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# The New Zealand Herald Weekend Herald



**EXCLUSIVE**

## DRUG RING RUN FROM SKYCITY



AT THE OFFICE: Ri Tong Zhou on the deck of the SkyCity VIP lounge the night before he was arrested.

Judge warns casino after hearing how crime-ring chief controlled a multimillion-dollar P ring from its VIP lounge

BY JARED SAVAGE

A multimillion-dollar drug syndicate used SkyCity Casino's VIP lounge as an office to plan P deals across the upper North Island.

The gang's ringleader, Ri Tong Zhou, 41, was this week jailed for 15 years after admitting more than 30 methamphetamine-related charges, including the supply of more than \$3 million worth of P in just two months.

In remarks made before sentencing, one of the country's highest-ranking judges, Justice Rhys Harrison, strongly criticised SkyCity for the way it had been used by the drug dealers.

He noted that anti-gambling lobbyists had warned that the casino could become a "scene for large-scale criminal activity or a meeting place for people who commit serious crimes".

The court was told that Zhou ran a sophisticated distribution network, often using the VIP lounge at SkyCity as a hub to discuss the buying and selling of methamphetamine.

Money and drugs even changed hands in the basement carpark, said Crown prosecutor Ross Burns.

Justice Harrison told Zhou: "It is of concern, as Mr Burns has noted today, that much of your dealing was transacted through the medium of the VIP lounge or basement carpark at the SkyCity Casino. You used both as offices."

The judge then took the unusual step of ordering that his sentencing notes be sent to SkyCity chief executive Nigel Morrison.

Detective Sergeant Lloyd Schmid was the officer in charge of the year-long investigation that ended in 13 people being arrested and millions of dollars worth of P and cash being seized.

**'Much of your dealing was transacted through the medium of the VIP lounge or basement carpark at the SkyCity Casino. You used both as offices.'**

JUSTICE RHYSS HARRISON (RIGHT) TO RI TONG ZHOU DURING SENTENCING.



A summary of facts presented to the court said that during 2006, police investigated a large-scale drug ring run by an Asian organised crime syndicate, headed by a mystery man nicknamed Xiao Pang in China.

The inquiry uncovered criminals involved in the supply and distribution of methamphetamine, particularly in Auckland, Waikato and the Bay of Plenty.

Police tapped more than 13,500 phone calls between October and December 2006.

In that time, Zhou supplied 3.8kg of methamphetamine worth up to \$3.7 million.

The summary said Zhou used one of his drug dealers, Jia Wang, to gamble

money earned from his drug dealing to conceal it.

This was effectively money laundering.

He would pay Wang with methamphetamine or vouchers he received from SkyCity Casino as a VIP customer.

She has been sentenced to five years in prison by Justice Patricia Courtney for her role in the drug ring.

Zhou also used another drug dealer to deliver P to the VIP room at SkyCity to give to his customers as complimentary samples.

In July 2007, police and the Department of Internal Affairs admitted New Zealand casinos had a problem with organised crime, particularly money laundering and loan sharks.

A report made public by then-Minister

of Internal Affairs Rick Barker revealed criminal activity at SkyCity had been under investigation for at least 10 months.

Internal Affairs and police had "a significant amount of evidence" that predominantly Asian groups "were frequenting New Zealand casinos for the purposes of criminal networking, money laundering and social gambling using illegitimate funds".

Mr Morrison was unavailable for comment yesterday, but SkyCity's general counsel, Peter Treacy, said Justice Harrison's notes had been received.

"SkyCity does not condone this stuff at all," Mr Treacy said.

"We don't want the bad guys in our casino, we don't need their custom. We have zero tolerance for it."

Since the police investigation finished,

Mr Treacy said, SkyCity had improved its surveillance and sharing intelligence with Internal Affairs and police.

Asked how Zhou could have used SkyCity as his "office" despite the thousands of closed-circuit surveillance cameras in the casino, he said he could not answer that because he had not seen the police evidence.

"I can't speculate on something that happened two years ago. But we are getting better at swapping information with the authorities."

Internal Affairs national compliance manager Debbie Despard said casino operators were expected to report any suspicious activity.

"It's fair to say SkyCity is a lot better at that today than when this happened. I would be extremely surprised if this happened again," she said.

Despite the criminal actions of Zhou and his associates in the casino, Internal Affairs did not take any action against SkyCity.

Ms Despard said this was because there was no specific requirement in gambling legislation, just an "expectation that a responsible operator would ensure the casino environment is safe".

Internal Affairs Minister Richard Worth said the Government expected casino operators to be recognised as having world-class crime-free and corruption-free status.

**INSIDE**

■ Drug ring exposed — A5

## Minister's get-tough letter puts heat on SOEs

BY CLAIRE TREVETT AND GRANT BRADLEY

The Government is planning a shake-up of state-owned enterprises after criticising them for what it says is poor financial performance.

In a letter to all board chairpersons, SOE Minister Simon Power said the Government had "cause for concern" about "relatively poor and declining" results at 15 companies, and believed change was required.

Mr Power said profits for the

second half of last year were down 50 per cent.

The letter "invites" the board leaders to a meeting with shareholding ministers — Mr Power and Finance Minister Bill English — on April 9.

It effectively puts board members on notice that their jobs are up for review, saying the first priority is increasing the commercial expertise of the boards — the reason ACC Minister Nick Smith gave for sacking his board chairman, Ross Wilson, this week.

New appointments are due in late

**INSIDE**

■ ACC threatens NZ's credit rating, warns Smith — A3, B1

April or early May. Mr Power said he would not comment on whether major changes would be made.

The ministers want to set clear financial targets, which boards will be held accountable for achieving.

They also want greater financial openness, and a continuous disclosure requirement similar to that covering stock exchange-listed companies could be applied to large SOEs.

The letter indicates the Government will not let SOEs ease the pain of the recession by not paying dividends.

It plans to discuss its dividend expectations with each SOE, and reserves the right to direct them to pay a dividend as a last resort.

"The relatively poor (and declining) financial performance of SOEs,

coupled with the challenging economic conditions, has brought us to the conclusion that change in the SOE portfolio is urgent and essential," the letter says.

In the year to June 31 last year, the 18 SOEs, excluding Ontrack, made profits of \$639 million.

Yesterday, taxpayer-owned power company Meridian Energy — usually a big dividend payer to the Government — reported a 15 per cent fall in profit.

Mr Power said he and Mr English were concerned about all SOEs, which

range from property valuer Quotable Value to the power generators.

"I think shareholders representing \$24 billion of taxpayers' money have an obligation to make sure entities are obtaining a decent financial return."

Wayne Brown, chairman of Transpower and the telecommunications and broadcasting SOE Kordia Group, said the letter from Mr Power was a perfectly appropriate pursuit of commercial objectives and was what he expected from an owner.

"It's not a problem for me."

## MAN, 21, CHARGED WITH KILLING 5-WEEK-OLD BABY

A 21-year-old Taupo man has been arrested and charged with the murder of a 5-week-old boy who died in Auckland's Starship hospital last Saturday.

Jayrhis Ian Te Koha Lock-Tata was first admitted to Taupo Hospital with head injuries on March 5, then transferred to the Starship.

A post-mortem examination found Jayrhis died as a result of non-accidental head injuries.

The arrested man, who is unemployed, is to appear in the Taupo District Court today. NZPA

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