

Galloping Towards Global Commingling – Hong Kong's Experience

**Bobby Chang, Head of Betting Services and Systems
The Hong Kong Jockey Club**

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The Hong Kong Jockey Club

Agenda

- HKJC 2006/07 Season Highlights (Video)
- Overview of HKJC's Simulcast Program
- Hurdles and Issues
- Opportunities and Future Plans



HKJC offers a world-class racing program ...

- 78 competitive race meetings from September to July of each year
 - Night race meetings typically on Wednesdays
 - Day race meetings typically on either Saturdays or Sundays
- A number of richly-prized Group 1 races
 - Hong Kong Cup (Hong Kong International Races, 9 Dec 07)
 - Hong Kong Vase (Hong Kong International Races, 9 Dec 07)
 - Hong Kong Mile (Hong Kong International Races, 9 Dec 07)
 - Hong Kong Sprint (Hong Kong International Races, 9 Dec 07)
 - Queen Elizabeth II Cup (27 Apr 08)
 - Champions Mile (27 Apr 08)
- World-class horses, jockeys, trainers, courses and related facilities
- Highest level of integrity, establishing global best practices



... and large, stable as well as competitive betting pools.

Pools	Winning Criteria	2006/07 Turnover (US\$ m)		
		Total	Per RM	Per Pool
Win	1st	1,566	20.1	2.2
Place	1st, 2nd or 3rd (7 or more declared starters) 1st or 2nd (4 to 6 declared starters)	1,170	15.0	1.6
Quinella	1st and 2nd in either order	2,172	27.8	3.0
Quinella Place	Any 2 of the 1st, 2nd or 3rd in any order	1,852	23.7	2.6
Double	1st in each of the 2 legs Consolation: 1st in first leg and 2nd in second leg	209	2.7	0.3
Tierce	1st, 2nd and 3rd in correct order	509	6.5	0.5
Trio	1st, 2nd and 3rd in any order	323	4.1	0.4
First 4	1st, 2nd, 3rd and 4th in any order	102	1.8	0.2
Double Trio	1st, 2nd and 3rd in any order in each of the 2 legs	83	1.1	0.4
Triple Trio	1st, 2nd and 3rd in any order in each of the 3 legs Consolation: 1st, 2nd and 3rd in any order in any 2 of the 3 legs	127	1.6	1.6
Six Up	1st or 2nd in each of the 6 legs Six Win Bonus: 1st in each of the 6 legs	73	0.9	0.9
Bracket Win	Bracket number of the 1st	9	0.2	0.0
Treble	1st in the 3 legs Consolation: 1st in the first 2 legs and 2nd in third leg	9	0.5	0.5
Total		8,205	106.1	



HKJC's outgoing simulcast program has been running for close to 20 years.



8 countries/regions: Australia, Canada, Macau (commingling), Malaysia, New Zealand, Singapore, South Africa and US (commingling)



Benefits of Commingling

- Provide customers with a superior product vis-à-vis separate pools
 - Larger pools / more handsome payout, especially on long-odds bets
 - More stable odds
- Increase business opportunities for guest and host tracks/operators
 - Incremental revenue on existing program for host
 - Low cost method to expand program and betting opportunity for guest
- Enlarge taxation base and income for both guest and host governments
- Help tackle illegal gambling situation
 - More competitive product
- Provide a legal channel to combat off-shore operators



