution of the agreement should be deferred until Crown Resorts had the opportunity to consider its own position?

40 MR JALLAND: No, I didn't. I didn't believe that was the case.

MR BELL: In fact, at the time of this transaction, you were thinking only of the benefits which you perceived the transaction would bring to CPH Crown Holdings and, ultimately, to Mr Packer. Is that a fair way of putting it?

45 MR JALLAND: That's correct.

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

5 MR JALLAND: Apologies, Mr Bell. The line broke up just as you mentioned the time.

MR BELL: Okay. I'll start again. Is it the case that the exchange of contracts of the share sale agreement occurred at about 6 pm Sydney time that day, the 30th of May?

10 MR JALLAND: That sounds about right. I do remember there was a bit of backwards and forwards about whether documents had been received by lawyers and all that, but that sounds generally correct.

15 MR BELL: All right. And could I ask you to look at exhibit AA125, which is confidential link MEL.001.001.6721.

MR JALLAND: Yes, I have that.

20 MR BELL: Do you see that, at 5.33 pm on the 30th of May, a draft announcement by Melco International was sent to CPHs lawyers, among others?

MR JALLAND: Yes, I see that.

25 MR BELL: And if we could look at that draft announcement, it's the following exhibit, exhibit AA126, which is on the confidential link MEL.001.001.6729. If I could ask you to look at page .6735, please.

MR JALLAND: Yes, I have that.

30 MR BELL: And do you see that it identifies Great Respect Limited as the holder of over 20 per cent of the shares in Melco International?

MR JALLAND: Yes, I see that.

35 MR BELL: And it also states, do you see just below that, that:

40 *Great Respect Limited is a company controlled by a discretionary family trust, the beneficiaries of which include Mr Lawrence Ho and his immediate family members.*

Do you see that?

MR JALLAND: Yes, I do.

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

MR JALLAND: Yes, I see that.

MR BELL: Now, did your lawyers pass this information on to you before exchange at 6 pm?

5

MR JALLAND: A document was sent on by the lawyers. I'm not certain if – if it was this or – yes, a document was sent through. I couldn't be certain what was attached to it or if this was the document attached.

10 MR BELL: All right. Commissioner, I'm going on to another large topic now. I wonder if this would be a convenient time?

15 COMMISSIONER: Let me just ask you, Mr Jalland. You understood, as a director of Crown, that you wouldn't – you had an obligation not to do anything that would harm it.

MR JALLAND: Correct, Commissioner.

20 COMMISSIONER: So even though, at the time, you were thinking only of the benefits to CPH and Mr Packer, there was an obligation on you to give consideration to your actions not harming Crown; correct?

MR JALLAND: That's correct.

25 COMMISSIONER: And when you wrote that letter with Mr Johnston, you wrote it in the capacity as a CPH director, as I understand it; is that right?

MR JALLAND: Correct.

30 COMMISSIONER: But if it be the case that Crown were exposed to risk by the transaction, you had an obligation to consider its interests, did you not - - -

MR JALLAND: Commissioner, I - - -

35 COMMISSIONER: - - - as a director of Crown?

MR JALLAND: Yes. But I didn't believe that Crown was exposed to risk by the transaction.

40 COMMISSIONER: Yes, but that's not the question. I'm just asking you about your obligations, because of the question that you answered to Mr Bell. At the time of the transaction, you were a director of Crown; correct?

MR JALLAND: That's correct.

45

COMMISSIONER: You were not a director of the seller of the shares?

MR JALLAND: That's correct.

COMMISSIONER: And so your burden at that time, in one sense, were your directorial obligations to Crown, weren't they?

5

MR JALLAND: I also had obligations to the CPH group rather - - -

COMMISSIONER: I understand.

10 MR JALLAND: - - - than just to the seller.

COMMISSIONER: Yes, but the CPH group were not the seller, were they, it was CPH Crown Holdings of which Mr Johnston was the sole director, as I understand it; is that right?

15

MR JALLAND: Yes, Commissioner, but we didn't see it in those terms. I have to say we view CPH as a group and so I felt I had obligation to the CPH group.

20 COMMISSIONER: So coming back to your directors duties to Crown and your obligations to it, you couldn't shed them at this time, obviously. You had them with you at the time.

MR JALLAND: Yes, that's correct.

25 COMMISSIONER: And so it was a situation in which you were required, were you not, to give consideration to not harming Crown by your actions; correct?

MR JALLAND: That's correct.

30 COMMISSIONER: And so far as your actions are concerned, when you decided to ask Melco for an acknowledgement that CPH held the benefit of the contract or the letter on trust for Crown, you did that as a CPH director, not as a Crown director, as I understand it; is that right?

