

# ASX Announcement

16 November 2015

## DESTINATION BRISBANE CONSORTIUM AND QUEENSLAND GOVERNMENT ENTER INTO AGREEMENTS FOR QUEEN'S WHARF BRISBANE

Echo Entertainment Group Limited (**Echo**)<sup>1</sup> today announced that the Destination Brisbane Consortium (**DBC**) has entered into development agreements with the Queensland Government for the delivery of the Queen's Wharf Brisbane project. This follows the Queensland Government's selection of DBC as the preferred proponent on 20 July 2015.

As announced previously, Echo has partnered with pre-eminent Hong Kong-based organisations Chow Tai Fook Enterprises Limited (**CTF**) and Far East Consortium (Australia) Pty Limited (**FEC Australia**), a wholly owned subsidiary of Far East Consortium International Limited (**FEC**), to form the DBC joint venture for the Queen's Wharf Brisbane Project. The parties have formed two joint venture vehicles (the **IR Joint Venture** and the **Residential Joint Venture**), which together are responsible for completing the development of the Queen's Wharf Brisbane Project.

The development of Queen's Wharf Brisbane remains subject to the planning approvals process and the granting of all necessary planning and development approvals as well as the passing of legislation pursuant to the *Casino Control Act 1982 (Qld)* to establish the Queen's Wharf Brisbane Casino Agreement under which a Casino Licence may then be issued by the State of Queensland.

Echo's Managing Director and CEO, Matt Bekier, said "We are excited to have finalised and signed the development agreements with the Queensland Government to progress our vision to develop Queen's Wharf Brisbane into a globally recognised Integrated Resort that competes with the best in Macau, Singapore and any other destinations worldwide. The redevelopment of Queen's Wharf Brisbane has the potential to deliver significant and positive change for the people of Brisbane, the Queensland Government and DBC. Echo, along with its partners within DBC, looks forward to progressing the opportunity to deliver on the vision for Queen's Wharf."

### Queen's Wharf Brisbane Precinct Development

DBC's proposal includes total investment of approximately \$3.0 billion<sup>2</sup> that covers a range of tourism infrastructure and residential developments:

- An iconic world class Integrated Resort and entertainment precinct with over 1,100 premium hotel rooms and feature Sky Deck – approximately \$2 billion<sup>3</sup>;
- A residential precinct of approximately 2,000 apartments – approximately \$0.9 billion;
- Public infrastructure, including a pedestrian bridge, and development of public area spaces largely along Brisbane's riverfront and repurposed Treasury Casino & Hotel buildings; and
- Investments in improved connectivity solutions for the City of Brisbane.

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<sup>1</sup> Company name is changing to The Star Entertainment Group Limited as approved by shareholders on 4 November 2015. Refer separate ASX Announcement.

<sup>2</sup> Includes payments to the Queensland Government of \$272 million by opening of the Integrated Resort complex for the gaming licence, fees, leases and land.

<sup>3</sup> Includes investment in public realm and other public areas.

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## **Financial Commitments and Economic Contributions**

DBC's proposal will also deliver to the State of Queensland substantial economic benefits such as:

- Significant payments to the State Government of \$272 million by the time the Integrated Resort Complex opens;
- Minimum guaranteed State gaming tax payments to the State Government of \$880 million in total over the first 10 years of operation;
- More than 2,000 jobs during construction;
- Creation of more than 8,000 jobs in Queensland once Queen's Wharf Brisbane is fully operational;
- \$1.69 billion projected annual increase in Queensland tourism;
- \$4 billion projected boost to Gross State Product; and
- 1.39 million additional tourist visitors estimated per annum.

### **Investment supported by long-dated casino licence with attractive terms**

The agreements entered into with the Queensland Government provide for a new casino licence to be issued for Queen's Wharf Brisbane, under which casino operations are permitted to commence upon completion of the Integrated Resort. In parallel, Echo will cease the gaming operations at the current Treasury Hotel and Casino.

The proposed Queen's Wharf Brisbane casino licence will deliver the key operating terms for successful delivery of the Integrated Resort, which include:

- Casino licence term and Integrated Resort precinct lease term of 99 years;
- A 25 year casino exclusivity period for 60km from the Brisbane CBD, from commencement of operations of the new Integrated Resort;
- Gaming tax rates consistent with current levels;
- Maximum approved electronic gaming machines of 2,500;
- Unlimited gaming tables (including electronic derivations) consistent with current Queensland casino licences; and
- Contractual arrangements that provide regulatory and operating certainty on key licence conditions until 10 years from opening of the new Integrated Resort.

### **Echo Entertainment's expected investment under the proposal**

As announced previously, Echo will contribute fifty per cent of the capital to the development of the Integrated Resort and act as the operator under a long dated casino management agreement. CTF and FEC Australia will each contribute twenty five per cent of the capital to the development of the Integrated Resort and will each contribute fifty per cent of the capital to undertake the residential and related component of the broader Queen's Wharf Brisbane development.