Commingling with Macau – Overview

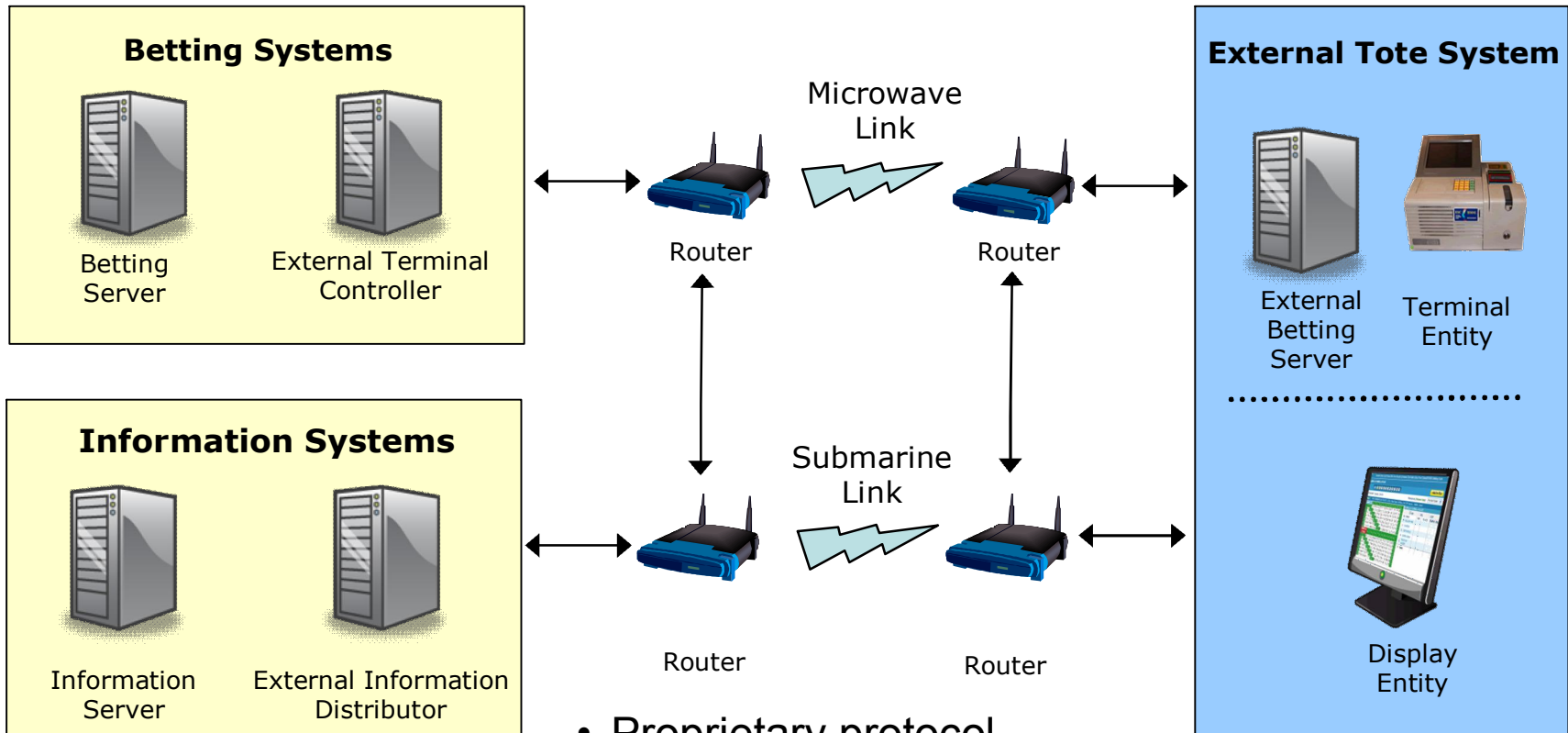
- Began in January 2005
- Partner (Guest): Macau Jockey Club (MJC)
- All Hong Kong races
 - MJC race on Friday and the other weekend day when Hong Kong is not racing
- Win, Place, Quinella and Quinella Place
 - Other pools are under discussion
- MJC / HKJC: Hong Kong Dollars
 - Customer / MJC: Hong Kong Dollars or Macau Pataca
- Gross pool pricing



