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The **Hong Kong Philharmonic Orchestra** 香港管弦樂團 (HKPhil) is one of the most prominent symphony orchestras in Hong Kong. It was first established in 1947, led by Anthony Brage, under the name Sino-British Orchestra. In 1957, the orchestra was renamed the Hong Kong Philharmonic Orchestra and registered as the Hong Kong Philharmonic Society. In 1974, HKPhil became the first professional orchestra under the government's funding. Being recognized as one of the leading orchestras in Asia, HKPhil presents more than 150 concerts over her 44-week season and attracts more than 200,000 music lovers annually.

During the past 65 years, HKPhil has gone through many significant events and achieved a lot of #1. 4 years after it became a professional orchestra, it released its first album in 1978 under the label Philips. Its repertoire includes *Butterfly Lovers' Violin Concerto* and selected Chinese orchestral works, under the baton of Hans Gunther Mommer. Besides, it held its first overseas tour to Singapore, Bangkok & Osaka in 1983, which received high acclaim. Since after, besides numerous concerts conducted by various renowned music directors, namely Kenneth Schermerhorn, David Atherton, Edo De Waart, etc., HKPhil has also done many world performance tours to Europe and China North America, to name a few.

In 2006, The Swire Group ([Swire](#)), a highly diversified global group with a core business founded within the Asia Pacific region, became the Principal Patron, the largest in the orchestra's history. In 2012, HKPhil made a strategic move of introducing a new brand identity, matching the arrival of their new music director Jaap van Zweden, SBS. The new logo resembles the swinging movements of the baton in the hand of the conductor, creating and orchestrating magical experiences for the audience. The new logo also symbolizes the

HKPhil stepping towards a new tomorrow, continuing to cast new spells in our symphonic endeavour. (HKPhil, 2012)



New logo



Old logo

In 2018, under the baton of Jaap, HKPhil, together with all the top notched soloists & chorus, completed Wagner's "Ring Cycle" in 4 years until January 2018, making it the first Hong Kong and mainland Chinese orchestra to perform Wagner's The Ring of the Nibelung. The four operas were performed, one per year, in concert and recorded live for the Naxos label. The concert performances were highly praised by audiences and critics both local and overseas, and their recording of the Ring Cycle Part 4 Götterdämmerung was released on Naxos in November, 2018.

In 2019, Hong Kong Philharmonic Orchestra was named orchestra of the year at the 2019 Gramophone Awards. The category is the only one of the classical music magazine's awards open to the public vote, and HKPhil is the first Asian orchestra to win the award. (Tilden, 2019)

The recently founded “The Orchestra Academy Hong Kong” in 2021, funded by “Trust Tomorrow” of The Swire Group Charitable Trust and co-directed with The Hong Kong Academy for Performing Arts, aims at enhancing professional training for graduates from Hong Kong Academy For Performing Art School of Music and facilitating their career development in the orchestral field.

Microeconomic analysis

To conduct the microenvironment analysis, we need to understand many different elements to view the whole organization’s holistic view. Key features that we would like to analyze for HKPhil include Market analysis, Products & customers, Competitors & Pricing strategies.

Market analysis :

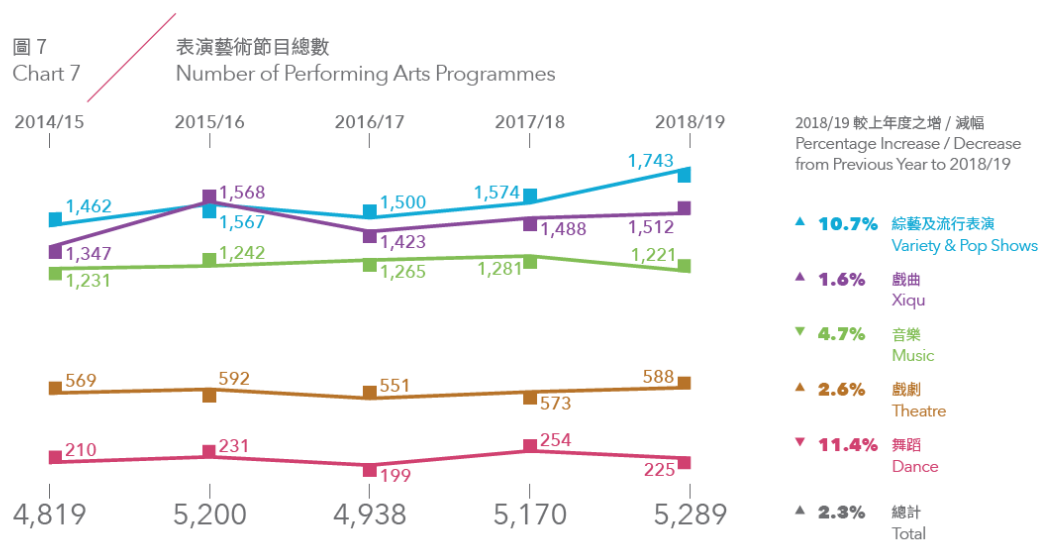
The Music of Hong Kong is a combination of traditional and popular genres. The western classical music is well represented by one of the most prominent orchestras, The Hong Kong Philharmonic Orchestra, while Cantonpop is another major genre of music produced in Hong Kong.

