

政府總部
民政事務局

香港添馬添美道二號
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,
TAMAR,
HONG KONG.

本局檔號 OUR REF. : S/F(1) to HAB/CR 1/20/170
來函檔號 YOUR REF. : CB4/PAC/R68
電 話 TEL NO. : 3509 8118
圖文傳真 FAXLINE : 2591 6002

22 June 2017

Mr Anthony CHU
Clerk, Public Accounts Committee
Legislative Council
Legislative Council Complex,
1 Legislative Council Road,
Central,
Hong Kong

Dear Mr Chu,

Public Accounts Committee

Consideration of Chapter 1 of the Director of Audit's Report No. 68 (the Audit Report)

Government's support and monitoring of charities

As requested in your letter dated 29 May 2017, I append the requested information below.

(a) & (b)

— A copy of Lease N is at **Annex 1**.

According to clause (6)(i) of the Special Conditions of Lease N, the Grantee “shall not erect or maintain on the lot any building or buildings other than a building or buildings comprising a headquarters including assembly hall, gymnasium, offices, shop, hostel, dormitory, canteen, staff quarters and such other ancillary accommodation and facilities as shall be approved by the Director of Social Welfare (now the Secretary for Home Affairs)”. According to the Lands Department (“LandsD”), the terms “hostel” and “hotel” are generally interchangeable in the interpretation of land leases and both allow

***Note by Clerk, PAC:** *Annex 1 not attached.*

lodging under lease. In granting Lease N, the Executive Council (“ExCo”) has taken into account that revenue would be generated from Grantee N’s income-generating facilities, hence allowing for reduction and eventual elimination of the Government’s annual subvention for Grantee N. In this connection, it was the intention of the ExCo to allow the hostel to provide service to the general public so as to generate income for Grantee N.

As regards the catering facilities, the canteen should be open to members of Grantee N only. In June 2015, the Home Affairs Bureau (“HAB”) was alerted by FEHD that the canteen, which was open to the public, should comply with the relevant lease conditions. Upon the request of HAB, Grantee N took action subsequently to obtain planning permission from the Town Planning Board and a temporary waiver from LandsD to permit the use of the canteen for restaurant purpose.

At present, Grantee N’s hostel also consists of a Western restaurant and a lounge. Since these catering facilities are ancillary to the hostel, they could serve the general public. In light of the recommendations in the Director of Audit’s Report, we are ascertaining with LandsD and the Planning Department (“PlanD”) that the operation of the Western restaurant and lounge comply with the relevant land administration and planning requirements.

(c) Grantee N paid a lump sum premium of \$30,200,000, which has covered all the income-generating facilities.

(d) Grantee N wrote to the Director of Social Welfare in June 1985, indicating that *“it is anticipated that the income generated will be employed to repay the loan...Thereafter, it would be possible for an appropriate reduction to be made to the Government’s annual subvention”*. This has given effect to ExCo’s understanding that income generated from the income generating facilities at Grantee N’s headquarters would enable Grantee N to gradually cease to be reliant on the Government’s subvention. A copy of the letter is at **Annex 2**.

(e) In determining the level of subvention reduction, HAB would have regard to Grantee N’s contribution to youth development in Hong Kong, its financial position and resources needed in the future. Before 2000, in addition to the above factors, the Social Welfare Department (“SWD”) also took into account the construction cost for the headquarters and loan repayment progress of Grantee N. As Grantee N had repaid its construction loan before 2000, the construction cost and repayment of construction loan are not part of HAB’s consideration in determining the level of subvention reduction.

- (f) The level of subvention to Grantee N since 2000 is set out in **Annex 3**.
- (g) Since 2000, Grantee N has not submitted independent statement of accounts of the income-generating facilities of its headquarters and the vehicle park to HAB. However, the relevant accounts have been incorporated in Grantee N's annual financial reports, which are submitted to HAB annually. In light of the recommendations of the Director of Audit's Report, HAB asked Grantee N to reactivate the Management Committee in May 2017 and to submit independent statement of accounts of the income-generating facilities of its headquarters and the vehicle park.
- (h) Meetings of the Management Committee had not been convened since 1998. When Grantee N reactivated the Management Committee in May 2017 upon HAB's request, there was no change to the Management Committee's scope and terms of reference. There were slight updates to the membership to reflect the change of supporting bureau from SWD to HAB.

