

政府總部
民政事務局

香港金鐘添美道二號
政府總部西翼十二樓



GOVERNMENT SECRETARIAT
HOME AFFAIRS BUREAU

12TH FLOOR, WEST WING,
CENTRAL GOVERNMENT OFFICES,
2 TIM MEI AVENUE,
ADMIRALTY,
HONG KONG.

本署檔號 OUR REF. : HAB CR/4-35/1/1 C
來函檔號 YOUR REF : CB(4)/PAC/R58
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BY HAND

8 May 2012

Ms Miranda Hon
Clerk, Public Accounts Committee
Legislative Council Complex
1 Legislative Council Road
Central, Hong Kong

Miranda
Dear Ms Hon,

**The Director of Audit's Report on the
results of value for money audits (Report No. 58)**

Youth Square (Chapter 8)

I refer to your letter of 23 April 2012 requesting information for the public hearing on the captioned Audit Report. Our replies to Questions No. 4 and 12 are attached at **Annex** for your reference.

Please feel free to contact my colleague, Ms Anna So at 3509 8035 or 2505 0159 for assistance in relation to this submission.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Kitty Yu', written over a faint circular stamp.

(Ms Kitty YU)

for Secretary for Home Affairs

Encl.

c.c. Secretary for Financial Services and the Treasury
Director of Audit – (w/o Encl. 4 & 5 to Annex)

**Response to Questions on
Chapter 8 of Director of Audit's Report No. 58 on Youth Square
raised by the Public Accounts Committee on 23 April 2012**

Partial Response

Q4 : Please list the organizations that had hired the following venues, details of activities, numbers of activity participants and admission fees of the activities in the past year:

- (a) Y-Platform (exhibition area);**
- (b) Y-Studio;**
- (c) Conference room;**
- (d) Multi-purpose rooms;**
- (e) Dance room;**
- (f) Hostel (in terms of organizations, no need to list individual visitors);**
- (g) Offices;**
- (h) Y-Theatre;**
- (i) Recording studio;**
- (j) Fashion and design studio;**
- (k) Video shooting studio and video editing workstations;**
- (l) Photographic room;**
- (m) Band room.**

For items 4(b) to (e), please list the rentals of the facilities in comparison to those of related facilities at community halls of the Leisure and Cultural Services Department (LCSD).

A4: Please see Annex 1 for information on organizations and individuals hiring venues (a) to (e) and (h) to (m) of the Youth Square, names of activities, numbers of activity participants and whether the activities were fee-charging in the contract year of 2011-12 (up to March 2012). Lists of organizations renting Y Loft and offices during the period are at Annex 2 and Annex 3 respectively.

Basic rentals of items 4(b) to (e) and similar facilities of the LCSD are listed below:

Y Studio

| Venue | Years of Operation | Basic Rental (Per 4 hours) |
|--|---------------------------|-----------------------------------|
| Y-Studio, Youth Square (224 seats) | 2 years | \$4,800 |
| Studio Theatre, Hong Kong Cultural Centre (303-496 seats) | 23 years | \$5,400 |
| Black Box Theatre, Kwai Tsing Theatre (130-160 seats) | 13 years | \$2,250 |
| Cultural Activities Hall, Sha Tin Town Hall (300 seats) | 25 years | \$2,690 |

Conference Room

| Venue | Years of Operation | Basic Rental (Per hour) |
|---|---------------------------|--------------------------------|
| Conference Room, Youth Square (160 square metres/53 persons) | 2 years | \$440 |
| Committee Rooms, Hong Kong City Hall (40 persons) | 50 years | \$430* |
| Function Rooms, Hong Kong Cultural Centre (118-126 square metres) | 23 years | \$330* |
| Lecture Room, Kwai Tsing Theatre (100 square metres) | 13 years | \$360* |
| Conference Room, Sha Tin Town Hall (50 persons) | 25 years | \$400* |

