

LEGISLATIVE COUNCIL PANEL ON HOME AFFAIRS

THE 2009 EAST ASIAN GAMES

INTRODUCTION

This paper briefs Members on the progress of our preparation for hosting the 2009 East Asian Games (EAG). A formal submission will be made to the Finance Committee for approval on revised Government subsidy to support the organization of the EAG. We will also seek funding approval from Finance Committee/ Public Works Sub-committee for proposed capital works to upgrade selected sports venues for staging East Asian Games competition items and other international sports events according to the prevailing international standards.

BACKGROUND

2. The EAG is a major international sports event in East Asia, and the member places for the event comprise People's Republic of China, Democratic People's Republic of Korea, Hong Kong, Japan, Korea, Macau, Mongolia, Chinese Taipei and Guam.
3. At the meeting of the Executive Council held in June 2003, the Council endorsed that, subject to the acceptance in principle by the Legislative Council Finance Committee of the financial implications involved, the Government should support, with guarantee and commitment, the Sports Federation and Olympic Committee of Hong Kong, China (SF&OC) in its application for hosting the 2009 EAG.
4. By hosting the 2009 EAG, Hong Kong could -
 - (a) raise our prestige and profile in the region;

- (b) promote our image as a world city for hosting international events;
- (c) foster the development of our sports standard and culture;
- (d) help enhance tourism;
- (e) help create job opportunities; and
- (f) help enhance social solidarity.

A

A brief description of the scale of the EAG is at **Annex A**.

5. In July 2003, the Finance Committee accepted in principle the financial implications in the order of \$84M for providing Government subsidy to meet the operating deficit for hosting the 2009 EAG with a total operating budget of \$171 M and agreed that Hong Kong should make a bid for hosting the event. The SF&OC, as the National Olympic Committee, subsequently submitted the bid to the EAG Association and won the hosting right for the 2009 event.

PROGRESS

6. The Secretary for Home Affairs has appointed a Planning Committee comprising representatives from the Government, the SF&OC and various sectors of the community since June 2004 to oversee the planning and preparation of the event. The membership of the Planning Committee is at **Annex B**. The Planning Committee has worked out an action plan for the implementation of the 2009 EAG as set out in **Annex C**.

B

C

7. Drawing reference from the institutional set-up for organizing major sports games elsewhere, including the 2004 Athens Olympic Games, the 2001 Osaka EAG and the 2005 Macau EAG, we have formed an executive arm for the implementation of the Games in the form of a registered company limited by guarantee. The company is a separate legal entity which can receive income and disburse expenditure and enter into contracts in connection with activities relating to and for the organization of the 2009 EAG. It is responsible for the smooth and effective delivery of the 2009 EAG in accordance with the policy steer of the Planning Committee. The company is managed by a Board of

Directors appointed by the Secretary for Home Affairs. The Board is chaired by the President of the SF & OC and comprising members from the Planning Committee, including representatives of the SF&OC, the Home Affairs Bureau and the Leisure and Cultural Services Department (LCSD) as well as members from different sectors appointed in their individual capacity. The list of Board of Directors is at **Annex D**. A diagram showing the institutional set-up for organizing the 2009 EAG is at **Annex E**.

D

E

8. To signify the collaboration amongst the Government, the SF&OC and the executive arm company in the delivery of the 2009 EAG, the three parties will enter into a tripartite agreement after formal funding approval has been obtained from the Finance Committee, specifying the respective commitments and obligations for organizing the event. In broad terms, the Government will undertake to adopt appropriate measures to facilitate the hosting of the Games in Hong Kong, including the provision of appropriate venues and facilities, encouraging community support and participation, and seeking approval from the Legislative Council for the Government subsidy to support the event. The SF&OC will co-ordinate with the sports sector and the EAG Association to agree on the competition items and to oversee the smooth and orderly organization of the Games in accordance with the relevant and prevailing rules and standards. The executive arm company will be responsible for the actual organization, implementation and delivery of the Games. There will be various financial control measures on the Company to ensure that the funds approved by the Finance Committee would be used in a cost-effective and accountable manner. The Company shall use its best endeavours to economize on its expenditure and to live within the sums appropriated. We will also seek the advice of the ICAC to draw up a code of conduct for the operation of the Company. The draft tripartite agreement is at **Annex F**.

F

9. The Planning Committee has already launched various promotion activities/programmes for the 2009 EAG, including the emblem design competition, a Hong Kong Night during the Macau 2005 EAG, the launching of the 2009 EAG official web site and a dedicated EAG Gallery, and a celebration of the official transfer of hosting right to Hong Kong on 6 November 2005. Other competitions for design of slogan, mascot and

anthem of the event will be organised. We have also established an Olympic Square in the Hong Kong Park as the focal point for future EAG and sports related activities.

FUNDING ARRANGEMENTS

Updated Operating Budget

10. When we last prepared in 2003 the operating expenditure estimate of \$171M for the Games, it was immediately after the SARS incident. The general community mood at the time was that the 2009 EAG should be organized in a modest manner. There was little consideration that investment should be made for the occasion to be taken as an opportunity to showcase Hong Kong and for sports venues to be upgraded for the long-term development of sports in Hong Kong.

11. Having been granted the hosting right, we have studied the implementation of major sports games held elsewhere and have also made reference to the preparation work of Macau for the 2005 EAG. We also sought the detailed advice of the sports sector. In the light of these findings and discussion, we have updated the operating budget for hosting the event in 2009 which reflects the plan of holding some 17 to 20 competition items, a figure comparable to the 2005 EAG in Macau. The list of sports items selected for the last four EAG is at **Annex G**.

G

12. Our latest estimate shows that the operating expenditure for the 2009 event would increase from \$171M to \$240M in order for Hong Kong to host the EAG with standard commensurate with our status as Asia's World City. The budget is revised mainly due to increase in anticipated expenditure on -

- (a) staffing and administrative cost (increase from \$58M to \$75M) as some of the posts of the executive arm company will have to be created earlier than originally anticipated so that more staff could be in place to deal with the planning and preparatory work, and for recovery of cost (including on-costs) of secondment of civil servants to the company;

- (b) accommodation and catering cost for athletes and delegate members (from \$8M to \$15M) as the 2009 EAG will be held in November which is within the high season for tourism and hotels instead of May as in the past ;
- (c) competition event cost (from \$19M to \$26M) to reflect the updated estimates for preparatory work for each of the 20 competition events and venues ;
- (d) opening and closing ceremonies (from \$25M to \$35M) to ensure that the ceremonies will be held in a professional manner and with quality standard; and
- (e) holding the annual EAG Association meetings and including a 5% contingency for the overall estimate (\$16.5M in total) which is not covered in the original estimate.

