

# ASX ANNOUNCEMENT

ECHO ENTERTAINMENT GROUP



31 May 2012

## ECHO ENTERTAINMENT GROUP STATEMENT AND TRADING UPDATE

Echo Entertainment Group Limited (Echo) today announced that in response to the request for an Extraordinary General Meeting (EGM) by Pennwin Pty Limited, it has resolved to hold the EGM on 20 July 2012. The Board of Echo intends to unanimously recommend that shareholders vote against the resolution to remove John Story as a director and against the proposed appointment of Jeff Kennett as a director.

Commenting on these events, the Chairman of Echo John Story noted "These moves by Crown should be viewed through the prism of its ardent desire to gain control of Echo's valuable licences without paying a premium to Echo shareholders. We do not believe that it is in the interests of shareholders that a competitor be represented on the Board. Echo has an extremely valuable portfolio of assets with its network of four casinos along the eastern seaboard. The approximately \$900m redevelopment of The Star in Sydney which is scheduled for completion in early 2013 and the proposed development of our Queensland assets position the company well to maximise the value of our long-term licences. "

Crown has raised the issues surrounding the release of text messages and emails at the time of the independent inquiry by Gail Furness SC. These issues were considered by the inquiry. The report made no adverse findings against Echo or The Star and determined that serious allegations made publicly against the Sydney casino were baseless. Details of certain emails and texts were disclosed by Echo in accordance with company procedures and in order to protect the company's legitimate business interests. Echo's position is that there was no breach by any person of any legal or equitable duty owed to Echo, or the company's Code of Conduct.

The Board of Echo held a scheduled meeting today and after a review of recent trading, determined to provide an update on the performance of the business in the 2012 year to date and report on significant items that will affect this year's results.

### Update on 2H 2012 trading, excluding International Rebate Business (IRB)

Trading conditions have remained difficult in the 2H2012 financial year to date with revenues negatively affected by soft consumer sentiment and weak demand in all of our core markets.

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Gross revenue (excluding IRB) for the group is up 3.1% in the 2012 financial year to 28 May, compared to the previous corresponding period.

Revenues at The Star (excluding IRB) are up 5.5% in the 2012 year to 28 May on the previous corresponding period, with trading in the third quarter also negatively impacted by the sustained negative media exposure and management changes following the departure of the Managing Director and the section 143 Casino Control Act 1992 (NSW) inquiry. However, gaming volume and revenue growth has accelerated in May and the company remains optimistic on the outlook for The Star as operations move through the opening phase.

Revenue growth in our Queensland properties has remained subdued into the 2H2012 financial year with revenue excluding IRB up 0.8% in the 2012 year to 28 May.

As foreshadowed at the 2012 interim results release, the company has initiated a cost optimisation program. This will result in approximately \$10m pre-tax charge being taken in the 2012 financial year. The pre-opening expenses relating to the opening of The Star is expected to be approximately \$38m during the 2012 financial year.

### Update on IRB business

One of Echo's marketing partners for international rebate players, SilkStar Global Marketing Limited (SilkStar), was placed into liquidation in March 2012. Echo had paid a development fee and prepaid commissions to SilkStar when the IRB business was launched in January 2011. As of March 2012, a net of \$7.0m of these amounts was not yet amortised or repaid. After discussions with the liquidators of SilkStar, Echo believes that the recovery of these amounts is doubtful and therefore will be provided for in full.

Further, some of the international VIP customers introduced to Echo by SilkStar have outstanding amounts owed to Echo. In light of SilkStar's liquidation, Echo has also reviewed the prospects of recovery of these balances. Echo has decided to take a prudent approach and increase the impairment provision against this group of customers. As at 31 May 2012, the total write off and impairment provision taken against these customers amounts to \$22.9m. Echo will however continue to vigorously pursue all possible avenues to recover the monies outstanding from these customers.

Accordingly, Echo expects the total write down associated with the liquidation of SilkStar to be \$29.9m.

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The IRB business has seen continued pleasing growth with volume as measured by customer front money up 58.7% in the 2012 financial year to 28 May 2012. Actual IRB gross revenue growth was 2.3% due to the high win rate experienced in the second half of 2011.

The company is scheduled to provide its 2012 financial year end results on 15 August 2012.

Managing Director and CEO Larry Mullin said in a statement: "The IRB business continues to develop momentum and I am confident we have moved past the establishment phase and its associated initial costs. This year has been more challenging than anticipated, and the third quarter was disappointing for us, but with the inquiry behind us, a new Managing Director in charge at The Star, and our Sydney renovations close to completion, we look to the future with great optimism."

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