



The SportLight Trust: A Pre-Feasibility Study

Creating a network of community sports hubs in Hong Kong

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Executive Summary

The Context

Engagement in sport plays a significant role in promoting mental and physical health and building inclusive, vibrant communities. Nowhere is access to and involvement in sports and physical activity more important than in large, crowded and fast paced cities like Hong Kong.

Accessible sports and recreational facilities are scarce in Hong Kong due to a perceived lack of space and resources. Although Government-run sports facilities are first-class there is a shortage and people who lead active lifestyles spend more time commuting rather than actually playing sports. Many Hong Kong residents forego playing sports at all because they are reluctant to invest the time required to travel to available (and affordable) facilities, which are commonly overcrowded and difficult to gain access to.

This has a significant impact on the community especially the young and the elderly, as frequent exercise is essential for their health, wellbeing and happiness. According to the latest international study, Hong Kong children are less fit than their Western counterparts. Local studies show that the underprivileged, elderly, new immigrants, unemployed and single parents are particularly vulnerable to physical activity and sports deprivation. The HKSAR Government has repeatedly stated its objectives to support sport in the community.

There are many plots of land, under-utilised buildings and funds available, which can be leveraged to bring people together regardless of age, gender, ethnicity or economic background and promote healthy active lifestyles and build more inclusive, vibrant communities.

Executive Summary

The Proposal

This pre-feasibility study proposes the establishment of a new entity, the **SportLight Trust**, an organisation limited by guarantee with Sec.88 tax exemption status, the aim of which is to launch a network of 30-50 financially viable **Community Sports Hubs** over a ten year period.

The **SportLight Trust** will raise and manage funds and identify suitable spaces for Sports Hubs across the territory. Funds will be generated from public and private sector benefactors, sponsorship and naming rights and eventually managed through an endowment fund which provides a base source of funding to the Trust and reduces the reliance on recurrent donations in the long-run.

The **SportLight Trust** will also identify suitable Hub operators and cover capital expenses required to construct these facilities. Operators will run Hubs on a contract-basis as social enterprises and their performance will be measured against a rigorous set of financial and social KPIs including price controls and quotas for community usage. Operators will pay a HK\$10,000/month management fee and a 50% share of their surplus to the **SportLight Trust** covering the Trusts operating expenses by year 3.

The **SportLight Trust** will have a robust governance structure promoting transparency and accountability. It will include strong financial controls including a centralised financial system with regular audits of Hubs to ensure Operators financial and social duties are fulfilled.

Following a pilot of 2-3 Hubs which will cost approximately HK\$30-40 million each to construct it is estimated the **SportLight Trust** will require approx HK\$1 billion to construct 30 hubs over 7 years. 5 Hubs will be constructed in the first 2 years with an additional 5 Hubs built per year in the following years.



INTRODUCTION & BACKGROUND

Hong Kong Young Leaders Programme (YLP)

In August 2015, twenty-four young professionals from business, government and civil society participated in the inaugural **Hong Kong Young Leaders Programme** facilitated by the Global Institute For Tomorrow (GIFT) and supported by the Hong Kong Jockey Club & the Efficiency Unit of the Government of HKSAR. Through field-research and a stakeholder interviews and site visits, they analysed the landscape of participation in sports in Hong Kong and proposed a business model and implementation plan for the establishment of 30-50 **Community Sports Hubs** across the territory. The following organisations are to be thanked for their help and contribution:

Government:

Home Affairs Bureau, Planning Dept, Lands Dept, Government Property Agency, Leisure & Cultural Services Dept, Efficiency Unit, Sham Shui Po & Tsuen Wan District Offices and Councils.

Sports:

Sports Federation & Olympic Committee, HK Ruby Union, HK Football Association, Shaheen Hockey Club

NGOs:

The Hong Kong Jockey Club, Po Leung Kuk, HK Federation of Youth Groups, HK Child & Youth Services, Inspiring HK Foundation

Business:

LWK & Partners Architects, Nike, AIA, Hsin Chong Construction Group

The YLP is a platform for cross-sectoral collaboration

Participating Organisations



瑞安集團
SHUI ON GROUP



The Hong Kong Jockey Club
RIDING HIGH TOGETHER



HSIN 新昌
CHONG



聖雅各福群會
St. James' Settlement



Supporting Partners and Facilitator



香港賽馬會
The Hong Kong
Jockey Club

The Hong Kong Jockey Club (HKJC)

- The HKJC is a non-profit organisation providing horse racing, sporting and betting entertainment, and is also the Hong Kong's largest taxpayer and community benefactor.
- In 2014/15, the HKJC Charities Trust donated HK\$3.8 billion to charities and community projects including sports facilities throughout Hong Kong



HKSAR Government's Efficiency Unit (EU)

- The EU is a change agent and catalyst for improving the management and delivery of government services, and aims to help individual agencies and the Government work together as a whole. It provides management consultancy services and assistance to support innovation through learning, design and demonstration.



Global Institute For Tomorrow (GIFT)

- GIFT is a Hong Kong-based independent pan-Asian think tank providing content-rich and intellectually challenging executive education from an Asian worldview
- The Young Leaders Programme was designed by GIFT as a platform to leverage the energy and talent of local young professionals, set a new precedent for public-private-partnerships and create socially beneficial business projects for Hong Kong

Hong Kong's Social Challenges

Today Hong Kong faces several varied social challenges, which include:

- More socially-withdrawn youth—a growing disconnect with society and other people.
- Increasing conflict and diversity in the community—difficulties in reaching compromise on social issues.
- Physical inactivity and growing obesity—over 1 /3 of population is obese, with a high risk of heart disease.
- An ageing population—one in three people will be elderly in 2041 and thus the financial burden on public services will increase.
- A continuous increase in drug use among the young—evidence is building that drug abuse is increasingly hidden.

Around the world sports has been shown to be capable of addressing these varied issues and building stronger, more cohesive and more vibrant communities.

Even in Hong Kong there are numerous examples of the positive impacts sports can have on society.

Hong Kong needs new ideas to address its varied challenges

Sports—A Foundation for a Healthy Hong Kong

Quality of life

- Physical activity can help reduce the risk of heart disease, stroke, cancer, diabetes, and other conditions.
- Child participation in sports is linked to improved academic achievement, higher self-esteem and fewer behavioural problems.

Positive Personal Development

- Sports can promote positive attitudes and high levels of resilience.
- Sports helps foster good sportsmanship and teaches children ways of responding to challenges and adapting to a competitive society

Social Cohesion

- Sports can reduce social tensions and conflict in communities by working with at-risk youth for example
- Sports can provide a platform for community building and social integration across age, culture, sex and other perceived boundaries

Sports impacts health, education, and social cohesion

Landscape of Participation in Sports in Hong Kong

Community participation

- 83% of population fail to meet the WHO “baseline indicator” of physical activity (at least 30 min a day, 3 days a week).
- More than one third of respondents in a CUHK study said they had not taken part in any sports activities in the three surveyed months.



Facilities and Service Provision

- 85% of young people believe that sports facilities in the city are only moderately adequate (47%) or inadequate (38%)
- Many world-class facilities but most government-run venues are overcrowded and the majority of private clubs are too costly for the average Hong Kong resident.
- Government sports facilities are built in line with town planning standards which are not legally binding and thus sports is often forgone in favour of more lucrative land usage



Lack of accessible facilities contributes to low participation rates

An Opportunity for Community Sports Hubs

What is a community sports hub?

- A facility that transforms idle spaces into accessible, affordable sports venues.
- A space that brings the community together, regardless of age, gender, ethnicity or economic status.
- A socially beneficial, financially viable enterprise offering employment and vocational training to local youth.
- A venue that is open from early morning to late night to cater for everyone's schedules.
- A way to build more vibrant, more inclusive and healthier communities.



A network of Hubs can achieve several goals at once

Key Features of a Community Sports Hub

Supporting Facilities such as changing rooms and lockers.

Multi-Sports Courts for training and competition

Administrative Areas for offices and storage

Multi-purpose Activity Spaces for sports, meetings and other uses

Retail Corners for food & beverage and sporting equipment

Public Plaza that can be used for community events



**Not to scale*

A multi-functional facility offering activities for whole community



PROPOSED BUSINESS MODEL

Rationale for Proposed Business Model

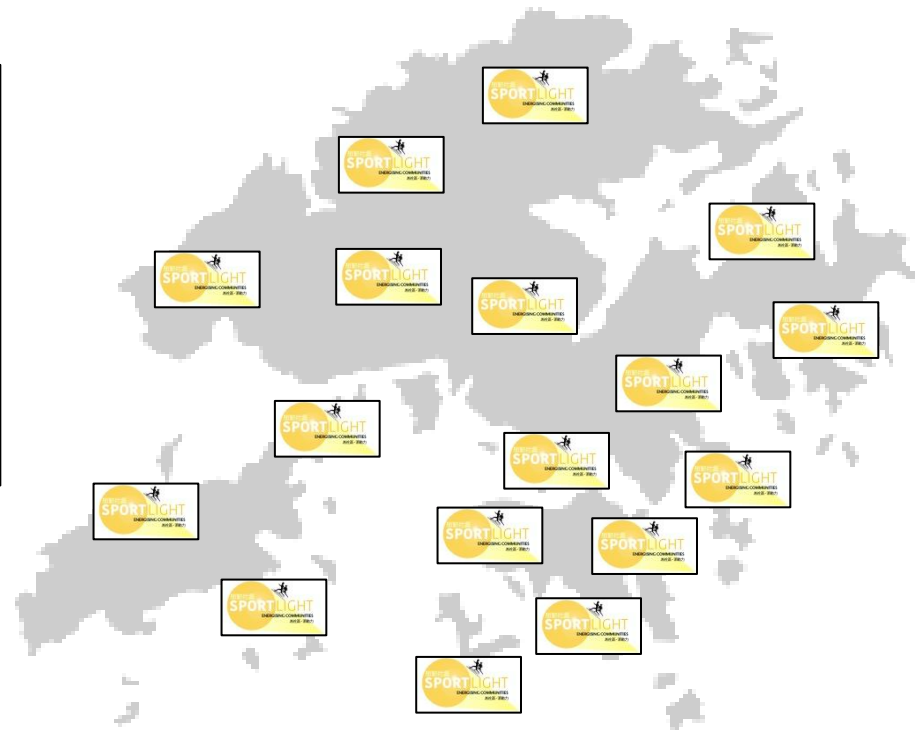
The proposed business model for creating a network of community sports hubs requires a robust and independent institutional set-up. It will strike a balance between financial sustainability and positive social impact. Key features of the model include:

- **Secured institutional arrangement:** A new entity established as a charitable limited organisation by guarantee (under IRO section 88) to:
 - ✓ Raise and manage funds used to support the construction of Hubs, including an endowment fund after pilot Hubs prove to be viable.
 - ✓ Source and secure spaces for Hubs; sign leases; liaise with landlords.
 - ✓ Identify suitable Hub operators; coordinate tenders; monitor social & financial performance of Hubs.
 - ✓ Oversee the strategic long-term development of the Sports Hubs network.
- **Operation through intermediaries:** Hubs will be operated by carefully selected and operators on a contract basis.
- **Delivery of social value:** Operators will be given a high degree of autonomy but Hubs must be financially sustainable and be run in the interest of local communities.

Introducing the SportLight Trust (旭動基金)



The **SportLight Trust** aims to build a network of 30 to 50 Community Sports Hubs across Hong Kong over ten years.



SportLight will set a new standard for community sports facilities

Founding Principles of the SportLight Trust

Vision

The SportLight Trust believes in the power of sport to create positive social value in the community.

Mission

The SportLight Trust transforms idle space into vibrant venues where the whole community can come together and participate in sports, regardless of age, gender, ethnicity or economic status.

A new approach to promoting sports at the grassroots in Hong Kong

Values of the SportLight Trust

Collaboration

Each Hub is made possible through the collaboration of a variety of stakeholders including sponsors; companies; land and facility owners; sports clubs; entrepreneurs; and the local community.

Financial viability

Hubs will be run on a sustainable business model to ensure financial viability.

Inclusiveness

Each Hub is built and operated with input of local communities and to be accessible to all.

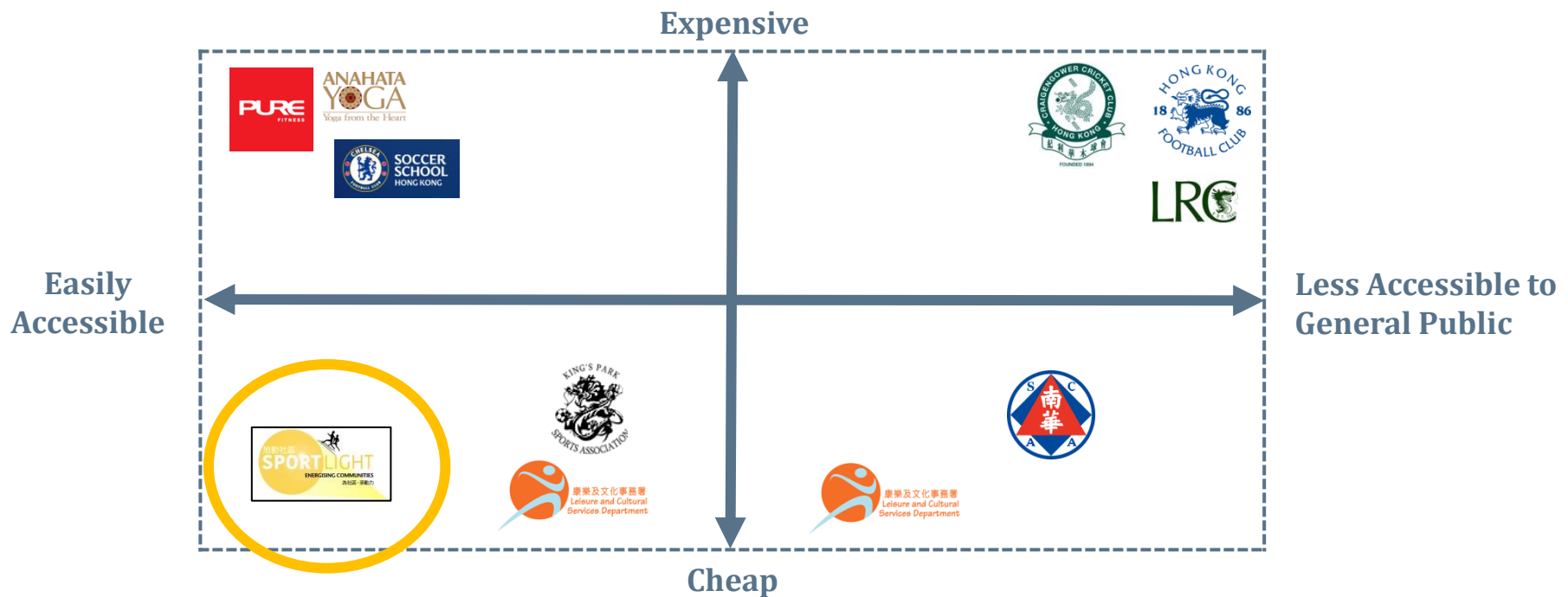
Flexibility

Each Hub is designed to be built quickly, caters to numerous sports and is responsive to the community's needs.