As part of the proposal, Echo will invest approximately \$1 billion into the Integrated Resort including contributions to payments to the Queensland Government and investments in public realm. This capital commitment includes Echo's share of payments to the Queensland Government.

Echo will also retain ownership of the existing Treasury Casino and Hotel buildings under a long-dated lease. These buildings will be repurposed into retail facilities and premium hotel accommodation after the new Integrated Resort opens.

As part of the operating arrangements between the consortium members, Echo's existing casino operations and business will be replaced with the new development upon completion and Echo will operate the Integrated Resort in return for a fee. The fee will be determined by the revenue and earnings generated by the Integrated Resort.

Under those arrangements, CTF and FEC will generate referral fees for VIP business directly referred to the facility. As a result of these arrangements, it is anticipated that Echo will be entitled to receive approximately sixty per cent of the cashflow generated by the Integrated Resort, taking into account the operator and referral fee arrangements, ownership proportions and any corporate level costs incurred by Echo in relation to the operation of the Integrated Resort.<sup>4</sup>

Echo expects to have the capacity to fund the project through existing and new debt facilities and free cash flow generated by the business. Echo is confident, based on the joint venture arrangements entered into, that the returns expected to be generated by the investment will be appropriate to meet the company's return hurdles and will deliver superior value to Echo shareholders.

Construction is anticipated to commence in 2017 and Echo expects the new Integrated Resort to open in 2022. A summary of the plans submitted to the Queensland Government by Destination Brisbane can be accessed at [www.DestinationBrisbaneConsortium.com.au](http://www.DestinationBrisbaneConsortium.com.au).

For a summary of the key commercial details, see **Appendix A**.

**For further information contact:**

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<sup>4</sup> Based on the forecast cashflows over the first 10 years of operations

## Overview of Chow Tai Fook Enterprises and Far East Consortium

### **About Chow Tai Fook Enterprises Limited**

Chow Tai Fook Enterprises Limited is a Hong Kong based private company controlled by the Cheng Family. The principal activities of the CTF group of companies are investment holding, property, hospitality and consumer and retail businesses.

CTF also is the controlling shareholder of New World Development Company Limited (NWD, HKEx Code:17), a leading Hong Kong based conglomerate listed on the Stock Exchange of Hong Kong with a market capitalisation of approximately A\$13 billion. NWD, through its Hong Kong listed subsidiaries, engages in property, infrastructure and service, department store and hotel businesses. Rosewood Hotel Group, a company to be wholly owned by CTF, manages a portfolio of 55 hotels in 18 countries across 3 different brands.

### **About Far East Consortium (Australia) Pty Limited**

Far East Consortium (Australia) Pty Limited is a subsidiary of Far East Consortium International Limited (HKEx Stock Code: 35). FEC is an international property development company with a strong Australian presence. Founded in 1960, FEC is one of Asia's largest property developers and is a public company listed on the Stock Exchange of Hong Kong.

Since commencing operations in Australia in 1994, the group has contributed significantly to Melbourne's skyline through 12 landmark urban renewal redevelopments. FEC also owns Care Park Group, one of the largest car park operators in Australia, and Dorsett Hospitality Group, a hotel group with hotels in mainland China, Hong Kong, Singapore, Malaysia, and the United Kingdom.

## Appendix A – Queen’s Wharf Brisbane Development Key Commercial Details

	Integrated Resort Joint Venture	Residential Joint Venture	Total DBC Joint Venture	Echo’s total project commitment
<b>Development details</b>				
Ownership Proportions	Echo 50%; CTF 25%; FEC 25%	CTF 50%; FEC 50%	N/A	N/A
<b>Total Project Costs</b>	<b>Approx. \$2bn</b>	<b>Approx. \$900m</b>	<b>Approx. \$2.9bn</b>	<b>Approx. \$1.0bn</b>
<b>Government Payments</b>			<b>\$272m</b>	<b>\$106.5m</b>
Commitment Fee (FY2016)			\$5m	\$2.5m
First Payment Date (expected 2HFY2016)			\$213m	\$77m
Second payment Date (expected FY2022)			\$54m	\$27m
Expected Start Date	2017	2019		
Expected Completion Date	2022	2023		
<b>Gaming licence terms</b>				
Term	99 years			
Exclusivity	25 years from opening for 60km radius			
EGMs	Maximum of 2,500 units			
MTGMs	Unlimited			
Tables	Unlimited			
Gaming tax (incl. GST) on EGMs	30%			
Gaming tax (incl. GST) on Tables (non-rebate)	20%			
Gaming tax (incl. GST) on rebate program	10%			
Minimum gaming tax guarantee	\$880m of state gaming taxes over the first 10 years of operations			

**Note:** Expected Start Dates and Expected Completion Dates are based on estimated timing for planning approval processes, expected property handover dates, and construction timelines, and may change. Echo’s total project commitment excludes cost of repurposing of the Treasury Casino & Hotel buildings once the new Integrated Resort opens.