Cantonese opera (Xiqu) is also a long tradition in Hong Kong that captures many older generations. (Wikipedia, 2022). To understand the market where the Hong Kong Philharmonic Orchestra is working, we need to understand the current Art & Cultural sector in Hong Kong, which is divided into Performing Arts, Film Arts, Visual Arts & Literary and Reading.

According to the Annual Art Survey report conducted by the Hong Kong Art Development Council 2018/2019 (HKADC, 2021), over 61% of the programs are coming from Performing Arts, contributing to 6,703 programs. 3,365,000 attendances were recorded with an annual box office income of HKD527 million.

With the opening of Tai Kwun in May 2018 and the West Kowloon Cultural District Xiqu Centre in January 2019, a record high of 5,289 Performing Arts programmes (conducted in 27 performing facilities) with 9,481 performances were staged in 2018/19.

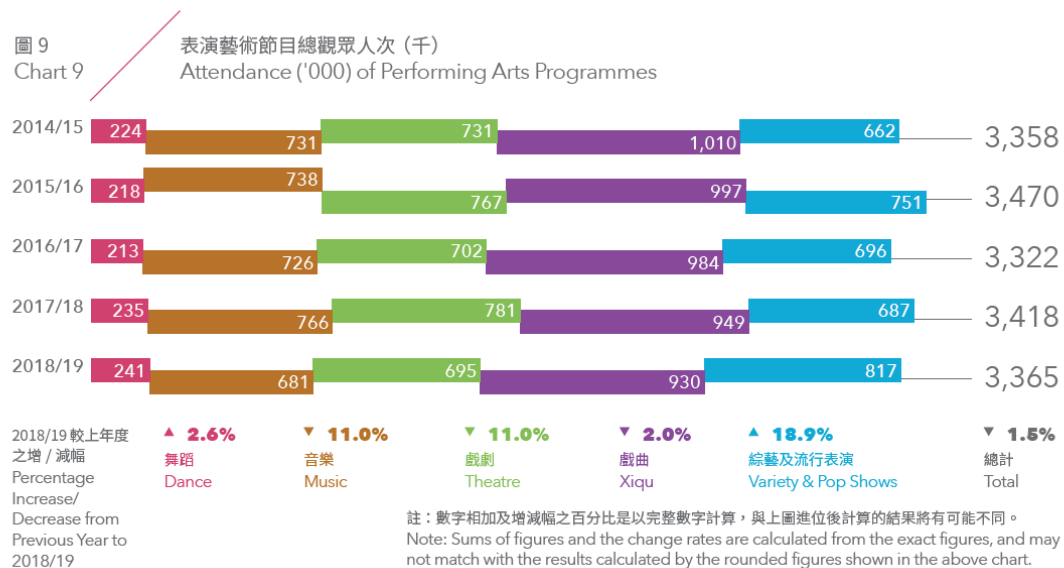
There are several performing types including Music, Dance, Theatre, Xiqu, Variety & Pop shows in which Western Music programmes dropped sharply to the lowest level in the previous six years by 4.7% in program and 9.4% in performances.



(HKADC, 2021)

Music & Theatre also got the most significant drop in attendance (11%) compared to the previous year. In comparison, Variety & Pop Shows got an almost 20% increase to 820K

attendance & 100% growth in box income. It shows that Variety & Pop shows are becoming more popular among the audience who like to enjoy lighter pop music or multi-natured variety shows, while traditional western music is in a challenging environment.