A unique combination of values over other sports providers

SportLight Fills a Gap in Hong Kong's Sporting Landscape

SportLight Trust Hubs are uniquely positioned to fill a gap in Hong Kong by providing affordable and accessible sporting facilities to all members of the community.



SportLight makes participation in sports easier for all

SportLight Brings Together Different Stakeholders



Tapping into all forms of capital to create a scalable social enterprise

The Proposed Business Model

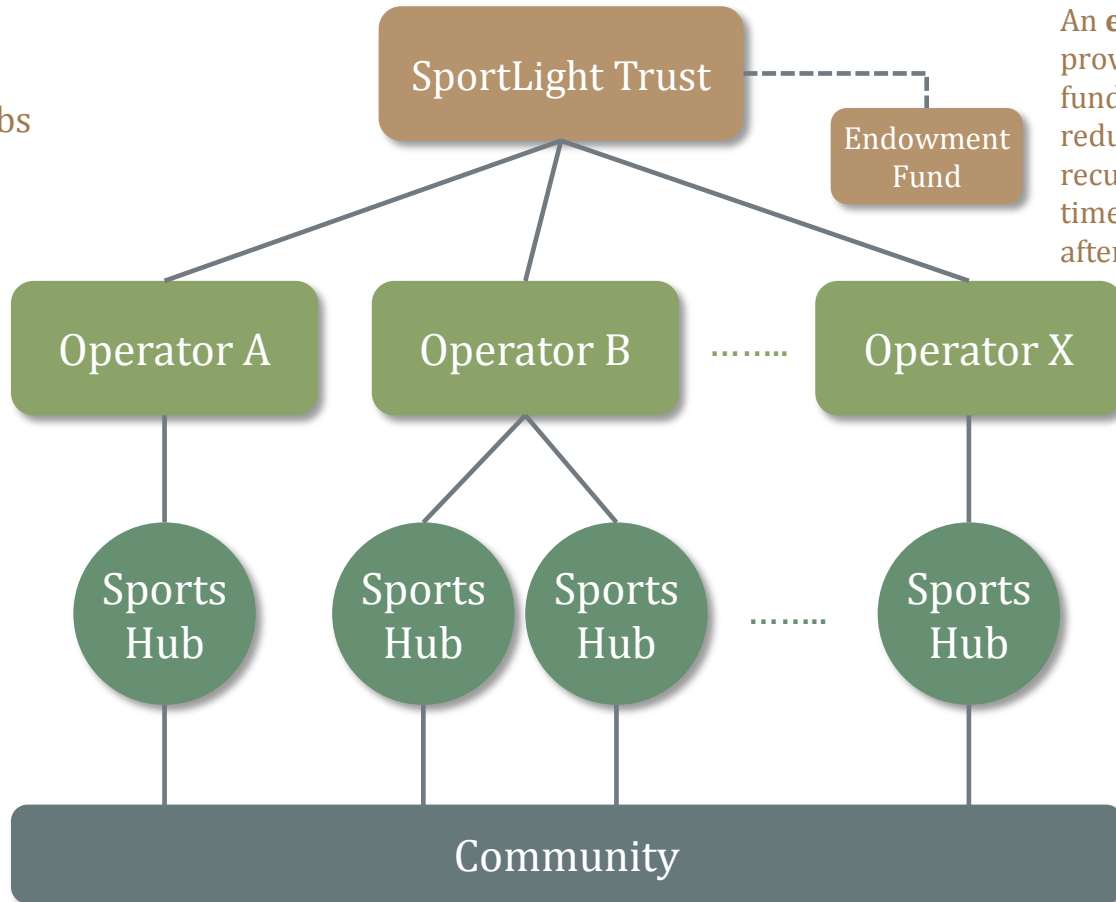
The proposed business model defines how the **SportLight Trust** delivers social values and achieve financial sustainability:

Trust manages funds, operators and strategic development of Sports Hubs

Intermediaries for managing day-to-day operations of the hubs

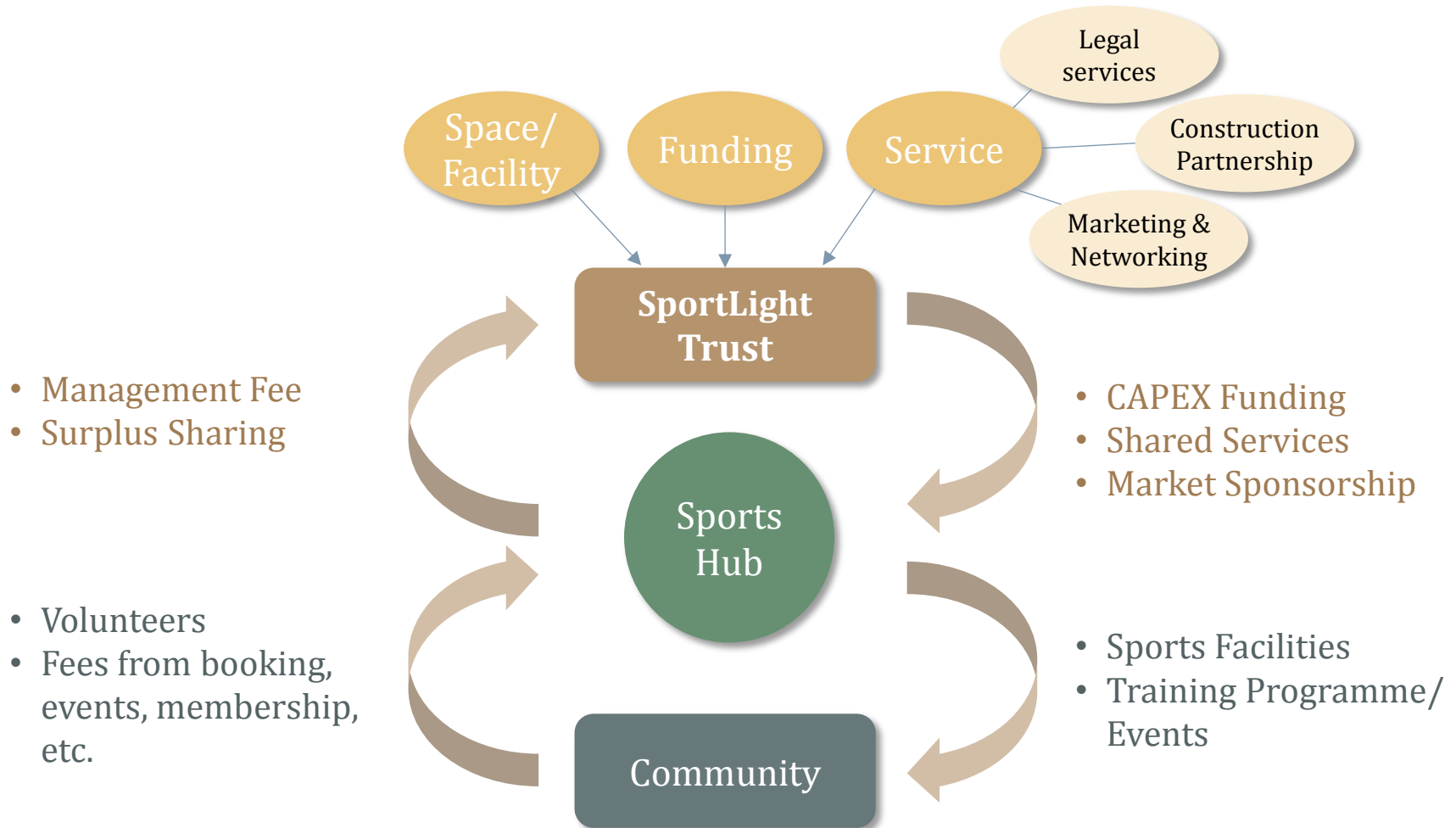
Facilities which connect people through sports

Youth, adults, elderly



An **endowment fund** provides a base source of funding to the Trust and reduces the need for recurrent donations over time. This will be explored after three years.

Value Flow Through the Business Model



A sustainable model which creates social and financial value

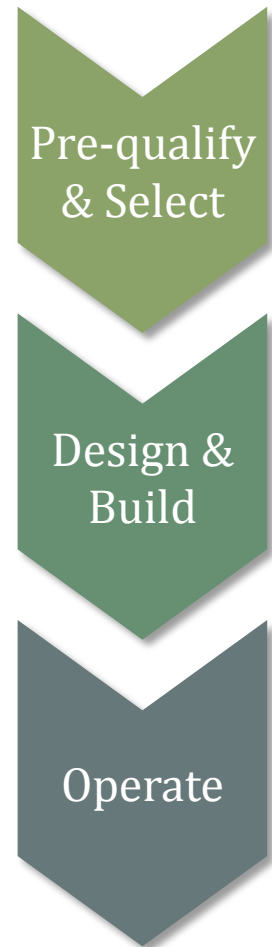
Relationship Between the SportLight Trust and Operators

Sports Hub Preparation:

- The **SportLight Trust** will select operators through a tendering process. Considerations may include but not be limited to:
 - Competency running structured sports programmes
 - Financial management capabilities
 - Entrepreneurial or business management experience
 - Commitment to creating social value
 - Reputation and relationships in the community
- Selected operators will be engaged early in the process and will participate in site selection, Hub design and community outreach/consultation in run-up to operations.

Sports Hub Operation:

- Operators enjoy high level of autonomy in operating hubs within the Terms of Reference of the contract
- Operator performance measured against pre-agreed KPIs and a service pledge



Financial Management at the Trust Level

Financial management is central to the **SportLight Trust** as potential contributors expect individual Hub operations, and ideally the operations of the Trust itself, to be self-sustaining, with the exception of capital expenditures to construct Hubs.



- The **SportLight Trust** will be managed by professionals with solid financial experience and appropriate legal expertise.
- The Board of Directors will consist of people from diverse backgrounds qualified to monitor the performance of the Trust.
- The **SportLight Trust** will source a diversity of funding from both private and public sources, including donations, sponsorship & “naming-rights”, events, etc.
- An endowment fund will be established after the pilot phase as a means to reduce the reliance on external donors over the long-run.
- Management fee and potential surplus sharing from licensed Hub operators will serve as recurrent income to the Trust.
- The **SportLight Trust** will utilize funding for capital expenditure in building hubs and minimal daily operational expenses.

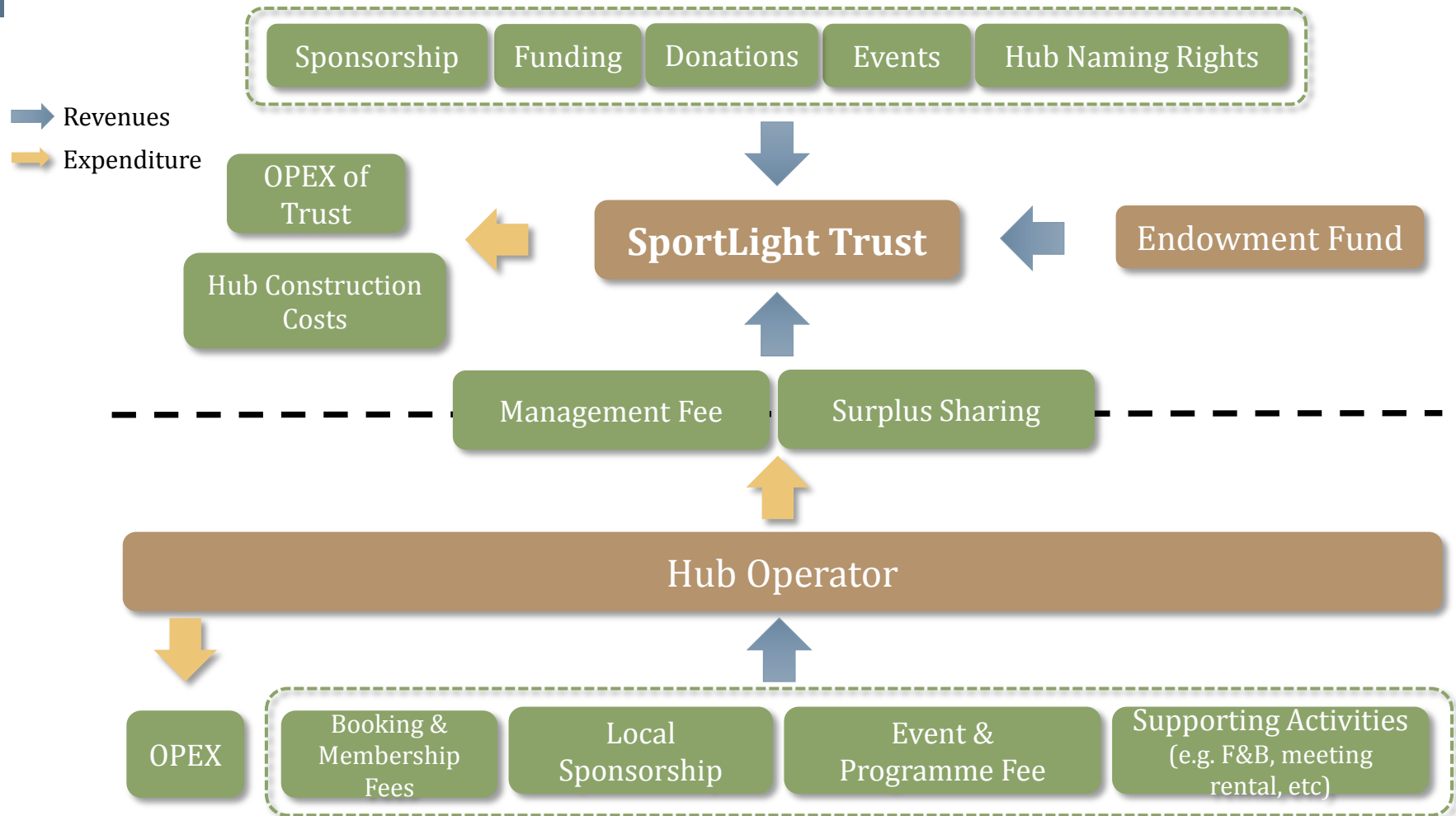
Financial Management at the Hub Level

The proposed business model is predicated on the assumption that Hubs will be operated as financially sustainable social enterprises and be able to cover all operational expenses through a range of revenue-generating activities.