While HAB had not requested Grantee N to convene meetings of the Management Committee before early 2017, after HAB assumed the role of supporting bureau for Grantee N in 2000, the representative of HAB has been attending Grantee N's Executive Committee meetings, which discuss Grantee N's financial matters as a standing item, as an observer.

- (i) According to the Constitution of Grantee N, in between meetings of the Council of Grantee N, the Executive Committee shall be the authority of Grantee N in respect of major policy decisions, coordination with the Chief Commissioner, control of funds and resources and financial support. The current membership is set out in **Annex 4**.

— A total of 105 meetings of the Executive Committee were held from January 2000 to May 2017. A schedule of the meetings is set out in **Annex 5**. At all the meetings, the Executive Committee made regular report on the operation of the income-generating facilities of the headquarters and vehicle park. The income and expenditure of the income-generating facilities were also discussed together with the annual budget of Grantee N.

- (j) In 2004-05 and 2005-06, HAB reduced the subvention for most subvented youth uniformed groups, including reducing the subvention for Grantee N by \$0.54 million and \$0.67 million respectively. Apart from the general reduction in these two years, we agree that HAB had not initiated negotiations with Grantee N to discuss

additional subvention reduction specific to Grantee N during the period from 2000-01 to 2009-10, so we generally agree with the statement in the report.

- (k) The ExCo's decision did not specify a timeline for achieving the objective of eventual elimination of Grantee N's subvention. In light of the recommendations of the Director of Audit's Report, HAB has resumed the negotiation with Grantee N with a view to agreeing on the level and timetable of further reducing Grantee N's subvention. In this process, HAB would take into account Grantee N's contribution to youth development in Hong Kong, its financial position and resources needed in the future. If HAB determines that the ExCo's understanding of eventual elimination of subvention could not be achieved, HAB would seek ExCo's endorsement for variation.
- (l) The canteen commenced operation in July 1994 and obtained a General Restaurant Licence in February 1996. The Western restaurant and lounge commenced operation in October 1993 and August 1995 respectively. Such uses are prescribed in clause (6)(i) of the Special Conditions of Lease N mentioned in (a) above.

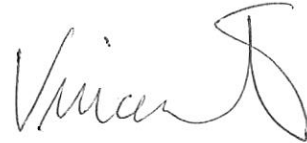
For the canteen, HAB was alerted by FEHD in June 2015 that the canteen, which was open to the public, should comply with the relevant lease conditions. In July and December 2015, HAB informed FEHD and LandsD respectively that the restaurant could not be regarded as an ancillary facility to Grantee N's headquarters, and hence did not comply with the relevant lease condition. Upon HAB's request, Grantee N took action subsequently to apply for a planning permission from the Town Planning Board and a temporary waiver from LandsD to permit the use of the canteen space for restaurant purpose. In January 2016, HAB informed LandsD that it supported Grantee N's waiver application subject to the imposition of full administrative fee and waiver fee. The planning permission and temporary waiver were granted in December 2016 and March 2017 respectively.

For the Western restaurant and lounge, since they are ancillary facilities to the hostel, they could serve the general public. In response to the recommendations in the Director of Audit's Report, we are ascertaining with LandsD and PlanD that the operation of the two catering facilities complies with the relevant land administration and planning requirements.

- (m) At present, HAB processes land applications and monitors and enforces lease conditions in accordance with the protocol issued by LandsD in 2014. In light of the recommendations in the Director of Audit's Report, we shall consider the need of formulating further

guidelines to assist HAB staff in monitoring and enforcing lease conditions.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Vincent Fung', with a stylized flourish at the end.

(Vincent FUNG)
for Secretary for Home Affairs

c.c. Secretary for Financial Services and the Treasury
Commissioner of Inland Revenue
Director of Lands
Director of Social Welfare
Registrar of Companies
Commissioner of Police
Secretary for Education
Director of Audit

Annex III



Hong Kong 香港
1985 International Youth Year
一九八五年國際青年年

①



13th June, 1985.

Director of Social Welfare,
Social Welfare Department,
World Trade Centre, 19/F.,
280, Gloucester Road,
Causeway Bay,
Hong Kong.