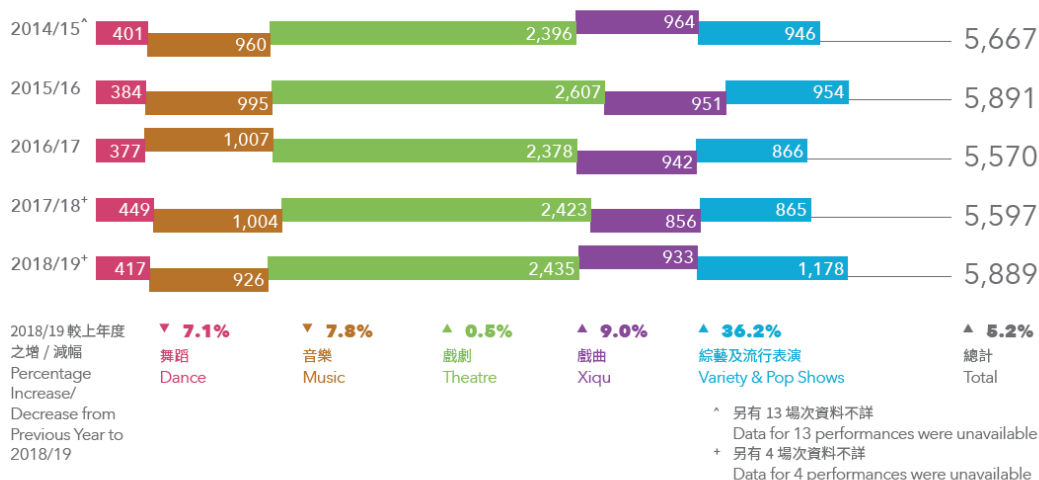


(HKADC, 2021)

However, when we look at the box office income of the Music category, even though the Music program has a 7.8% drop in the number of paid performances to 2,435 (HKADC, 2021) - chart 12), a similar decline of 7.7% in box office income illustrates the price of the ticket in this category remain stable over the year.

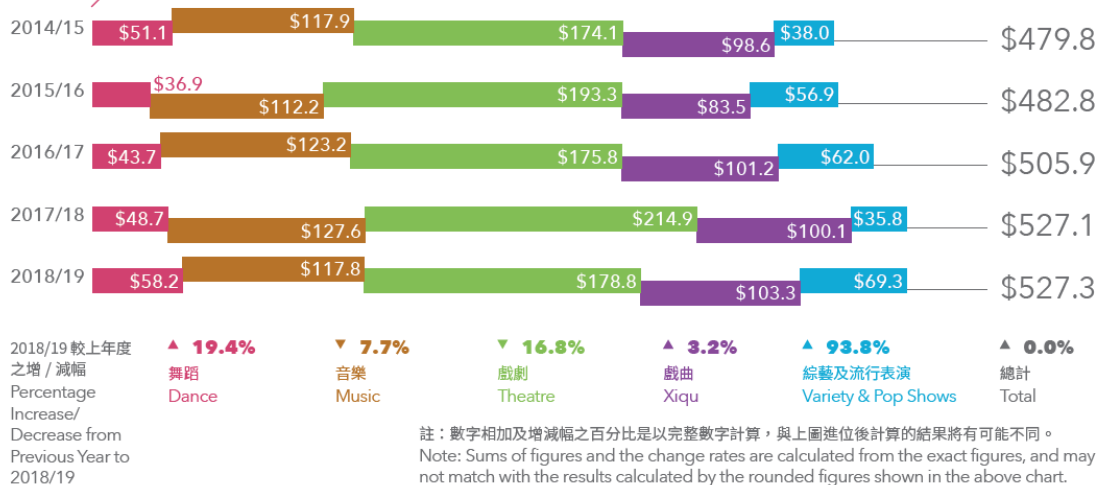
Besides, since the supply of concert tickets is always scarce and limited, the audience who love to attend that specific concert program will not be very sensitive to price change; therefore, the price elasticity of concert tickets is skew to inelastic. In other words, the program content of the concert is the main determinant of the success of that specific concert instead of price.

圖 12 表演藝術節目收費場次
Chart 12 Number of Paid Performing Arts Performances



(HKADC, 2021)

圖 14 表演藝術節目票房紀錄 (百萬港元計)
Chart 14 Box Office Income of Performing Arts Programmes (in HKD million)



(HKADC, 2021)

With the downward trend in western music performance, together with the difficult situations associated with the Covid-19 pandemic in the past 2 years, including but not limited to restrictions on both travel & public events, closure of performance venues, travel and quarantine regulations, limited seating capacity etc., all made music performance extremely

difficult. Every music performing party tries its best to differentiate itself against other competitors and launch various “products” to capture different audiences.

Being one of the leading orchestras in Asia, Hong Kong Philharmonic Orchestra has “*done everything possible to do more than ever to sharing their finest music-making with Hong Kong and the world*”, said David Cogman, Chairman, The Hong Kong Philharmonic Society Limited. (HKPhil, 2021)

Product & Customers:

The “products” that HKPhil offers cover various live concerts, and they also do a lot of community outreach, school performances, Adult education, online programs and collaborations.