- Hub revenue streams may include but not be limited to: booking and membership fees; programme and event fees, local sponsorship; food & beverage; retail, etc.
- Hubs are responsible for their own operating expenses, including staffing, utilities, routine maintenance and local marketing.
- Operators must pay the **SportLight Trust** a HK\$10,000/month management fee and share 50% of any surplus with the **SportLight Trust**
- Operators will be required to use a Point of Sales (POS) system installed at every Hub and connected to a centralised system at the **SportLight Trust** HQ. Regular financial reporting to the **SportLight Trust** will be required to ensure transparency of operations and thereby size of management fee and surplus sharing
- Hubs may seek emergency funding from the **SportLight Trust** but if a regular occurrence this may result in termination of operator contract

Revenue Flow Through the Business Model



Operations of Trust and Hubs are self-sustaining

Benefits to Benefactors and Operators

Given its *raison d'être* it is believed there will be ample support for the **SportLight Trust** from financial supporters and potential operators

Financial Supporters will benefit by:

- Supporting a high impact, sustainable and scalable social enterprise.
- Joining a network of likeminded individuals and organisations that believe in the value of sport.
- Having a great way to make CSR and employee engagement actions more tangible and long-term.
- Being preferred partners for naming rights and sponsorship of Hubs.

Operators will benefit by:

- Building goodwill and strengthening their reputation by providing an important social service.
- Having a purpose-built facility in the heart of the community that can be used for structured programmes and to generate revenues.
- Being able to share best practice across the network of Hubs
- Having the freedom to operate autonomously, aligned to community KPIs.

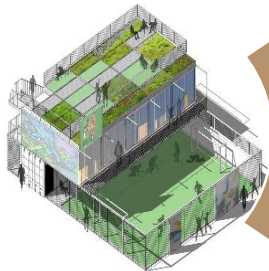
SportLight provides ample benefits to Benefactors & Operators

SportLight Puts Idle Spaces to Gainful Use



Underutilised Private Sector Spaces

- Rooftops, Warehouses, Corporate Land Bank Donations, etc
- Less restrictive lease conditions than public sector sites
- Opportunities for generating other revenues through commercial activities
- Potential partners: The Link, Wheelock, etc.



Short Term Tenancy (STT) on Government Land

- Nominal rent for non-profit use (HK\$1/year)
- Precedents exist: Shaheen Hockey Facility in Yau Ma Tei, King's Park Sports Ground, Wanchai Sports Federation HQ
- 5-7 Year leases with chance of extension if used by community stakeholders



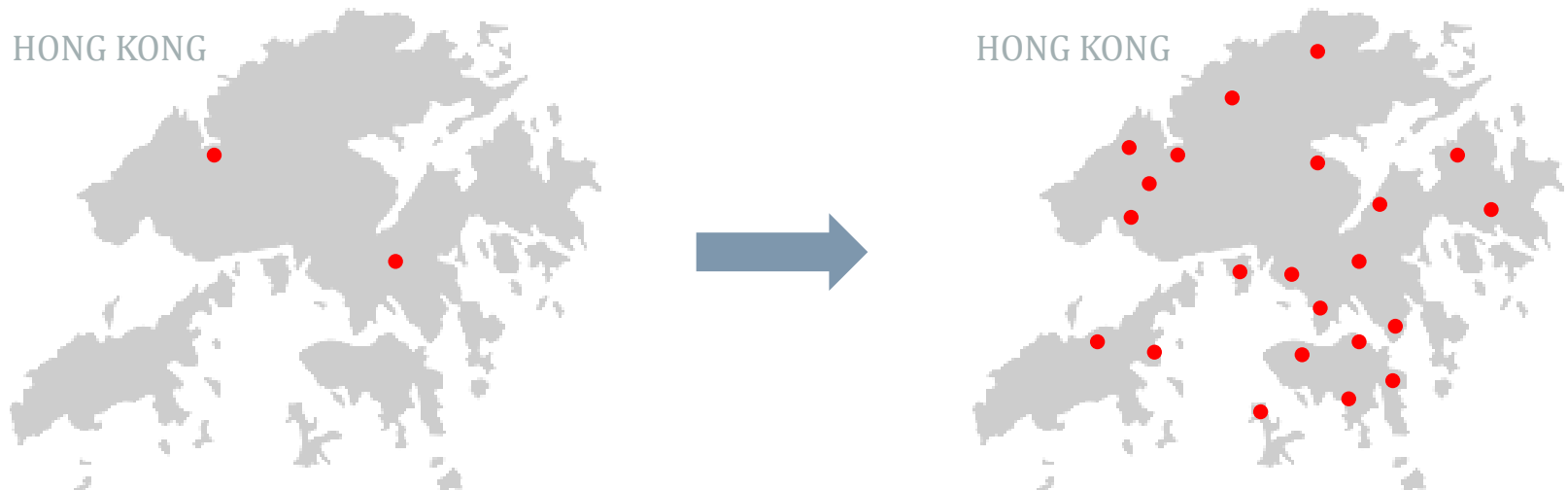
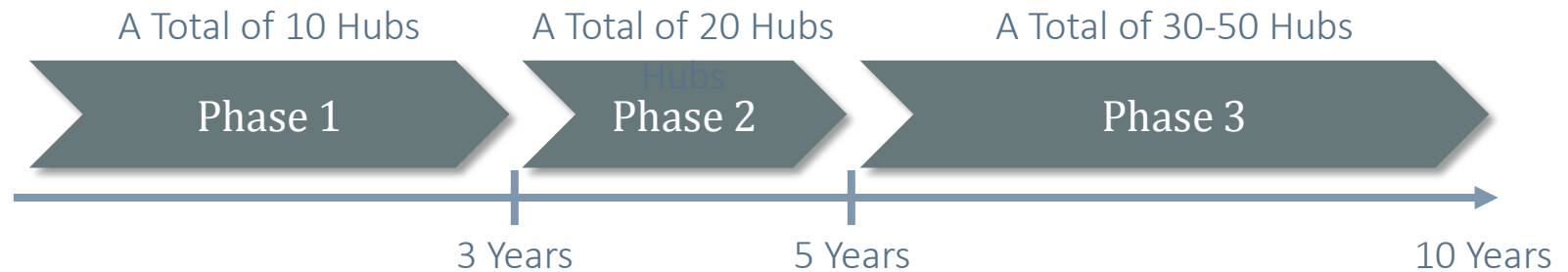
Underutilised/Vacant Government Properties

- Public Market Buildings, Schools, Dormitories, etc
- List of sites available through Government Property Agency
- Precedents exist: Bridges Street Public Market

Hundreds of potential sites across Hong Kong

10-Year Rollout Plan of Sports Hubs

After 2-3 pilot Hubs have proven to be successful, additional Hubs will be rolled out in multiple phases, with an initial 10 hubs in the first 3 years:



A territory-wide network will change the landscape of sports in HK

Enabling Policies can Support the SportLight Trust

Government policy support is essential to realise the plan for a network of Sports Hubs to turn idle space into socially-impactful opportunities. The key policy considerations are:

Relaxation of STT lease restrictions for non-profit usage

- Allowing more revenue-generating activities such as naming rights, branding & sponsorship or food & beverage sales can support the sustainable operation of the Trust and Hubs
- Guaranteeing the maximum lease term (7 yrs) gives benefactors and operators more confidence and ensures greater social impact on local community

Streamlining land use procedures and approvals

- Potential re-zoning of spaces suitable for Hubs but not currently zoned as such (e.g. spaces under highways)
- Making it easier for private sector partners to modify lease conditions to allow for Hubs on rooftops or corporate land banks

Setting a new precedent for public-private-partnerships



CORPORATE GOVERNANCE & ORGANISATION

Why Good Corporate Governance Matters

What is corporate governance?

- Corporate governance is driven by principles such as conducting business with integrity, fairness and transparency and making all the necessary disclosures so as to protect the interest of all stakeholders.
- Organisations, both public and private, should comply with all the laws of the land, be accountable and responsible towards stakeholders, and commit to conducting business in an ethical manner. They should focus on balancing shareholder interests with those of other key stakeholder groups, including customers, communities and supporters.
- Governance mechanisms include the monitoring of the actions, policies, practices, and decisions of corporations, their agents, and affected stakeholders

Why do we need corporate governance?

- Corporate governance is essential to increase the accountability and the transparency of the **SportLight Trust** thereby protecting the interests of the donors and ensuring the objectives of the Trust are met through well-established legal norms.
- Good governance will positively influence the reputation of the **SportLight Trust** and can mitigate the risks associated with managing funds and multiple operators.

Overview of Governance in the SportLight Trust

Good corporate governance is essential to the credibility, success and sustainability of the **SportLight Trust**.

Key features of the business model

- Source of funding includes corporate sponsorship and government subvention
- Mission to use sports to generate cross sectoral and cross generations social impact
- Reliance on Hubs' Operators in service delivery which operate on a commercial basis
- Request for financial sustainability in running the hubs
- Large number of hubs operated by diverse operators in different districts
- Specific contractual terms embedded in each license granted to a successful Hub Operator applicant

Essential governance features

- Appropriate disclosure and transparency are fundamental to assure our key stakeholders of **SportLight's** ethical standards
 - Diversity and expertise of multiple disciplines in Board and management team
 - Mechanism and system to ensure, maintain and improve performance and service quality of hub operator
 - Mechanism and system to facilitate and enable revenue generating power and management efficiency of operators
 - Mechanism and system to facilitate good understanding of the hubs and community such as training service to the hub operator

Organization and Governance—Key Roles

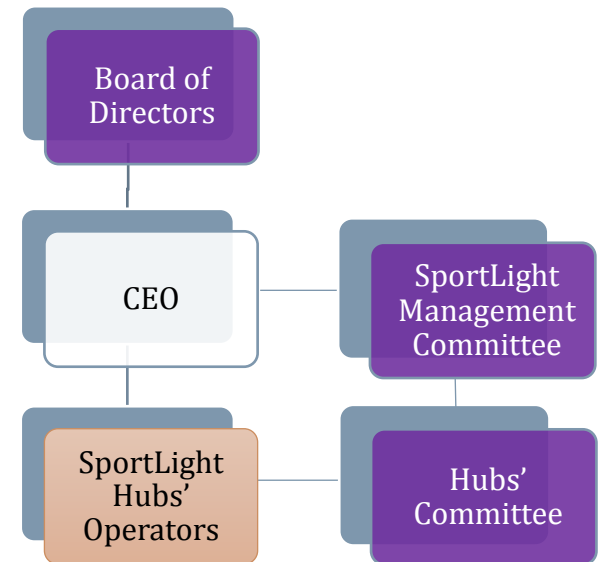
The Board is responsible for overall strategic direction and monitoring to ensure the stewardship of financial resources in achieving **SportLight’s** objectives. Functional Committees would be delegated authority to assist the Board in providing oversight and advice in respective businesses, including Audit Committee, Finance Committee and Sports Development Committee.

The SportLight Management Committee is responsible for directing the Trust’s activity, ensuring it is well run and delivers outcomes. It is appointed and dismissed by the Board.

The Hubs’ Committee acts as an independent monitoring and advisory body to Hub Operators, to provide community feedback for the continuous improvement of the hub. It will be set up by the Trust with the community.

The CEO of the SportLight Trust is responsible to the Board in providing leadership in the daily operation of the business and executes the Board’s decisions in order to achieve the Trust’s objectives and ensure good management and performance. The CEO acts as an channel between the Board, the Operators, the SportLight Management Committee and the Hubs’ Committee.

The Hubs’ Operator is responsible to the Trust. Services are operated and delivered in accordance to the terms and conditions set out at the contractual arrangement with the Trust.



Composition and Capabilities—Board and CEO

The Board (Non-Executive)

- Diversity of background and expertise e.g. sports, legal, businesses, the government, social welfare and policy, sports etc., especially -
 - Familiarity and experience with laws and regulations in Hong Kong
 - Experience with fundraising
 - Familiarity in accounting, finance and contract management
 - Passion and willingness to engage in community service, belief in the vision and mission of the **SportLight Trust**
- Strong personal network
- Balanced representation between business interests, service agencies

CEO (Executive)

- Previous experience in a similar role within a trust or large non-profit organisation
- A strong network within Hong Kong with all sectors of the community including business, government and civil society
- Ability to manage conflict and work with diverse stakeholders
- Forward thinking and skilled in management of change
- Some background and knowledge in sports

Composition and Capabilities—Committees

Management Committee (Management level staff)

- Experience in similar roles in trusts or large non profits is key
- Adherence to the highest standards of fairness, honesty and integrity and acts with sound judgment as per the principles described in the Code of Business Conduct
- Allocation of sufficient time to fulfil its role and responsibilities
- Respect for confidentiality rules
- Avoidance or management of any conflict of interest as per the Board policy on Conflict of Interest

Hub Committee (Voluntary)

- A good mix of people is required here including entrepreneurs, business and community leaders, local government representatives, etc.
- Strong links into the community where Hubs are located
- Passion for strengthening community service
- Experience in sports, interested in coaching, teaching, organising events
- Ability to donate time and energy

Service Quality Management

Three governance levels ensure the Hubs provide quality service:

Performance monitoring and reporting mechanism

- Hubs are obliged to follow the Code of Conduct and protocols and manuals provided by the Trust in managing their Hubs.
- Hubs are obliged to submit Monthly Progress Report which includes Key Performance Indicators.
- Hubs are obliged to use the Point of Sales System (POS) which is centrally overseen by the Trust for monitoring the revenue collection of the Hubs as financial control.
- Independent external audit, “surprise visit” or “mystery shopper” would be conducted by the Trust.

Hub Committee

- The Hub Committee will bring in feedback and advice from the local community through user evaluation
- The Hub Committee will identify areas for improvement. Suggestions are directed to the Operators and major issues are brought to the Management of the Trust in a regular meeting.

Public feedback

- Channels for feedback collection from users includes online, focus group sharing, evaluation forms, survey, questionnaires and interviews
- Complaints handling procedure is in place to allow fair handling and investigation by the Trust

Transparency and Disclosure

With funding and support from financial supporters, mechanisms need to be in place to deliver information on where their money is directed, what programmes are conducted, how the Trust and Hubs are managed and what social impact is created.

