

Victoria Recreation Club Minutes

Annual General Meeting and Extraordinary General Meeting

Saturday, October 13, 2018

Club Lusitano, 27/F, the Salao Nobre de Camoes, 16 Ice House Street, Central, Hong Kong, from 6:30 pm

Annual General Meeting

1. Notice of the Meeting

Mr. Wu Kam Shing, the Chairman of the VRC (“the Club”) announced the start of the Annual General Meeting (“the AGM”) at 6:30 pm, having reached the quorum of 10 Ordinary members or their proxies, out of the total as of the date of the AGM of 168 Ordinary members. In attendance were 39 members out of 168 voting members with an additional 15 Ordinary members present by proxy. Ballots were distributed for approval of the audited accounts.

2. Report and Accounts

a. Major developments:

- With regard to the development plan and the negotiations on lease extension of the Emerald Bay clubhouse, the Chairman noted that Chris Yee, Tony Wong, Alex Leung have worked closely with the General Manager during the year and that the Treasurer, Vernon Moore, has considered proposals on finance for the government. Given the current environment, the Chairman noted that there was likely to be a prolonged discussion.
- With regard to the impact of typhoons Hato and Mangkhut, the Chairman noted that damage had been severe and that the effects of climate change were likely to get worse.
- Reorganization of the Sport Sections and Sporting Committee: The Chairman noted that Alex Leung, Chris Yee and Lee Wong had done a tremendous job with the reorganization. Pass to VM.

b. Treasurer's Report and Accounts:

The Treasurer, Mr. Vernon Moore, presented an overview of the Club's finances in 2017, noting that the numbers had changed little since the Town Hall meeting in April 2018.

- In 2017, Mr. Moore said the Club made a pre-tax loss of almost \$20,000; after tax, the loss was a little more than \$40,000. This was better than 2016 when the pre-tax loss was almost \$100,000 and the after-tax loss nearly \$77,000. Fundamentally, the Club broke even during the 2017 calendar year. In the current calendar year, he noted that for the first 8 months the Club had a surplus.
- Mr. Moore noted that one of the features of our club is a major charge for depreciation of fixed assets. In 2017, the charge was \$1.3 million, in 2016 this was \$1.57m as a result we accumulated liquid reserves. At the end of 2017, the reserves were \$14 million. In 2018, the reserves declined due to the stock market, but were still around \$11.5 million as of the AGM, (\$3.0m Cash and \$11.5m securities).
- Income was \$8 million in 2017, 58% from subscriptions, 11% from entrance fees and 10% from boat storage fees. He noted that most of the revenue comes from member subscription fees (\$4.60m), and that new member entrance joining fees are very important. In 2018, year to date revenue was \$900K from entrance joining fees and \$800k for boat storage fees.
- On expenses, the Treasurer noted the biggest expense was staff salaries and high expenses for repairs and consulting fees, with a large amount of the latter representing the cost of arborists.
- He noted that in the departmental direct operating income / expense breakdown, the paddle section had net revenue of \$149,000 in 2017 but both the Deep Water Bay and the Emerald Bay clubhouses were in deficit even though they made money on events and food and beverage. As a whole, the Club was in good shape in 2017, and came close to breaking even.
- The Treasurer highlighted the challenges as uncertainty with Government private club lease issues and financing the club's expansion proposal. He cautioned that repairs after Typhoon Mangkhut would be costly in view of substantial damage, and insurance coverage was uncertain.
- In summary the club made an accounting loss, generated cash and had liquid assets on hand. The main financial strategy to address expenses would be increasing membership and increasing subscriptions.

3. Election of the General Committee 2018-2019

The Chairman introduced the current General Committee, noting that Mrs. Jenny Law and Ms. Lee Wong were stepping down, and thanked them for their contributions. He further noted that the new candidates for the General Committee were Steve Palmier and Mark Fucci – and asked them to stand up and introduce themselves.

- Mr. Palmier noted that he was currently head coach of the paddle section, and a founding member of the Hong Kong Island Paddle Club which is now the paddle section. He said he would bring to the GC a knowledge of paddlers' needs in the context of the VRC, and that he had also served as chairman of the False Creek Paddle club. He said that he would like to see the paddle section grow within the VRC.
- Mark Fucci introduced himself as coming from paddle section as well. He said that for last 25-30 years he had practiced international restructuring law in Hong Kong, Tokyo, and elsewhere. He said that the Club would need to adapt to changing times.

4. Re-appointment of Auditors

The Chairman noted that auditor is Baker Tilly and has done an outstanding job. Ballots were collected which showed that the majority were in favor of re-appointing Baker Tilly as auditor. The audited accounts for the year ending December 31, 2017 were approved by a majority vote by ballot.

5. Questions from the Floor

The Honorary Secretary, Ms. Edith Terry, took questions from the floor:

- A member asked for context around the resignation of the General Manager, Mr. Robert Cook. The Honorary Secretary said he had been warned several times about friction with staff which had become unmanageable. She said it was voted unanimously that he be removed. He was generally a poor communicator internally and externally and made considerable errors. He fired staff members, leading to enormous staff turnover. His work performance with land negotiations was unsatisfactory. She added that after giving him one year to get things done, it didn't happen.

