

# The Daily Telegraph

## Dark horse

China's new billionaires are now gambling their wealth on horses.



The China Horse Club's British Derby hopeful Lockheed © Sam Faulkner

Ordos may be the strangest place on earth. Unlike most cities, which evolve, it was purpose-built quite recently to accommodate many millions of people, most of whom didn't turn up. The reason for the mass no-show was that Ordos had been designed to house workers involved in the Inner Mongolian coal-mining industry and their families. When the project got approval from the Chinese government, this industry was booming. But as the new city was completed, demand for coal collapsed. The result is a sort of gigantic Milton Keynes decorated with vast, ornate tower blocks, nearly all of them uninhabited.

It is decorated, too, with many statues of Genghis Khan, and not on a whim. Ordos, 400 miles west of Beijing, is at the centre of the grasslands south of the Gobi Desert, which 800 years ago produced Genghis Khan and the cavalry that established his empire, which for a while stretched from Poland to the Pacific. (He also had a policy of having the best-looking women in every region brought to his tent. As a result, DNA experts say, as many as 32 million people living today may be his descendants.)

In contrast to the West, where his name is synonymous with terror, China is very proud of Genghis Khan – nowhere more so than Inner Mongolia, where many think of him, correctly, as family. But that hasn't persuaded people from the rest of the nation to come and fill the apartment blocks. In fact, in some other parts of the world's most populous country, Ordos is known jocularly as 'The Ghost City'. Now, however, this place has new friends.

The China Horse Club (CHC) is no Thelwell pony club. You might even say it has something of Genghis Khan's ambition about it, although channelled into rather different activities.

Like him, the CHC's ambitions are global as well as local. Last week in London it agreed with the government of St Lucia a plan for phase two of a deal that may transform the island. Caribbean Star, a division of CHC chairman Teo Ah Khing's Desert Star Holdings, will in the next few months build a large resort, a racecourse and stabling for 1,000 horses. Prime Minister Allen Chastanet described the project, which will inject \$2.6 billion into his country, as 'a catalyst with the potential to transform the economy'. Teo, when asked whether his members were involved in the investment, replied, 'Some of them.' Not all? 'Definitely not.' He said, laughing. 'If all our members invested, we'd be able to do the same on every island in the Caribbean.'



Teo Ah Khing (centre) of the China Horse Club at the Ordos Yiqi Racecourse

The CHC is a group of about 300 people, mostly male, who are all members of China's new plutocracy. It is the brainchild of Teo, 57, who was born the 10th child of Chinese immigrants in Kuching, Borneo. He soon revealed unusual intelligence and made his way via the University of New South Wales to Harvard, where he studied architecture. On leaving he founded a company that became a group of companies specialising in construction and design. He was already a billionaire by the time Dubai's Sheikh Mohammed commissioned him to build the world's most magnificent racecourse at Meydan. It was while he was building Meydan that he became a fan of horse racing, a sport whose intricacies intrigued him. By the time the racecourse was complete, Teo was a devotee.

It occurred to him that China, the country of his parents, had a tradition of love for horses and horsemanship, and that it now also had a new class of super-rich with few outlets for their wealth except cars, yachts and girlfriends. He had no doubt that there was a tremendous appetite in China for any sport involving horses. Witness Hong Kong, with a population of only seven million, where The Hong Kong Jockey Club has a bigger turnover for betting on horseracing than the whole of North America. Not only is tax on this turnover responsible for more than 10 per cent of the Hong Kong government's income, but the Jockey Club itself is the largest single contributor to charity in the former British colony. If seven million could do that, what might be produced by the mainland's 1.3 billion? That thought has made China racing's dreamt-of El Dorado in a world where the sport's popularity elsewhere is static at best.