Live concert in the traditional concert hall is still their core “product,” which HKPhil will invite renowned conductors & soloists both local and overseas to present fabulous programs. Program content for the whole season is always carefully planned, including varieties of serious classical orchestral piece, showcase of top-notch soloists, light-hearted jazz specials, film music live shows & family concerts. Their thoughtful choice of programs ranging from the 4-year “Ring cycle” to Jurassic Park in concert, each program successfully brings enchanting music to different walks of life.

Besides Live concerts, HKPhil also conducts several outreach activities targeting different audiences. Swire Symphony Under Stars is the most successful community outreach organized yearly for over 10 years, which audience can get free admission to listen to light classical music in an outdoor venue. This program is always the most attractive event every

year, and the ticket under online registration will be gone within a few hours for a venue seating over 10k audience.

The Jockey Club Keys to Music Education Programme is HK Phil's flagship education initiative. This includes school concerts, lunchtime concerts, online concert series, ensemble visits, instrumental masterclasses and even online Mindfulness activities. More than 200,000 students and teachers have benefitted from this programme since 2012, which aims to enrich students' musical and cultural knowledge through highest-level music performances and demonstrations. This program is very effective in extending its influence into communities and schools. It can grow its audience base to not only concert-goers but also various levels of the community, including young generations. This can also help to successfully build and increase the brand awareness of the Hong Kong Philharmonic orchestra.

Hong Kong Phil also has many music funding projects supporting the local young talent, including composers & players. The Robert H.N. Ho Family Foundation scheme provides a platform for emerging composers to sharpen their skills in orchestral writing and have their works performed by HKPhil during that season. The Bernard van Zuiden Music fund aims to provide financial aid for young Chinese music talent from Hong Kong to pursue musical training abroad. Both supports bring positive feedback & praise from the community, and it can successfully build up the image of a social corporation among the industry practitioners. Last but not least, HKPhil also invests a lot of time and effort in conducting numerous online programs. It ranges from education series on "what are you playing", "Meet our Principals" to light music episode of "Phil your life with Music" to chamber music concert series "Phil your Sat with Music". They also introduced a new program, "Phil Your Life", a light-hearted

program designed to brighten up lives by fusing music with food, wellness and storytelling. This has successfully brought the audience to a new music appreciation horizon.

When we look at the products that HKPhil is offering, we will realize HKPhil has constantly applying the Lean business methodology. According to Lynn in her article about Lean methodology, *“the goal for Lean methodology is not elimination – it’s value creation” “it is a way of optimizing the people, resources, effort and energy toward creating value for the customer”* (Lynn, 2022)

It might be because of the nature of the business, it is not difficult to notice HKPhil is constantly using the Lean method to create the biggest value for their audience.

Whether it is their standard concert programs or other new initiatives, HKPhil always **IDENTIFIES** opportunities by following the customer trends then planning for appropriate programs & activities. With this in mind, they will **EXECUTE** in their highest standard then will **REVIEW** afterwards with consumer feedback to prepare for the next opportunity. This can be seen in all the program contents they offered in the 2021/2022 season. Although most of them are being cancelled due to the pandemic, the program structure & variety for the whole season improved compared with the previous season, addressing what the audience wants & needs. The collaborations with other parties were also coming from new insights after collecting audience feedback.

Moreover, the emergence of new technology undoubtedly creates extra opportunities. It helps HKPhil work on creative programs like the global live streaming of “Symphony under the stars”, the participation of the Inaugural WRLDCTY festival, the largest virtual cities

festival, and the live broadcast in 4K via 5G network. These reinforce HKPhil position as a leading orchestra and differentiate itself from its competitors.

Pricing :

For pricing, since there is no substitute for concert tickets and the audience is willing to pay for the experience, the price elasticity of concert tickets is inelastic. The performing party does not need various pricing schemes or promotions to attract more audiences. Although no aggressive pricing strategy, HKPhil still sets different price tiers according to the program's nature.

For over 50% of its concert program, where the program content ranges from the standard classical repertoire, overseas soloist to local film music, light-hearted jazz or family program, they will adopt a 3-tier pricing policy. Their lowest price starts from ~HKD280 to the highest of ~HKD500 depending on seating location inside the venue to capture musicians, teachers, students, standard concert-goers and families. This price is a bit higher but still competitive with its other competitors like Hong Kong Sinfonietta or City Chamber Orchestra of Hong Kong, reinforcing its prestige image as the leading orchestra in Hong Kong but still affordable to the public audience.

However, for programs performing big symphonies like Beethoven 7, led by great conductors or special themes, HKPhil will adopt a 4-tier pricing policy ranging from ~HKD350 to as high as ~HKD 1000. The implementation of 4 tier price system, on the one hand, allows more flexibility and choices for those who would like to attend this concert and, on the other hand, acknowledge the importance of the program by pricing higher than other standard programs. This type of program only occupies around 12-15% of the total program number

and mainly happens on momentous occasions, e.g. opening of the season or during a big festival.