(Attn.: Mr. Stephen Law Chi-kin)

Dear Mr. Law,

Proposed Grant of Site in [redacted]
to the [redacted]

Thank you for your letter ref. SWD 14/S124/48 dated 23rd May, 1985 addressed to the Chief Commissioner, Mr. C.S. Chau. He is at present away from Hong Kong on annual leave but before he left, I was given instruction to reply on his behalf.

We are glad to hear that you may be able to recommend a higher level of support for [redacted] facilities at our new [redacted] Headquarters. I now submit to you an assessment of the possible income generating facilities from the [redacted] as proposed in our schedule of accommodation and the Sketch Design June 1983 prepared by our Architect.

It is anticipated that the income generated will be employed to repay the loan (plus interest) from the Jockey Club or other financial institutions over a period of years. Thereafter, it would be possible for an appropriate reduction to be made to the Government's annual subvention to the Association.

We do appreciate that application to the Lotteries Fund for a capital grant to cover 100% of the cost of constructing, fitting-out and equipping the supported [redacted] facilities may be unrealistic but we are hopeful to receive more sympathetic consideration since we are forced to vacate our existing Headquarters building to the Government. We believe it is only fair for the Government to re-provisioning and to reinstating all the former and existing facilities which we are now enjoying at [redacted].

You now may wish to reconsider the whole project and inform the Director of Lands in order that the total premium may be re-assessed and a formal submission to Executive Council prepared without further delay. I am taking the liberty to copy this letter to him for his early information.

Yours sincerely,

Jerome Y.T. Yeung



c.c. Director of Lands

ASSOCIATION-HEADQUARTERS: [redacted]

PLEASE ADDRESS ALL CORRESPONDENCE TO [redacted]

電話號碼 [redacted]

Level of Subvention for Grantee N

Year	Level of subvention
2000-01	\$16,550,000
2001-02	\$16,649,000
2002-03	\$17,424,200
2003-04	\$17,665,000
2004-05	\$17,128,000
2005-06	\$16,457,000
2006-07	\$16,457,000
2007-08	\$16,457,000
2008-09	\$17,280,000
2009-10	\$17,280,000
2010-11	\$17,280,000
2011-12	\$17,280,000
2012-13	\$17,280,000
2013-14	\$15,206,000
2014-15	\$26,114,000
2015-16	\$23,890,000
2016-17	\$23,890,000

Membership of Executive Committee

Ex officio Members

Chief Commissioner

Mr NG Ah-ming

Chairman

Mr David YIP Wing-shing BBS MH JP

Deputy Chairmen

Mr Michael CHEUNG Kai-wan

Ms Lina YAN Hau-yee MH JP

Deputy Chief Commissioner (Operations)

Mr Ricky LAW Wai-kin

Deputy Chief Commissioner (Management)

Mr YUNG Kin-man

Deputy Chief Commissioner (Programme & Training)

Mr Jason NG Ka-leung

Assistant Chief Commissioner (Training)

Dr MAK Wai-ming

Assistant Chief Commissioner (Hong Kong Island Region)

Mr KWAN Kee

Assistant Chief Commissioner (Support)

Mr Philip WONG Ho-sum

Assistant Chief Commissioner (New Territories Region)

Mr Wilson LAI Wai-sang

Assistant Chief Commissioner (Public Relations)

Ms Nancy HO Lan-sang

Assistant Chief Commissioner (Development & Adult Resources)

Dr Jimmy LAU Fu-shing

Assistant Chief Commissioner (New Territories East Region)

Mr Antony WONG Yiu-wing PMSM

Assistant Chief Commissioner (Kowloon Region)

Mr TAM Kwok-kuen

Assistant Chief Commissioner ()

Dr NGAN Ming-yan

Assistant Chief Commissioner (Mainland Affairs)

Mr James TSUI Siu-lung

Assistant Chief Commissioner (East Kowloon Region)

Mr LO Pui-lam

Assistant Chief Commissioner (International)

Mr Hubert HO Yan-man

Assistant Chief Commissioner (Estate)

Mr Terence LO Kin-yip

Assistant Chief Commissioner (Programme)

