

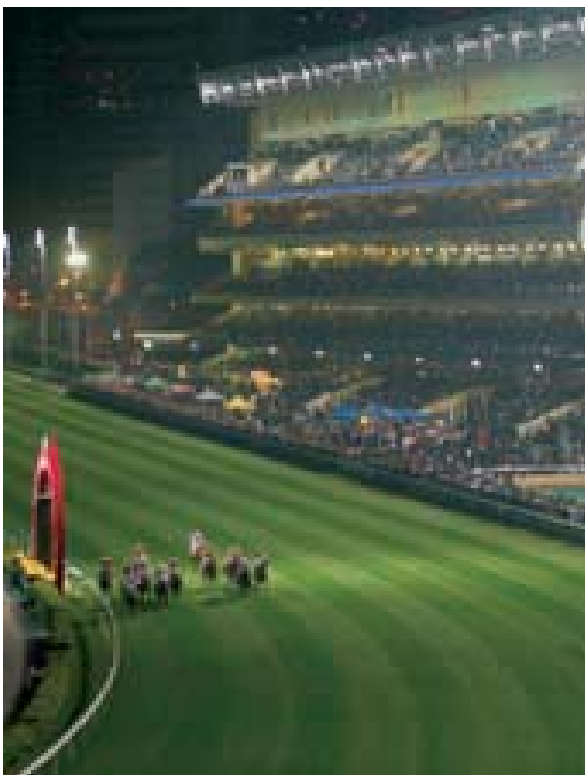
Reaching Asia

“From size - to strength - to success – Asia has made a massive impact on the world’s racing landscape”

According to International Federation of Horse Racing Authorities (“IFHA”) statistics Asian racing delivers 39.3% of global prize money, its regional betting turnover accounts for 63.9% of the world total, and breeding 35%.



Writer:
Katrina Partridge



Hong Kong Racecourse

An integral factor in the evolution and success of racing in Asia is the Australian thoroughbred. The most salient example of this was Silent Witness’ recent crowning as the best sprinter in the world.

AUSHORSE chairman and managing director of Arrowfield Stud, John Messara, states: “Australia is among the best placed nations to service Asia as far as bloodstock is concerned. We are in the same time zone, our horses are fast and tough, and we understand Asian culture from decades of trading with the region.”

Magic Millions has profiled the racing industries of six Asian countries to explore some of the challenges they face as they head towards 2010, and what role the Australian horse continues to play in their development.

Hong Kong

Hong Kong has come a long way from the days where pint sized half-broken Mainland ponies constituted its racing ‘elite’. Far from the rampant corruption which characterized its early history, modern day racing in Hong Kong is noted for its scrupulous honesty. The “who’s who” of jockeys, trainers and, increasingly, internationally credentialed and performed horses in this town has created an environment that David Hall (who, after training Makybe Diva to win the 2003 Melbourne Cup, was invited to train in Hong Kong last year) says “is the ultimate prize for a professional”.

The Hong Kong Jockey Club (“HKJC”) has raised the bar to such a level that in the recent World Thoroughbred Racehorse Rankings three Hong Kong horses ranked in the top 50, a fourth just two pounds below the elite group. Says Jockey Club director of racing, Winfried Engelbrecht-Bresges: “[it] really shows that our horses are equal to those of any other leading racing country with international judges ranking them

among the very best in the world today.” Between 300 and 350 horses are imported privately to Hong Kong each year. The Club also selects approximately 30 yearlings from the premier yearling sales around the world to offer at a niche 2yo’s in training sale each December. Magic Millions has been appointed selling agent for this prestigious sale in 2004 & 2003. One thing that becomes clear when wandering along the stable rows and analyzing the pedigree information printed alongside each horse’s name is the frequent appearance of the AUS suffix. It is perhaps not that surprising. A number of Hong Kong’s best horses have carried Australian brands including the former champion Fairy King Prawn. An even more prominent example is current World Champion sprinter Silent Witness who holds a world record for consecutive number of wins [17] and prize money to the end of the 2004/5 season of HK\$50,439,196. They’re not anomalies. Of the 18 horses currently racing in Hong Kong with international ratings of 110+, 10 were bred in the Southern Hemisphere (6 in Australia).

