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HD **Genting mysteriously misses boat as Echo hits straps**

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Among the group of shareholders that descended on the Gold Coast Jupiters Casino to hear the good news that their company, Echo Entertainment, was hitting its financial straps after years of underperformance, there was a notable absence - that of its Malaysian-based and second-largest shareholder Genting.

There is a mystery surrounding Genting's investment that becomes even more confounding as time moves on. It is now almost 2 years since Genting sought permission to increase its investment in Echo from just under its current 10 per cent stake to its stated desire to move to 25 per cent.

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The opportunity cost for Genting of missing out on a bigger slice of Echo's 74 per cent share price gain since January this year is enormous.

Genting's investment in Echo is today worth about $300 million. Had it been able to reach its 25 per cent goal the value of its investment would be closer to $750 million - but one it would have acquired at a faction of today's value.

How it has come to pass that Genting has failed to satisfy the NSW Independent Liquor and Gaming Authority of its credentials to take a bigger stake in Echo is a subject shrouded in secrecy.

The gaming authority is an organisation that is mostly impenetrable - it provides no meaningful commentary on how applications are moving and communicates publicly only when an application has been approved or rejected.

Suggestions earlier this year by media that the authority was being tardy in its approval process and the applicant was feeling frustrated met with a rare response from the regulator, which said, in effect, that it was Genting that was dragging the chain on supplying the information needed.

Its statement in August was pretty clear. "The Casino Control Act 1992 requires the authority to be satisfied that GHK [Genting Hong Kong], its close and business associates and relevant office holders, are suitable to become involved in the management and operation of the Sydney casino.

"This requirement necessarily involves GHK supplying extensive documentation to assist the investigation. When the investigation began more than two years ago, the authority made clear what documentation it required. GHK is fully aware of these requirements, which remain unfulfilled.

"For this reason the authority requested a meeting with K. T. Lim [from Genting] in Sydney last month. Some further documentation has been provided, but still not all that was sought."

In response to queries from Fairfax Media this week, the regulator shed little additional light.

"The Independent Liquor and Gaming Authority continues to work with Genting Hong Kong in respect of their application to be authorised to hold a major stake in Echo Entertainment Group Limited. The

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matter remains under consideration and the authority will make an announcement as soon as it is in a position to do so."

If it is Genting that is frustrating its own process, then it raises the question of why it should do so.

The history of Genting's probity applications demonstrates it has received approvals in other jurisdictions without the time delays.

In New York, Genting received regulatory approvals in four to five months, in Nevada 14 months and in Singapore a speedy two months.

It took the NSW gaming authority 15 months to approve James Packer's Crown Resorts application to increase its **stake** in Echo and fund manager Perpetual received its tick after seven months.

The bottom line is that if or when Genting receives the green light to raise its **stake** in Echo the ball game will change.

Echo's share price doesn't contain much, if any, value associated with potential corporate activity. This would change if Genting received approval to move to 25 per cent.

Perhaps Genting is biding its time and waiting until the outcome of the Queensland government's deliberations on whether it will be an Echo or Crown-led consortium that wins the right to develop an integrated casino operation at Queens Wharf in Brisbane. One got a sense that 18 months ago Echo was engaged in a waiting game for the outcome of an ownership chess game. Since then Packer sold his 10 per cent **stake** and Genting has gone quiet.

To Echo's credit its board has ignored these distractions, elevated chief financial officer Matt Bekier to run the **company** and started to extract the returns from its previous investments in its properties - particularly The Star in Sydney. It demonstrated that working these assets smarter and harder could produce the appropriate returns.

Indeed, the latest update from Echo this week paints a **company** that is taking ground from its arch-competitor, Crown. In a trading update, Echo said that in the first 17 weeks of the financial year gross revenue improved strongly in domestic and VIP revenues.

As a result, Echo anticipates first-half earnings before interest, tax, depreciation and amortisation to come in within the range of $245 **million** to $260 **million**, representing an increase of between 23 per cent and 31 per centIt has been a particularly good result from the VIP market, with gross revenue up 78 per cent.

It is these results rather than the spectre of corporate activity that is driving Echo's improving share price.

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