* For a minimum of 2 hours

Function Rooms

(Note: Fitted with full-length wall mirrors and sprung flooring suitable for practice and other purposes, the venues listed below are comparable with the large-scale multi-purpose rooms of the Youth Square in terms of facilities and function.)

| Venue | Years of Operation | Basic Rental (Per hour) |
|--|---------------------------|--|
| Youth Square (a) Large-scale multi-purpose room (100 square metres) (b) Several medium-sized multi-purpose rooms (30-65 square metres) (c) Interest group rooms (14 square metres) | 2 years | (a) \$315 (b) \$100-\$185 (c) \$45 |
| Rehearsal Hall, Sheung Wan Civic Centre (224 square metres) | 23 years | \$220 - \$370 |
| Hong Kong Cultural Centre (a) Dance and drama rehearsal/practice rooms (223-331 square metres) (b) Practice rooms (fitted with piano) (26-88 square metres) (c) Practice rooms (performing arts related activities) (16-17 square metres) | 23 years | (a) \$460-\$570* (b) \$97-\$170 (c) \$75 |
| Rehearsal Room, Kwai Tsing Theatre (226 square metres) | 13 years | \$390* |
| Music Studio, Sha Tin Town Hall (240 square metres) | 25 years | \$430* |

* For a minimum of 2 hours

Dance Studio

(Note: The Dance Studio and large-scale multi-purpose rooms of the Youth Square are fitted with full-length wall mirrors and sprung flooring as well as dance bars. Owing to flooring quality, only activities not detrimental to the flooring are allowed in the Dance Studio.)

| Venue | Years of Operation | Basic Rental (Per hour) |
|---|---------------------------|--------------------------------|
| Dance Studio, Youth Square (110 square metres) | 2 years | \$310 |
| Dance Practice Room, Sheung Wan Civic Centre (70 square metres) | 23 years | \$110 - \$170 |
| Rehearsal/practice rooms, Hong Kong Cultural Centre (223-300 square metres) | 23 years | \$460 - \$570* |
| Dance Studio, Kwai Tsing Theatre (200 square metres) | 13 years | \$390* |
| Dance Studio, Sha Tin Town Hall (285 square metres) | 25 years | \$430* |

* For a minimum of 2 hours

Q12 : Please provide the management and operation services contract signed between the Home Affairs Bureau and the contractor.

A12 : Having sought the advice of the Department of Justice, the relevant service contract (English version only) with personal data deleted in accordance with the Personal Data (Privacy) Ordinance is at Annex 4.

The contractor amended its Memorandum of Association and Articles of Association to become a non-profit-making organization in March 2011. The relevant amendment resolutions are at Annex 5.

**Home Affairs Bureau
Civic Affairs Division (1)
7 May 2012**

***Note by Clerk, PAC: Annexes 1, 2 and 3 not attached.
Clauses other than 49.6 to 49.8, 50.1 to 50.5, and
21.1 to 21.5 in Annex 4 not attached.**

Part III and it shall remain unchanged for the first twelve (12) months from the commencement date of the Contract Term. The First Review Date of the Annual Basic Management Fee shall be on the first anniversary of the commencement date of the Contract Term. The Annual Basic Management Fee will be reviewed at the First Review Date and every anniversary of the First Review Date according to the percentage increase/decrease of the Composite Consumer Price Index (“CCPI”) compiled and released by the Government for the relevant twelve (12) months period in accordance with the formula set out in Paragraph 2 of Schedule 4 of Part III.

- 49.5 For the avoidance of doubt, if it becomes impossible to calculate the Basic Management Fee for any period during the term of the Contract by reference to the CCPI because of any change in the methods used to compile the CCPI after the date of this Contract or for any other reason whatever or if any dispute of question whatever arises between the parties as to the amount or the calculation of the Basic Management Fee or the construction or effect of this Clause and Schedule 4 of Part III, then either party may refer the dispute or question for arbitration in accordance with Clause 65 of this Part.

