

LCQ13: Hong Kong Club

Following is a question by the Hon Paul Tse and a written reply by the Secretary for Development, Mr Michael Wong, in the Legislative Council today (September 29):

Question:

It has been reported that the Hong Kong Club (HKC) was established in 1846, shortly after Hong Kong had become a British colony. In 1895, the British Hong Kong Government granted HKC a piece of land on Jackson Road adjacent to Statue Square in Central at a rent of \$324 per annum for a term of 999 years (i.e. until 2894) for the construction of a club building for British officials and business tycoons' gathering and socialisation. In the early 1980s, HKC reached an agreement with a private developer, under which the latter funded the redevelopment of the original club building into a new 21-storey building in exchange for the rental income generated by letting out most of the storeys until 2009. There are views that HKC has occupied a site in the heart of Central for over a century but all along it has only around 1 500 members, and as Hong Kong reunified with the Motherland in 1997, the function of that building as a place for British officials and business tycoons' gathering and socialisation during the colonial period no longer exists. In this connection, will the Government inform this Council:

(1) of the details of the land lease of the HKC building, and whether it contains any terms concerning restrictions on development and subletting as well as the social responsibilities to be fulfilled; the existing channel(s) through which members of the public may inspect the lease;

(2) whether any land premium was paid to the Government when the HKC building was redeveloped in the early 1980s, and whether HKC is currently required to pay tax for the rental income from its club building;

(3) given that the HKC building occupies a site in the heart of Central at a low government rent, and that its members are the rich or noble with the general public not being able to enjoy its facilities, whether the Government has assessed if such a situation is outdated and not in the public interest;

(4) whether it will consider the suggestion made by the former Governor Sir Cecil Clementi in the early 19th century: replacing HKC with a club whose membership is to be open to people of all races and social strata; and

(5) whether it has assessed the current market price of the site of the HKC building; whether it will consider putting forth a land exchange proposal to HKC with a view to vacating the precious site occupied by its club building for redevelopment, so that the proceeds so derived can be used to alleviate the record-breaking fiscal deficit of the Government?

Reply:

President,

Having consulted the Home Affairs Bureau, the Home Affairs Department (HAD), and the Financial Services and the Treasury Bureau (FSTB), our reply to the five-part question is as follows:

(1) The Hong Kong Club (HKC) is situated on Marine Lot No. 274, the land lease of which has a term of 999 years from February 20, 1894. The land lease is an archaic unrestricted lease which contains no restrictions other than the offensive trade clause (See note). The relevant land lease is available for public inspection at the Land Registry.

(2) In general, a landowner may carry out redevelopment at his lot without lease modification and without involving payment of any land premium so long as the user and development parameters of the redevelopment project are not in violation of the restrictions under the land lease conditions. According to this basic principle, the redevelopment of the HKC does not involve lease modification or any land premium because its land lease is an archaic unrestricted lease.

As to whether the HKC is required to pay tax for rental income, the FSTB indicates that the Government is unable disclose information on individual cases in view of the official secrecy provisions under the Inland Revenue Ordinance (Cap. 112).

(3) and (4) The HKC is a private club holding a Certificate of Compliance issued by the Office of the Licensing Authority under the HAD in accordance with the Clubs (Safety of Premises) Ordinance (Cap. 376). The HAD indicates that the main purpose of the Cap. 376 is to ensure the building and fire safety of the club premises. The Cap. 376 does not impose restriction on the activities and modes of operation of clubs, including the eligibility and criteria for admission of members.

(5) A land lease is a private contract between the Government and private landowner which is binding on both parties. Mutual assent by both parties is necessary for making modifications to the land lease conditions or carrying out land exchanges. Generally speaking, only under very special and fully justified circumstances (such as preservation of a particular site or building) would the Government explore with a landowner a non-in-situ land exchange. The situation of the lot of HKC is not such a case. From a practical view point, we believe that any landowner will not easily forego a piece of land under a "Commercial" zone in Central. Even if we were to assume that the two parties would enter into discussions, very likely the Government would have to shoulder substantial obligations in the process.

Note: Among which the restrictions in respect of five trades (mainly those relating to catering businesses) have been removed by way of a licence.