Mr AU YEUNG Chor-yuen

Secretary

Mr Augustine CHOI Chi-wa BBS

Treasurer

Mr William LEE Ka-chung JP

Chairman, Finance Committee

Mr Terence CHAN Chun-wing

Chief Executive

Ms Evita LEE

Elected Members

Mr LAI Sze-nuen BBS MBE JP

Prof TAM Man-kwan BBS BH JP

Mr Peter H C TONG

Mr Augustine WONG Ho-ming JP

Prof William WONG Kam-fai MH

Mr Paul HO Wai-chi

Mr LEE Fung-tai

Mr LAM Chiu-ying SBS

Mr LAM Kwong-yu MH

Dr Kevin LAU Kin-wah JP

Mr Arthur LI Kit-chee

Mr Charles NGAN Chi-hung

Mr Frankie WAI Kar-yan

Mr Aaron NG Hoi-shan

Dr Dominic CHU Chun-ho

Observers

Mr KAN Ho-chow MH

Mr WONG Kau-on BBS

Mr SHUM Man-kwong

Mr Edward SO Kai-ming

Mr John C Y HUI BBS CPM

Chairman, [REDACTED] Council

Miss FUNG Hiu-lam

Chairman, [REDACTED] Council

Miss TSUI Ka-lam

Representative of the Home Affairs Bureau

Mr Michael LI Chun-yu

Representative of the Education Bureau

Mr CHAN Wing-kee

Representative of Liaison Office of the Central People's

Government in the Hong Kong Special Administrative Region

Ms MO Min-ying

**Schedule of Meetings
of the Executive Committee of Grantee N
(from January 2000 to May 2017)**

Meeting	Date
139th	13 January 2000
140th	9 March 2000
141st	18 May 2000
142nd	13 July 2000
143rd	14 September 2000
144th	9 November 2000
145th	11 January 2001
146th	8 March 2001
147th	10 May 2001
148th	5 July 2001
149th	13 September 2001
150th	8 November 2001
151st	10 January 2002
152nd	14 March 2002
153rd	9 May 2002
154th	11 July 2002
155th	12 September 2002
156th	14 November 2002
157th	9 January 2003
158th	13 March 2003
159th	15 May 2003
160th	10 July 2003
161st	18 September 2003
162nd	13 November 2003
163rd	8 January 2004
164th	11 March 2004
165th	13 May 2004
166th	8 July 2004
167th	9 September 2004
168th	11 November 2004
169th	13 January 2005
170th	10 March 2005
171st	12 May 2005
172nd	14 July 2005

Meeting	Date
173rd	22 September 2005
174th	10 November 2005
175th	12 January 2006
176th	9 March 2006
177th	11 May 2006
178th	6 July 2006
179th	14 September 2006
180th	9 November 2006
181st	11 January 2007
182nd	8 March 2007
183rd	10 May 2007
184th	12 July 2007
185th	13 September 2007
186th	8 November 2007
187th	10 January 2008
188th	13 March 2008
189th	8 May 2008
190th	10 July 2008
191st	11 September 2008
192nd	13 November 2008
193rd	8 January 2009
194th	12 March 2009
195th	14 May 2009
196th	9 July 2009
197th	10 September 2009
198th	12 November 2009
199th	14 January 2010
200th	11 March 2010
201st	13 May 2010
202nd	8 July 2010
203rd	9 September 2010
204th	16 November 2010
205th	28 January 2011
206th	10 March 2011
207th	12 May 2011
208th	14 July 2011
209th	8 September 2011
210th	10 November 2011

Meeting	Date
211th	12 January 2012
212th	8 March 2012
213th	10 May 2012
214th	12 July 2012
215th	13 September 2012
216th	8 November 2012
217th	10 January 2013
218th	14 March 2013
219th	9 May 2013
220th	11 July 2013
221st	12 September 2013
222nd	14 November 2013
223rd	9 January 2014
224th	13 March 2014
225th	8 May 2014
226th	10 July 2014
227th	11 September 2014
228th	13 November 2014
229th	8 January 2015
230th	12 March 2015
231st	14 May 2015
232nd	16 July 2015
233rd	10 September 2015
234th	12 November 2015
235th	14 January 2016
236th	10 March 2016
237th	12 May 2016
238th	14 July 2016
239th	8 September 2016
240th	10 November 2016
241st	12 January 2017
242nd	9 March 2017
243rd	25 May 2017