Monitoring by Board

- Regular board meetings to evaluate performance of Trust, Hubs and Endowment Fund
- Oversight of Operator contracts and Hub site selection
- Authority to hire, fire and compensate top management

Internal controls

- Regular reporting from committees to Board and Management
- Internal audits to test design & implementation of governance and control mechanisms
- Spot checks on Hubs to ensure reliability of financial reporting

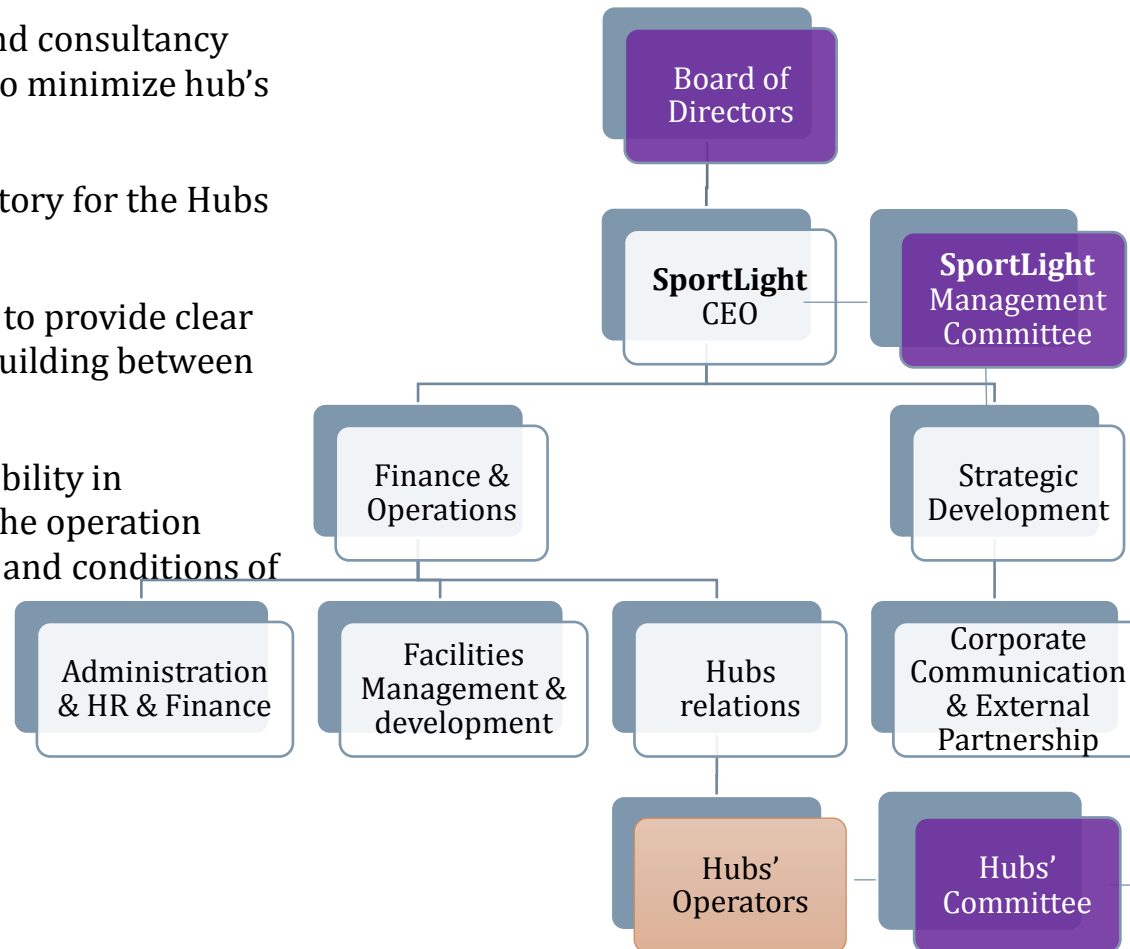
Public disclosure

- Terms of Reference of Board and Committees
- Declarations of interest
- Audited financial reports included in Annual Report
- AGM held and financial supporters, operators and community members invited to attend

The SportLight Trust's Management Structure

The **SportLight Trust's** management structure will support its robust governance mechanisms and financial controls, some of which include:

1. Centralised admin, finance, legal and consultancy services are provided to the Hubs to minimize hub's administrative cost.
2. Centralised POS system are mandatory for the Hubs to collect revenue.
3. A single point of contact is in place to provide clear communication and relationship-building between Trust and operator.
4. Individual operators are given flexibility in operations while also adhering to the operation protocol and standard set in terms and conditions of the contract.
5. Salary and pay structure are designed to motivate best performance of the management team e.g. incentive and bonus scheme.



Benefactors for the SportLight Trust

The **SportLight Trust** will attract funding from multiple sources:

- Charitable Foundations and Trusts
- Government grants and funds earmarked for sports and community development
- Private corporations through their business and community activities i.e. CSR and philanthropy
- High net worth individuals and family offices
- Public donations through fund-raising schemes

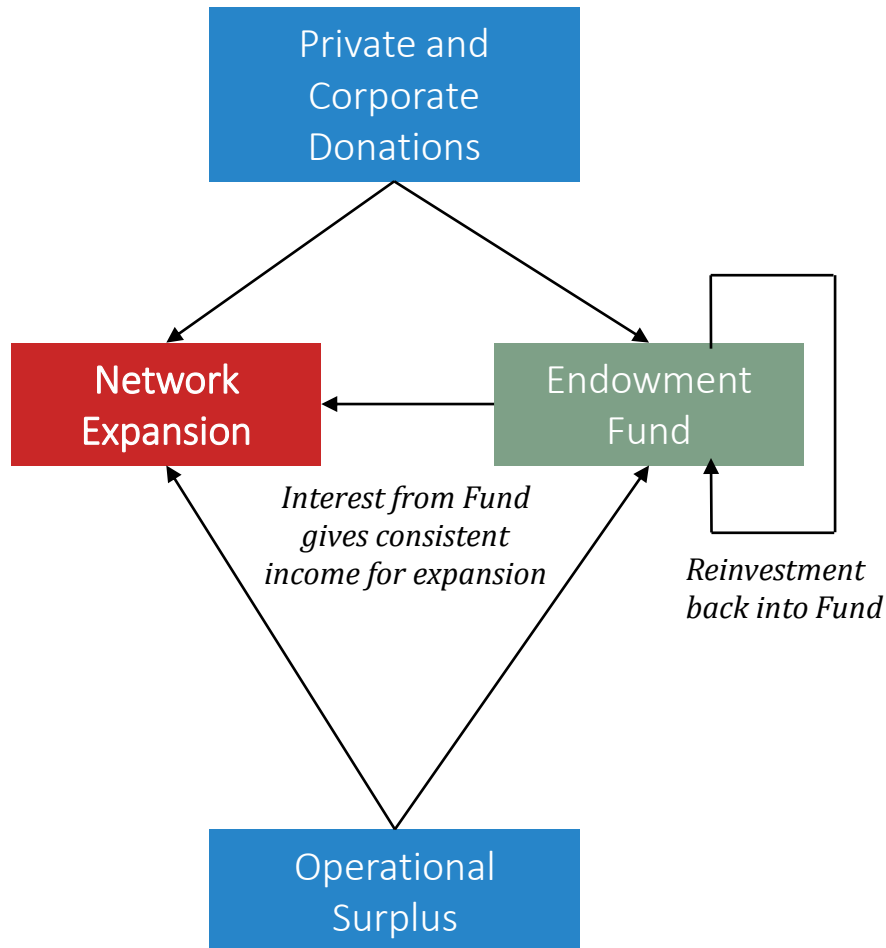
In its initial stages (Phase 1), funding will be channeled directly into the construction of Hubs and the Operations of the Trust.

From Phase 2 an endowment fund will be established which can provide a base source of funding for the Trust and reduce its reliance on external donors. The endowment fund will be topped up regularly as and when lump sum donations are received.

There will be a clear separation between the processes of sourcing funding and awarding Hub Operator contracts and Hub naming rights to ensure that conflicts of interest do not arise.

SportLight will raise funds from a variety of public and private sources

The SportLight Trust Endowment Fund



- An endowment fund managed by a third-party allows for donations into the Trust to have an impact over a longer period
- It will ensure that the Trust has consistent, recurrent long-term returns.
- The fund will be topped up regularly with lump sum donations and surplus from the Trust.
- Accrued interest will provide a consistent source of funding for operations and potentially constructing new Hubs.
- The Trust will have strict guidelines for the usage of the endowment fund co-written with anchor donors

Endowment Fund results in recurrent income for SportLight Trust



HUB & OPERATOR CASE STUDY: NAM CHEONG

Rationale for Case Study

As part of the pre-feasibility study various government sites available for Short Term Tenancy (STT) were reviewed against criteria such as location size, shape, accessibility, etc and assessed as potential sites for Community Sports Hubs

Three sites were shortlisted, two of which are situated close by Nam Cheong MTR Station in Sham Shui Po, one of the poorest districts in Hong Kong.

Leading local architects LWK & Partners offered pro-bono services to prepare concept drawings of what Community Sports Hubs on each of these sites might look like.

One site in particular “Sham Shui Po Site A” was selected to prepare an example of how some of the elements of the proposed business model would work in practice.

This section will cover the following topics: Site selection; Hub facilities; Operator selection and role; Booking and pricing strategy; Staffing and Financial projections.

A case study helps bring the business model to life

Site Selection: Two Potential Sites Side-by-Side



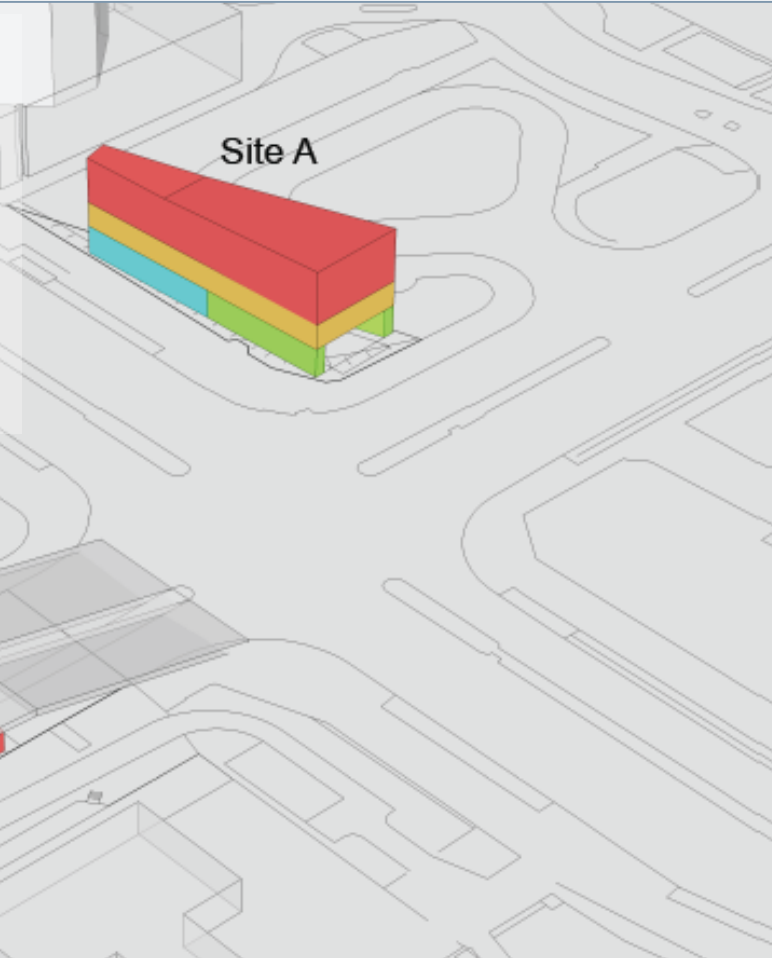
Site A: Idle land ~ 6,000 sq ft

Site B Below highway
~ 15,000 sq ft

Representative of dozens of similar STT sites across Hong Kong

Site Selection: Concepts Designed to be Inclusive

Site A selected as Case Study because if constructed it would be a truly unique and iconic landmark in Hong Kong. It has high visibility and despite the triangular shape poses less restrictions than building under the highway overpass.

