

# Holding Star Entertainment to Account for Misleading the Market and Breaching Continuous Obligation Laws

Woodsford Case Study



# Holding Star Entertainment to Account for Misleading the Market and Breaching Continuous Obligation Laws

Woodsford is funding a class action in Australia against The Star Entertainment Group Limited (“Star”), a Brisbane headquartered gambling and entertainment company. Star’s business is centred around the management of integrated resorts with gaming, entertainment and hospitality services. Its principal business is operating three hotel and casino complexes in Australia: The Star Sydney, The Star Gold Coast, the Treasury Casino and Hotel in Brisbane.

The claim seeks to recover losses suffered by investors who acquired Star shares on the ASX between 29 March 2016 and 16 March 2022 as a result of Star’s failure to disclose relevant matters to the market prior to corrective disclosures, in particular, Star’s non-compliance with the Anti-Money Laundering and Counter-Terrorism Financing Act 2006 (“AML/CTF Act”) and the failure to adequately inform the market of this non-compliance. The claim also alleges various misleading statements Star issued regarding its AML/CTF compliance and its good corporate governance in foregoing business/money that involved a violation of the law.

A public inquiry into Star’s conduct by the New South Wales Independent Liquor and Gaming Authority has been ongoing since September 2021 (**Bell Inquiry**). Material that has come to light during the course of the Bell Inquiry constitutes further corrective disclosures. Public hearings in the Bell Inquiry took place in March 2022 into Star’s suitability to manage and operate The Star casino in Sydney where numerous adverse admissions regarding Star’s conduct in operating its Sydney casino were revealed during the inquiry.

Notably, the inquiry heard that The Star disguised \$900m worth of Chinese debt card gambling transactions as hotel expenses. This was done by accepting payments from China UnionPay bank cards at hotels attached to the casinos and then transferring the money to patrons’ gambling accounts. This breached The Star’s merchant agreement with its bank and is likely a breach of Australian AML laws, as Star could not undertake proper checks on the funds from these customers.

In 2022, the New South Wales Independent Liquor and Gaming Authority found Star was unfit to run the Sydney casino because it had allowed itself

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to be infiltrated by organised crime, ignored regulatory rules and intentionally misled the regulator and its lenders.

The Australian Securities and Investments Commission (ASIC) has also commenced and filed proceedings against eleven Star senior personnel, including former directors, for breaches of the Corporations Act. ASIC allege that certain Star personnel contravened the Act by failing to discharge duties to Star with a degree of care and diligence that a reasonable person would exercise in the office held. ASIC seeks pecuniary penalties, orders disqualifying the directors from managing corporations for a period determined by the Court, and such further or other orders as the Court thinks fit. AUSTRAC has also commenced proceeding in the Federal Court against Star in early 2023.

In the wake of these disclosures, Star's share price dropped significantly. Woodsford recognised the opportunity to hold Star to account and deliver recompense to those shareholders affected. We selected the specialist class action law firm Phi Finney McDonald (PFM) to run the claim. PFM are experienced in complex and large-scale litigation, with a focus on shareholder class actions. They have achieved almost half a billion dollars in class action settlements to date.

The claim was filed in the Victoria Supreme Court on 3 February 2023 and is ongoing. In summary, the class action alleges that Star:

- a. breached its continuous disclosure obligations under the *Corporations Act 2001 (Cth)* and ASX Listing Rules;
- b. engaged in misleading and deceptive conduct in contravention of the Corporations Act, and the *Australian Securities and Investments Commission Act 2001 (Cth)* and/or the Australian Consumer Law.

As a result, investors have suffered loss and damage by acquiring an interest in Star shares during the claim period at an artificially inflated price.





## About Woodsford

Founded in 2010 and with a presence in London, New York, Brisbane, Philadelphia and Minneapolis, Woodsford is a leading ESG, access to justice and litigation finance business.

Whether it is helping consumers achieve collective redress, ensuring that investors and universities are properly compensated when Big Tech infringes intellectual property rights, or helping shareholders in collaborative, escalated engagement up to and including litigation with listed companies, Woodsford is committed to ensuring the highest ESG standards while providing access to justice.

Working globally with many of the world's leading law firms, our legal experience, investment, business and technical expertise, in tandem with our significant financial muscle, makes us a powerful partner and a formidable adversary.

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