35 MR JALLAND: That's correct.

40 COMMISSIONER: Yes. And when you did the transaction – I withdraw that. When you observed that the transaction was happening as between CPH, Crown Holdings and Melco, Mr Bell asked you, and you denied any obligation to tell Crown. Do you remember saying that?

MR JALLAND: Yes, I do.

45 COMMISSIONER: There was no impediment to you telling Crown, was there?

MR JALLAND: Except for the impediment that it's CPHs confidential information about a transaction it's pursuing.

COMMISSIONER: But you were giving CPH – I withdraw that. You were giving Melco Crown some confidential information, were you not, and acting as a trustee?

5 MR JALLAND: Yes. And we were permitted to do that under the services agreement.

10 COMMISSIONER: And all I am asking you is, there was no impediment to you in telling confidentially, that is, passing confidential information to Crown, to let it have time to consider the position because of its burden to this New South Wales Government. There was nothing stopping you telling them, was there?

15 MR JALLAND: Commissioner, it would normally never be my practice to – to disclose CPH confidential information to a third party where I don't believe we have an obligation to.

COMMISSIONER: But as a director, you knew your company, Crown, had an obligation to the government; correct?

20 MR JALLAND: Correct, but I didn't believe that was in any way being jeopardised by this transaction.

COMMISSIONER: But that was your personal position as an individual as opposed to the board of Crown making that decision; correct?

25 MR JALLAND: That's correct.

30 COMMISSIONER: And so – it is, of course, history but so far as the question in relation to impediment and you would never disclose confidential information to a third party is concerned, where you as a director of a company that had an obligation to the government in respect of this matter that is being discussed, you were asked a little earlier whether it placed you with a burden of conflict and you said no. Do you remember that?

35 MR JALLAND: Yes.

COMMISSIONER: The duty to Crown was always there, wasn't it, to look after it?

MR JALLAND: That's correct.

40 COMMISSIONER: I understand from what you tell me that you believed you weren't putting it in jeopardy?

MR JALLAND: That's correct.

45 COMMISSIONER: But in the circumstances weighing up those two things at a time when you had an obligation to a company that had a burden to tell the

government what it was up to in respect of Dr Ho, as you recall, it could be perceived that you were in a position of conflict, would you not agree?

5 MR JALLAND: Commissioner, I understand the point. I don't agree because Dr Ho had nothing to do with this transaction.

10 COMMISSIONER: That's the view that you took, but from the point of view of those who were observing what was happening with the burden that was on you to look after Crown with its obligation to the government, as burdensome as that was, and your obligation to CPH to get the deal done, do you not accept that it could be perceived as a presence of conflict?

MR JALLAND: I – I accept it could be perceived that way, yes.

15 COMMISSIONER: Yes. Mr Jalland, thank you. The time differences are such that it is inconvenient, I'm sorry.

MR JALLAND: No, that's fine.

20 COMMISSIONER: I'm going to adjourn and those that are assisting here will make contact with the solicitors and those legal representatives representing you and we will resume until, what time tomorrow, please?

25 MR BELL: It's currently scheduled for 10 am.

COMMISSIONER: All right.

MR BELL: Unless there's any further discussions between the solicitors.

30 COMMISSIONER: All right. Mr Jalland, unless there are some further discussions, we will see you at some ungodly hour at your end, and we will then resume the hearing tomorrow at 10 here, unless there's a change overnight. Do you understand?

35 MR JALLAND: Thank you, Commissioner.

COMMISSIONER: Yes, thank you, Mr Jalland.

40 <THE WITNESS WITHDREW [4.02 pm]

**MATTER ADJOURNED at 4.02 pm UNTIL
WEDNESDAY, 30 SEPTEMBER 2020**

Index of Witness Events

MICHAEL ROY JOHNSTON, ON FORMER OATH	P-3149
EXAMINATION BY MS SHARP	P-3149
EXAMINATION BY MR BELL	P-3183
EXAMINATION BY MR HUTLEY	P-3192
EXAMINATION BY MR YOUNG	P-3193
THE WITNESS WITHDREW	P-3201
GUY JALLAND, AFFIRMED	P-3202
EXAMINATION BY MR BELL	P-3202
THE WITNESS WITHDREW	P-3267

Index of Exhibits and MFIs

EXHIBIT #AD1 TO AD48 DOCUMENTS PRODUCED IN ANSWER TO SUMMONS 149	P-3148
EXHIBIT #AB DOCUMENTS 43 TO 51	P-3187