“The quality of horses has skyrocketed over the last decade,” says Hall. “In the last 12 months alone the world has seen Silent Witness, Cape of Good Hope, and Vengeance of Rain. You simply can’t ig-



John Messara

nore what is coming out of Hong Kong.”
 “Close to 50% of this stable would be Australian bred horses,” Hall adds, who has 40 horses in work, including the 100+ rated Ain’t Here. “Conditions here are pretty similar to Australian conditions. Lots of Australian horses adapt straight away where as the Northern Hemisphere horses seem to take an extra season to acclimatize.”
 Former champion (now retired) trainer Ivan Allan mirrors his comments. “Generally speaking English and Irish horses are more fragile, while the Australian and New Zealand horses are tougher and acclimatize quicker. You need a breed that you can be

confident will cope with the conditions.”
 Hong Kong is the leading country in the world for average prize money per race but like many other countries in the region, Avian flu, SARS, the Asian economic crisis (and resultant crash of the property market), and a younger generation demonstrating a taste for football rather than the comparative complexity of race form have all impacted on racing turnover. Last year’s turnover came in at HK\$65 billion (plus football turnover of HK\$16.1 billion), a significant drop since the heady days of 1997, and the seventh straight year of decline. But any country savvy enough some 60 years ago to foster an image of gambling as a positive one in society (courtesy of the huge annual contribution the HKJC makes to charitable causes) is well placed to survive the current hurdles. No other Club has come close to matching the HKJC for its tireless efforts to keep “entertainment” in the equation – from the HK\$400million spent to erect the world’s largest diamond vision screen, world’s first fully retractable parade ring roof, renovated racing centre, Owners’ Pavilion, saddling area and expanded public viewing balconies which doubled audience capacity at the paddock, to the interactive HKJC website, and club’s adoption of mobile betting to provide real time race clips and betting services.



Winfried Engelbrecht-Bresges:



David Hall and Makybe Diva after winning the 2003 Melbourne Cup

The future, whilst not all smooth financial sailing, seems destined to continue setting the standard in Asia. The HKJC simply won’t accept anything less.



The Hong Kong International Sale - appointed selling agent Magic Millions

China

The earth’s most populous nation is increasingly at the forefront of global commercial attention. From the thoroughbred perspective, it is also one that has evolved with a particularly Australian flavour. This was no more clearly demonstrated than in a 1600m race for 3 year olds on 26 August 2005. The race was the first sponsored by an international company and of the 14 locally-bred horses who lined up for the race, 12 (plus the 2 emergencies) had the (AUS) suffix after their sire or dam (notably, 5 had it on both sides of their pedigree). This was not a hand picked group; rather the tangible result of more than ten years of international collaboration.

The sponsor of the race was Magic Millions. “We were honoured to be associated with the Beijing Jockey Club in sponsoring the Magic Millions Australian Beijing Red Cross Cup,” said managing director David Chester, who visited China for the race.

The Mainland supports a long and distinguished history with the horse but thoroughbreds are quite new to the equation. Yun Pung Cheng, a key figure in the famous Domeland Syndicate in Australia, had the vision and commitment to establish the largest of China’s racing operations in the capital in 2001. Additional tracks have since been developed by other investment groups in Wuhan, Dalian, and Guangzhou. Their appearance is particularly noteworthy when one considers that the Chinese government supports a zero tolerance policy on gambling, a law that was introduced when the communists came to power in 1949.

It was an Australian company - Instone Air Services - that flew the inaugural plane load of thoroughbreds into China on 31 August 1997, and the company has managed every flight since. “It’s a country that is embracing racing in a very positive way” states Managing Director Chris Pearson whose company will also support the Beijing Jockey Club, with sponsorship for their Beijing Red Cross Sprint Cup to be held on

Saturday 24 September.

Director of Racing at the Beijing Jockey Club, Kevin Connolly, manages a team of more than 700 staff, including six foreign trainers (two of whom are Australian expatriates John Gilmore and Brian Lawrence). He confirms that there are now more than 2,500 thoroughbreds in China. “Tongzhou is one of the best tracks in the world. We have 900 stables at the track, state of the art security, a fully functional DNA, and blood typing laboratory, 2 swimming pools, 4 walkers, sand yards, 2 grass tracks, and a series of hospitality suites. The international visitors are always very pleasantly surprised when they first see it.”