- A member asked about high staff turnover at Deep Water Bay. The Honorary Secretary said that the labor market was tight, and it was difficult to keep even part-time employees.
- A member asked when Emerald Bay would re-open. Mr. Gordon Loch, Emerald Bay Convener, responded that over the last two weekends trucks and crews had been organized to take away trees. Steps and railings were damaged. Peter Hau, operations manager said the site was not fit for usage immediately after the typhoon. Since then, Mr. Loch said, 90% of trees had been removed, and that the Club had tried to do everything by the book to log and record the damage as a report should Lands Department request substantiation. He told the member that if he wanted to go to EMB he could do it tomorrow and suggested organizing a member's work party as something we could have done and must organize so that we can help each other first. About a month prior to the typhoon, the GC re-established an Emerald Bay working group and appointed Mr. Loch as convener. He added that one of the key things is that from mid-summer to winter Emerald Bay is very popular for barbecues. To minimize non-members using parking space, will be issuing parking labels, so that we know which car does not belong. Help us to help you.
- A member asked about the status of the Emerald Bay lease. Mr. Chris Yee, vice chairman, answered that we submitted a development proposal plan as requested by District Lands Office to fully utilize the site and that the proposal was not accepted but without justification. He said the Club is now formulating a response.
- A member asked how many trees were removed at Emerald Bay.
- A member complimented the General Committee on developing a reciprocal arrangement with Club Lusitano and said it was very welcome.
- A member asked if we know how many members from Club Lusitano are using the VRC and the revenue that has been generated, with a breakdown for Deep Water Bay and Emerald Bay. The member asked for the General Committee to provide feedback.
- A member asked if the AGM could be brought forward with an earlier report of financial results, especially in light of the hiring of a professional accountant, which was not the case in past years.
- A member asked whether members were voting for the old committee by name or by ballot. In response, the Treasurer noted that the new Articles of Association had not been passed yet. General Committee member Gordon Loch noted that the EGM vote would create clarity for the next AGM in 2019. There were only 13 nominations for the General Committee which matched the maximum allowed number of General

Committee members, so that the ballot ipso facto represents the sum of nominations.

- A member asked to provide clarity on the minimum number of votes a candidate must receive in order to be elected to the GC at the next election.

6. Induction of the new General Committee:

The Chairman read the list of the new General Committee for 2018-2019 (in alphabetical order):

- Mark FUCCI
- Alex LEUNG
- Gordon LOCH
- Vernon MOORE (Honorary Treasurer)
- Steve PALMIER
- Frank H. PFEIFFER
- Edith TERRY (Honorary Secretary)
- George TULLIS
- Tony WONG Chi Kwong
- WU Kam Shing (Chairman)
- Christopher YEE (Vice Chairman)
- C P YU
- Jennifer YUNG

7. Any Other Business:

There was no other business.

8. Closing of the Annual General Meeting by the Chairman:

The Chairman closed the meeting at 7:20 pm.

Extraordinary General Meeting

1. Notice of the Meeting:

The Chairman declared the opening of the Extraordinary General Meeting at 7:38 pm.

2. Explanation of the revised Articles of Association

The Honorary Secretary explained that a former General Committee member, Mr. Andy Orr, took on the challenge of consolidating the Articles of Association, which had been updated through amendments since the original Articles were submitted to the government in 1964. After the holding of a Town Hall meeting in April 2018, General Committee members agreed on increasing the quota for Associate members from 1,500 to 5,000 as well as raising the quotas for Junior and Sporting members. The language on Spouse members was changed to introduce the concept of partnership. There is a new category of Corporate membership. Finally, there is the formal introduction of language on proxies. The General Committee hoped to bring the Articles of Association up to date and reflect the changes in the By-Laws, in particular by introducing a code of conduct, values and mission statement that emphasize fairness and sustainability.

3. Q & A session

The Honorary Secretary, Ms. Edith Terry, took questions from the floor.

- A member asked what is the current quorum for an EGM. The answer is that the quorum is 10 ordinary members.
- A member asked if the new AoA had been reviewed by the Companies Registry and if it conformed to the Companies Ordinance. The answer was that the revised AoA would need to be submitted for review by the Companies Ordinance and the GC would proceed to seek such review once the vote was taken.
- A member noted that it would be preferable to have more time to review the AoA in advance of the meeting.
- A member asked, since the GC is proposing major changes in the membership category thresholds, which several members thought were too high and illogical, there should be more information circulated in advance prior to approval. Why should the overall quota be increased to 5,000 from the current 1,500.
- ET replied that since 2011, HAB has been putting pressures on opening up club usage. Another member said that the specific number was not the issue, but rather the optics to show that the club was ready to receive more members. ET said by setting a high cap we show that the VRC is not exclusive. We are also making it easier to join. The idea is to prove how open the club is to serve the community. Since we have not changed the AoA since 1964, we need to move forward as best we can.

- A member noted that an increase of 5,000 would create pressure on the club premises, particularly on changing rooms and toilets. These present a limitation on how many members we can support.
- A member asked about current membership numbers. For the record, as of Dec. 20, 2018, the numbers were as follows:
 - Ordinary and associate members: 626
 - Spouse members: 348
 - Child members: 306
 - