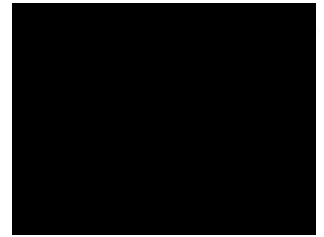


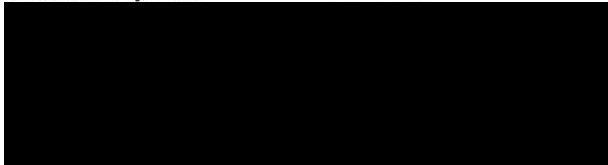


香港賽馬會
The Hong Kong Jockey Club



4 September 2019

Mr Tim Moore-Barton
Chief Executive Officer
Betfair Pty Ltd



Dear Mr Moore-Barton,

Betfair Pty Limited Offering Markets on Hong Kong Racing

The Hong Kong Jockey Club (**the Club**) noted a recent announcement by you in your capacity as Chief Executive Officer of Northern Territory-licensed betting exchange, Betfair Pty Limited (**Betfair**), that your company would commence offering markets on Hong Kong racing effective 1 September 2019. Further, the Club understands that Betfair acted consistently with this announcement and offered wagering on Hong Kong racing on 1 September 2019.

This letter sets out some relevant background, and details the Club's significant concerns about Betfair's actions.

The Hong Kong Jockey Club

As you are aware, the Club is the sole authority responsible for the conduct of horse racing in Hong Kong. Further, the Club is also exclusively authorised to provide wagering on horse racing, football and the Mark Six lottery. We operate in highly regulated market, and have an extremely strong focus on responsible wagering. Throughout all of our racing and wagering operations, we adopt an uncompromising approach to integrity.

.../2



香港跑馬地體育道壹號

One Sports Road, Happy Valley, Hong Kong Tel: (852) 2966 8111 Fax: (852) 2577 9036

根據公司條例註冊成立之保證有限公司 INCORPORATED UNDER THE COMPANIES ORDINANCE AND LIMITED BY GUARANTEE

The Club offers totalisator-based wagering on Hong Kong races via retail and account-based platforms. In addition, for a significant period, the Club has entered into numerous agreements with major wagering operators licensed overseas (including in Australia) through which those operators legitimately offer wagering on Hong Kong racing to their local customers, either in separate betting pools or by commingling with the Club's own pools. These arrangements are mutually beneficial, and recognize the significant commercial value of Hong Kong racing. The Club has never permitted an operator to offer betting exchange wagering on Hong Kong racing under any of these arrangements.

Betting Exchanges

The Club considers that betting exchange platforms pose unique and fundamental threats to the integrity of racing. In the Club's view, the ability for people to lay a horse and profit from it not winning is intrinsically at odds with the principles of the sport.

The Club's concerns about betting exchanges are shared by the jockeys who are licensed to ride in Hong Kong and whose efforts Betfair intends to benefit from. They object to being exposed to the suspicion and innuendo that will inevitably be associated with riding a beaten favorite that has been heavily layed on a betting exchange.

Other jurisdictions may hold different views about these integrity issues. If so, as is the case in Australia, they can agree for betting exchanges to be licensed to operate on their races. However, the Club's views on these matters should be respected and be determinative of whether a betting exchange is permitted to trade on Hong Kong racing.

In-play betting

Likewise the Club is opposed to in-play betting on our races. We do not conduct in-play betting on our races, nor do we allow any of our commercial partners to do this. We fundamentally object to Betfair unilaterally determining to use Hong Kong races in this way.

Betfair

We are aware that Betfair is a limited liability company registered in Victoria, Australia and is currently 100% owned by the publicly-listed Crown Resorts Limited (**Crown Resorts**). To the best of our knowledge, including based on previous statements by Betfair itself, Betfair only offers wagering on racing and sports where it has agreements with the relevant racing and sports authorities. This position appears to have changed with respect to Hong Kong racing.

In previous years, as has been acknowledged publicly, Betfair has sought, but not obtained, the Club's approval to offer wagering on Hong Kong racing via its betting exchange platform. At all relevant times, Betfair has been aware that it does not hold any licence, permit or approval from the Club to offer wagering on Hong Kong racing.