The updated as well as the previous estimates accepted by the Finance Committee (FC) in 2003, with details on the revised expenditure estimate, are set out in **Annex H**. The current estimate is based on staging a professional, respectable though not extravagant EAG.

H

13. Under the EAG operating budget, Government subsidy and community/commercial sponsorship are the two major sources of revenue. We do not expect other revenue items would substantially increase as compared with the estimate. The anticipated increase in operating expenditure therefore will have to be met by a corresponding increase in Government subsidy as well as community/commercial sponsorship. Under the previous budget of \$171M, Government funding support of \$84M was around 50% of the total. With the anticipated increase in operating expenditure, we propose that the estimate on community/commercial sponsorship should increase from \$30M to \$50M while Government funding support should increase from \$84M to \$123M. This will maintain Government funding support at around 50% of the overall operating budget as before.

14. The revised revenue estimate and the details are set out in **Annex**

I. The updated cashflow based on the revised expenditure and revenue estimates for organizing the event is at **Annex J**.

15. We will seek formal funding approval from the FC on the basis of the updated budget. The Government subsidy to be provided for holding the EAG will be a fixed amount granted under the prevailing guiding principles for disbursement of Government funds. The prevailing mechanism for monitoring and accountability for the use of Government funds will apply.

Other Government facilitating measures in support of the 2009 EAG

16. To enhance the attractiveness of the EAG to potential sponsors, we propose to give recognition to major sponsors at large video walls to be set up at prominent LCSD venues with significant pedestrian flow (LCSD venues selected for video wall set-up include City Hall, Kowloon Park, Victoria Park, Southorn Playground). This proposal is in principle similar to the established practice of LCSD in allowing sports event organizers to display banners recognizing support from their sponsors at the event venues. The video wall set-up will have the added attraction for the potential sponsors to show their own promotion video film, and not just static display in the form of wall banner. A simulation photo for setting up video walls at major LCSD venues is at **Annex K**. Separately, we have also identified over 100 locations in other LCSD venues whereby wall banners can be displayed to give recognition to other sponsors. In line with existing Government policy, sponsorship from tobacco/alcohol will not be accepted. We will also confine the recognition to promotion of corporate identity, and excessively overt commercialization will not be allowed. We will also impose the requirement that the video film or promotional material must at all time carry the message of the sponsor supporting the 2009 EAG in Hong Kong.

17. Separately, in the submission to the Finance Committee in 2003, we have stated to waive the hiring charges of around \$5M for use of Government sports venues for staging the event. The updated estimate is \$6.7M. We further propose to provide free office accommodation for the EAG company based on the same principle for competition venues by converting six (out of a total of 18) squash courts at the Hong Kong

Squash Centre into some 600 sq. m of office space and waiving the hiring charge, which if estimated on the squash court hiring rate at the maximum utilization of 100% and for a continuous period of four years would be some \$7.6M. The current average hiring rate of the squash courts in Hong Kong Park is 41%. The conversion and subsequent reinstatement works cost about \$4.4M. The Hong Kong Squash supports the proposed arrangement.

Venue preparation

18. We do not propose to build new sports facilities only for hosting the EAG. Having taken stock of our existing sports facilities, our assessment was that the current facilities developed with Government continuous investment over the years were adequate to host the Games. In the submission to the FC in 2003, we advised the Legislative Council that no additional funds would be required to upgrade existing facilities to an acceptable standard for staging international events apart from the cost already included in the original estimate of the operating budget. However, the local sports sector has much higher expectation and it has strongly advocated for taking this opportunity to substantially upgrade our sports infrastructure for the long-term sports development of Hong Kong. We agree that it is essential to undertake face-lifting and improvement to our existing venues so as to create a visible and coherent sports identity and better prepare the city for holding many more international sports events in future.

19. We have carried out a re-assessment on venue upgrading works required based on sports items which were held in previous EAG and the 2005 Macau EAG, and possible items to be included in the 2009 EAG.

20. We have worked out the scope of improvement works required and the rough indication of costs for upgrading existing Government venues. The improvement works required broadly include:

- (a) functional/competition requirements which are essential for the holding of the EAG and other international sports events. The works involved are mainly improvement of existing venues to provide supporting and ancillary facilities, including

dope-testing room, media room, enhancement to the lighting and ventilation standards to suit the latest competition items, addition of spectator stands and purchase of new equipment;

- (b) face-lifting and creative adaptive works to project a visible and coherent identity for the competition venues which will help showcase Hong Kong as the sports events capital in the region; and
- (c) upgrading and revitalization works for the aging facilities. Opportunity is taken to rejuvenate aging facilities including the Hong Kong Coliseum, Queen Elizabeth Stadium, Kowloon Park Swimming Pool and Victoria Park Tennis Courts to bring them up to current day standard for the long term needs of sports development in Hong Kong. These works are essential and the current arrangement only accelerates the programme to benefit the community earlier.

L The details are set out in **Annex L**. The total estimated capital cost for the proposed improvement projects is around \$770 M.

21. Including the new Tseung Kwan O Sports Ground which is now being built with approved funding from the Legislative Council of nearly \$300 M, the total capital cost involved for the proposed venue works would be over \$1 Billion. We have secured funding support for these works within the Government and will seek formal funding approval from the Public Works Subcommittee and the Finance Committee shortly.

22. Selection of the competition items for the 2009 EAG is subject to discussion among the local sports sector and the endorsement of the EAG Association. At this stage, the list of improvement works is drawn up to provide essential improvements to key sports facilities, and these improvements would be able to accommodate a number of sports items and to provide for long-term sports development. Having consulted the Planning Committee, we consider the list of improvement works should meet the core venue requirement for EAG.

23. These infrastructural improvements would benefit the local

sports community and the public, and will enhance Hong Kong's long-term capacity for sports development and to bid and host international sports events in future, well beyond the 2009 EAG. We consider the capital investment worthwhile although the financial implications were not presented to the Finance Committee when we sought funding approval in principle in 2003 to bid for hosting the event.

IMPLICATIONS OF THE PROPOSAL

24. The proposal is in conformity with the Basic Law, including the provisions concerning human rights. It has no significant sustainability implications, but will help foster a more active sporting culture in Hong Kong.

ECONOMIC, FINANCIAL AND CIVIL SERVICE AND ENVIRONMENTAL IMPLICATIONS

25. The proposal has economic, financial and civil service and environmental implications as set out at **Annex M**.

M

PUBLIC CONSULTATION

26. We have consulted the Planning Committee and it supports our proposal. We have also presented the progress on the 2009 EAG to the Major Sports Events Committee under the Sports Commission. We have separately briefed the 18 District Council Chairmen and Vice Chairmen on the holding of the 2009 EAG, in particular on the part relating to community involvement. We will continue to engage District Councils and promote community support for hosting the 2009 EAG.