Whilst historically horses had to be leased or purchased through the Beijing Jockey Club (which also administers the adjoining Huajun Stud), this policy has recently been changed so that horses may be purchased externally and bought into the country to be raced as long as they pass strict DNA, veterinary, and blood typing procedures. Connolly predicts that longer term this will increase the amount of money spent by the Chinese on thoroughbreds. The new owners’ scheme has only just passed its first anniversary, yet already has 100 owners. It is a notable achievement when you consider that the Club has not actively marketed itself.



Kevin Connolly



Chris Pearson



Magic Millions Australia Red Cross Cup, Beijing

“We wanted a very capable product to sell to the public before we did any promotion,” Connolly says.

The majority of horses imported to China during the formative years carried Australian brands and the reason for this, says Connolly, comes down to the inherent quality of the breed.

“With the introduction of the shuttle stallion and influx of better mares from Europe and the US to Australia some decades ago, the difference between a Northern and Southern Hemisphere pedigree is becoming far less apparent,” he says. “Logistically it is also much easier – and cheaper – to move horses from Australia to China.”

“If racing does take off then there will be

another Newmarket or Scone or Kentucky,” predicts Dr Treve Williams (Senior Partner at Randwick Equine Centre, and former Australian Jockey Club Chairman), who has more than forty years experience in veterinary medicine and who has worked and traveled extensively in Asia. “If gambling is approved then we may well see China purchasing the best horses in the world.”

David Chester believes that if the privately owned racetracks in China direct a percentage of profits of racing into community projects and charities, as is the case in Hong Kong, the central government may have cause to reconsider the gambling issue for the overall good of the people of China.

In a country that is struggling with rapid urbanization and ensuring population stability in rural areas, racing promises a lot more than just entertainment – it offers employment. A considerable amount of expertise and trained staff will be needed if even a small percentage of China’s 1.3 billion people are to be attracted to the sport. On the other side of the coin, for the growing middle class in China, horse ownership also offers something that the rapid influx of brand names already seeks to fulfill – so-

cial status.

In combination the two could provide the natural impetus for the industry.

Japan

Japan is the fourth largest producer of thoroughbred foals each year, hosts the fourth highest number of races each year, offers the third highest prize money average per race, and has the world’s biggest betting turnover. On the breeding side, as Danehill has revolutionized the industry in Australia, so too has Sunday Silence in Japan. The visionary behind the horse’s introduction in 1990 was Zenya Yoshida, patriarch of the famed Yoshida family. In the words of John Messara: “[Mr. Yoshida’s] 1976 acquisition of Northern Taste and the later acquisition of Sunday Silence reshaped the landscape in that country with worldwide ramifications.” As strong regional trading partners, Australasian companies have intensified their efforts in the past decade to alert Japan to the wealth that lies south. The pioneer for these trade missions was AUSHORSE, which was originally established in a joint venture with AUSTRADE. More recently, the sale companies have taken up the challenge.

In conjunction with these efforts, a num-



Vin Cox



Dr Treve Williams

ber of stallions have also shuttled between Japan and Australia for the Southern Hemisphere breeding season.

“This has influenced the major Japanese players to visit Australia and to reassess bloodstock opportunities in Australia” comments Messara. “That, in addition to AUSHORSE’s and the sales companies’ promotional efforts, has convinced Japanese farms/owners that Australian yearling sales offer a cheap entry into international pedigrees. The recent success of some of their Australian yearling purchases on the racetracks of Japan, despite the Northern/Southern Hemisphere age difference, has



Mr Hideyuki Mori and Zenno Goshu

encouraged them to return to our markets”.

International bloodstock agent Vin Cox confirms that there has been an increasing focus from Japan. “We have been very competitive when we go to the Northern Hemisphere to race. We’re breeding a good horse. If you do that then people will become interested.”

“I like their overall physical condition” says one of Japan’s leading trainers - Hideyuki Mori - of Australian horses. “Their substantial bone mass, good speed, and strong hooves are examples of their outstanding features”.