Even though concert ticket price is insensitive, HKPhil still offers discount scheme to encourage multiple purchases. They also have different discounts offered to the general public or their Club Bravo members. The general public can enjoy up to 20% off for standard tickets, while Club Bravo members are entitled to an exclusive 30% off. This discount scheme has created a good incentive for the general public and especially their Club Bravo members for bundle purchases and can secure attendance in an earlier stage for better planning.

購買越多 節省越多 BUY MORE, SAVE MORE

2021 年 9 至 12 月音樂會 SEP - DEC 2021 CONCERTS			
購買節目數量 NO. OF PROGRAMMES	1 - 2	3 - 5	≥6
公眾人士折扣 PUBLIC DISCOUNTS	—	9 折 10% OFF	8 折 20% OFF
港樂會會員折扣 CLUB BRAVO MEMBER DISCOUNTS	85 折 15% OFF	8 折 20% OFF	7 折 30% OFF

(HKPhil, 2022)

Competitor :

The head-to-head competitor of the Hong Kong Philharmonic Orchestra is the Hong Kong Sinfonietta.

The **Hong Kong Sinfonietta** 香港小交響樂團 (HKSL) is a Hong Kong-based professional symphony orchestra established in 1990 by a group of local music graduates. In April 2002,

Hong Kong conductor Yip Wing-sie became its Music Director. With the leadership of Wing-sie, the orchestra continues with its mission to bring music closer to the community, expanding on its vision of “investing in a cultural tomorrow” and achieving significant recognition on local and international stages for its passionate and energetic performances. Hong Kong Sinfonietta performs over 100 performances a season every year. Their repertoires include standard orchestral pieces, newly commissioned works, and customized designed concert series that cater to different audiences and age groups. Signature programs include *Good Music for Babies*, *Good Music for Kids*, *Know Your Classical Music*, *Short-cut to Classical Music* and *HKS McDull Music Project*.

The Hong Kong Sinfonietta also has been invited to several other countries for tours, including North & South America, France, Germany, Shanghai, Beijing, Singapore, Taipei etc., participating in important festivals. In 2018, the orchestra organized the 1st Hong Kong International Conducting Competition, which attracted 310 applications from 49 countries/regions.

When we look at the concert income of HKPhil & HKSL, it is clear that HKPhil was still the clear leading orchestra in Hong Kong, with HKS only having 1/3 of its concert income in 2020. However, being the direct competitor to HKPhil, it still needs to pay attention to and analyze HKSL constantly to understand the whole music environment better.

Product (concert program & events) :

When looking at concert programs, HKSL also offers similar program types, from serious big symphony featuring overseas or local soloists and standard classical repertoire to jazz or family programs. However, with the legacy of having most of the players being Hong Kong

musicians, while HKPhil got more musicians recruiting from overseas, HKSL is famous for conducting programs addressing different age groups, even to babies. Their Good Music for kids & Good Music for babies are very successful programs on the repertoire list. Besides the live concert program, HKSL also introduces its own concert-based feature films as Hong Kong faced its first pandemic closures of venues in 2020, in which it collaborates with a Hong Kong-based art cinema, MOVIE MOVIE. This is a ground-breaking move to bring classical music into cinema which successfully expands the audience base and increases the distribution channels apart from traditional performing venues.

Pricing

The pricing scheme for HKSL is similar to HKPhil, which also offers a 3-tier price policy for most of her programs. However, their overall price range is lower than HKPhil, with their lowest price amount to ~HKD 150 while the highest price will be ~HKD450. The significant gap of 30% - 40% in their lowest price & middle price range against HKPhil poses a threat for those audiences who do not want to spend too much but still would like to enjoy & appreciate classical music.

Marketing

Both orchestras employ similar marketing strategies in above-the-line activities, including website architecture, social media presence, outdoor exposure, 3rd party collaboration.

With government funding support, HKSL also conducts numerous community outreach, school performances, & online programs to reach audiences from different walks of life.

Differentiators

The mission of HKSL explains how they differentiate itself from HKPhil.

- To further the integration of the art of music with the lives of the people in Hong Kong.
- To elevate the status of the art of music and musicians in Hong Kong.
- To achieve the best quality of music-making possible with an emphasis on promoting local talents as well as those in the neighbouring regions (Ip, 2014)

HKSL clearly put their focus on the context of Hong Kong, starting from their music team, including the Artistic Director and musicians, to their administration and management team, with a majority of them being locals. This is a clear differentiator between them and HKPhil. And in the case of HKSL, Yip Wing-sie, their Conductor and Artistic Director since 2002, has been the symbol of the trust between the organization and its public, which could also be regarded as a brand for such symbol, while the trust has been developed and nurtured over time. (Ip, 2014)

Suppose the audience prefers to listen to music performed by a majority of local musicians or is looking for informative, high-quality educational concerts for children. In that case, HKSL will be their immediate choice.

Apart from direct competitors, HKPhil also has indirect competitors offering slightly different music experiences but still targeting a similar audience base as HKPhil. The closest & most relevant indirect competitor is the Hong Kong Chinese Orchestra.

The Hong Kong Chinese Orchestra (HKCO) was founded in 1977 and is the only professional, full-sized Chinese orchestra in Hong Kong. (HKCO, 2022)

It has won the reputation as “a leader in Chinese ethnic music” and “a cultural ambassador of Hong Kong”. It organizes more than one hundred regular and outreach concerts every year, performing traditional Chinese music repertoires and full-scale contemporary works. Besides, it has always been invited to go on tour and perform at various famous performing venues & institutions in the world and international festivals.

HKCO offers an excellent variety of programs like the other two orchestras, from performing big traditional Chinese pieces to solo pieces focusing on different Chinese instruments. They also have charity concerts & special drum series concerts, which is their signature program. They also conduct community outreach together with various instrument training, masterclass, school programs & online concerts, hoping to bring traditional Chinese music to younger generations and the community. However, the nature of Chinese music is currently appealing to another type of audience. Therefore, HKCO got the mission to educate the public, who still prefers to listen to western music, on how to appreciate the beautiful nature of Chinese music.

When looking at their pricing scheme, HKCO charges a lower price for all their concerts to attract an audience. Their lowest price tier is similar to HKSL, but their highest price is just around HKD350. With the lower price strategy, HKCO would like to encourage those audiences to appreciate traditional Chinese music apart from listening to Western music. Being one of the 9 arts groups sponsored by the Hong Kong government (HKPhil & HKSL are also 2 out of the 9), HKCO enjoys the privilege of getting substantial funding from the government. This enables HKCO to plant the cultural root of Chinese music into the community and establish its branding for the culture of Chinese music performance. However, the time needed for HKCO to achieve their mission is still quite substantial since

western music is still the mainstream of classical music in HK. They need to spend more than double the efforts to be stand out from the crowd and successfully capture the audience that HKPhil and HKSL shared.

Macro-environment analysis

The macro-environment refers to how the macroeconomic conditions in which a company or sector operates influence its performance.

The amount of the macro environment's influence depends on how much of a company's business is dependent on the health of the overall economy. Cyclical industries are heavily influenced by the macro environment, while basic staple industries are less affected.

(Investopedia, 2021)

PEST analysis can be used to investigate what macro environment HKPhil is facing now.

Political

In 2014, the 79-day occupation of the city's central business districts in the Umbrella revolution marked the first mass protest movement in Hong Kong. At that time, the protest was a peaceful occupation, and it did not have a significant impact on the music performing parties like HKPhil. However, 5 years later, the second mass protest in 2019's summer gave HKPhil a harder hit. With protesters clashing violently with police, destroyed & blocked public transport, police throwing tear gas grenades and shooting rubber bullets everywhere near the performance venue of HKPhil, it all caused the cancellation of most of their performances during that period.

After the 1-year long protest, the strict anti-epidemic measure implemented by the HK government in 2019 made HKPhil the most challenging year in their business. Under the measure, most of the performance venues were closed, so HKPhil needed to cancel many of its concerts. The tight travel and quarantine restrictions made it extremely difficult to perform with international and mainland Chinese soloists and conductors. Even the venue is open for a while, the limitation in seating capacity to implement social distancing restricts the revenue of each concert.

With the coming implementation of the Vaccine Pass in April, 2022, in which all the people entering the performing venue need to be vaccinated, will impose another restriction on the audience, which in turn affects the attendance rate of the performance.

Economic

1. GDP

The Hong Kong economy staged a visible recovery in 2021, having experienced a deep recession in the previous two years. For 2021 as a whole, the economy expanded by 6.4%, the fastest pace since 2010, though its size was still about 2% below that of 2018 after two years of a severe recession. Yet the recovery was uneven, due mainly to the still frozen inbound tourism.

However, the 5th wave pandemic brought the recovery to hold, and the underlying consumer price inflation is likely to build up. This economic crisis in HK had an immediate effect on people's intention to go to concerts. The worsening economic situation during the first half of 2022 and the tight anti-epidemic measure all have an adverse impact on HKPhil.

2. Inflation

Taking the first two months of 2022 together to neutralize the distortions caused by the timing of the Lunar New Year, the underlying consumer price inflation rate was 1.5%, slightly higher than that in December 2021. (Hong Kong Economy, 2022). The upward price pressure unavoidably has a negative impact on HKPhil since it reduces the spending power of the general public, and they are more conservative when spending money on different categories.