THE WAY FORWARD

27. Subject to Members' views, we will seek formal funding approval from the Finance Committee in respect of the operating budget of the 2009

EAG in January 2006. We will also seek funding approval from the Finance Committee/Public Works Sub-committee afterwards in respect of the venue improvement works.

Home Affairs Bureau
December 2005

The scale of the East Asian Games (EAG)

The scale of the EAG is broadly as follows :-

- (i) Duration of the Games : about 10 days;
- (ii) No. of competition events : about 13-20 sports;
- (iii) No. of participating places : 9 (China, D.P.R. Korea, Hong Kong, Japan, Korea, Macau, Mongolia, Chinese Taipei and Guam);
- (iv) No. of athletes and delegation members : about 2 300;
- (v) No. of media representatives : about 300.

Membership of the East Asian Games Planning Committee

- Patron: Hon. Donald TSANG Yam-kuen, GBM
Chief Executive of the Hong Kong Special Administrative Region
- President: Dr. Patrick C. P. HO, JP
Secretary for Home Affairs
- Chairman: Hon. Timothy FOK Tsun-ting, GBS, JP
- Vice-Chairman: Ms. Anissa WONG Sean-yee, JP
Director of Leisure and Cultural Services
- Members: Mr. John CHAN Cho-chak, GBS, JP
- Mr. David CHAN Pun
- Mr. Philip CHEN Nan-lok, SBS, JP
- Ms. Clara CHONG Ming-wah
- Mrs. Vivien FUNG LAU Chiang-chu, JP
- Mr. Victor HUI Chun-fui, MBE, SBS, JP
- Mr. Herman HU Shao-ming, JP
- Mr. Karl C L KWOK
- Mr. Raymond OR Ching-fai, JP
- Mr. Lawrence YU Kam-kee, MBE, BBS, JP
- Ms. Lolly CHIU Yuen-chu, JP
Deputy Secretary for Home Affairs
- Director of Home Affairs or her representative
- Director of Information Services or her representative
- Commissioner for Tourism or her representative
- Director of Architectural Services or his representative
- Secretary-General: Mr. PANG Chung, BBS
- Mr. Alan SIU Yu-bun, JP
Deputy Director of Leisure and Cultural Services

**Updated Action Plan for the
Implementation of the 2009 East Asian Games (8.11.05)**

<u>Actions</u>	<u>Schedule</u>
<u>Completed tasks</u>	
● Announcement of the setting up of the EAG Planning Committee (EAGPC)	June 04
● Holding the first EAGPC meeting	July 04
● Formulation of plan for upgrading of facilities as well as construction of new facilities under normal public works programme	July/August 04
● Home Affairs Bureau/Leisure & Cultural Services Department (LCSD) study trip to Athens Olympic Games	August 04
● Formulation of 2009 EAG preparation plan and initial publicity strategy/marketing plan	October 04
● Facilities construction and upgrading work to commence	December 04 onward
● Funding approval of the Tseung Kwan O Sports Ground as a new venue for 2009 EAG obtained from Legislative Council Finance Committee	February 05
● Formation of the executive arm company	March 05
<u>Ongoing and further activities</u>	
● Campaign preparation including design competitions of emblem, mascot, slogan, souvenirs and other merchandising material, etc. to commence	From March 05

- Briefing of Legislative Council Home Affairs Panel on 2009 EAG funding application December 05
- Submission of funding application to Legislative Council Finance Committee December 05/January 06
- Recruitment of Chief Event Coordinator and contract staff for the executive arm company (first batch of contract staff to be recruited) December 05/January 06
- Study trip to Doha 2006 Asian Games and holding of campaign activities during the Games (trip may be made beforehand to study actual preparatory work) Summer 06
- Recruitment and training of volunteers Summer 06
- Recruitment of more contract staff for the executive arm company (2nd batch of contract staff to be recruited) Mid 07
- Study trip to 2007 National City Games and holding of campaign activities during the Games (trip may be made beforehand to study actual preparatory work) September 07
- Stepping up publicity of the 2009 EAG locally and internationally October 07 onward
- Formulation of plans on accommodation and transportation for participants of the Games, hospitality for guests, information system, security arrangements, TV broadcasting arrangements, media coverage, media centre, cultural and entertainment activities, opening and closing ceremonies, etc.(2 years beforehand) October 07
- Tendering of IT service for the Games November 07

- Tendering of accommodation, transport and security services for the Games, TV service for broadcasting Early 08
- Marketing the tickets of the Games (18 months beforehand) Early 08 onward
- Enrollment of competitors/athletes Early 08
- Major campaign activities of the 2009 EAG and marketing of merchandising material to commence April 08 onward
- Work out arrangements with Immigration Department and Customs and Excise Department for convenient passage for participants of the Games Mid 08
- Study trip to Beijing 2008 Olympic Games and holding of campaign activities during the Games (trip may be made beforehand to study actual preparatory work) Summer 08
- Most upgrading and construction works on venues should be completed. Test run of the facilities (with involvement of relevant National Sports Associations) and equipment, information system, etc. (one year ahead) End 08
- Planning the implementation of competition events End 08
- Inviting guests to the Games End 08
- Setting up of competition venues, media centre, etc. Summer 09
- Implementation of the Games October/November 09
- Completion of the Games November 09
- Winding up the HKEAGPC and the executive arm company End 09 and beyond