Incentive Management Fee

- 49.6 The Government shall pay the Contractor the Incentive Management Fee on annual basis starting from the beginning of the 3rd year of the Contract Term of CYD, provided that all the performance targets mentioned under Schedule 4 of Part III shall be achieved in full. The formula for calculation of the Incentive Management Fee shall be :

Annual Incentive Management Fee =
Percentage for calculating the Incentive Management Fee x (Annual Basic Management Fee)

where the percentage for calculating the Incentive Management Fee shall be calculated according to the following table:

| <u>Achievement over and above the performance targets under Schedule 4 of Part III</u> | <u>Percentage for calculating the Incentive Management Fee</u> |
|--|--|
| (a) Just over and above all performance targets | 4% |

- | | |
|---|----|
| (b) 2% or more over and above the performance targets for items (a), (c)(i), (c)(ii) and (c)(iii), and over and above the rest of the performance targets | 5% |
| (c) 4% or more over and above the performance targets for items (a), (c)(i), (c)(ii) and (c)(iii), and over and above the rest of the performance targets | 6% |

- 49.7 Together with the auditor's report for the CYD at the end of each Fiscal Year in accordance with Clause 44, the Contractor shall submit to the Government Representative, an Annual Performance Report as stipulated in Clause 17.3.2(a) and Annex 4 of Part VI to show the achievements in performance measures and an invoice showing calculation of the Incentive Management Fee for the same Fiscal Year. The Incentive Management Fee will be paid within twenty-one (21) days after the date of Government acceptance of satisfactory completion of performance or the date of invoice and all relevant supporting documents received, whichever is the latest.
- 49.8 The Incentive Management Fee for any given year shall stand alone and shall not be subject to revision based on the results of prior or subsequent Fiscal Years.

50. Deduction of Management Fee

- 50.1 The Government shall be entitled to withhold compensation for administration cost or deduct from the Management Fee a reasonable amount for any part of the Services which has not been duly completed to the satisfaction of the Government Representative.
- 50.2 The Contractor shall ensure that the actual performance levels of the key performance indicators for any given Fiscal Year are not less than the performance targets as agreed in the corresponding Annual Plan and as stipulated in Clause 21.3 of Part VI – Service Specifications. The nine key performance indicators as per Clause 21.3 of Part VI are:
- (a) the satisfaction level of the youth participants who have used the venues and/or facilities;
 - (b) the number of venue promotional programmes organised and the number of

youth participants;

- (c)(i) the occupancy rate of the Hostel;
- (c)(ii) the usage rate of the studios, retail shops and youth activity areas;
- (c)(iii) the usage rate of auditorium and exhibition platform;
- (d) the service availability of major electrical and mechanical systems;
- (e) the compliance with all statutory requirements in managing and maintaining the CYD;
- (f) the availability of security guards to provide security service and emergency support; and
- (g) the provision of regular cleansing services according to the work schedule as per **Sub-clause 15.3.21 and Appendices 9(a) and 9(b)** of Part VI – Service Specifications.

50.3 Where the Contractor has not achieved 90% of the agreed target of any one of the key performance indicators as mentioned in **Clause 21.3** of Part VI, the Government shall have the right to deduct the Annual Basic Management Fee on annual basis according to the following formula:

Achieved Level of Key Performance Indicators

- | | |
|------------------------------------|---|
| (a) 80% or above but less than 90% | 0.3% for each key performance indicator |
| (b) Less than 80% | 0.5% for each key performance indicator |

[Example: The achieved levels of the three key performance indicators are 82%, 85% and 78% respectively.

% Deduction from the Annual Basic Management Fee =
 $0.3\% + 0.3\% + 0.5\% = 1.1\%$]

50.4 Any deduction from the Basic Management Fee pursuant to **Sub-clause 50.3** above will be made annually by adjusting the forthcoming quarterly payment of the Basic Management Fee payable to the Contractor.