3. Employment

During the fifth pandemic wave, the seasonal adjusted unemployment rate rose by 4.5% in December 2021 to February 2022, while the underemployment rate also increased by 0.5% point to 2.3%. All these unfavourable numbers contribute to a reduction in consumer spending power which, in return, less consumption of “durable goods” like attending a concert.

Social

One important social factor HKPhil faces now is the loss of spending population due to the mass exodus to other countries. Because of the anti-extradition bill protests in 2019 and the implementation of the sweeping national legislation in June 2020. Together with the ever-changing regulation in the anti-epidemic measures starting from 2021, the city is once again seeing scenes with people packing up and starting a new life in a foreign country. According to population net movement data provided by the Census and Statistics Department, Hong Kong reported a net outflow of over 70,000 citizens in mid-2021. In fact, the city has been recording a net outflow of the population since the end of 2020, for the first time since mid-2013. (Chau, 2022)

When looking at the massive population movement, most of them come from the middle to upper class. They are also the major audience groups of HKPhil. Therefore, their leaving undoubtedly will affect the attendance rate and their concert income.

Technology

Over the years, technology has played a crucial role in shaping the music industry. The past two decades of rapid innovation in digital technologies have elevated music performance to another level. Technology has changed how people create music. technology can influence how's audience appreciates music. Technology can eliminate any distance between people and make music close to everyone in the world.

HKPhil can produce numerous online programs with the best quality standard, thanks to all the technological breakthroughs. The most signature one is the 2020/21 Season Preview concert supported by 3 Hong Kong Network & technology partner TFI. This concert was broadcasted live in 4K via 5G network on the HKPhil's website, Facebook and Youtube, which received high acclaim.

With the help of technology, HKPhil can also do numerous live streams of their event to places outside Hong Kong, like their famous "Symphony under the Stars". Technology also makes conducting music promotion a lot faster and more efficient. Traditional media will have a limitation on locations, budgets & flexibility. However, the wide usage of all the social media platforms now made all kinds of promotions more cost-efficient, targeted & can reach more audiences around the world.

The income statement of HKPhil on their 2020/2021 annual report showed that the major sources of income to HKPhil have been the government subvention, donation & sponsorship from other parties, and their own concert income.

財務摘要

FINANCIAL HIGHLIGHTS

綜合收益表 STATEMENT OF COMPREHENSIVE INCOME

(港幣 Hong Kong dollars)

	於3月31日 Year ended 31 st March	
	2021	2020
收入 Income		
政府撥款 Government grants	117,806,933	105,176,253
音樂會及其他表演收入 Revenue from musical events	1,225,809	29,563,973
捐款及贊助 Donations and sponsors	19,875,696	29,469,964
其他收入 Miscellaneous income	95,911	756,707
	<u>139,004,349</u>	<u>164,966,897</u>
開支 Expenditure		
音樂會開支 Concert expenses	84,031,874	109,243,356
市場推廣開支 Marketing expenses	5,570,567	11,371,926
籌款開支 Fundraising expenses	665,011	1,599,694
教育及拓展開支 Education & outreach expenses	1,335,561	2,600,320
行政及一般開支 Administrative and general expenses	25,039,370	24,486,637
財務費用 Finance costs	12,464	30,480
	<u>116,654,847</u>	<u>149,332,413</u>
年度所得盈虧 Surplus / (Deficit) for the year	<u><u>22,349,502</u></u>	<u><u>15,634,484</u></u>

(HKPhil (2020/2021))

Due to the nature of the orchestra, it does not rely on a lot of different financial tools. Its primary short-term financing tool comes from its own concert income, fundraising event, advertising income, and club membership funding, including Club Bravo & Maestro Circle.

In 2021, impacted by the Covid-19 pandemic and the temporary closure of the performance venues, HKPhil needed to cancel many planned concerts and activities. They only managed to present 7 mainstage concerts, compared with 58 in 2020. Revenue from music performance decreased by 96%.

The reduction in concerts also resulted in a drop in advertising income & income from fundraising events & concert sponsorship. This, in total, contributed to a drop of 32.6% against last year.

The other short term financing tools will be the income from their Maestro Circle & Club Bravo membership. Since 1998 the Maestro Circle has forged close connections between the corporate members and the orchestra, providing high-quality client entertainment with various means of brand recognition activities alongside the finest music-making. Big corporations, including Asia Insurance Co. Ltd, Shell Hong Kong Ltd., Chow Sang Sang Jewellery Co Ltd, are all renowned corporations under different membership (Platinum, Diamond, Emerald & Pearl)

Launched in 2000, Club Bravo connects HKPhil and symphonic music lovers who desire a closer relationship with them. As Club Bravo members, they will experience a side of the orchestra that the audience does not usually see. Through Artist Talks and Open Rehearsals, and many more exclusive events only available to Club Bravo members. Apart from all these, Club Bravo members can also get exclusive privileges like ticket discounts, priority registrations, HK Phil news and concert information updates, a special hotline, etc.