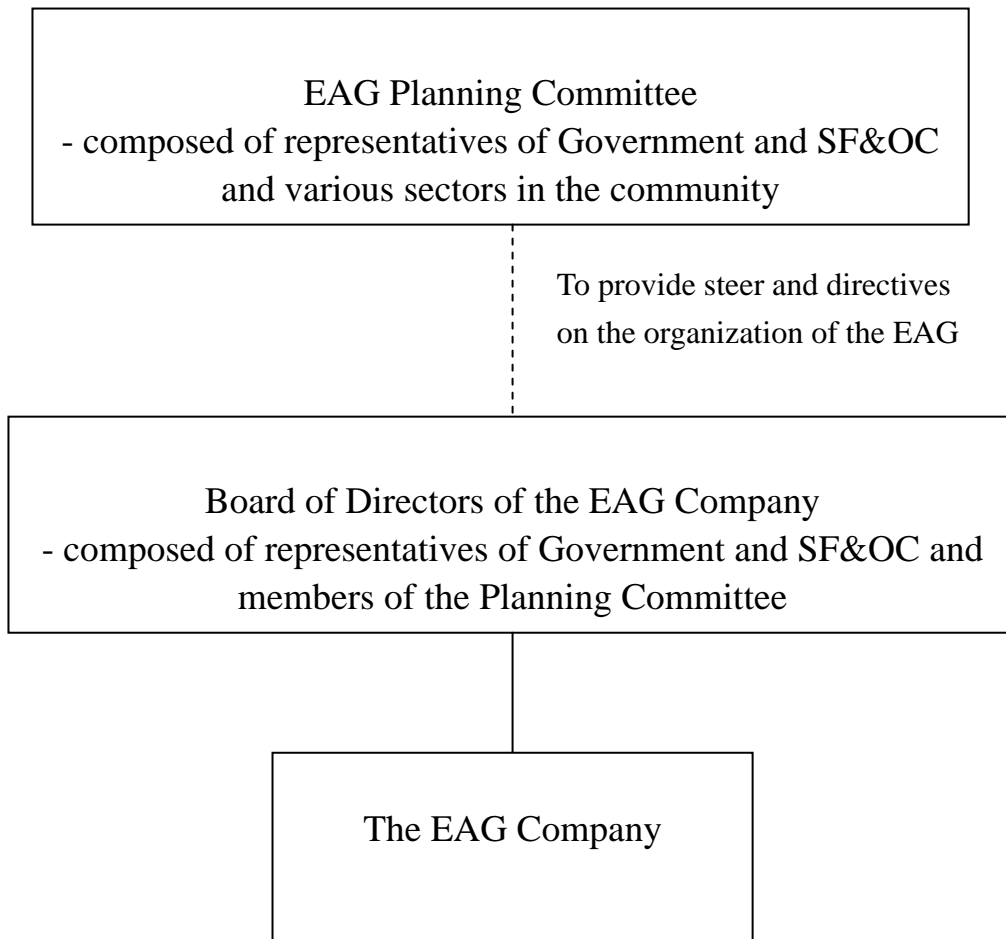
Board of Directors of the 2009 East Asian Games (Hong Kong) Limited

2009 東亞運動會（香港）有限公司董事局

(Period of appointment : 7 April 2005 to 31 March 2007)

Chairman – 主席	Hon. Timothy FOK Tsun-ting	(霍震霆議員)
Vice-Chairman – 副主席	Ms. Anissa WONG Sean-yee	(王倩儀女士)
Directors – 董事	Mr. John CHAN Cho-chak	(陳祖澤先生)
	Mr. David CHAN Pun	(陳斌先生)
	Mr. Philip CHEN Nan-lok	(陳南祿先生)
	Mr. Victor HUI Chun-fui	(許晉奎先生)
	Mr. Raymond OR Ching-fai	(柯清輝先生)
	Mr. PANG Chung	(彭冲先生)
	Ms. Lolly CHIU Yuen-chu	(趙婉珠女士)
	Mr. Alan SIU Yu-bun	(蕭如彬先生)
	Mr. POON Tai-ping, Eddie	(潘太平先生)
	Miss Olivia CHAN Yeuk-oi	(陳若藹女士)
Secretary – (Not a Director) 秘書 (非董事)	Ms. Eva LEE Shuk-ching	(李淑貞女士)

Institutional set-up for organizing the 5th East Asian Games in 2009



(3.11.2005)

**Draft Tripartite Agreement
For the 2009 East Asian Games**

THIS AGREEMENT made this ____day of ____2005

AMONGST

The Government of the Hong Kong Special Administrative Region acting through the Secretary for Home Affairs whose principal office is situate at 31st Floor, Southorn Centre, 130 Hennessy Road, Wan Chai, Hong Kong (“Government”) of the one part

AND

The Sports Federation and Olympic Committee of Hong Kong, China, a registered society whose registered address is situate at 2/F, Olympic House, 1 Stadium Path, So Kong Po, Causeway Bay, Hong Kong (“SF&OC”) of the second part

AND

The 2009 East Asian Games (Hong Kong) Limited, a registered company limited by guarantee whose current registered address is situate at the Leisure and Cultural Services Headquarters, 1 Pai Tau Street, Sha Tin, Hong Kong (“Company”) of the third part

WHEREAS

1. With the efforts made by the SF&OC and support from the Government, Hong Kong has been granted by the East Asian Games Association the hosting right of the 2009 East Asian Games (“the Games”).
2. The Company has been incorporated for the purpose of organization, implementation and delivery of the Games.

3. The Government, the SF&OC and the Company have agreed to work closely for the organization, implementation and delivery of the Games.
4. To enhance cooperation and to enable smooth and timely organization, implementation and successful delivery of the Games, the Government, the SF&OC and the Company have agreed to enter into this Agreement to set out the detailed arrangements and the roles and responsibilities of the parties hereto in the organization, implementation and delivery of the Games.

THE PARTIES HERETO set out their agreement as follows:-

Objectives

1. The Games will be the first ever multi-sports international games to be hosted in Hong Kong. The successful organization, implementation and delivery of the Games will, *inter alia*, enhance Hong Kong's sports exchange with the East Asian member places, foster the development of local sporting culture, and educate the community on the value of sports, and consolidate Hong Kong's position as a major sports events capital in the region.

Institutional Set-up

2. An East Asian Games Planning Committee ("Planning Committee"), with wide representation from the community, is appointed by the Government to plan for and steer the organization, implementation and delivery of the Games. The Secretary for Home Affairs and the

President of the SF & OC are the President and the Chairman of the Planning Committee respectively.

3. The Company has been set up as the executive arm of the Planning Committee to prepare for, organize, manage, implement and deliver the Games. The Chairman of the Planning Committee is the Chairman of the Board of Directors of the Company.

Roles and Responsibilities of the Government

4. The roles and responsibilities of the Government in the organization, implementation and delivery of the Games are -

- (a) To seek the appropriation of funds from the Legislative Council to support the organization, implementation and delivery of the Games and to ensure that the sums appropriated are spent in a cost effective manner within the scope approved.
- (b) To provide sports venues and facilities to standards considered appropriate by the Government and in consultation with the local National Sports Associations for the organization, implementation and delivery of the Games.
- (c) To facilitate protocol, logistics and coordination as appropriate for the organization, implementation and delivery of the Games. .
- (d) To appoint the Planning Committee and to ensure that issues over the planning, organization, implementation and delivery of the Games are properly deliberated.
- (e) To be represented on the Board of Directors of the Company to oversee the work of the Company which is the executive arm of the

Planning Committee.

- (f) To cooperate and work together with the SF & OC and the Company to promote and publicize the Games and to seek community participation and involvement in the Games.