In 1999 the JRA amended its racing rules to allow at least two places to foreign-bred horses for all of its Group 1 races, beginning with the Emperor’s Cup in the Northern Spring of 2000. Then Australian Minister for Trade, Mark Vaile, said that the decision was “a welcome step in the opening of the Japanese market”. At the same time the JRA also announced it would double the number of races open to entries from overseas trained horses. The effect of these changes saw the number of “international” races open to foreign-born horses increase from 12 to 24 races. The initiatives have seen Australian horses the ilk of Makybe Diva contest the ¥261.2 million (\$3.1m) Emperor’s Cup and Magic Millions 2yo Classic winner, and multiple G1 winner, Testa Rossa the Yasuda Kinen. A number of Japanese horses have also traveled to Australia for the Spring Racing Carnival.

In a possible first for Australian racing, Mori has also confirmed that he is aiming two of his Japanese-based horses for the 2006 \$1m Magic Millions 3YO Trophy over 1400m saying that incentive races with this level of prize money are attractive for international buyers.

“This news from Mr. Mori is extremely exciting,” Magic Millions managing director David Chester says “To have two Japanese based horses being aimed at the 3YO Trophy makes what is already shaping as a historic meeting even more special.”

There have been other inter-country initiatives between Australia and Japan. Hokkaido’s large number of stud farms has created a market for grain and other specially formulated racehorse feed, of which Australia

is the biggest supplier. There also appears an appetite for Australian horsemanship, and farrier skills. The Japan-based Yushun Club (that counts its Japanese members in the thousands and locally syndicates its horses amongst 100/300/500 owners) has also broadened its buying activities in the last few years to include Australian yearlings, which remain to race in Australia for the many thousands of club members in Japan. In addition to recent forays into the shipment of mares to Japan to be mated to Japanese based sires (to Southern Hemisphere time) by Arrowfield Stud, there have also been a number of Japanese mares sent to Australia to take advantage of service fees and stallion offerings.

Mori and Messara admit that the horses’ Southern Hemisphere birthday does limit the wider appeal they could enjoy “but the pedigree and cost considerations continue to draw interest from Asia and elsewhere.”

“Our horses are still very cheap in international currency terms,” says Messara “We offer recognizable pedigrees and well-grown athletes. Importantly, unlike many other places, most of the best bred horses in Australia find their way into yearling sales. This is not the case in other places, so it is a wonderful opportunity to shop for quality.”

Korea

They’ve built the infrastructure, followed Hong Kong’s lead in channeling a percentage of profits to charity, increased the prize money, and are attracting a better quality of horse. As Mark Newnham, a regular trackwork rider for Gai Waterhouse (and one of 3 Australian jockeys to have been recently granted a six-month riding license) states “[South Korea] is a great opportunity.” Overseen by the Korean Racing Association (“KRA”) since 1933, South Korea supports three tracks, and posted betting turnover of US\$5.3 billion and 15 million attendees in 2004. 2005 results may exceed these excellent figures. The country recently hosted the 30th Asia Racing Conference plus the International Jockey Race, and the opening a new race track in Busan in September will see 12 races hosted each Friday, each worth A\$62,000.

Seoul-based Trade Commissioner,

Queensland Government Trade & Investment Office, Matthew Kang, says “Since the KRA deregulation of purchasing foreign racehorses, Korean individual horse owners are now actively taking and enjoying opportunities to purchase foreign horses by directly visiting Auction events in overseas countries such as Australia, the United States and Japan.”

“This is also supported by the increasing interests from Korean racing fans, this industry will steadily grow as Korea opens a second race track (named Busan-Gyeongnam Horse Race Park) at the end of September.” Mr Kang says.

His words are echoed by high profile local owner Ms Soo Hwa Yang: “The interests and affection from Korean horse racing fans have allowed Korean horse racing industry to continue to grow”.

Like every other country in Asia, the Australian thoroughbred has proven a dominant factor in the industry’s development. South Korea supports a local breeding industry that constitutes more than 50 stallions (including (Our) Poetic Prince – winner of the Group 1 1998 W.S. Cox Plate), 1703 broodmares, and an annual foal crop of approximately 1000. Australia continues to supply large numbers of horses to the developing market: 160 in 2004 (compared to just 20 in 2001 - 3 in 2003) – figures that



Matthew Kang



Soo Hwa Yang

demonstrate Korea's ongoing commitment to enhancing the quality of the local horse population (particularly when one considers that the number of domestic bred horses had reached 79% by 2004).