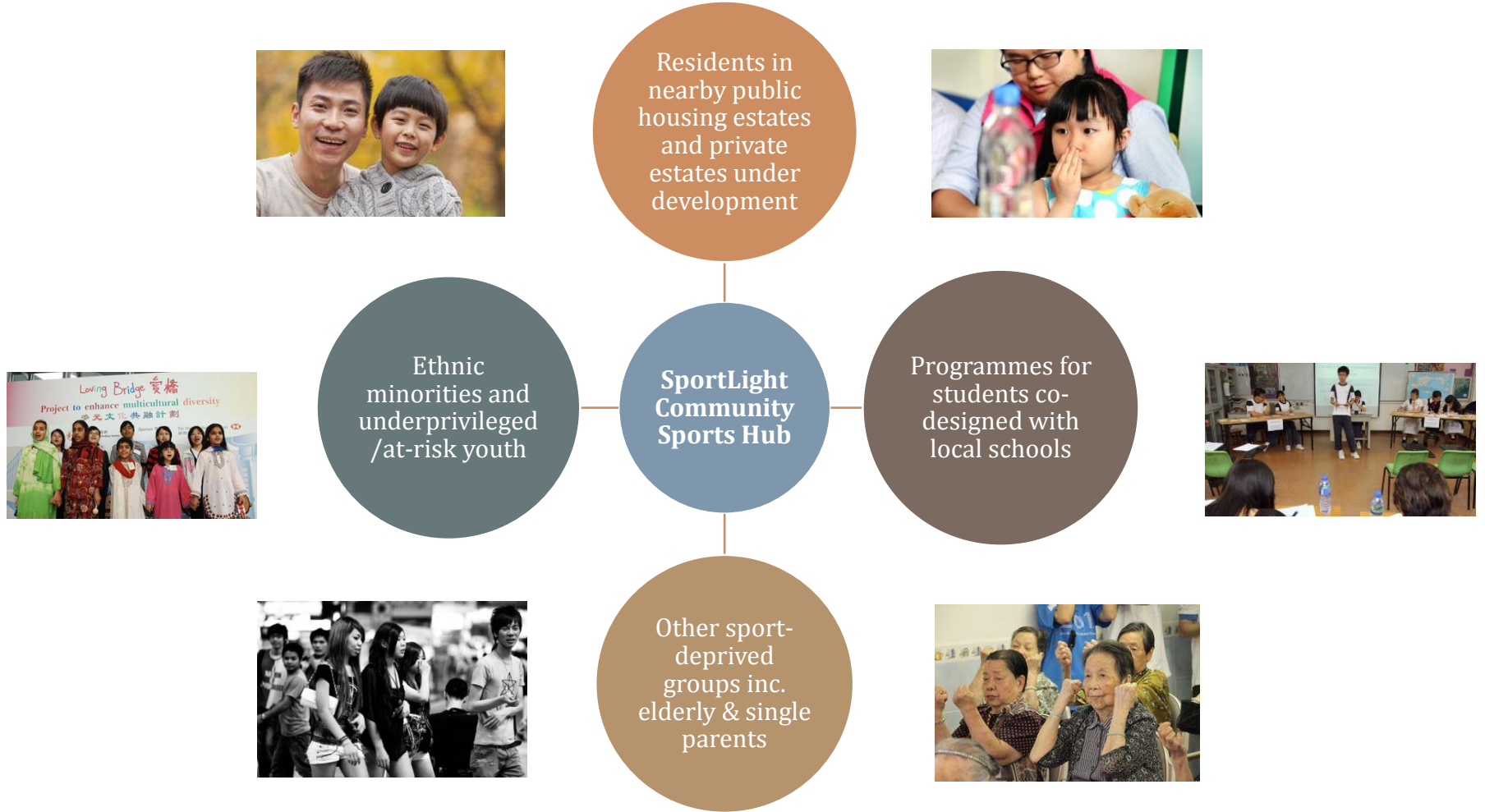


- Sports
運動
- Community
社區活動
- Public Space
公共空間
- Admin Office
行政辦公

lwk&partners
a r c h i t e c t s

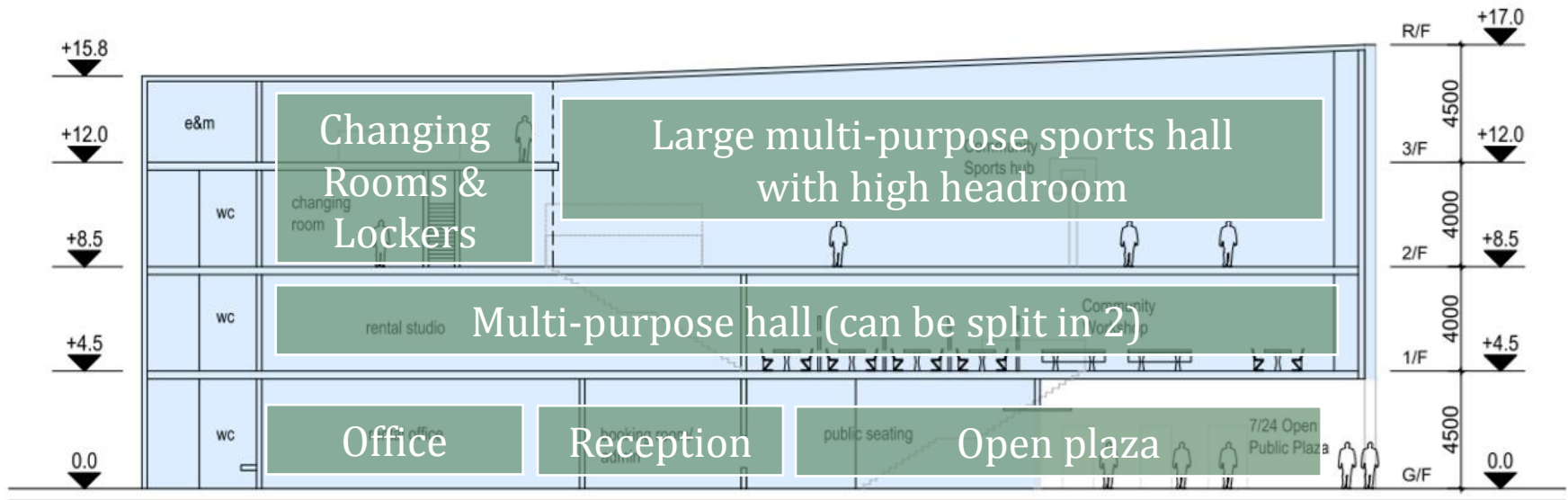
Multi-purpose facilities catering to the whole community

Site Selection: Target Users



Nam Cheong Hub would have a broad social impact

Standard Hub Facilities

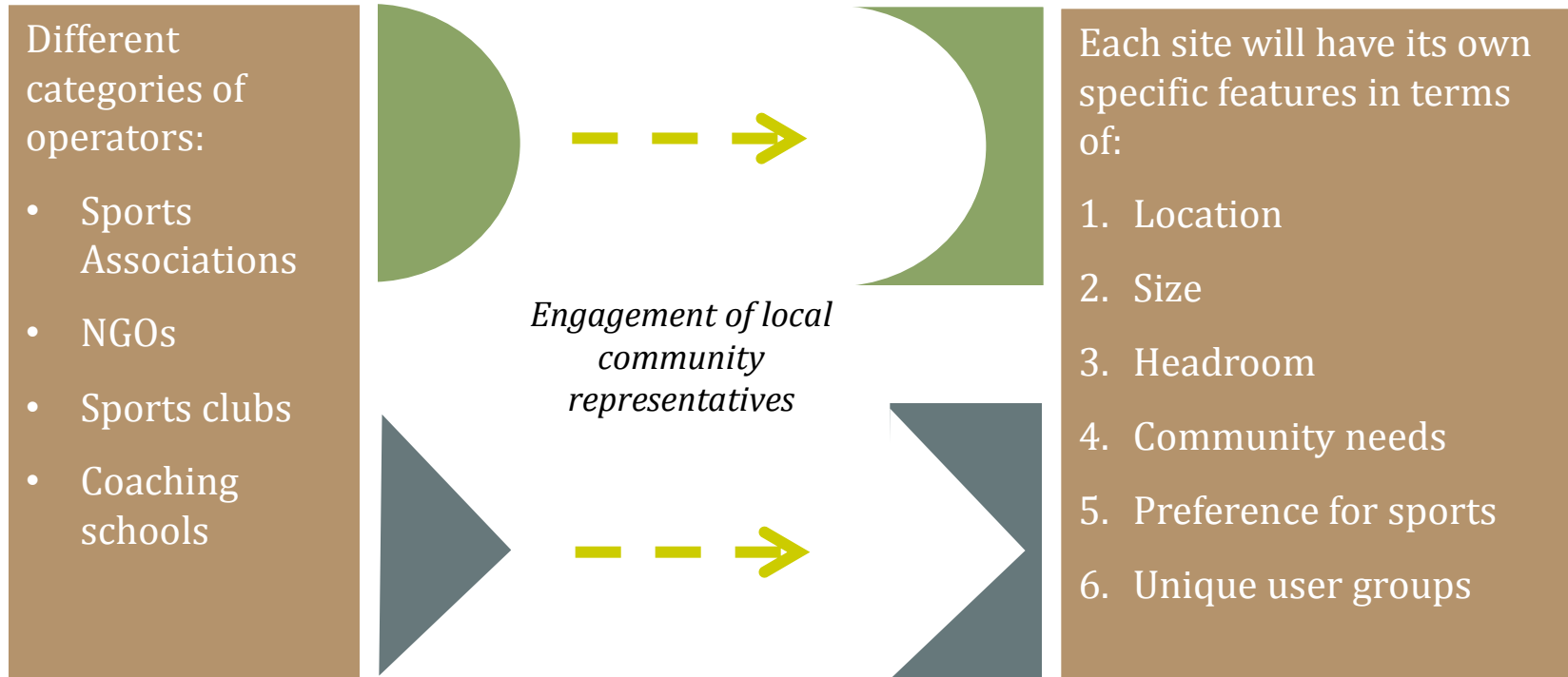


Standard features will include:

- 4-storey high steel frame structure
- 1,450 sq. m Gross Floor Area (GFA)
- Glass walls for natural sun light
- Zinc corrugated sheets for easy construction
- Two multi-purpose sports halls, one with high headroom and another with moveable partitions which can be split into two rooms
- Back office and amenities, public space for events

Operator Selection and Role: Finding a Good Match

Potential operators will be selected with reference to the specific features of an individual site.



Public consultation ensures operator will serve community needs

Operator Selection and Role: Potential Candidates



Operators would have to meet strict criteria described previously before being considered in the tendering process, namely:

- Competency running structured sports programmes
- Financial management capabilities
- Entrepreneurial or business management experience
- Commitment to creating social value
- Reputation and relationships in the community



Potential candidates may include sports associations with a strong reputation, proven track record and ideally a history of community development, or NGOs with prior experience running facilities and sports programmes.

A wide variety of potential operators to be considered

Operator Selection and Role: Autonomy

Upon being awarded a contract operators will be offered a high degree of autonomy in running the Hub. Certain key aspects of operations, however, will be decided by the SportLight Trust.

Operator's Autonomy

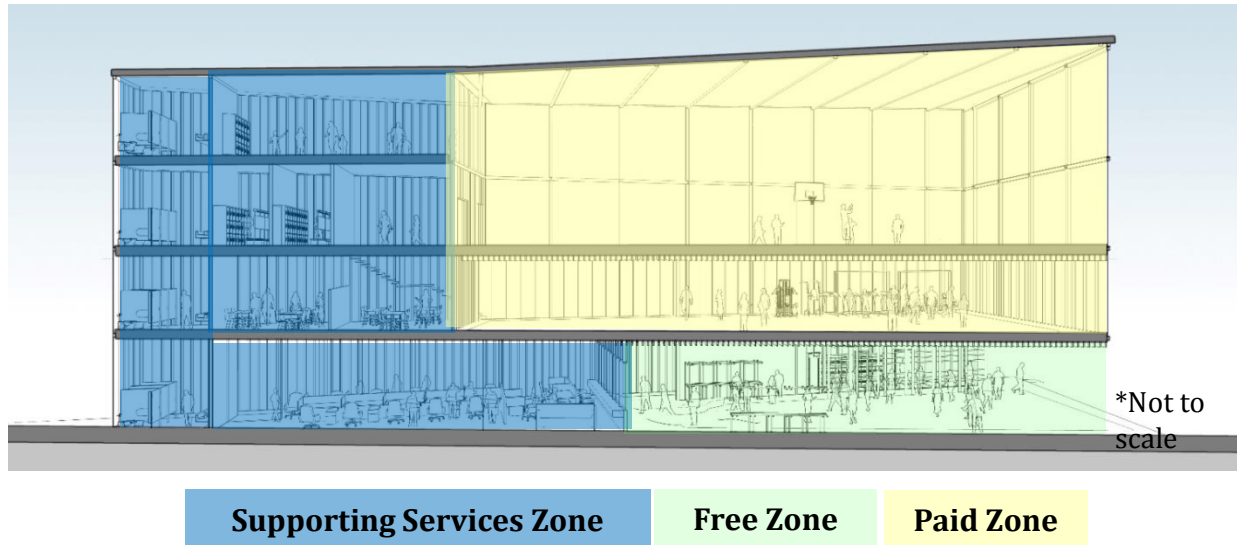
- Operating Hours
- Membership details
- Minor maintenance
- Food and Beverage
- Staff Training

SportLight Trust Oversight

- Community usage: time & fees
 - Centralised POS system
 - Major maintenance
- Certain shared services including marketing, legal, etc

Striking a balance between autonomy and oversight

Booking and Pricing Strategy: Usage Allocation



- 40% of available timeslots must be reserved for community usage at a nominal rate.
- Remaining time slots may be split between “operator” and “commercial” programmes.
- “Operator programmes” are structured programmes sold to individual users at an affordable rate
- “Commercial programmes” are those run by companies such as soccer schools and will be charged the highest rates to subsidise community programmes.

Usage allocation ensures social and financial responsibilities are met

Booking and Pricing Strategy: Key Assumptions

- One hour in one hall = one “unit”
- Multi-use halls open 14 hrs/day (08.00 – 22.00). Total = 28 units/day
- Three kinds of usage with three different pricing strategies:
 1. Community usage
 - 12 available units @ HK\$100/unit/hall
 2. Operator programmes
 - 8 available units @ HK\$35/person/hour x 20 pax = HK\$700 per hall
 3. Commercial programmes
 - 8 available units @ HK\$500/unit/hall
- Coaching fee @ HK\$300/hour
- Membership fee @ HK\$50/month/person (target 500 members)
- Three community events per month (flea market, bingo, corporate parties, etc). Revenue per event HK\$8,000
- The hub will share 50% of its operating surplus with the SportLight Trust.

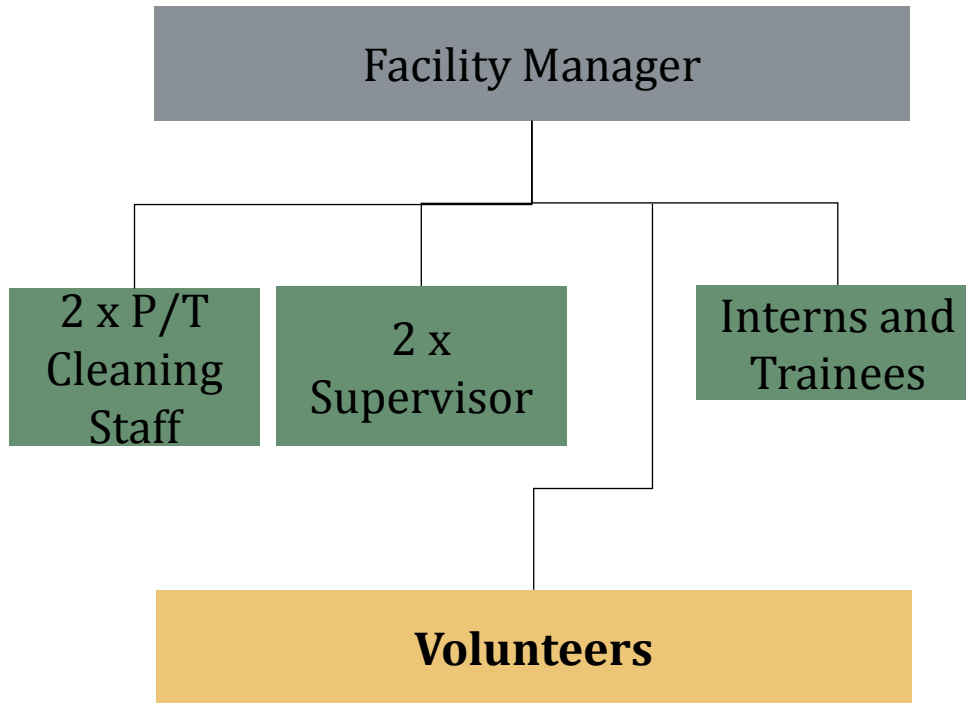
Booking and Pricing Strategy: Membership

- Membership will be offered to any user who wishes to join with no criteria
- Members do not receive preferential booking as this goes against the inclusive nature of the Hub
- Members will enjoy a range of other benefits
 - E-newsletter with special offers from supporting partners at the Hub and Trust-level
 - Chance to receive discounted places on special programmes or at special events i.e. celebrity coaches, evening courses, field trips
 - Only members will be invited to represent Hub at Inter-Hub competitions
 - Off-peak discounts
 - Sense of ownership & prestige



Hub membership

Hub Staffing requirements



| Staff | Wages (HK\$) |
|-----------------------|-----------------|
| Facility Manager: | \$25,000 |
| Supervisor: | \$12,000 (x 2) |
| P/T Cleaning Staff: | \$8,000 (x2) |
| Interns & Trainee: | \$5,000 |
| Monthly Total: | \$70,000 |

- Operators will also be responsible for sourcing coaches for their structured programs.
- Assumptions is that coaches will cost HK\$400 per hourly session.