Roles and Responsibilities of the SF&OC

5. The roles and responsibilities of the SF & OC in the organization, implementation and delivery of the Games are -

- (a) The SF & OC is formed, established and operates under the rules and regulations of the Olympic Charter and the Olympic Council of Asia.
- (b) As the National Olympic Committee (“NOC”) of Hong Kong, the SF & OC is the applicant and right holder for organizing the Games. The actual organization work is carried out by the Company.
- (c) The President of the SF & OC is the chairman of the Planning Committee and the SF & OC is represented on the Planning Committee to advise on the planning, organization, implementation and delivery of the Games.
- (d) The President of the SF & OC is the chairman of the Company and the SF & OC is represented on the Board of Directors of the Company to direct the Company on the preparation, organization, implementation and delivery of the Games.
- (e) To liaise with the East Asian Games Association and the member National Olympic Committees for the organization, implementation and delivery of the Games.
- (f) To liaise with member National Olympic Committees, and relevant International Federations and Asian Federations and local National

Sports Associations to draw up sports items selected for competition at the Games, The SF & OC, with the support of the Company, will submit the sports items selected to the Planning Committee for consideration and to the East Asian Games Association for endorsement. The SF & OC, in consultation with the local National Sports Associations, will advise the East Asian Games Association, the Planning Committee and the Company on the competition requirements, competition methods, competition management of the sport items selected.

- (g) As the host NOC of the Games, to organize, manage and chair the East Asian Games Association Council meetings and other related sessions.
- (h) To cooperate and work together with the Government and the Company to promote and publicize the Games and to seek community participation and involvement in the Games.
- (i) To conduct in a proper and lawful manner all its business and activities in relation to the organization, implementation and delivery of the Games.

Roles and Responsibilities of the Company

6. The roles and responsibilities of the Company in the implementation and delivery of the Games are -

- (a) To be responsible for the organization, implementation and delivery of the Games.
- (b) To receive funds from the Government for the organization, implementation and delivery of the Games and to be fully accountable to the Government and the Legislative Council on the

disbursement of such.

- (c) To use its best endeavours to generate revenue for the Games through the seeking of community and commercial sponsorship, selling of television rights, Games event admission ticket sale, licensing and merchandising, the provision of accommodation arrangement for the Games, etc. provided that no sponsorship from tobacco and alcohol shall be accepted.
- (d) To submit quarterly progress report to the Government and the Planning Committee on the organization, implementation and delivery of the Games.
- (e) To conduct in a proper and lawful manner all its business and activities in relation to the organization, implementation and delivery of the Games.

Financial arrangements

Budget

7. The estimated operating budget for the organization, implementation and delivery of the Games is HK\$240 Million and its details are set out in Annex I.

8. Subject to the approval of the Legislative Council, the Government will provide a maximum of HK\$123 Million for the organization, implementation and delivery of the Games. The Company shall use its best endeavours to economize on its expenditure and to live within the sums appropriated.

9. The Government may provide interest-free cash advance to support the cash flow requirement of the Company. The Company agrees to

repay the Government on demand the amount of cash advance as shall be determined by the Government.

10. Other income for the organization, implementation and delivery of the Games shall come from community and commercial sponsorship, selling of television rights, Games event admission ticket sale, licensing and merchandising, provision of accommodation arrangement for the Games and other sources as shall be approved by the Government. An estimate of such income is set out in Annex II.

11. The hiring charges for venues provided by the Government for the organization, implementation and delivery of the Games as well as office accommodation at Government venues for the Company will be waived.

Cost control

12. The Government will arrange for the disbursement of the approved funding and cash advance if any to the Company to enable it to meet the reasonable expenditure for the organization, implementation and delivery of the Games. The Government has discretion over the frequency and quantum of each disbursement. The Government also has the right to impose requirements on the Company as are necessary or in line with relevant stipulations in Government financial circulars to ensure the proper disbursement of public funds.

13. The Company shall keep proper records and accounts for the Games and the Government will have unfettered access to these. The Company shall be alert to the need for transparency and ensure that all decisions made are fully justified and publicly explicable.

14. The Company shall adopt proper internal control to ensure that its funds are used in a cost-effective and accountable manner and in line with the scope authorised by the Legislative Council.

15. More specifically, the Company shall –

- (a) seek the endorsement of the Government on a “planned project budget” as soon as possible upon receipt of funding approval from the Legislative Council;
- (b) devise an internal cost control mechanism to the satisfaction of the Government to track and specify requirements for authorising cost or other variations to the “planned project budget”, all within the funding ambit set by the Legislative Council; and
- (c) prepare periodic budget updates for the scrutiny or approval as appropriate of the Government.

16. The Company shall submit annual audited financial statement to the Government and the Planning Committee within six months after the end of a financial year, and a final audited financial statement to the Government and the Planning Committee within six months of the conclusion of the Games. It shall return to the Government all surplus funding from the Games within six months of the conclusion of the Games or any sooner termination of this Agreement.

Mode of Work

17. The meetings of the Planning Committee and the meetings of the Board of Directors of the Company are the regular forums for the Government and the SF & OC hereto to consider and deliberate on matters relating to the organization, implementation and delivery of the Games. The parties hereto can convene as and when necessary other meetings or initiate any other form of co-operative activities for the organization, implementation and delivery of the Games.

Modification

18. This Agreement may be modified at any time by mutual consent of all the parties hereto.

Commencement and Termination

19. This Agreement shall come into effect on the date of signing by the parties hereto and shall continue to be in force until the conclusion of the Games in 2009 or the winding up of the Company or any sooner termination of this Agreement as agreed by the parties hereto, whichever is the earlier.

Jurisdiction

20. This Agreement shall be construed in accordance with and governed by the laws of the Hong Kong Special Administrative Region and the parties hereto irrevocably agree to submit themselves to the exclusive jurisdiction of the courts of the Hong Kong Special

Administrative Region.

Notice

21. All notices required to be served under this Agreement shall be served to the respective addresses of the parties hereto stated in the preamble of this Agreement.

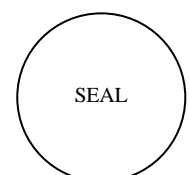
THE PARTIES HERETO have set their hands the day and year first between written.