There was one snag, and it was colossal. While racing was hugely popular in the rather decadent Western-influenced society that saw Noël Coward, Marlene Dietrich and allegedly Wallis Simpson visitors to Shanghai's Peace Hotel, this all came to an end when war consumed China. At the end of the war, Mao banned racing as well as all betting, which – on the model that has seen it develop elsewhere – is racing's lifeblood. There has been no sign of any relaxation of this ban on the mainland. Quite the opposite, in fact. An attempt to refound racing in Beijing just over a decade ago ended grotesquely when betting was suspected and about 600 horses were summarily slaughtered.

The obstacle demanded ingenuity, and Teo provided it. He founded the China Horse Club as an ownership club, not in imitation of similar outfits in other countries, but as a Chinese solution to the Chinese problem. He realised that because thoroughbreds are about the most valuable live commodity on earth, large amounts of money were going to be needed to bring racing back to China – and China back to the racing world. So however socially desirable it might have been to include the masses in his plan, what was really needed was the wealth of the newly fortunate few, of whom there are now many. Teo set out to convince status-conscious Chinese billionaires that the summit of chic was not the possession of material goods – they already had plenty anyway – but the ownership of racehorses. He also created the perception that restoring China to a leading place in the racing world was not just in accordance with tradition, but patriotic, and a fine way of 'gaining face' while benefitting Chinese society.

There are now more billionaires in China than in the USA, the previous world leader in this respect. Just membership of the China Horse Club, never mind the horses, costs an annual subscription of \$1.25 million (£1 million).





Race-goers at Ordos Yiqi Racecourse

The policy of the CHC is three-pronged. At home, charitable work and the promotion of home-bred talent, particularly among jockeys, win it the approval of the public and, crucially, government both local and central. The club has two resorts overseas, one in the Swiss Alps and one in rural New South Wales. The purpose is to offer a new 'lifestyle' to the extremely rich, who may have run out of ideas about how to spend their money, and to provide them with opportunities for 'networking'. But the most significant aspect for the rest of racing, outside China, is the use of club members' wealth to build an international ownership operation that challenges the established world leaders.



The crowds at Yiqi, about 30 miles from the centre of Ordos

It has made a startling beginning. In 2013, the first year of its racing operation, the CHC had a share in the confusingly named Australia, the Irish-trained champion who won the Derby in 2014 and went on to become European Horse of the Year.



Significantly, this share was made available by Coolmore, currently the world's most successful racehorse-owning partnership, whose leader, the legendarily shrewd John Magnier, evidently saw opportunity. Even now, most of the CHC horses in China are ex-Coolmore. In 2015 the CHC had a major share in Australia's Horse of the Year, Dissident. Before Royal Ascot this year it bought Jet Setting, the only horse of her age and sex ever to have beaten European champion filly Minding. This year it has also bought shares in American horses, notably Preakness winner Exaggerator, and most recently the 2014 Kentucky Derby winner and American champion, California Chrome.

The club doesn't only buy into horses that have proven themselves. It's built a powerful string of immaculately bred young horses at major bloodstock sales around the world. According to the recent ratings of America-based website Thoroughbred Racing Commentary, the CHC is already one of the top 10 most influential owners in the world, a group including Coolmore (still number one), Sheikh Mohammed's Godolphin, and assorted ownership enterprises from those Middle Eastern countries that provide a good portion of the world's oil. With an eye for prestige, the club has appointed as the new chairman of its International Advisory Council John Warren, who is also racing manager to the Queen.

The club's British purchases have yet to prove themselves at the top level, although Lockheed, who has run a fine race behind Derby favourite Churchill, is obviously a high-class horse. In racing just as in anything else, prices can go down as well as up, but an independent assessment of the increase in value of some recent CHC purchases is provided by Jonathan D'Arcy, director of Australia's leading bloodstock auctioneer, Inglis. Russian Revolution was bought for A\$320,000 (£198,000).

According to D'Arcy, he is now worth A\$8 million (£5 million). Extreme Choice cost A\$100,000 (£62,000), and as a stallion with a glittering future at stud when he retires is now worth A\$17 million (£11 million).