Passionate volunteers and trainees can help to reduce costs

Financial Projections

HUB MONTHLY INCOME STATEMENT (BASE CASE)

| | Per month HK\$ |
|-----------------------|-------------------|
| Revenues | |
| Booking fees | |
| Community usage | 25,200 |
| Operator programmes | 117,600 |
| Commercial programmes | 84,000 |
| Events | 24,000 |
| Membership fees | 25,000 |
| Total Revenues | 275,800 |
| Expenses | |
| Staff | 74,500 |
| Coaching fees | 50,400 |
| Utilities | 75,000 |
| Management Fee | 10,000 |
| Total Expenses | 209,900 |
| Gross Profit | 65,900 |
| Surplus sharing | 32,950 |
| Net Profit | 32,950 |

- Base case financial projections assume a utilisation rate of 70%.
- Assumes no income from local sponsorship and advertising which could contribute significantly to certain Hubs depending on location and lease terms.
- Even after surplus sharing with the SportLight Trust Hub should make a profit.
- Terms of contract will stipulate that all profits must be reinvested into programmes and community outreach by Hub operator.

Self-sustaining Hub operations



COMMUNITY & SOCIAL IMPACTS

Overview

Available public sports facilities in Hong Kong are commonly overcrowded and difficult to access. For the most part they are fully utilised in peak hours, leading to a complex reservation system with few available time slots for those wishing to “walk-in” and play. This makes ad hoc team sports almost impossible. Private facilities do not suffer from these issues, but have expensive entry and membership fees unaffordable for the vast majority of Hong Kong residents

In this environment, the **SportLight Trust** will have great social impact.

- Hubs will not only provide easily-accessible sports venues, they will also transform the city’s urban culture and create a more engaging, outgoing and inclusive atmosphere. These conclusions are supported by research and real case studies.
- A network of hubs will create opportunity for interaction and greater impact across the territory and allow hubs to achieve objectives that they could not achieve individually.
- Social impact will be measured through both quantitative and qualitative indicators. Robust monitoring and evaluation mechanisms will ensure that these targets are achieved.

Measuring Social Impact—Potential Indicators

Indicators come in two forms: data-based and survey-based. Data-based indicators use quantitative methodological studies; survey-based indicators will use polling and statistical techniques as well as qualitative analysis to determine a hub's impact on a *specific* community.

Data-based Indicators

- Health i.e. Body-Mass Index, incidence of chronic illnesses in children, elderly health issues
- Juvenile delinquency
- Academic performance and absenteeism
- Crime rates

Survey-based Indicators

- Awareness of the benefits of a healthy active lifestyle
- Social integration and expansion of social networks
- Stress reduction and happiness levels
- Increased self-confidence and resilience

Many metrics for measuring the impact of sports in the community

Measuring Social Impact—Methodology and Partners

Third-party organisations will be used for data-collection whenever possible. These will include government departments (e.g. the Hong Kong Police), universities or non-governmental organisations.

Data-based Indicators

- Specific indicators will be measured during design and construction phase, with data collected at yearly intervals. A report on the community will be produced every year.
- These indicators will not be used to judge hub performance, but rather used to provide an image of the challenges facing a community over time.

Survey-based Indicators

- These will be measured by annual polling of the surrounding community, in order to determine whether the sports hub has an appreciable impact on the community.
- These indicators *will* be used to determine a hub's ability to achieve social performance indicators.



How the SportLight Trust Leverages Social Success

The positive social impact of sports Hubs can support the **SportLight Trust's** many objectives. Below are just a few examples:

- To communicate to current financial supporters and attract new funding partners – companies especially will find the potential to communicate the social impact of their philanthropy in annual reports.
- Hubs' social impact can raise public awareness of the **SportLight Trust** initiative, and strengthen the brand identity of the Trust and the individual Hub.
- Hubs can share best practices between themselves to increase overall social impact.
- The success of sports hubs in building stronger healthier and more inclusive communities can help influence the government for greater policy support.
- One such success will come from the building of an inter-hub network.

Positive social impact of Hubs should be communicated widely

Building an Inter-Hub Community—Social Benefits

Hubs will be tied to the **SportLight Trust** through more than just financial and social obligations. Hubs will also build a sports community throughout the territory, to fulfill objectives together that they can not do individually.

A network can:

- Encourage sportsmanship and the spirit that comes from friendly competition.
- Build user loyalty to the **SportLight** network, by allowing for team games that would otherwise be difficult to organise.
- Help build a local identity tied to an individual sports hub through inter-hub competition.

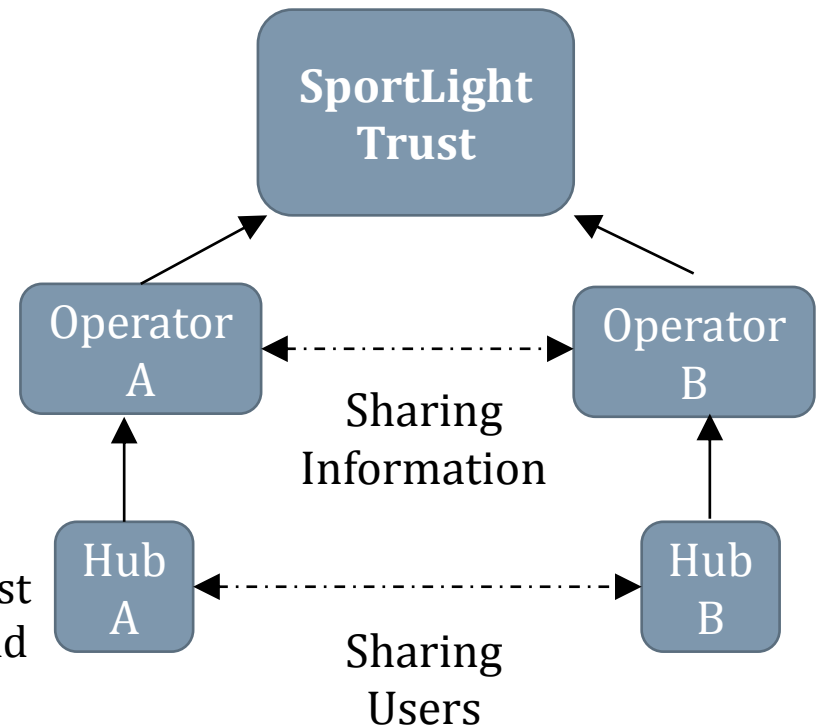


A Hub network has clear benefits for both hub and community

Building an Inter-Hub Community—Hub Network

Upon Phase III of hub development, the number of hubs and the connections between them should allow:

- **Users** of different hubs to meet and play with each other, building an inter-hub community.
- **Users** to find vacant spaces in other hubs, allowing for more efficient use of space throughout the network.
- **Hubs** to share relevant experiences amongst themselves to allow for better operation and the sharing of best practices.
- **Hubs** to work together through informal collaboration to run large-scale sporting events, such as inter-hub tournaments.



Network ideal for inter-hub cooperation and competition

Building an Inter-Hub Community—Mobile Platform

Immediately, an online mobile application will be developed that will:

- Show hubs near the user's location, with information on hours, facilities and rates.
- Allow users to search for available places, and book through the application.
- Allow users to set up informal matches or games.

Operators will be obliged to set up their booking systems to accommodate this platform.

This application can also be an alternate revenue stream for the SportLight Trust through advertising.



Smartphone platform easy first step to build inter Hub community

Case Study—Operation Breakthrough

- The program uses sports to tackle juvenile delinquency in Hong Kong, using police volunteers.
- The sporting environment provides a platform to facilitate unprecedented positive interaction between youth and police volunteers.
- Sport provides active learning for troubled youth in areas such as respect, discipline, team work, etc.
- The current program serves 300+ members, with an annual growth of 30% in new members.
- 40% of members are able to develop a career in sports coaching or as civil servants e.g. police officers, firemen, and correctional services.



運動改寫人生



“Sport can change lives”



FINANCIAL ANALYSIS

Key Assumptions & Highlights

- Under IRD Ordinance S.88 the **SportLight Trust** enjoys exemption from taxes.
- The Nam Cheong Hub is used as a benchmark in terms of construction costs, operating costs and revenues. Note: rough estimates are used and further analysis is required at the feasibility stage.
- Pilot Hub begins operations approx 1.5 years after the **SportLight Trust** is established
- Hubs will be constructed on STT sites or private sector sites where rents will be nominal (if any) based on nonprofit usage.
- Potential income from an endowment fund is not factored into the projections
- In the **Base case** (70% Hub utilisation rate, no income from naming rights) the Trust's operations are self-sustaining by Year 4
- In the **Best case** (80% Hub utilisation rate, income from naming rights) the Trust's operations are self-sustaining by Year 3
- In the **Worst case** (60% utilisation rate, no income from naming rights) the Trust's operations are self-sustaining by Year 7. Note: if income can be generated from naming rights the Trust's operations would be self-sustaining by Year 5
- In all cases Hubs are financially self-sustaining

Quantitative Assumptions

| | |
|---|----------------------------|
| • Phase 1 CAPEX based on the cost of construction | HK\$22,000/ m ² |
| • Construction of first hub (based on Nam Cheong) | HK\$31,900,000 |
| • Construction fee inflation rate | 3% p.a. |
| • Annual expenses inflation rate | 5% p.a. |
| • Annual management fee from hub | HK\$120,000 |
| • Per cent of Hub surplus to be shared with Trust | 50% |
| • Naming rights per Hub per year (conservative estimate) | HK\$120,000 |
| • Other advertising sold in packages per Hub per year (conservative estimate) | HK\$60,000 |
| • Depreciation rate of Hub - Leasehold land & building | 3% |

Base-Case Scenario— Hub Income Statement

BASE CASE

| | | | ***Half year*** | | | | | | |
|-----------------------|-------------------|----------------|------------------|------------------|------------------|------------------|------------------|------------------|-------------------|
| | Per month HK\$ | Year 1 HK\$ | Year 2 HK\$ | Year 3 HK\$ | Year 4 HK\$ | Year 5 HK\$ | Year 6 HK\$ | Year 7 HK\$ | TOTAL HK\$ |
| Revenues | | | | | | | | | |
| Booking fees | | | | | | | | | |
| Community usage | 25,200 | | 151,200 | 311,472 | 320,816 | 330,441 | 340,354 | 350,564 | 1,804,847 |
| Operator programmes | 117,600 | | 705,600 | 1,453,536 | 1,497,142 | 1,542,056 | 1,588,318 | 1,635,968 | 8,422,620 |
| Commercial programmes | 84,000 | | 504,000 | 1,038,240 | 1,069,387 | 1,101,469 | 1,134,513 | 1,168,548 | 6,016,157 |
| Events | 24,000 | | 144,000 | 296,640 | 305,539 | 314,705 | 324,147 | 333,871 | 1,718,902 |
| Membership fees | 25,000 | | 150,000 | 309,000 | 318,270 | 327,818 | 337,653 | 347,782 | 1,790,523 |
| Total Revenues | 275,800 | - | 1,654,800 | 3,408,888 | 3,511,155 | 3,616,489 | 3,724,984 | 3,836,733 | 19,753,049 |
| Expenses | | | | | | | | | |
| Staff | 74,500 | | 447,000 | 894,000 | 938,700 | 985,635 | 1,034,917 | 1,086,663 | 5,386,914 |
| Coaching fees | 50,400 | | 302,400 | 635,040 | 666,792 | 700,132 | 735,138 | 771,895 | 3,811,397 |
| Utilities | 75,000 | | 450,000 | 918,000 | 936,360 | 955,087 | 974,189 | 993,673 | 5,227,309 |
| Management Fee | 10,000 | | 60,000 | 120,000 | 120,000 | 120,000 | 120,000 | 120,000 | 660,000 |
| Total Expenses | 209,900 | - | 1,259,400 | 2,567,040 | 2,661,852 | 2,760,854 | 2,864,244 | 2,972,230 | 15,085,620 |
| | | | | | | | | | |
| | | | | | | | | | |
| Gross Profit | 65,900 | - | 395,400 | 841,848 | 849,303 | 855,635 | 860,740 | 864,503 | 4,667,429 |
| Surplus sharing | 32,950 | 0 | 197,700 | 420,924 | 424,651 | 427,818 | 430,370 | 432,252 | 2,333,715 |
| Net Profit | 32,950 | - | 197,700 | 420,924 | 424,651 | 427,818 | 430,370 | 432,252 | 2,333,715 |