Ms Yang says "The Australian thoroughbreds have proven world class bloodlines and good records, in particular in long-distance racing. They also offer good value to Asian purchasers courtesy of their lower average price".

It's a combination that appears to be working – as do the relationships forged between South Korea and the Magic Millions:

"I have been much impressed by the Magic Millions' promotional activities in Korea which have been strongly supported by the Queensland Government Trade and Investment Office in Korea," says Ms Yang "They provide a high level of service and expertise and have, as a result, built trust with their commitment to Korean buyers".

Singapore

The inaugural running of the Singapore Airlines International Cup in 2000 thrust this quiet country into the international spotlight; promptly followed in 2001 by the International Standards Committee (ICSC) according Group 1 status to the race

(and Group 3 status to both the \$1million Singapore Airlines KrisFlyer Sprint and the \$1m Singapore Cup).

Approximately 900 Singapore-based horse owners are nowadays registered with the Malaysian Racing Association. Unlike certain other countries (HK for example), ownership is not restricted to those who are resident in the country. There is also no cap on the number of horses that an individual can own. Today's stables at Kranji can accommodate 1,200 horses and trainers have use of seven training tracks. There are currently 22 trainers in Singapore of whom 6 are Australian (including the well credentialed Don Baertschiger and John Meagher). There are also a number of Australian jockeys: Matt Pumpa, John Powell, and new faces Aaron Spiteri and Stephen Maskiell. Visiting riders have included Glen Boss, Steven King, Danny Nikolic, and Lennox Beasley.

Singapore's most famous trainer, the now retired Ivan Allan states "The clearance for expatriates to be engaged in the stables has been a positive on the quality of local racing. Previously, racing was restricted to mainly Javanese immigrants who were good but now with the exposure to foreign expertise the handling and care of horses in Singapore has improved".

In addition to trainers and jockeys, horses arriving from Australia have played a significant role in the evolution of the Industry. Two of the most successful horses in Singapore's history were bred in Australia: Magic Millions graduate Fischer - whose multiple victories include winning the Silver Cup, Sultan Gold Vase, Penang Sprint Trophy, and Selangor Gold Cup (three times); and Smart Bet - whose wins included the Orchid Cup, Chairman's Trophy (twice), Kranji Mile, Singapore Gold Cup, Singapore Derby and Raffles Cup. In fact, of the top seven horses in Singapore's history, five were bred in the Southern Hemisphere. Magic Millions graduates have excelled in Singapore - Mummify went across from Australia and won the Singapore Airlines International Cup (Int-Group 1) in a thrilling finish in 2005. In 2002, another three-year-old from Australia, North Boy won the Singapore Airlines KrisFlyer Sprint (Int-Group 3) in course record time of 1 min 9 secs (To-

ledo having run 3rd in 2001).

Allan agrees that Australian horses have performed extremely well in this part of the world. "The Australian thoroughbred features prominently in the race horse population because they are tough and sound. From birth they are exposed to sunshine all year round and do not have to endure severe winters as those born in the Northern Hemisphere. Also they are trained and raced on circular tracks, similar to Singapore".

Fostering the relationship between the countries, Magic Millions has also been involved in local initiatives such as sponsoring the AUD\$1million Argyle Diamonds Singapore Magic Millions Classic. The Singapore Turf Club ("STC") also recently announced that from 1 November 2005 they will simulcast 37 races from Western Australian Turf Club (WATC). Chairman of Perth Racing, Ted van Heemst commented: "Perth Rac-



Ivan Allan

ing has long recognised that our future is intrinsically linked to our time zone, and to strengthen our links with the STC which has established itself as an international force in the world of thoroughbred racing, is an exciting outcome for our Club. The aim is to increase crowd size and betting turnover".

"Singapore horse racing is 'clean' and provides entertainment for those who love a wager," concludes Allan. "Racing here has

also gone International with the S\$3 million SIA Cup. Along these lines and with tight controls Singapore racing will emerge very successful and should enter a new 'golden era'."