The club had four horses in this month's Breeders' Cup at Santa Anita Park, all of them with a favourite or near-favourite's chance. They included Yellow Agate, whose value, D'Arcy estimates, has increased about 10 times since her career began; Theory, who D'Arcy supposes 'might have been favourite for the Kentucky Derby if he'd won'; and Good Samaritan, who, like Yellow Agate and Theory, went into his Breeders' Cup test unbeaten.

Things didn't quite go to plan, though, at the meeting America immodestly bills as the 'World Championships'. All three CHC two-year-olds left without their unbeaten records. Good Samaritan ran a solid race to finish third in the Juvenile Turf, Yellow Agate never recovered from serious early interference in the Juvenile Fillies, and Theory just couldn't go fast enough in the Juvenile (Dirt). Then, in the meeting's climactic race, the Classic, California Chrome, who would have become the biggest-money winner in American racing history if he'd won, was narrowly defeated by the sensational three-year-old Arrogate. Chrome, as he's known to his myriad fans, hardly lost anything in defeat, though, as the pair drew nearly 12 lengths clear of the third in what headlines declared 'a race for the ages'.

No doubt Teo was philosophical. One of his favourite aspects of racing is that victory is never guaranteed, a truth that educates the highly privileged about the realities of life.



Teo among race-goers

Earlier this year, Teo – whose default facial expression is, unsurprisingly, a broad grin – was attending the 20th-anniversary party of the British company Brand Finance at Mansion House as a speaker, when he heard news that made that smile even broader. Among the structures built for Ordos when the city was designed were splendid sports facilities, including a superb

racecourse at Yiqi, about 30 miles from the city centre. It's not quite in the Meydan class – not many racecourses are – but it's a fine track and, of course, seriously under-used. The club had been negotiating for the right to use the course for one of the annual race meetings it holds in different Chinese cities to re-introduce horse racing to China. A text told Teo that the local government had not only given permission but had offered the CHC a long-term lease. This could not have happened without Beijing's assent.

Why did the club want to stage a showpiece meeting in an underpopulated city when the last two had been in Shanghai and Wuhan? One reason was certainly the Mongolian adoration of the horse, an enthusiasm that borders on the religious. Another was no doubt the hearty welcome offered by the Ordos authorities to new enterprise. The most important, however, was the symbolic nature of the location. This was the heartland of the horse in China. It was on the nearby grasslands that the Mongol cavalry emerged to conquer much of the known world. And if these grasslands could produce Genghis Khan's horses, why not thoroughbreds?

The CHC's long-term plan is to create with its partners a breeding industry in Inner Mongolia that, Teo says, 'will one day be the equal of or surpass Kildare's and Kentucky's'. No one has ever accused him of thinking small.

The reaction to the decision to stage the annual jamboree at Ordos was mixed. Those who took note in the West muttered, smirking, about Chinese billionaires and The Ghost City. A popular question was: 'Who on earth will come?' In the event, 26,000 people came. They weren't like a racing crowd anywhere else. No gnarled old punters screwing up their tickets and heading for the bar. The near full house was made up mostly of families, and of course no one had a single bet to supplement their visible enthusiasm. They were entertained between races by singers; dancers in costumes of a design dating back eight centuries; and an orchestra all playing one instrument, whose name translates as 'the horse-head sitar'. (It produces a thrilling sound that people outside the region really need to discover.)

'We don't even have any desire to run Chinese racing,' says the club's vice president Eden Harrington, an Australian, a statement that will go down well with The Hong Kong Jockey Club, which almost certainly does. The CHC wouldn't mind mopping up some of the world's best horse races in the next few years, though.

In theory, people from other countries are eligible to join the club. But so far all members are Chinese, perhaps in part because few people outside China have millions lying around in drawers marked 'annual club subscriptions'.

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