Commingling with Macau – Technical Setup

HKJC

MJC



- Proprietary protocol
- On-line bet validation model



Commingling with the U.S. – Overview

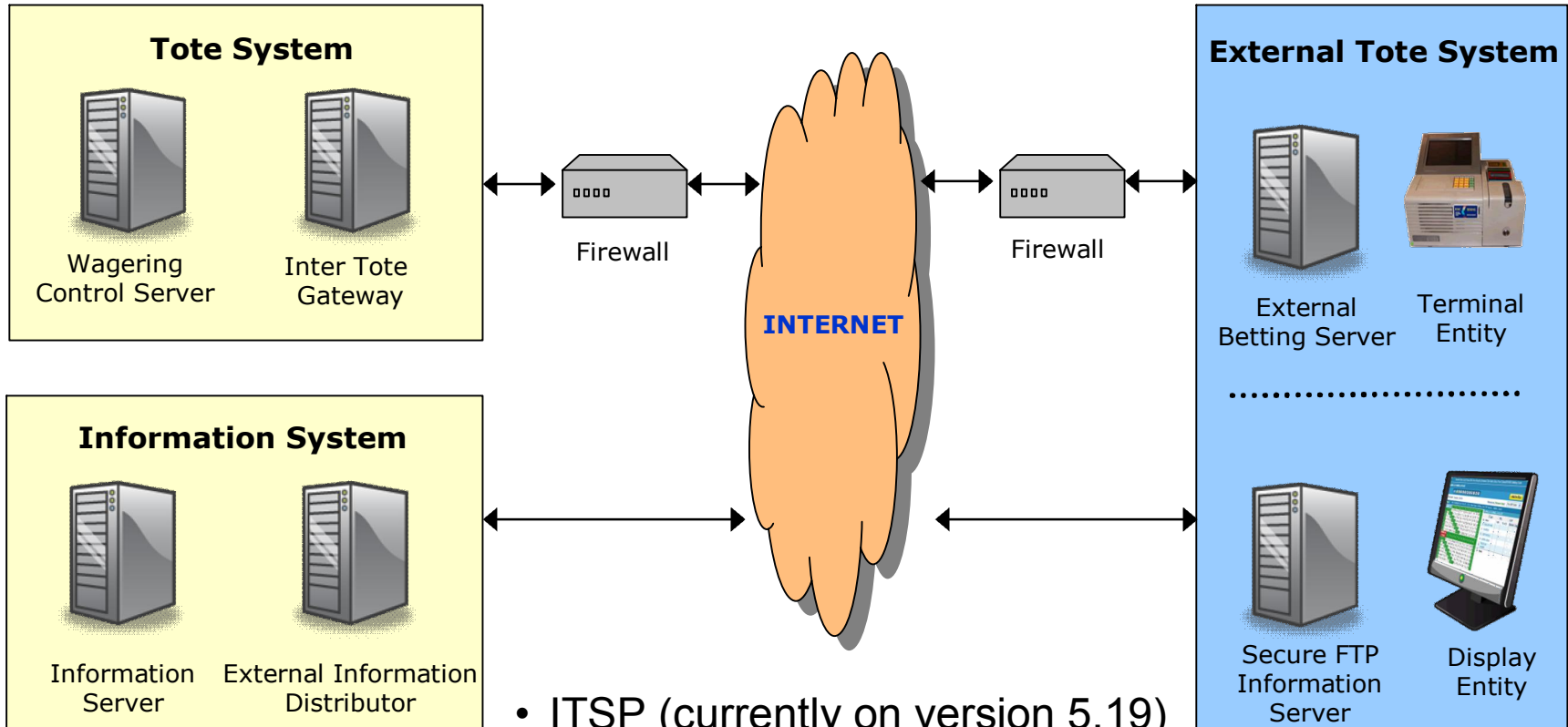
- Commingling began in September 2007
 - Separate pool since 1994
- Partner (Guest): Las Vegas Dissemination Company (LVDC)
- All Hong Kong races
- Win, Place, Quinella, Quinella Place, Double, Tierce, Trio, First 4
 - Double Trio, Triple Trio and Six Up by first quarter 2008
- LVDC / HKJC: Hong Kong Dollars
 - Customer / LVDC: U.S. Dollars
- Gross pool pricing