SIGNED for and on behalf of the Government)
of the Hong Kong Special Administrative Region)
)
(name and post))
in the presence of)
(name and post))

SIGNED for and on behalf of the)
Sports Federation and Olympic)
Committee of Hong Kong, China)
)
(name and post))
in the presence of)
(name and post))

SIGNED for and on behalf of the)
2009 East Asian Games (Hong Kong) Limited)
)
(name and post))
in the presence of)
(name and post))

The Common Seal of the)
2009 East Asian Games (Hong Kong) Limited)
is affixed hereto by)
(name and post))



**Estimated Expenditure for the Organization, Implementation and
Delivery of the 2009 East Asian Games**

<u>Expenditure items</u>	<u>Estimate (\$M)</u>
(a) Staff	60
(b) Administration	15
(c) Information technology facilities and equipment	12
(d) Broadcasting cost	20
(e) Accommodation and catering	15
(f) Competition event cost	26
(g) VIP hospitalities	8.5
(h) Transportation	4
(i) Publicity	10
(j) Opening and Closing ceremonies	35
(k) Security	10
(l) Volunteers	8
(m) EAG Association meetings	5
(n) Contingency	11.5
Total	240

**Revenue Estimate for Organization, Implementation and
Delivery of the 2009 East Asian Games**

<u>Revenue items</u>	<u>Estimate (\$M)</u>
(a) Community/Commercial sponsorship	50
(b) Television rights	12
(c) Ticket sales	28
(d) Licensing and merchandising	15
(e) Charged accommodation	8
(f) Other income	4
<hr/>	
Total:	117

Annex G

Competition Events of the East Asian Games

Sports	1 st EA Games (Shanghai-1993)	2 nd EA Games (Pusan-1997)	3 rd EA Games (Osaka-2001)	4 th EA Games (Macau-2005)
Athletics	√	√	√	√
Aquatics	√	√	√	√
Badminton	√	√		
Basketball	√	√	√	√
Bowling	√	E	√	√
Boxing	√	√	√	
Dance Sport				√
Dragon Boat				√
Football	√	√	√	√
Gymnastics	√	√	√	√
Handball			√	
Hockey			D	√
Judo	√	√	√	
Karate-do				√
Rowing	√	D	D	√
Shooting				√
Soft Tennis	D	√	√	√
Taekwondo		√	√	√
Tennis				√
Volleyball			√	
Weightlifting	√	√	√	√
Wrestling		√	√	
Wushu	√	√	√	√
No. of sports	12 + 1D	13 + 1D + 1E	15 + 2D	17

D – Demonstration sport

E – Exhibition sport

Revised Estimated Expenditure for hosting the 2009 EAG

<u>Expenditure items</u>	<u>Previous Estimate Accepted by Finance Committee (\$M)</u>	<u>Updated Estimate (\$M)</u>
(a) Staff	50	60
(b) Administration	8	15
(c) Information technology facilities and equipment	10	12
(d) Broadcasting cost	20	20
(e) Accommodation and catering	8	15
(f) Competition event cost	19	26
(g) VIP hospitalities	5	8.5
(h) Transportation	4	4
(i) Publicity	8	10
(j) Opening and Closing ceremonies	25	35
(k) Security	10	10
(l) Volunteers	4	8
(m) EAG Association meetings	-	5
(n) Contingency	-	11.5
Total	171	240

2. As regards staff cost, we have assumed that the EAG company will operate initially with around 20 staff which will increase to around 100 in 2009 having regard to the operational experience in Macau EAG. The estimate is increased from \$50M to \$60M as we need to establish some of the posts earlier than originally anticipated and to recover the cost (including on-costs) for secondment of civil servants to the company.

3. As regards administration cost, the original estimate of \$8M was made based on 10% of the \$85M assumed for bidding for the 2006 Asian Games. With the plan of an office of about 100 staff, we have made a more realistic estimate of \$15M which comprises \$11.6M on general administration expenses, \$1.4M on office inventory and \$2M for engagement of legal services, auditor, etc. The estimate is made on the basis of the administration expenses for a Government office of about the same size.

4. As regards IT and equipment cost, the estimate is slightly increased from \$10M to \$12M to cater for –

- (a) setting up a Central Information Centre at LCSD venue;
- (b) design and set up of communication network linking up the Central Information Centre and different competition venues;
- (c) setting up information retrieving system for each of the competition venues (20 venues assumed) ;
- (d) installation of tele-communication system, fax machines, photocopying machines, etc. at the Central Information Centre and the competition venues ; and
- (e) development of a tailor-made application software and system for EAG .

5. As regards broadcasting cost, the estimate is kept at \$20M which comprises \$10M for using LCSD venue for setting up a broadcasting centre, and \$10M for engaging a host broadcaster to produce TV pictures and provide feeds to overseas TV stations (assuming that there will be 20 sports items, with around 120 competition days, and the TV production cost for each sport is about \$80,000 per day, the estimated cost is around \$10M).

6. As regards accommodation and catering, the estimate is raised

from \$8M to \$15M as the EAG will be held in November which is a shoulder season for tourism and hotel. The estimated cost for providing accommodation and catering services for 2,000 athletes and 300 delegate members is as follows –

- Hotel accommodation/head/night:	\$500
- Catering/head/day	\$150
- average period of stay	10 days
<hr/>	
Total estimated cost	\$15M

7. As regards competition event cost, the \$19M originally budgeted for in the 2003 Finance Committee submission was for upgrading the venues to accommodate spectators, media and competitors to the standards for the EAG. We have now assumed that major upgrading works will be dealt with under Government capital works programme. The estimated provision is to deal with preparation of venue and provision of temporary facilities e.g. sports equipment, etc. and for the National Sports Associations concerned to organise individual sports competition events. We have assumed that there will be 20 venues and each would on average require \$0.65M for preparatory work. We have also assumed 20 competition events and \$0.5M for organising each competition on average. We have also estimated \$3M for providing medical services for participants of the EAG and transporting doping sample daily to Beijing which is the nearest location in the region to provide recognized doping analysis service. The total estimated cost is thus \$26M.

8. As regards VIP hospitality, we have estimated that there will be 200 VIP attending the EAG and the cost for providing accommodation, transport and associated hospitality is as follows –

No. of VIPs	200
Hotel accommodation/head/night	\$2,000
Catering/head/day	\$500
Average period of stay	7 days
Transportation (hire of saloon car/day)	\$2,000
<hr/>	
Total	Around \$6.5M

We have also estimated \$2M for the associated hospitality to VIPs attending the annual EAG Association meeting to be held in Hong Kong as from 2006.

9. As regards transportation, the estimate remains at \$4M which is based on –

- (a) the engagement of 60 coaches every day with daily charge of \$3,000 for 10 days to deal with 2,300 athletes and delegation member at \$2M; and
- (b) costs for coaches to transport officials and volunteers between competition venues at \$2M.

The total estimated cost is thus \$4M.

10. As regards publicity, the estimate is increased from \$8M to \$10M to strengthen the effect. The Government will work closely with the EAG Company to promote the event.

