



**Yau Yat Chuen Garden City Club Ltd.**  
又一村花園俱樂部有限公司

1<sup>st</sup> November 2022

Dear Members,

Re: Disparity in Members' Voting Rights and Government Lease Extension

By a letter from the Culture, Sports and Tourism Bureau dated 27 September 2022 addressed to the Club, the Government notified the Club that effective corporate governance is considered by the Government as one of the factors which the Government takes into consideration in its continuous and meaningful assessment on whether there are sufficient merits of renewing the Club's lease upon expiry in the end of 2026.

The Government considered that the existing arrangement under the Articles of Association conferring 20 votes to a Founder Member and 10 votes to a Senior Member results in a concentration of votes in their hands, which is not in line with good corporate governance practice.

By the letter, the Government urged the Club to take **immediate** actions to improve the existing voting rights assignment so that the votes cast by all individual members can carry due weight that they deserve.

The Government requires the Club to submit a work plan by November 2022 to demonstrate how the Club will improve the issue, and to implement the improvement to the existing voting rights assignment by the end of 2023.

The General Committee considered that both the change of voting rights and the renewal of Government Lease are essential matters and (in particular the renewal of the Government Lease) critical to the future of the Club.

By this letter the Club seeks to inform all Members of these important matters and to invites members to give their views before the Club prepare and submit the work plan by the deadline set by the Government.

Members' view may be given in writing by the following means:

- Mailing address: Yau Yat Chuen Garden City Club  
7 Cassia Road, Yau Yat Chuen,  
Kowloon.
- By fax: (852) 2397 4419
- By email: [secretariat@yyccclub.org](mailto:secretariat@yyccclub.org)
- By hand: At the Reception Desk on Ground Floor of the Club



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Summary of Points

Members' Voting Rights and Government Lease Extension

Herebelow are some points which the Members may find useful in the understanding of the topic and the issues involved:

1. On disparity of voting rights

1.1 The separate voting rights (namely, 20 votes to a Founder Member, 10 votes to a Senior Member and 1 vote to other Member having voting right) have formed part of the Articles of Association of the Club for many years.

1.2 Currently the Club has over 1,400 members. There are 28 Founder Members, 826 Senior Members, 533 Ordinary Members and 76 Company Members.

1.3 Senior Members constitute about 56% of the total number of members (which is already a simple majority if each member had only one vote).

1.4 Purely as a matter of mathematical calculation, the more senior members (Founder Members and Senior Members) still constitute a simple majority when all members have one vote.

2. Position of the Government as observed from its letter dated 27 September 2022 and observations of the Club

2.1 The Government takes the view that it is not in line with good corporate governance practice to have a high concentration of votes in the hands of certain two classes of Members.

2.2 The Government's view seems to premise on an assumption that the members having more voting rights and those who have only one vote per member are two camps in inherent conflict, so that the camp having more voting rights will control and conduct the affairs of the Club in favour of their camp at the detriment of the other camp. The General Committee does not consider that this is the case in reality at all.

2.3 Be that as it may, the Government has decided:

(1) that effective corporate governance, as reflected in the voting rights, is one of the factors affecting the "continuous and meaningful assessment" of whether there are sufficient merits of renewing the Club's lease upon its expiry in end-2026;

(2) that the Club is urged to take immediate actions to improve the existing voting rights assignment amongst the members so that the votes cast by all individual members can carry the due weight they deserve.



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2.4 In other words, the Government does not consider that the existing arrangement, namely, 20 votes for Founder Members and 10 votes for Senior Members (as against 1 vote for other members having voting right) carry the deserved weight and the existing arrangement must be changed.

2.5 However, the Government does not in its letter go so far as to expressly compel the Club to adopt a singular “one member one vote” arrangement.

2.6 Therefore, it seems that even though the difference in the voting rights have to be (substantially) reduced, there is still room to allow different voting rights for different members.

3. Company law context

3.1 In the context of company law, the Articles of Association of the Club constitutes internal regulations of the Club as a limited company. The Articles of Association can also be seen as a contract among all the members of the Club.

3.2 Voting right of a member constitutes the right and privilege of the member.

3.3 When a member joins the Club as an Ordinary Member, based on the Articles of Association, the member would expect to enjoy more voting right as a Senior Member when he or she has been a member for 15 years. In this connection, the entitlement to a better voting right is a manifestation of recognition to the loyalty of a member.

3.4 Under company law, alteration of voting right (of the class of Founder Members and of the class of Senior Members) requires a 75% majority written consent of the members of that class, or of the votes cast at the separate General Meeting of the members of each class.