Commingling with the U.S. – Technical Setup

HKJC

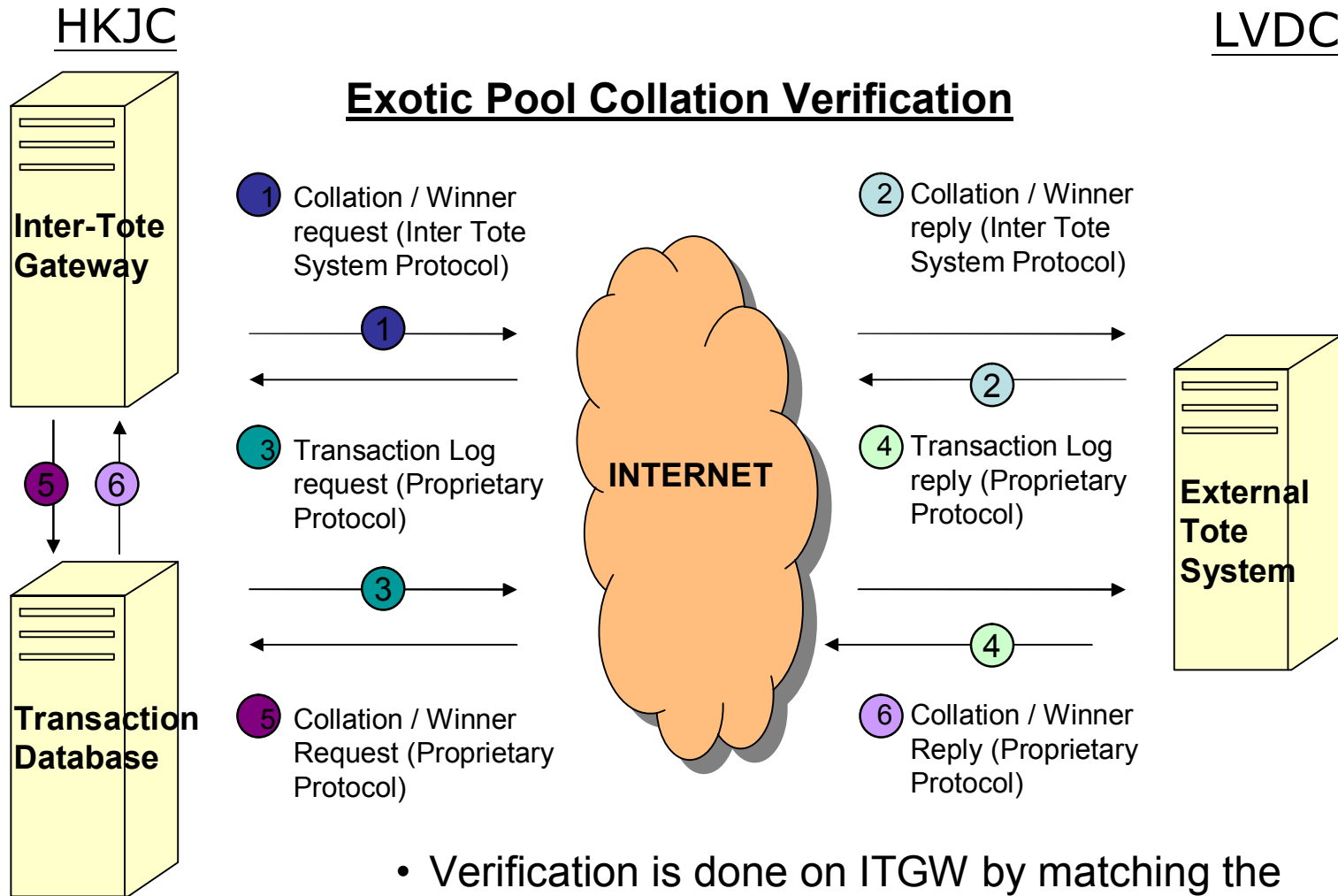
LVDC



- ITSP (currently on version 5.19)
- Collation plus batch bet file



Commingling with the U.S. – Technical Setup



On incoming side, HKJC is allowed to bring in 10 races into Hong Kong annually.