11. As regards opening and closing ceremonies, the estimated cost is increased from \$25M to \$35M to ensure that the opening and closing ceremonies will be held in a professional manner and with quality standard. The previous estimate of \$25M is considered not sufficient. The amount will cover cultural and entertainment programmes, rehearsals, pre-ceremony receptions, etc.

12. As regards security, the estimate remains at \$10M. The host city is required to provide adequate security for the athletes and officials, as well as the VIPs, and to maintain crowd control during the event. When bidding for the 2006 Asian Games, an estimate of \$50 M was made for security. With the smaller scale for EAG, an estimate of \$10M is thus made.

13. As regards volunteers, the estimate is raised from \$4M to \$8M. The estimated expenses will cover the cost for recruitment, clothing, training and travelling expenses of some 5000 volunteers at a unit cost of \$1,600 each. We have only assumed 2,000 volunteers in the previous

estimate.

14. As regards EAG Association meeting cost, \$5M is estimated for organizing the EAG Association meeting for the member places in Hong Kong each year as from 2006 to 2008 and for two meetings in 2009 after Hong Kong has taken over the hosting right of the EAG. The estimate will cover the publicity and the logistics for the meetings.

15. As regards contingency, \$11.5M is assumed which represents 5% of the subtotal expenditure.

(30.11.05)

Revised Revenue Estimate for hosting the 2009 EAG

<u>Revenue items</u>	<u>Previous Estimate Accepted by Finance Committee (\$M)</u>	<u>Updated Estimate (\$M)</u>
(a) Community/Commercial sponsorship	30	50
(b) Television rights	25	12
(c) Ticket sales	10	28
(d) Licensing and merchandising	10	15
(e) Charged accommodation	8	8
(f) Other income	4	4
Total:	87	117

2. As regards sponsorship, it will include contributions from major and minor community/commercial sponsors, official suppliers as well as advertising income at venues during the event activities, etc. The estimate is increased from \$30M to \$50M to meet the anticipated increase in expenditure.

3. As regards television rights, we have revised the estimate from \$25M to \$12M. We understand that the Macau 2005 EAG has received only modest income from television rights. We have therefore revised our estimate. We anticipate that we would be capable of launching a more attractive and strategic marketing plan to sell television rights and thus we adopt an estimate of \$12M.

4. As regards ticket sales, the estimated revenue has been increased from \$10M to \$28M as we propose to set the average ticket price at \$100 instead of the previous estimate of \$40 (which is too conservative) and

also has raised slightly the ticket price for opening and closing ceremonies, and we have assumed an average of around 40% of tickets sale for the competition events and opening and closing ceremonies. The average price set by Macau is \$82 and its highest ticket price for opening ceremony and closing ceremony is \$2,000 and \$700 respectively.

5. As regards revenue from licensing and merchandising, the estimate has been increased from \$10M to \$15M as we anticipate a better market in sports merchandising.

6. As regards charged accommodation, the estimate remains at \$8M which is made on the basis that about 2,000 athletes and 300 delegation members will take part in the EAG with an average stay of 10 days. It is the normal practice that the athletes and delegation members will be charged at a fixed rate of US\$50 per day, i.e. \$390 per day.

7. As regards other income to be generated from issue of stamps and coins and other fundraising initiatives, the estimate is kept at \$4M.

(30.11.05)

**Cashflow Requirement for
the Organization of the 2009 East Asian Games**

(Estimated Figures from 2005-06 to 2009-2010) (30.11.05)

Year		2005-06	2006-07	2007-08	2008-09	2009-2010
Income	\$M	\$M	\$M	\$M	\$M	\$M
Community/Commercial sponsorship	50	2	8	8	10	22
Television rights	12	0	0	0	0	12
Ticket Sales	28	0	0	0	0	28
Licensing and Merchandising	15	0	2	2	3	8
Charged accommodation	8	0	0	0	0	8
Others (e.g. souvenir stamps)	4	0	0	0	1	3
Total :	117	2	10	10	14	81

Year		2005-06	2006-07	2007-08	2008-09	2009-2010
Expenditure	\$M	\$M	\$M	\$M	\$M	\$M
Staff	60	1.4	6.7	11.7	17.9	22.3
Administration	15	1.8	1.9	2.75	3.65	4.9
Information technology	12	0	0	0	5	7
Broadcasting costs	20	0	0	0	4	16
Accommodation and catering	15	0	0	0	0	15
Competition Event Cost	26	0	0	5	7	14
VIP hospitalities	8.5	0.5	0.5	0.5	0.5	6.5
Transport	4	0	0	0	0	4
Publicity	10	0.5	1	1	2	5.5
Ceremonies	35	0	0	0	10	25
Security	10	0	0	0	0	10
Volunteers	8	0.4	1.2	1.4	2	3
EAG Association meetings	5	0	1	1	1	2
Contingency	11.5	0	0	0	0	11.5
Total :	240	4.6	12.3	23.35	53.05	146.7

Year	Expenditure (\$M)	Income (\$M)	Cashflow Required (\$M)
2005-06	4.60	2	2.60
2006-07	12.30	10	2.30
2007-08	23.35	10	13.35
2008-09	53.05	14	39.05
2009-2010	146.70	81	65.70
Total :	240	117	123



City Hall (facing Queen's Pier) with LED Display

Venues for 2009 East Asian Games

A. Projects already approved by the Finance Committee, Legislative Council

<u>Venue</u>	<u>Capital cost</u>
1. Tseung Kwan O Sports Ground	\$293M

B. Upgrading works for sports venues

<u>Venue</u>	<u>Additional Facilities/ Improvement Works</u>	<u>Capital cost</u>
1. Hong Kong Stadium (first commissioned in 1994)	<ul style="list-style-type: none"> ● Thematic design to create a visible and coherent sports identity for holding international sports events; ● Face-lifting of the front-of-house and reception facilities; ● Refurbishment of hospitality and executive suites; ● Improvement to disabled facilities; ● Provision of covers to spectator seating at the corners of the Executive Suite Level which currently has no cover; ● Replacement of all directional signs; ● Upgrading of reporter booth and addition of media facilities 	\$43M
2. Hong Kong Coliseum (first	<ul style="list-style-type: none"> ● Thematic design to create a visible and coherent sports identity for holding 	\$162.5M