Malaysia

Malaysia is, in many ways, unique in Asia. It is a predominantly Muslim country and Islam, which forbids gambling, provides the political backdrop. Only non Muslims can gamble, and then only on horse racing and lotteries. Although the MRA has an office in Kuala Lumpur, the head office is in a separate country (Singapore).

Malaysia's distinct religious and cultural differentiators have greatly impacted the public positioning of horse racing, and the industry has also struggled in recent years with problems associated with illegal bookmaking. However, it has been disease that has posed some of the biggest challenges to the country's racing. Singapore imposed a ban on the movement of horses from Malaysia to Singapore following the outbreak of the Nipah virus in Malaysia in 1999. In an attempt to rebuild the cross-Straits races, the Totalisator Board of Malaysia has recently granted RM\$4.2million to the three Malaysian clubs to assist them in building the Singapore government mandated isolation stables that will allow cross-border racing to recommence.

A man who intimately understands the industry is Datuk Seri Teh Choon Beng, recently conferred the title of Datuk Seri for his contributions to the racing and tourism industry. Teh – whose training battles with the other great trainer of the time Ivan Allan were legendary - was crowned MRA champion trainer 13 times, and earned the world record for the greatest number of winners saddled on one day for the same owner (7). Today he is also a prominent committee man of the Penang Turf Club ("PNTC").

"The PNTC will be the first among the three Malaysian clubs to resume limited cross border racing with Singapore during our September Sprint Trophy Meeting 2005," Teh says. "Hopefully, this will be the beginning of more cross border races to follow so that our races can be more exciting, competitive and colourful."

The PNTC is also looking offshore to boost



2005 Magic Millions Penang race presentation. Datuk Seri The Choon Beng is sixth from right holding winner's sash.

numbers. A Cash-Incentive-for-Purchase Scheme ("CIPS") will be implemented from January 2006 to increase numbers and also the quality of horses in the country.

"The CIPS scheme is one of the ways to make horse ownership more attractive to the owners," says Teh "We are also throwing in a lot of incentives to bring the cost of horse maintenance down and at the same time increase the returns to owners by giving out higher stakes. Every Malaysian club is doing its best to boost local horse population and attract more quality horses."

Depending on the purchase price, an owner purchasing a racehorse under CIPS shall be eligible to receive a cash incentive ranging between 8% and 18% of the purchase price for horses bought at Magic Millions Sales (a 5%-7.5% incentive is offered for horses purchased at William Inglis & Son and Tattersalls Ltd). There is also a 5% incentive for the purchaser to agist the horses at approved studs/farms prior to coming to Penang. Vendor studs/farms where the purchaser will qualify for the additional 5% incentive are Wadham Park, Durham Lodge, Mungrup Stud, Lyndhurst Farm, Oakwood Stud, and Dawson Stud.

"Being one of the leading horse breeding countries in Australasia and also a major trading partner with Malaysia is a big plus factor for the Australian horse industry," says Teh. "Through the years, Australian horses have also proven their abilities on

the tracks here, resulting in their popularity with local owners."

Malaysia is not resting on its laurels. Teh ticks off a number of developments that aim to fan the sport back towards the limelight it enjoyed in recent decades. "[There have been] an improvement in facilities for trainers, setting up of off-course betting centers, the introduction of more types of exotic bets such as the trifecta, forecast 4, double bet and place quinella, lifting of the historical mobile phone ban at the club to cater to customer demand, 'live' telecasting of horse racing to the homes is now possible and we are moving slowly towards this direction, introduction of telephone betting for our punter, the simulcast of overseas races, development of a strong relationship between Penang Turf Club and Magic Millions, introduction of incentives to owners of Australian bred horses racing in Malaysia and in the pipeline is the planned relocation of Penang Turf Club to a new ultra modern racecourse".

In 2006 Magic Millions will sponsor the Malaysian Magic Millions Classic race at Penang Turf Club with stakes of RM\$350,000 plus (with an added bonus of RM\$50,000 if a Penang-based trainer wins the race). Such sponsorship together with additional money from breeders, feed companies, Pay-Channel TV and the MRA, are all quietly aiding the sport to forge a new identity and increase its popularity.