Base-Case Scenario— SportLight Trust Income Statement

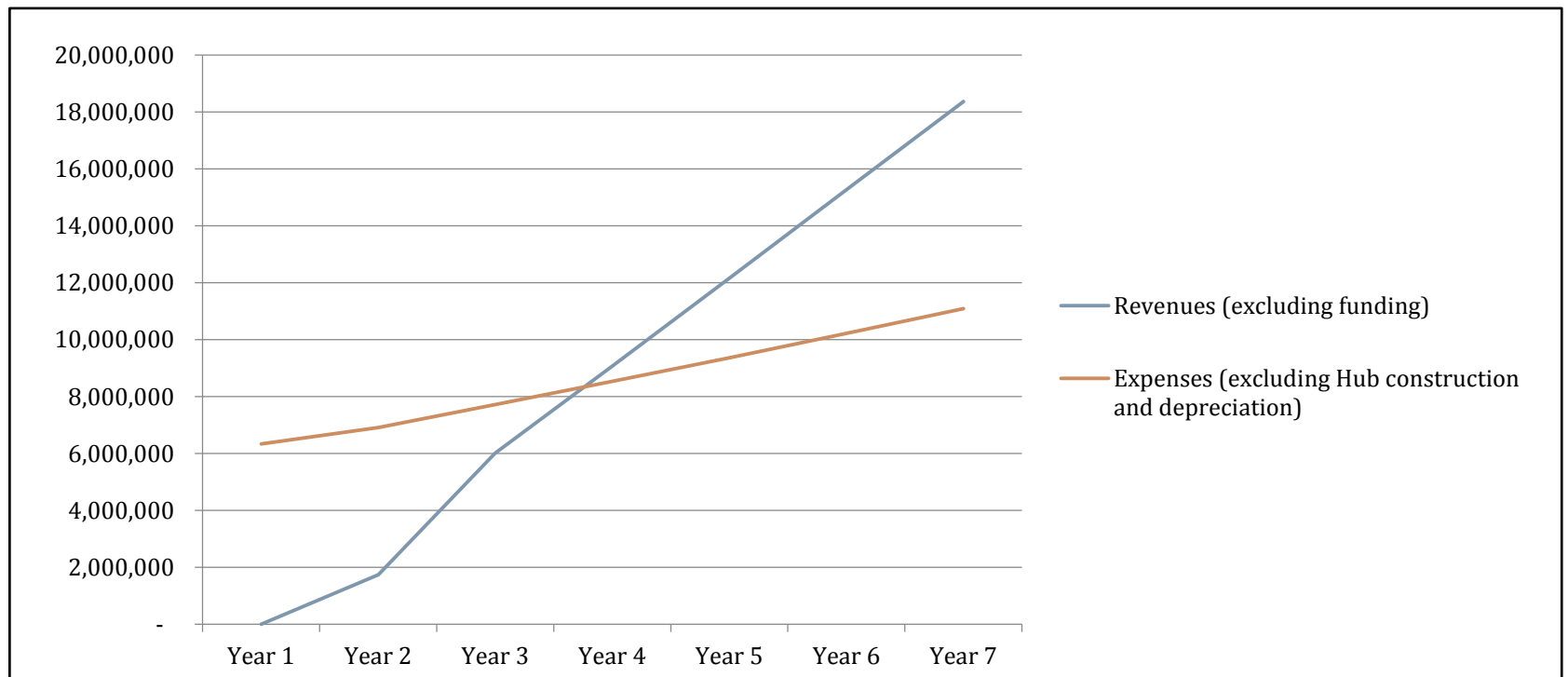
BASE CASE

| | Per month HK\$ | Year 1 HK\$ | Year 2 HK\$ | Year 3 HK\$ | Year 4 HK\$ | Year 5 HK\$ | Year 6 HK\$ | Year 7 HK\$ | TOTAL HK\$ |
|-------------------------------------|-------------------|--------------------|--------------------|--------------------|------------------|-------------------|-------------------|-------------------|-------------------|
| Revenues (excluding funding) | | | | | | | | | |
| Hub Management Fee | 10,000 | | 600,000 | 1,200,000 | 1,800,000 | 2,400,000 | 3,000,000 | 3,600,000 | 12,600,000 |
| Hub Surplus Sharing | | | 988,500 | 4,209,240 | 6,369,770 | 8,556,355 | 10,759,251 | 12,967,546 | 43,850,662 |
| Naming Rights per Hub | - | - | - | - | - | - | - | - | - |
| Advertising per Hub | 5,000 | | 150,000 | 600,000 | 900,000 | 1,200,000 | 1,500,000 | 1,800,000 | 6,150,000 |
| Total Revenues | 15,000 | - | 1,738,500 | 6,009,240 | 9,069,770 | 12,156,355 | 15,259,251 | 18,367,546 | 62,600,662 |
| Expenses | | | | | | | | | |
| Staff | 439,000 | 5,268,000 | 5,531,400 | 5,807,970 | 6,098,369 | 6,403,287 | 6,723,451 | 7,059,624 | 42,892,101 |
| Rent | 50,000 | 600,000 | 630,000 | 661,500 | 694,575 | 729,304 | 765,769 | 804,057 | 4,885,205 |
| Misc. expenses | 14,000 | 468,000 | 268,000 | 281,400 | 295,470 | 310,244 | 325,756 | 342,043 | 2,290,913 |
| 3rd party insurance | | | 480,000 | 960,000 | 1,440,000 | 1,920,000 | 2,400,000 | 2,880,000 | |
| Total Expenses | 503,000 | 6,336,000 | 6,909,400 | 7,710,870 | 8,528,414 | 9,362,834 | 10,214,976 | 11,085,725 | 60,148,218 |
| Net Profit | (488,000) | (6,336,000) | (5,170,900) | (1,701,630) | 541,356 | 2,793,521 | 5,044,275 | 7,281,821 | 2,452,444 |

| | | | | | | | | |
|--------------------------------------|---|-------------|-------------|-------------|-------------|-------------|-------------|----------------------|
| Number of Hubs | 0 | 5 | 10 | 15 | 20 | 25 | 30 | 30 |
| Cap-Ex required for Hub Construction | | 159,500,000 | 164,285,000 | 169,213,550 | 174,289,957 | 179,518,655 | 184,904,215 | 1,031,711,377 |
| Depreciation | | 4,785,000 | 9,713,550 | 14,789,957 | 20,018,655 | 25,404,215 | 30,951,341 | 105,662,718 |

Base-Case Scenario— SportLight Trust Profit and Loss

| | Year 1 | Year 2 | Year 3 | Year 4 | Year 5 | Year 6 | Year 7 |
|--|-------------|-------------|-------------|-----------|------------|------------|------------|
| Revenues (excluding funding) | - | 1,738,500 | 6,009,240 | 9,069,770 | 12,156,355 | 15,259,251 | 18,367,546 |
| Expenses (excluding Hub construction and depreciation) | 6,336,000 | 6,909,400 | 7,710,870 | 8,528,414 | 9,362,834 | 10,214,976 | 11,085,725 |
| Profit/ (Loss) | (6,336,000) | (5,170,900) | (1,701,630) | 541,356 | 2,793,521 | 5,044,275 | 7,281,821 |



Best-Case Scenario— Hub Income Statement

BEST CASE

| | Per month HK\$ | Year 1 HK\$ | ***Half year*** Year 2 HK\$ | Year 3 HK\$ | Year 4 HK\$ | Year 5 HK\$ | Year 6 HK\$ | Year 7 HK\$ | TOTAL HK\$ |
|-----------------------|-------------------|----------------|-----------------------------------|------------------|------------------|------------------|------------------|------------------|-------------------|
| Revenues | | | | | | | | | |
| Booking fees | | | | | | | | | |
| Community usage | 28,800 | | 172,800 | 355,968 | 366,647 | 377,646 | 388,976 | 400,645 | 2,062,682 |
| Operator programmes | 134,400 | | 806,400 | 1,661,184 | 1,711,020 | 1,762,350 | 1,815,221 | 1,869,677 | 9,625,851 |
| Commercial programmes | 96,000 | | 576,000 | 1,186,560 | 1,222,157 | 1,258,822 | 1,296,586 | 1,335,484 | 6,875,608 |
| Events | 24,000 | | 144,000 | 296,640 | 305,539 | 314,705 | 324,147 | 333,871 | 1,718,902 |
| Membership fees | 25,000 | | 150,000 | 309,000 | 318,270 | 327,818 | 337,653 | 347,782 | 1,790,523 |
| Total Revenues | 308,200 | - | 1,849,200 | 3,809,352 | 3,923,633 | 4,041,342 | 4,162,582 | 4,287,459 | 22,073,567 |
| Expenses | | | | | | | | | |
| Staff | 74,500 | | 447,000 | 894,000 | 938,700 | 985,635 | 1,034,917 | 1,086,663 | 5,386,914 |
| Coaching fees | 50,400 | | 302,400 | 635,040 | 666,792 | 700,132 | 735,138 | 771,895 | 3,811,397 |
| Utilities | 75,000 | | 450,000 | 918,000 | 936,360 | 955,087 | 974,189 | 993,673 | 5,227,309 |
| Management Fee | 10,000 | | 60,000 | 120,000 | 120,000 | 120,000 | 120,000 | 120,000 | 660,000 |
| Total Expenses | 209,900 | | 1,259,400 | 2,567,040 | 2,661,852 | 2,760,854 | 2,864,244 | 2,972,230 | 15,085,620 |
| | | | - | | | | | | |
| Gross Profit | 98,300 | - | 589,800 | 1,242,312 | 1,261,781 | 1,280,488 | 1,298,338 | 1,315,229 | 6,987,947 |
| Surplus sharing | 49,150 | 0 | 294,900 | 621,156 | 630,890 | 640,244 | 649,169 | 657,614 | 3,493,974 |
| Net Profit | 49,150 | - | 294,900 | 621,156 | 630,890 | 640,244 | 649,169 | 657,614 | 3,493,974 |

Best-Case Scenario— SportLight Trust Income Statement

Higher utilisation rates and naming rights significantly increase Trust profits

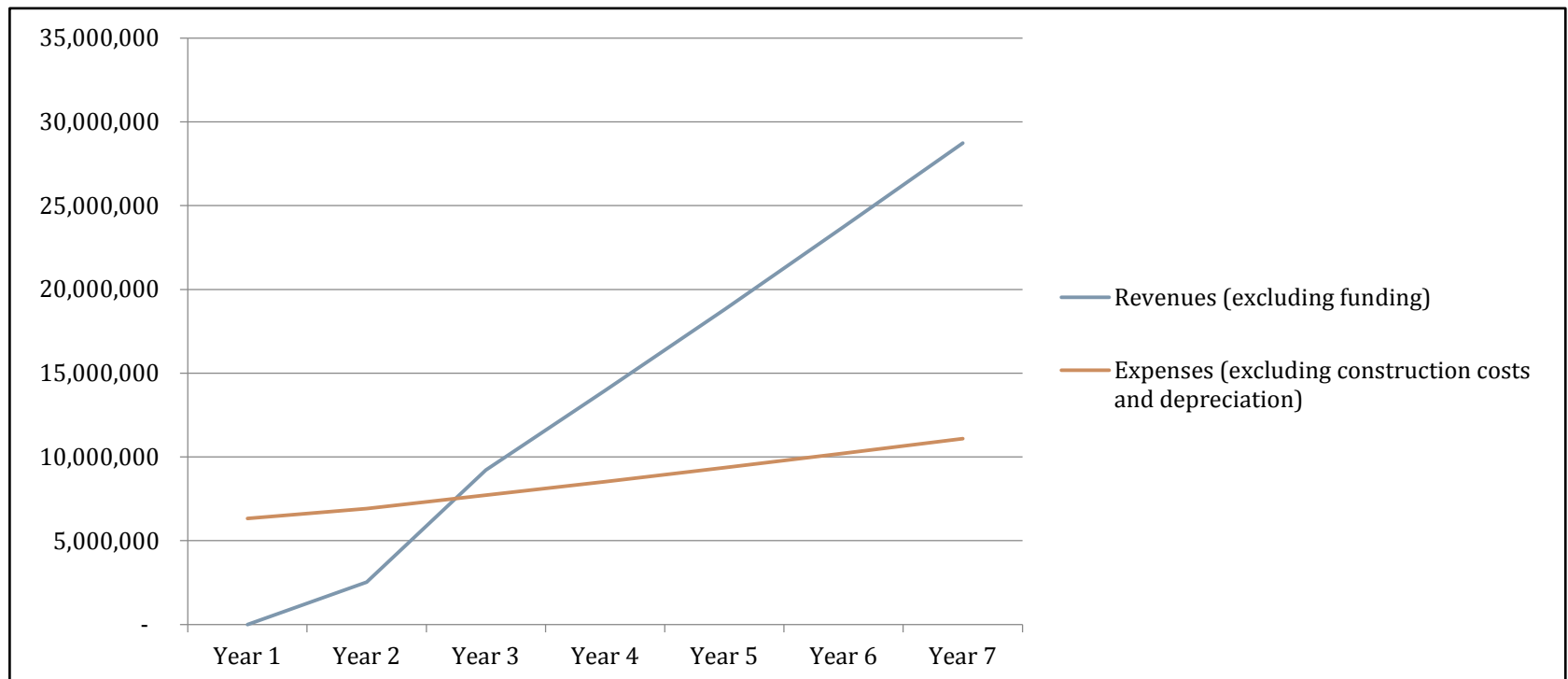
BEST CASE

| | Per month HK\$ | Year 1 HK\$ | Year 2 HK\$ | Year 3 HK\$ | Year 4 HK\$ | Year 5 HK\$ | Year 6 HK\$ | Year 7 HK\$ | TOTAL HK\$ |
|-------------------------------------|-------------------|--------------------|--------------------|------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| Revenues (excluding funding) | | | | | | | | | |
| Hub Management Fee | 10,000 | | 600,000 | 1,200,000 | 1,800,000 | 2,400,000 | 3,000,000 | 3,600,000 | 12,600,000 |
| Hub Surplus Sharing | | | 1,474,500 | 6,211,560 | 9,463,354 | 12,804,877 | 16,229,224 | 19,728,433 | 65,911,948 |
| Naming Rights per Hub | 10,000 | | 300,000 | 1,200,000 | 1,800,000 | 2,400,000 | 3,000,000 | 3,600,000 | 12,300,000 |
| Advertising per Hub | 5,000 | | 150,000 | 600,000 | 900,000 | 1,200,000 | 1,500,000 | 1,800,000 | 6,150,000 |
| Total Revenues | 25,000 | - | 2,524,500 | 9,211,560 | 13,963,354 | 18,804,877 | 23,729,224 | 28,728,433 | 96,961,948 |
| Expenses | | | | | | | | | |
| Staff | 439,000 | 5,268,000 | 5,531,400 | 5,807,970 | 6,098,369 | 6,403,287 | 6,723,451 | 7,059,624 | 42,892,101 |
| Rent | 50,000 | 600,000 | 630,000 | 661,500 | 694,575 | 729,304 | 765,769 | 804,057 | 4,885,205 |
| Misc. expenses | 14,000 | 468,000 | 268,000 | 281,400 | 295,470 | 310,244 | 325,756 | 342,043 | 2,290,913 |
| 3rd party insurance | | | 480,000 | 960,000 | 1,440,000 | 1,920,000 | 2,400,000 | 2,880,000 | |
| Total Expenses | 503,000 | 6,336,000 | 6,909,400 | 7,710,870 | 8,528,414 | 9,362,834 | 10,214,976 | 11,085,725 | 60,148,218 |
| | | | | | | | | | |
| | | | | | | | | | |
| Net Profit | (478,000) | (6,336,000) | (4,384,900) | 1,500,690 | 5,434,941 | 9,442,043 | 13,514,248 | 17,642,708 | 36,813,730 |

| | | | | | | | | |
|--------------------------------------|---|-------------|-------------|-------------|-------------|-------------|-------------|----------------------|
| Number of Hubs | 0 | 5 | 10 | 15 | 20 | 25 | 30 | 30 |
| Cap-Ex required for Hub Construction | | 159,500,000 | 164,285,000 | 169,213,550 | 174,289,957 | 179,518,655 | 184,904,215 | 1,031,711,377 |
| Depreciation | | 4,785,000 | 9,713,550 | 14,789,957 | 20,018,655 | 25,404,215 | 30,951,341 | 105,662,718 |