Short-term financing is vulnerable, especially when faced with an unforeseeable crisis like the pandemic over the past years.

It was only with the support from the long-term financing tools that can sustain the whole orchestra continued sharing the finest music with Hong Kong and even the world.

Subvention from the Government of HKSAR represents the major source of income for HKPhil, representing 68% of the total revenue. Together with the Art Development Matching Grants & other supporting funds, it amounted to 85% of the total income of HKPhil in 2021, which amounted to HKD 117 million.

Another long-term financing tool contributed 15% of the total HKPhil income coming from donations & sponsors.

The Swire group became the Principal Patron of HKPhil since 2006 and continues to be their largest corporate sponsor in the HKPhil's history. In January 2021, Swire announced to the public the renewal of sponsorship for 3 more years, with a total contribution of HKD\$46.3 million. This provides stability needed for the orchestra to continue pursuing its mission to inspire through the finest music-making.

Besides Swire donations, HKPhil also got different sponsorships from big corporations or foundations specifically for a particular program. The Hong Kong Jockey Club Charities Trust has sponsored the flagship music education program, key to music offering a total sponsorship of HKD 10 million to cover all the relevant expenditures. The Tung Foundation also contributed a vital support to the Young Audience Scheme & the community concert.

Moreover, the HKPhil endowment trust fund was set up in 1983 with big corporations like Citibank, NA, The Hong Kong Land Group, Jardine, Matheson & Company Ltd etc.

Last but not least, HKPhil also got different supports from its annual fund & student ticket fund from both corporations & individuals. Funding tiers ranging from HKD200,000 down to HKD10,000 were received every year.

In 2020, HKPhil introduced the new Ambassador Fund (HKPhil, 2020), looking for support from corporations and individuals to support them promote this home-grown orchestra to be heard beyond borders. Fundings will be used for helping the orchestra to perform at festivals, representing Hong Kong with the finest music and the unique cultural venues of HK. They have recruited MTR Corporation as the first corporate donor of the fund, which became their Grand donor with support of HKD 200,000 or above. Total revenue to Annual Fund, Student Ticket Fund and Ambassador Fund was \$1.55 million, representing 8% of the donations & sponsorship income in 2020/21.

When analyzing the short term & long-term financing tools for HKPhil, grants and subsidies from the government undoubtedly are their most important source of income. We understand that if they can maintain the grants & subsidies every year, it can guarantee most (85% in 2021) of the work that HKPhil wants to achieve. This over-reliance on one single source of income put HKPhil into a difficult position. Any hiccups in any of their activities might significantly impact their funding, which will be difficult for them to gain back. Because of this, HKPhil needs to pay extra effort and be very cautious in planning its programs,

diversifying its activities, reaching different audiences, educating & nurturing more younger generations to fulfil their commitment and maintain the grant.

Donation represents 15% of the overall income. The pros of this tool are that the pool of this income source is still very vast, given the existence of numerous big corporations in Hong Kong. There are ample opportunities to source more money via sponsors or donations. I believe HKPhil should continue to work harder in this direction to develop more funding opportunities with corporations and individuals.

However, the drawback of relying on this route is its stability. Although there are many ways to approach big companies and ask for donations & sponsorship, their decision might still be affected by their own internal consideration & external economic environment. The recent Covid-19 pandemic situation in Hong Kong is an excellent example of which the economy's downward trend greatly affected the number of donations & the amount of sponsor money received.

Concert income, advertising money are always the most liquid & non-restrictive assets that HKPhil can control and spend to achieve its goal. However, it is also very unreliable & vulnerable to external environmental changes, e.g. government regulation, economic situation, social-cultural impact etc. However, this type of income can undeniably be substantial depending on each concert's program content and pricing strategy. In 2020, the concert income was almost the same as the donations income showing the great potential of this income source.

To conclude, it is always better for one organization to have a more balanced income structure instead of over-reliance on one or two income sources. For a case like HKPhil, it will be more beneficial to them if they can try their best to increase the proportion of their short-term income together with the donations & sponsorship so as to reduce their reliance on government support.

No matter what, Hong Kong Philharmonic Orchestra is the orchestra for Hong Kong people. Being a Hong Kong citizen in this small city, I will extend all my support to witness the continued success of this ever-lasting music legend in Hong Kong.

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