50.5 The Government will not be entitled to exercise its right under **Sub-clause 50.3** if the Contractor can demonstrate to the Government's reasonable satisfaction that the Contractor's failure to meet the performance targets is due to Force Majeure Event beyond the control of the Contractor.

Contractor shall also pay the rental costs to the Government in the event that the promotional activities will generate income to the Contractor.

- 20.3.2 The Contractor shall co-operate with recognized educational or vocational training institutes in Hong Kong for the provision of the training programmes as directed by the Government Representative. The educational or vocational training institutes involved shall be approved by the Government Representative.

21. Annual Business Plan

- 21.1 The Contractor shall submit to the Government Representative for approval, not later than 30 days prior to the beginning of each Fiscal Year a proposed business plan (the "Proposed Annual Business Plan"), which shall become the approved Annual Plan (the "Annual Business Plan") once the same has been approved by the Government Representative. The Proposed Annual Business Plan should generally be consistent with the benchmarks, key performance indicators and assumptions contained in the Business Plan, Development Service Plan, Maintenance Plan and other relevant plans submitted under Schedule 3 of Part III.

- 21.2 The Government Representative shall notify the Contractor of its approval or its disapproval of the Proposed Annual Business Plan not later than 21 days after receipt thereof. The Government Representative shall furnish the Contractor at the time of notice of such disapproval with reasons for its objections to the Proposed Annual Business Plan and the Contractor shall, within 21 days after notice of disapproval has been given, revise the Proposed Annual Business Plan to the satisfaction of the Government Representative.

- 21.3 The Annual Business Plan shall include, but not limited to, the following:

Key performance indicators and expected basic performance targets

- 21.3.1 To set the expected minimum performance targets for the following key performance indicators:

| <i>Key Performance Indicators</i> | <i>Minimum Performance Targets</i> |
|--|---|
| <p>(a) <u>Satisfaction level of youth participants</u></p> <p>The percentage of respondents of customer survey rank '4' or above in a 6-unit scale (where '1' denotes extremely dissatisfied and '6' denotes extremely satisfied)</p> <p>(Customer satisfaction survey for at least 1,000 youth participants shall be organised every year.)</p> | <p>The performance targets for rank '4' or above for each service item and the overall performance for the first and second years shall not be less than 65%. The same performance targets shall not be less than 70% for the third year and onwards.</p> |
| <p>(b) <u>Number of Venue Promotional Programmes Organised</u></p> <p>No. of venue promotional programmes organised and no. of youth participants</p> | <ul style="list-style-type: none"> • At least 12 venue promotional programmes organised per annum with over 300 youths participated per programme. |
| <p>(c) <u>Occupancy and Usage</u></p> <p>(i) Occupancy rate for Hostel</p> <p>(ii) Usage rate of retail shops, studios and youth activity areas</p> <p>(iii) Usage rate of auditorium and exhibition platform</p> | <ul style="list-style-type: none"> • The occupancy rate shall not be less than 70%. • The usage rate shall not be less than 70%. • The usage rate shall not be less than 65%. |
| <p>(d) <u>Service availability of major electrical and mechanical systems</u></p> <ul style="list-style-type: none"> • Electricity supply installation • Air-conditioning installation • Lift and escalator installation • Fire services installation | <ul style="list-style-type: none"> • 95% availability • 95% availability • 95% availability • 95% availability |
| <p>(e) <u>General Operational Services</u></p> <ul style="list-style-type: none"> • Compliance with all statutory requirements in managing and maintaining the CYD and the facilities therein | <ul style="list-style-type: none"> • 100% of all the time |

| <i>Key Performance Indicators</i> | <i>Minimum Performance Targets</i> |
|---|---|
| (f) <u>Security</u> <ul style="list-style-type: none"> • Availability of Security Guard(s) to provide security service and emergency support | <ul style="list-style-type: none"> • 100% of all the time (24 hours x 7 days per week) |
| (g) <u>Cleansing</u> <ul style="list-style-type: none"> • Provision of regular cleansing services according to the work schedule as per Sub-clause 15.3.21 and Appendix 9(a) | <ul style="list-style-type: none"> • At least 90% of the time |

Marketing and sales plan

- 21.3.2 To set out the marketing strategy, sales and pricing strategy of the CYD including plan for the venue promotional programmes. To propose a minimum number of promotional programmes including the nature, objectives, no. of target participants involved.