2006/07 Incoming Simulcast Program

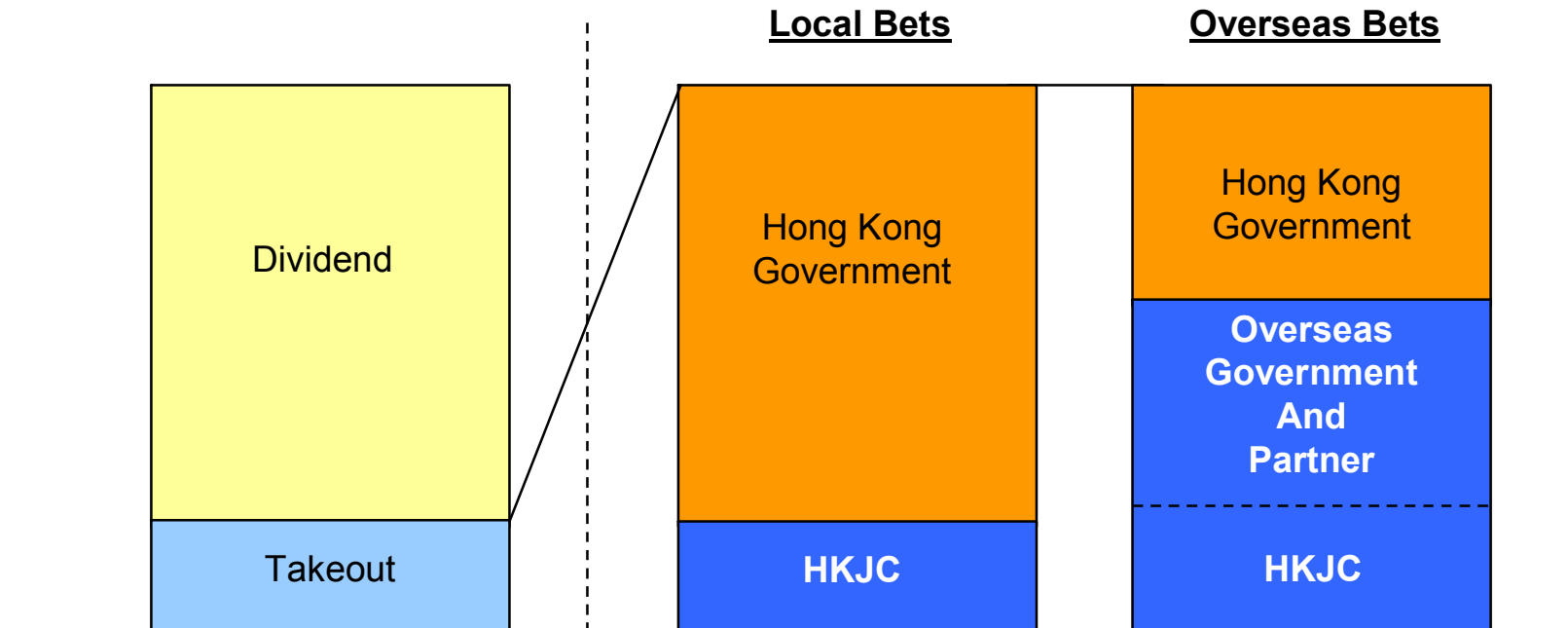
No	Country	Race
1.	Japan	Sprinter Stakes
2.	France	Prix de l'Arc de Triomphe
3.	Australia	Emirates Melbourne Cup
4.	Australia	Hong Kong Jockey Club Plate
5.	Japan	Japan Cup
6.	UAE	Dubai Sheema Classic
7.	UAE	Dubai Duty Free
8.	UAE	Dubai World Cup
9.	Singapore	Singapore Airlines International Cup
10.	Japan	Yasuda Kinen

Note: Program varies from year to year



Hurdles and Issues: Taxation

ILLUSTRATIVE



Hurdles and Issues: Others

- No credit betting: bank guarantee
- No outbound commingling
- Government approval of transactions
- Technical: system interface / protocol, security and integrity of transactions, pools / products
- Variations in operating standards, racing rules, betting rules and product features



Future Plans and Outlook

- Continue to develop the U.S. relationship
- Continue to develop the Macau relationship
- Develop current separate pool simulcast business into commingling arrangement
- Explore commingle opportunities in Europe and elsewhere
- Lobby for more favourable legislation
 - Competitive taxation scheme
 - More incoming simulcast opportunity
 - Relaxation of outbound commingling restriction





The Hong Kong Jockey Club