<p>commissioned in 1983)</p>	<p>international sports events;</p> <ul style="list-style-type: none"> ● Overall refurbishment and face-lifting of the front-of-house and VIP reception facilities; ● Provision of IT facilities for media and broadcasting; ● Addition of flag raising facilities and prize presentation platform; ● Replacement of scoreboard; ● Replacement of all fixed arena seats (about 10,500 seats); ● Improvement to lighting systems; ● Modification of existing facilities to provide doping control rooms, physiotherapy rooms and media rooms etc 	
<p>3. Queen Elizabeth Stadium (first commissioned in 1980)</p>	<ul style="list-style-type: none"> ● Thematic design to create a visible and coherent sports identity for holding international sports events; ● Overall refurbishment and face-lifting of all front-of-house and VIP reception facilities; ● Provision of IT facilities for media and broadcasting; ● Addition of flag raising facilities and prize presentation platform; ● Enhancement to existing air-conditioning system for staging racket competitions; ● Improvement to lighting systems; ● Provision of audio-visual 	<p>\$106.5M</p>

	<p>equipment including replacement of the LED wall-mount scoreboard;</p> <ul style="list-style-type: none"> ● Provision of temporary media and doping control facilities and function rooms etc 	
<p>4. Kowloon Park Swimming Pool (first commissioned in 1989)</p>	<ul style="list-style-type: none"> ● Thematic design to create a visible and coherent sports identity for holding international sports events; ● Replacement of aging water heating, sterilization and filtration systems; ● Upgrading of diving facilities for holding international diving events; ● Conversion of indoor leisure pool into a training/warm up pool for more efficient utilization; ● Addition of multi-purposes function rooms and media facilities; ● Improvement of audio system; ● Provision of temporary seating and a new trampoline room 	\$144.1M
<p>5. Victoria Park Tennis Centre (first commissioned in 1981) (The upgrading is one of the 25 projects announced for priority implementation in</p>	<ul style="list-style-type: none"> ● Thematic design to create a visible and coherent sports identity for holding international sports events; ● Refurbishment of the tennis courts and renovation of the ticketing office and admission entrance; ● Renovation and upgrading of supporting facilities 	\$55.5M

<p>CE's Policy Address)</p>	<p>including the provision of VIP rooms, media rooms, changing rooms and addition of toilets facilities for athletes, judges and spectators</p>	
<p>6. Ma On Shan Sports Centre (first commissioned in 2004)</p>	<ul style="list-style-type: none"> ● Thematic design to create a visible and coherent sports identity for holding international sports events; ● Overall face-lifting and refurbishment ; 	<p>\$20.5M</p>
<p>7. Tseung Kwan O Sports Centre (first commissioned in 2001)</p>	<ul style="list-style-type: none"> ● Improvement to lightings according to the latest requirement of the international sports federations; ● Provision of temporary seating/ spectator stands; ● Provision of IT facilities for media and broadcasting; ● Addition/ upgrading of multi-purpose function rooms such as VIP facilities, call room, doping control room; massage and medical room, offices and meeting rooms etc; ● Addition of changing/ toilets facilities for athletes, judges and spectators; and ● Addition of flag raising facilities and prize presentation platform. (Common for items 6-13) 	<p>\$30.5M</p>

<p>8. Western Park Sports Centre (first commissioned in 1995)</p>		<p>\$77.5M (Including cost for replacement of scoreboard, increasing the number of seating from around 500 to 1500 and related provision for spectators such as improvement to air-conditioning system, sanitary facilities and addition of fire exits to meet statutory requirements after increase in seating)</p>
<p>9. Shek Kip Mei Park Sports Centre (first commissioned in 1997)</p>		<p>\$30.5M</p>
<p>10. Lai Chi Kok Park Sports Centre (first commissioned in 1983)</p>		<p>\$28.5M</p>
<p>11. Stanley Main Beach Water Sports Centre (first commissioned in 2005)</p>		<p>\$23.5M</p>
<p>12. Siu Sai Wan Sports Ground (first commissioned in 1996)</p>		<p>\$15.5M</p>
<p>13. Hong Kong Squash Centre (first</p>		<p>\$19.5M</p>

commissioned in 1986)		
14. Hong Kong Squash Centre	Conversion and subsequent reinstatement of six squash courts as office of the EAG Company	\$4.4M
Total:		\$762M
Say:		\$770M

The capital costs listed are ballpark figures and may be subject to changes upon further detailed study, site survey and design development.

ECONOMIC, FINANCIAL AND CIVIL SERVICE AND ENVIRONMENTAL IMPLICATIONS

FINANCIAL AND CIVIL SERVICE IMPLICATIONS

In July 2003, the Finance Committee of the Legislative Council has accepted in principle the financial implications of HKSAR hosting the 2009 EAG. The net expenditure requirements, updated from \$84M to \$123M reflect Government's strong commitment to support the event.

2. The 2009 EAG is likely to generate some \$117M through community/commercial sponsorship, ticketing and other licensing activities, etc. to subsidize the expenditure of the event. The hire charges for sports venues (\$6.7M) and the office rentals (\$7.6M¹) to be waived are estimated to cost \$14.3M.

3. Separately, Government has earmarked funding for the capital works required for improving Government sports venues, at an estimated cost of \$757.5M and for converting six squash courts into office accommodation for the EAG Company, at some \$4.4M.

4. The implementation of the event would have limited civil service implications. A small number of LCSD staff (less than five) would be seconded to the EAG Company, starting from late 2005 to help prepare for the Games by providing support in the organization, publicity and protocol work, etc. The salaries of the seconded staff including on-costs will be recovered from the operating budget of the EAG Company. The Department will arrange for redeployment or employment of short term staff, of about the same number as the seconded staff and for similar duration, to cope with the arrangement and will absorb the expenditure to be incurred.

¹ Estimated based on squash court hiring charge for 16 hours per day (100% utilization rate) and for a continuous period of four years.

ECONOMIC IMPLICATIONS

5. The quantifiable economic benefits of hosting the 2009 EAG can be assessed in terms of the value added contribution to GDP arising from additional spending induced by the event. This is estimated to amount to around \$75M in 2005 prices. It is estimated that the number of tourists that could be induced by the event is about 5% of the estimated spectators, i.e. around 10,000. The venue improvement works will also generate employment of 10 900 man-months. The EAG company in full operation will employ around 100 staff for the organization of the Games and some 5 000 volunteers will be involved. Apart from the quantifiable economic benefits, there will be wider benefits not readily quantifiable, mainly in raising the image of Hong Kong as a sport events capital, and improvement to our sports venues which will benefit the community and enable Hong Kong to host more international sports events in future.

ENVIRONMENTAL IMPLICATIONS

6. Most of the competition events would be held in existing Government venues, and no major land development or infrastructure projects would be involved (except development of the Tseung Kwan O Sports Ground which has already been approved by the Finance Committee). If any of the proposed works turns out to be new Designated Projects or there is material change to exempted Designated Projects under the Environmental Impact Assessment Ordinance (Cap 499), the statutory Environmental Impact Assessment process would need to be followed to determine the environmental implications.