3.5 As the voting rights are set out in the Articles of Association, alteration of the voting rights also requires amendments to the Articles of Association by way of Special Resolution (which requires a 75% majority of the votes cast at another General Meeting of all the members).

4. Land Lease context

4.1 The Government is the largest and ultimate landlord of all lands in Hong Kong in the broad sense. It has the power and duty to properly allocate the use of land as a matter of public interest. The allocation is effected by the grant of lease, which creates a “landlord and tenant” relationship between the Government and the lessee.

4.2 Whether to renew the Club’s lease is a matter of allocation of land use. It can also be seen as a landlord and tenant incident.



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4.3 Determination of allocation of land use is a matter of administrative law. In making an administrative decision the Government should consider the relevant factors but should not consider irrelevant factors. Whether voting right of the members of the Lessee (the Club) is a relevant factor is arguably questionable.

4.4 However, as a landlord the Government may impose conditions for the grant or renewal of a lease of land.

4.5 Members should consider the time, expenses and risk of losing the Club's premises after the expiry of the current Lease if they resolve that the Club is to challenge the Government's inclusion of the voting right as a factor affecting the merits of lease renewal.

5. The Club's position and message

5.1 The Club considers that securing the Club's premises by way of a land lease renewal is essential to the future and even the survival of the Club.

5.2 As the request of the Government involves of an alteration of the voting rights of the Members, it affects the substantive rights and privileges of our members. The Members are entitled to know these important matters and to have form their own views.

5.3 As the Government has in its letter set two deadlines, time is not on the Club's side. The Club urges our Members to weigh and consider carefully whether to compromise and forgo (or reduce) their Special Voting Right (or their expectation to it) to enhance the chance of obtaining a lease extension beyond 2026, or to decline the Government's request.

5.4 During deliberation, the General Committee members have considered different unequal voting right assignment arrangements in reduced proportions, such as (Founder Members : Senior Members : other members having voting right) 5:3:1, 3:2:1, as well as equal assignment that all voting members are having one vote each. As the number of Senior Members exceeds 50% of the total number of members and the percentage is going to increase in the coming years, the Senior Members will continue to constitute the major source of votes even in a equal voting right system.

5.6 In the circumstances, in order to remove entirely the risk of the Government taking issue of the existence of any unequal voting right system (however small the disparity is) against the Club in its weighing exercise of whether to grant lease renewal to the Club, the General Committee is inclined to change the system to one conferring equal votes.

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CULTURE, SPORTS AND  
TOURISM BUREAU

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27 September 2022

Dr Yu Kwok Chun, GBM, GBS, JP  
Chairman  
Yau Yat Chuen Garden City Club  
7 Cassia Road  
Kowloon  
Hong Kong

Dear Dr YU,

### **Survey on Governance of Lessees of Private Recreational Leases**

I refer to the Club's submission of the information in response to our survey on governance in January and March 2022. After examining the information provided as well as the Articles of Association of your Club, we note the substantial disparity in the voting rights assignment. Where Founder Members and Senior Members hold 20 votes and 10 votes respectively, other voting members, viz Ordinary Members and Company Members hold only 1 vote each, resulting in the concentration of votes in the hands of the Founder Members and Senior Members (i.e. 93.5% of total number of votes of the Club).

We consider that the above arrangement is not in line with good corporate governance practice which should encourage and allow open, fair and balanced participation in the Club's businesses. While we acknowledge that the membership system of each club varies having regard to its history, its members' mix, its operation and management needs, there are strong merits of improving the existing arrangement to further strengthen the Club's corporate governance.

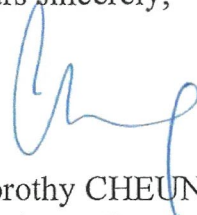
Hence, we urge the Club to take **immediate** actions to improve the existing voting rights assignment amongst the members so that the votes cast by all individual members can carry the due weight that they deserve.

As you are aware, further lease renewal of private sports clubs will hinge upon a host of factors, including their contribution to sports development, compliance with lease conditions and effective corporate governance. As private sports clubs occupy sites by way of concessionary land grant, they should adopt good corporate governance practice to ensure proper use of the public resources to the benefit of the community they serve.

To this end, please furnish us with a work plan demonstrating how the Club will improve the issue(s) aforesaid by November 2022. In any event, all the improvements should be implemented by end-2023 so as to allow the Government sufficient time to make a continuous and meaningful assessment on the effectiveness of the measures to improve the governance of the Club and whether there are sufficient merits of renewing the Club's lease upon expiry in end-2026.

Should you have any queries, please feel free to contact me 3509 8071.

Yours sincerely,



(Miss Dorothy CHEUNG)  
for Secretary for Culture, Sports and Tourism