Best-Case Scenario— SportLight Trust Profit and Loss

| | Year 1 | Year 2 | Year 3 | Year 4 | Year 5 | Year 6 | Year 7 |
|--|-------------|-------------|-----------|------------|------------|------------|------------|
| Revenues (excluding funding) | - | 2,524,500 | 9,211,560 | 13,963,354 | 18,804,877 | 23,729,224 | 28,728,433 |
| Expenses (excluding construction costs and depreciation) | 6,336,000 | 6,909,400 | 7,710,870 | 8,528,414 | 9,362,834 | 10,214,976 | 11,085,725 |
| Profit/(loss) | (6,336,000) | (4,384,900) | 1,500,690 | 5,434,941 | 9,442,043 | 13,514,248 | 17,642,708 |



Worst-Case Scenario— Hub Income Statement

WORST CASE

| | Per month HK\$ | Year 1 HK\$ | **Half year** Year 2 HK\$ | Year 3 HK\$ | Year 4 HK\$ | Year 5 HK\$ | Year 6 HK\$ | Year 7 HK\$ | TOTAL HK\$ |
|-----------------------|-------------------|----------------|---------------------------------|------------------|------------------|------------------|------------------|------------------|-------------------|
| Revenues | | | | | | | | | |
| Booking fees | | | | | | | | | |
| Community usage | 21,600 | | 129,600 | 266,976 | 274,985 | 283,235 | 291,732 | 300,484 | 1,547,012 |
| Operator programmes | 100,800 | | 604,800 | 1,245,888 | 1,283,265 | 1,321,763 | 1,361,415 | 1,402,258 | 7,219,389 |
| Commercial programmes | 72,000 | | 432,000 | 889,920 | 916,618 | 944,116 | 972,440 | 1,001,613 | 5,156,706 |
| Events | 24,000 | | 144,000 | 296,640 | 305,539 | 314,705 | 324,147 | 333,871 | 1,718,902 |
| Membership fees | 25,000 | | 150,000 | 309,000 | 318,270 | 327,818 | 337,653 | 347,782 | 1,790,523 |
| Total Revenues | 243,400 | - | 1,460,400 | 3,008,424 | 3,098,677 | 3,191,637 | 3,287,386 | 3,386,008 | 17,432,532 |
| Expenses | | | | | | | | | |
| Staff | 74,500 | | 447,000 | 894,000 | 938,700 | 985,635 | 1,034,917 | 1,086,663 | 5,386,914 |
| Coaching fees | 50,400 | | 302,400 | 635,040 | 666,792 | 700,132 | 735,138 | 771,895 | 3,811,397 |
| Utilities | 75,000 | | 450,000 | 918,000 | 936,360 | 955,087 | 974,189 | 993,673 | 5,227,309 |
| Management Fee | 10,000 | | 60,000 | 120,000 | 120,000 | 120,000 | 120,000 | 120,000 | 660,000 |
| Total Expenses | 209,900 | - | 1,259,400 | 2,567,040 | 2,661,852 | 2,760,854 | 2,864,244 | 2,972,230 | 15,085,620 |
| Gross Profit | 33,500 | - | 201,000 | 441,384 | 436,825 | 430,783 | 423,142 | 413,777 | 2,346,912 |
| Surplus sharing | 16,750 | 0 | 100,500 | 220,692 | 218,412 | 215,392 | 211,571 | 206,889 | 1,173,456 |
| Net Profit | 16,750 | - | 100,500 | 220,692 | 218,412 | 215,392 | 211,571 | 206,889 | 1,173,456 |

Worst-Case Scenario— SportLight Trust Income Statement

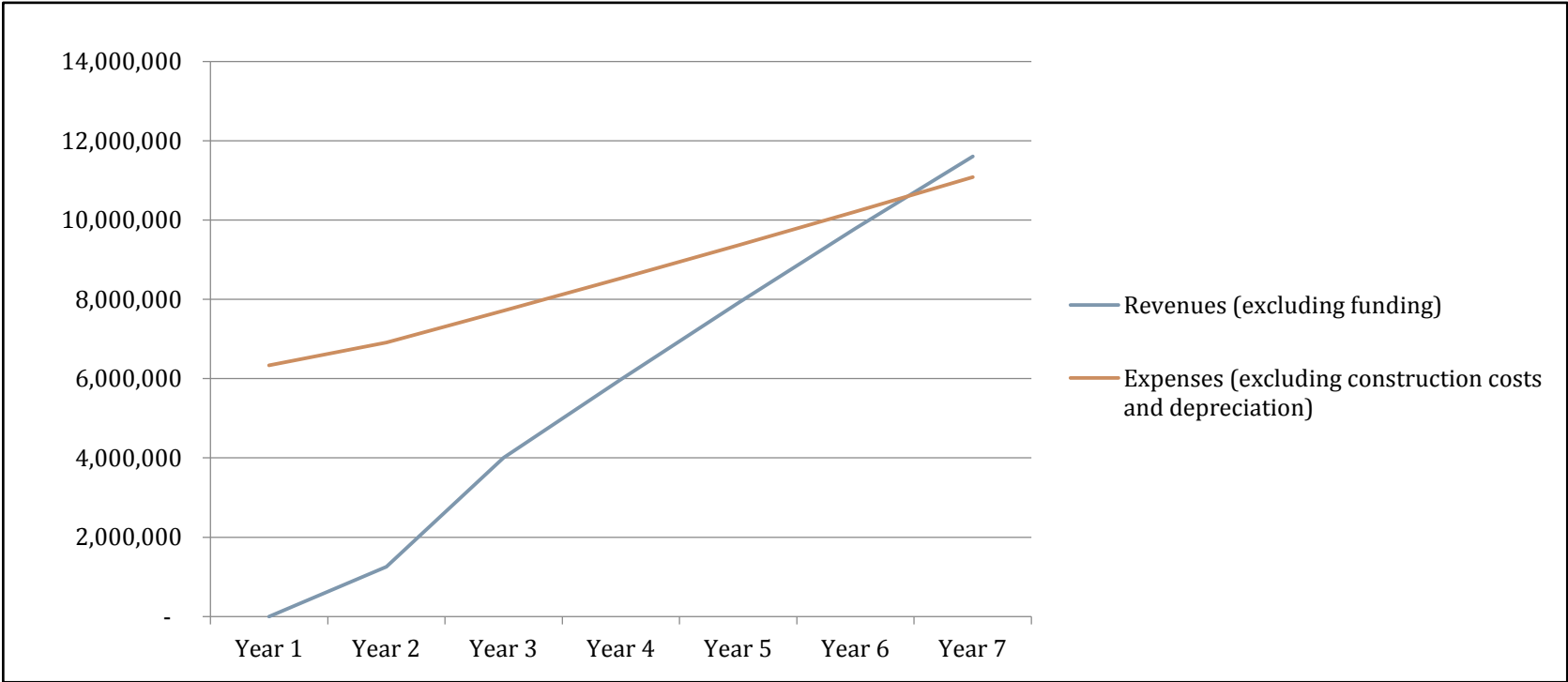
WORST CASE

| | Per month HK\$ | Year 1 HK\$ | Year 2 HK\$ | Year 3 HK\$ | Year 4 HK\$ | Year 5 HK\$ | Year 6 HK\$ | Year 7 HK\$ | TOTAL HK\$ |
|-------------------------------------|-------------------|--------------------|--------------------|--------------------|--------------------|--------------------|-------------------|-------------------|---------------------|
| Revenues (excluding funding) | | | | | | | | | |
| Hub Management Fee | 10,000 | | 600,000 | 1,200,000 | 1,800,000 | 2,400,000 | 3,000,000 | 3,600,000 | 12,600,000 |
| Hub Surplus Sharing | | | 502,500 | 2,206,920 | 3,276,185 | 4,307,832 | 5,289,278 | 6,206,660 | 21,789,376 |
| Naming Rights per Hub | - | - | - | - | - | - | - | - | - |
| Advertising per Hub | 5,000 | | 150,000 | 600,000 | 900,000 | 1,200,000 | 1,500,000 | 1,800,000 | 6,150,000 |
| Total Revenues | 15,000 | - | 1,252,500 | 4,006,920 | 5,976,185 | 7,907,832 | 9,789,278 | 11,606,660 | 40,539,376 |
| Expenses | | | | | | | | | |
| Staff | 439,000 | 5,268,000 | 5,531,400 | 5,807,970 | 6,098,369 | 6,403,287 | 6,723,451 | 7,059,624 | 42,892,101 |
| Rent | 50,000 | 600,000 | 630,000 | 661,500 | 694,575 | 729,304 | 765,769 | 804,057 | 4,885,205 |
| Misc. expenses | 14,000 | 468,000 | 268,000 | 281,400 | 295,470 | 310,244 | 325,756 | 342,043 | 2,290,913 |
| 3rd party insurance | | | 480,000 | 960,000 | 1,440,000 | 1,920,000 | 2,400,000 | 2,880,000 | |
| Total Expenses | 531,200 | 6,336,000 | 6,909,400 | 7,710,870 | 8,528,414 | 9,362,834 | 10,214,976 | 11,085,725 | 60,148,218 |
| | | | - | | | | | | |
| Net Profit | (521,200) | (6,336,000) | (5,656,900) | (3,703,950) | (2,552,228) | (1,455,002) | (425,698) | 520,935 | (19,608,843) |

| | | | | | | | | | |
|--------------------------------------|---|---|-------------|-------------|-------------|-------------|-------------|-------------|----------------------|
| Number of Hubs | 0 | 5 | 10 | 15 | 20 | 25 | 30 | 30 | |
| Cap-Ex required for Hub Construction | | | 159,500,000 | 164,285,000 | 169,213,550 | 174,289,957 | 179,518,655 | 184,904,215 | 1,031,711,377 |
| Depreciation | | | 4,785,000 | 9,713,550 | 14,789,957 | 20,018,655 | 25,404,215 | 30,951,341 | 105,662,718 |

Worst-Case Scenario— SportLight Trust Profit and Loss

| | Year 1 | Year 2 | Year 3 | Year 4 | Year 5 | Year 6 | Year 7 |
|--|-------------|-------------|-------------|-------------|-------------|------------|------------|
| Revenues (excluding funding) | - | 1,252,500 | 4,006,920 | 5,976,185 | 7,907,832 | 9,789,278 | 11,606,660 |
| Expenses (excluding construction costs and depreciation) | 6,336,000 | 6,909,400 | 7,710,870 | 8,528,414 | 9,362,834 | 10,214,976 | 11,085,725 |
| Profit/(loss) | (6,336,000) | (5,656,900) | (3,703,950) | (2,552,228) | (1,455,002) | (425,698) | 520,935 |





RISK ANALYSIS & MITIGATION

Financial Risks

| Risk | | Risk Level | Mitigation |
|-----------|---|------------|---|
| Financial | Unable to secure sufficient anchor donor funding to support the Trust's growth plan | M | <ul style="list-style-type: none"> Do not commit to leases or operators until funding has been secured Increase management fee and surplus sharing where possible Maximize other sources of revenue such as naming rights, advertising, gala events etc. |
| | Hubs not attaining financial sustainability, not able to collect management fee | M | <ul style="list-style-type: none"> Require comprehensive business and financial plan from operator prior to awarding contract Develop action plan with operator and leverage experience from other Hubs |
| | Financial mismanagement at Hubs | M | <ul style="list-style-type: none"> Centralised POS system for monitoring financial performance Regular spot checks and audits |
| | Rapid rise in construction cost | M | <ul style="list-style-type: none"> Engage contractor(s) to lock in cost of construction, i.e. establish turnkey project for the construction of multiple hubs Seek support from large construction group as strategic partner willing to provide construction at cost |

Operational Risks

| Risk | | Risk Level | Mitigation |
|-------------|--------------------------------------|------------|--|
| Operational | STT leases not renewed by government | M | <ul style="list-style-type: none"> Engage multiple community stakeholders in Hub operations including District Council and residents associations to make lease termination more difficult Maintain a healthy pipeline of new sites Modular design for easy demolition and relocation of Hubs Reduce reliance on STT sites by having a preference for private sector sites |
| | Shortage of qualified operators | M | <ul style="list-style-type: none"> Seek operators willing and capable of running multiple hubs Provide support and training for potential operators Do not build Hubs before confirming operator |
| | Underutilization of Hub facilities | M | <ul style="list-style-type: none"> Partnerships with local stakeholders who can co-design and run activities not just limited to sports (daycare, vocational training, business meetings, etc) |
| | Hubs not maintained well | M | <ul style="list-style-type: none"> Clear guidelines in contract regarding expected standards and regular audits of conditions of facilities |

Reputational and legal risks

| Risk | | Risk Level | Mitigation |
|--------------|---|------------|---|
| Reputational | Perception of the Hubs as just another exclusive sports venue | M | <ul style="list-style-type: none"> Community outreach and consultation during Hub design and construction phase Marketing campaign to raise awareness about the Hubs core values: inclusivity, affordability & accessibility |
| | Operators deviating from the Trust's values | L | <ul style="list-style-type: none"> Stringent selection criteria and vetting process for all operators Trusts values and expectations of operators made explicit in contract Conduct regular "mystery shopper" visits and community surveys to monitor and review performance |
| | Donors questioning how funds and profits are used | | <ul style="list-style-type: none"> Transparent reporting and disclosure of how funds are used Stress in communications that from Year3/4 onwards 100% of funding is channeled towards construction of new Hubs |
| Legal | Injury of users | H | <ul style="list-style-type: none"> Ensure all Hubs are covered by insurance and that it is clear users are liable for their own |



IMPLEMENTATION TIMELINE



CONCLUSION

Conclusion

- The current landscape of sports in Hong Kong and the various social challenges being faced in the city present a massive opportunity for a unique new initiative that can create social and financial value and set a new precedent for local social enterprises and public-private-partnerships – **A Territory-Wide Network of Community Sports Hubs**
- The **SportLight Trust** would be a vehicle to increase the availability of sports facilities in Hong Kong which are inclusive, affordable and accessible. The Trust will identify sites for Hubs, invest the cap-ex required to construct facilities and source passionate and capable operators who will run Hubs on a contract-basis with a high degree of autonomy.
- While the Trust requires funding support to cover Hub construction costs, it will take a management fee and a share of the surplus generated by each individual Hub, as well as generate its own revenues from Hub naming rights and advertising, ensuring that its day-to-day operational costs are covered by year 3 to 4 of operations.
- Operators will be selected by a set of social and commercial criteria to ensure that Hubs are run in the interest of the community. Operators will be contractually obliged to achieve financial and social impact targets. Third-parties will be contracted to monitor performance of Hubs.
- The possibility of establishing an endowment fund would provide a base of funding for the SportLight Trust and recurring income reducing its reliance on donors.
- The SportLight Trust would change the landscape of sport in Hong Kong communities and presents a compelling case for potential financial supporters. It is recommended that a feasibility study be conducted and the project carried forward with the aim of breaking ground on 2-3 pilot Hubs in 2017 to test the operational and financial models.

Be a Sport, Support the SportLight Trust!



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Tomorrow Matters.