

**Remarks of the Secretary for Home Affairs on  
Chapter 5 of the Director of Audit's Report No. 56  
Hong Kong 2009 East Asian Games  
at the Public Accounts Committee of the Legislative Council  
on 5 May 2011**

Chairman,

I welcome this hearing convened by the Public Accounts Committee. It offers us an opportunity to explain the accounts and related facts about the East Asian Games (EAG). My colleagues and I are prepared to answer any questions Members may have. I would like to provide some information first to facilitate discussion.

The EAG was the first major international multi-sports event held in Hong Kong. We won the bid in 2003 to host the EAG and staged the event in late 2009. We carried through the project which spanned six years and involved two terms of the HKSAR Government. As you will remember, when we were bidding to host the EAG in 2003, the Hong Kong economy had yet to recover from the damage resulting from the outbreak of the Severe Acute Respiratory Syndrome (SARS). As such, we sought in principle approval from the Finance Committee (FC) of the Legislative Council for an estimated government commitment of only \$84 million for staging the EAG. When we sought funding support from the FC for the operating cost of the EAG in January 2006, the government commitment was revised to \$123 million, about half of the total estimated operating expenditure for the EAG (51%) [The estimated expenditure and revenue were \$240 million and \$117 million respectively]. The current SAR Government took measures to ensure that the allocation of \$123 million approved by the FC for the EAG would not be exceeded. The measures included economising on expenditure and generating income from various sources like sponsorship and other forms of support. The Home Affairs Bureau and the Leisure and Cultural Services Department (LCSD) worked closely with the EAG Company and urged the Company to adopt a prudent approach in financial management, and to live within its means. In the event, the EAG Company was not just able to balance its books, it even recorded a surplus for returning to the Government. The actual

balance borne by the Government was just about \$110 million, or 38% of the total operating expenditure for the EAG.

With the EAG drawing to a close in late 2009, the majority view of the community was that the EAG was successful – and this conclusion still stands as we review it again today. The EAG’s success could be attributed to the participation and support of different sectors of the community - the sports sector, members of various government departments, medical and healthcare personnel, young people and a great number of volunteers – all of whom took part in and contributed to the event. I know that the teams involved in the organisation of the EAG worked day and night before and after the opening of the EAG. Once again, I would like to express my heartfelt thanks to all those who contributed to the staging of the EAG!

After the event, I received commendations from many participating delegations. Count Jacques Rogge, President of the International Olympic Committee, after attending the EAG opening ceremony at the Tsim Sha Tsui harbourfront praised the creativity and effect of the ceremony, saying that it deserved a gold medal. An article issued by the Xinhua News Agency noted that the 2009 EAG had been successful despite a limited budget which was no match for those of other multi-sports events or even certain high-level single sports competitions. The success of the 2009 EAG showcased the concept behind the “Hong Kong approach” of organising the event from which future organisers may draw reference, namely: frugality, pragmatism and innovation.

This was the first time that Hong Kong had hosted such a major international multi-sports event, and so we did not expect every aspect of the event to be perfect or flawless. We built in a mechanism to promptly address and respond to problems identified. Reviews were conducted after the EAG. Noting the public enthusiasm for sport after the event, we have pressed ahead with measures to promote sport in Hong Kong, including the implementation of reform packages to develop football, the promotion of “sport for all”, the development of elite sport and the positioning of Hong Kong as a centre for international sports events. The SAR Government is also

planning to inject \$7 billion to support the Hong Kong Sports Institute in nurturing elite athletes. I shall not go into details of the proposed injection here, as we will report to the Home Affairs Panel on this subject in due course.

We will also draw on the practical experience gained from the EAG when organising similar events in future. I would like to highlight the following points:

First, the approach of setting up a company to be responsible for the operation of a multi-sports event was entirely appropriate. However, the coordination and support of many government departments were still indispensable. Major international multi-sports events, including the EAG, are owned by their respective international sports organisations (e.g., the International Olympic Committee, Olympic Council of Asia or EAG Association) and the National Olympic Committee of the hosting country or region. The setting up of an independent company to oversee the operation of the event provides a platform for cooperation between the sports organisations and the government. This approach caters for the specific requirements of sports events, and also provides necessary efficiency and transparency. The EAG Company was a registered entity subject to the regulation of the Companies Ordinance. Its audited annual accounts had to be confirmed by its Board of Directors before submission to the Companies Registry. As a matter of fact, the audited annual financial statements of the EAG Company as at 31 March 2011 were submitted to the Companies Registry in July last year and can be inspected by the public. Meanwhile, the Government has the responsibility to provide support and other logistical services for any large-scale international event – not just sports events – held in Hong Kong. The responsibilities of the HKSAR Government in relation to the organisation of the EAG were clearly stated in the Tripartite Agreement signed between the Government, the Sports Federation and Olympic Committee of Hong Kong, China (SF&OC) and the EAG Company. Different government departments have stepped up the services under their respective purviews in support of the EAG. The additional costs incurred were absorbed by these departments.

Second, venues and facilities are required for the hosting of major sports events. However, it is important to strike a balance between building sports venues that are suitable for competitions only and those that are also suitable for use by members of the public. As such, in allocating resources for the provision of venues, the Government included costs both for constructing the venues and for providing temporary overlay to such venues to make them suitable for competition use. This temporary overlay included, for instance, the installation of spectator stands, prize presentation platforms and thematic designs. In so far as the staging of the EAG was concerned, the necessary cost for temporary overlay was incorporated into the total capital cost that was submitted by the Government of the previous term to the FC for approval in one go in 2007. Based on the experience gained from the EAG, in the public consultation document issued in 2010 for the bid for hosting the 2023 Asian Games, we indicated the estimated project cost for temporary overlay as a separate item to give the public a clearer picture.

Third, the SF&OC and the “national sports associations” (NSAs) have to be close partners of the Government in the hosting of multi-sports events. NSAs’ specialised knowledge in venue planning, competition scheduling and judging criteria, and their commitment are essential. The unity of the sports sector and the governance of sports organisations are therefore vital to the promotion of sports development and the success of large-scale sports events. Last January, the LCSD set up a steering committee to carry out a comprehensive review of the existing subvention scheme for NSAs. It has started launching a series of measures to help NSAs enhance their corporate governance and internal control in 2011-12. All these measures should have a positive impact on our work in future, and will facilitate cooperation among various parties in the organisation of large-scale sports events.

Lastly, I would like to comment on the liquidation of the EAG Company. I know that the Company formally entered the liquidation stage on 1 July 2010, after its last Board of Directors meeting held on 24 June 2010. After that, the liquidator had to arrange for gazetting of the liquidation, and to handle the remaining accounts receivable and payable. In the process, the liquidator also had to deal with some

belated claims made to the Company. In early April this year, the Company's liquidator and auditors completed the financial statements in relation to the last three months of the Company's operation (i.e., from April to June 2010). These statements have been submitted to the Inland Revenue Department (IRD) for tax assessment. After obtaining a notice of clearance from the IRD, the balance can be returned to the Government. It is expected that the above-mentioned work will be completed within the next two months.

The Committee is invited to note the above information. Thank you,  
Chairman.