On 21 August 2019, you announced that Betfair would be offering wagering on Hong Kong racing. Your announcement was made without prior notice to the Club. As noted above, consistent with its announcement, Betfair commenced offering wagering on Hong Kong racing for the Sha Tin meeting on 1 September 2019. It is apparent to us that Betfair's conduct confirms that it intends to 'free-ride' on Hong Kong racing by exploiting the Club's racing product in the absence of any commercial or integrity agreement with the Club. We consider that such conduct can fairly be described as cavalier, unconscionable and in reckless disregard for the economic value of a premium international racing product. It is plainly inconsistent with Betfair's apparent focus on integrity and transparency, and good corporate citizenship.

We note your public statements that the timing of its decision to commence operating on Hong Kong racing is linked to the introduction of point of consumption taxes in Australia, which is suppressing Betfair's turnover on the markets it currently offers to its customers. We understand that you have previously complained that Betfair pays up to 66% of its net wagering revenue in fees and taxes. Changes in the regulatory and taxation environment in Australia and commercial pressures on Betfair's profitability are not justifications for Betfair to appropriate Hong Kong racing for its own purposes, especially when this is against the content originator's express wishes.

Current concerns over Crown Resorts corporate governance

The Club is also critically concerned about the context in which Betfair's move to commence wagering on Hong Kong racing has occurred. As you will be aware, in recent days, a series of serious allegations have been published in the Australian media (and internationally) regarding apparent historical failures by Crown Resorts to oversee and manage fundamental risks to entities controlled by it. The allegations include, but are not limited to, allegations that Crown Resorts or its agents, affiliates or subsidiaries:

- a. engaged in money-laundering;
- b. breached gambling laws; and
- c. partnered with junket operators with links to drug traffickers, money launderers, human traffickers, and organised crime groups.

Of particular note, on 8 August 2019, the New South Wales Government's Independent Liquor & Gaming Authority (**L&G Authority**) announced an inquiry into a proposed sale of shares in Crown Resorts. In its announcement, the L&G Authority acknowledged the recent media reports, and stated that such an inquiry was necessary having regard to the primary objectives of the *Casino Control Act 1992* (NSW), which include ensuring that the "management and operation of a casino remain free from criminal influence or exploitation, that gaming in a casino is conducted honestly and controlling the potential of a casino to cause harm to the public interest and to individuals and families."

Such an inquiry into your holding company's operations within the highly regulated casino industry manifestly raises concerns over the adequacy of corporate governance measures adopted throughout the Crown Resorts group. Betfair's approach of commencing operating on Hong Kong racing without having secured any authority from the Club to do this has done nothing to alleviate those concerns.

Betfair's conduct in the context of the Australian regulatory environment

The Club is familiar with the arrangements that Australian authorities have in place for racing and sports wagering regulation and oversight. In general terms, the current Australian regulatory regime:

- a. requires wagering operators to hold publication and use (of race fields) approvals from Australian racing authorities. Such approvals commonly include fee agreements and integrity agreements;
- b. prohibits the providing of regulated interactive gambling services to Australians unless the person holds a licence under the law of an Australian state or territory.

This approach and focus is to be commended. Amongst other things, it seeks to promote responsible wagering, and to legitimately protect the Australian racing industry. This should be compared with the current circumstances:

- a. Betfair, as a licensed Australian operator, is purporting to offer gambling services to Australians on an overseas product;
- b. Betfair is aware that wagering via betting exchanges is not permitted in the relevant overseas jurisdiction (Hong Kong); and
- c. Betfair has no approval, authority, or permission (including any commercial agreement or integrity information-sharing agreement) from the Club in connection with its purported wagering on Hong Kong racing.

As a matter of principle and consistency, the Club considers that Betfair ought not be permitted to exploit overseas racing where there has been no approval from the relevant overseas racing authority.

Demand to cease and desist

The Club demands that Betfair immediately cease and desist from:

- a. offering, in any capacity or form, wagering via its betting exchange platform (including in-play betting) on Hong Kong racing;
- b. promoting or otherwise advertising, in any manner, wagering via its betting exchange platform (including in-play betting) on Hong Kong racing.

As noted above your announcement that Betfair would be offering wagering on Hong Kong racing was made without any prior notice to the Club. You made the announcement via Twitter and YouTube, and we were first made aware of it by the media. On a similar basis we are making this letter public via the media to place our concerns on the public record.

Yours sincerely,



Philana Poon
Company Secretary
The Hong Kong Jockey Club