Human resources Plan

- 21.3.3 To set out the staff structure, organization chart of the workforce, recruitment criteria, distribution of works among staff, training programmes, performance assessment, discipline and staff management issues.

Estimate of revenue and operating expenditure

- 21.3.4 To set out the estimate of revenue and operating expenditure for the coming year of operation.

Development service plan

- 21.3.5 To set out the strategies and proposals in achieving the development objective for training of the Contractor's inhouse staff including management and supervisory staff.

Others

- 21.3.6 The Contractor shall set out the maintenance equipment, vehicles, specialized tools and instruments required to ensure smooth operation of the

CYD. The Contractor is encouraged to include an alteration plan at its own cost to propose revisions to the internal furnishing of CYD, suggestion to improve work efficiency and maintenance plan.

- 21.4 The Contractor shall perform in accordance with the targets and work schedule as contained in the Annual Business Plan once the Plan has been approved by the Government Representative.
- 21.5 The Contractor shall advise and seek agreement from the Government Representative for proposed adjustment to the approved Plan if situation warrants the adjustment.

22. Performance Assessment

- 22.1 The Contractor shall carry out appropriate quality assurance procedures in accordance with the Quality Assurance Plan submitted under **Schedule 3** of Part III to regularly inspect and monitor its Services to ensure that the Services meet with the specified requirements and standards, in particular, the performance standards as specified under **Sub-clauses 9.4, 10.4, 13.4, 14.4, 15.4, 16.4, 17.4, 18.4 and 21.3** of Part VI. The Government Representative shall also carry out planned inspection and surprise checks as necessary throughout the Contract Term to ascertain the standards of Services.
- 22.2 The Contractor shall regularly review the operation of the CYD for constant improvement to the quality of Services provided. The Contractor's Representative and the Government Representative shall meet monthly and the Management Advisory Committee shall meet at least once every six months as per **Clause 12** of Part II – Conditions of Contract, or at such interval as the Government Representative shall request, to review the performance of the Services and resolve any contractual, leasing, management, performance and youth development activity planning and organisation issues.
- 22.3 Upon the request of the Government Representative, other management information, financial and statistical records kept by the Contractor in relation to the operation and management of the CYD shall be made available promptly throughout the Contract Term.

NEW WORLD FACILITIES MANAGEMENT COMPANY LIMITED
新世界設施管理有限公司

Special Resolution of all Shareholder(s) of the Company passed on the 23rd day
of March, 2011

AMENDMENT OF MEMORANDUM OF ASSOCIATION AND ARTICLES OF ASSOCIATION
IT WAS RESOLVED THAT

- (1) The Article 116(a) of the Company's Articles of Association shall be replaced by the following:-

"The Company shall not declare any dividend to its members and the Company shall donate all its profits to charitable organizations only. In case there is any inconsistency between this Article 116(a) and other Articles, this Article 116(a) shall prevail."

- (2) The Article 141 of the Company's Articles of Association shall be replaced by the following:-

"If the Company shall be wound up, the surplus assets remaining after payment to all creditors shall be fully donated to charitable organizations."

- (3) The clause 3(39) of the Company's Memorandum of Association and Articles 117, 119, 121, 122, 123, 124, 126, 127 and 128 of the Company's Articles of Association shall be deleted in its entirety. There shall be consequential amendment to the order of the clause number and article number of the Company's Memorandum of Association and the remaining clause shall, in case the order is not in sequence, be re-numbered in sequence.

For and on behalf of
NEW WORLD DEVELOPMENT COMPANY LIMITED

Authorized signature
Shareholder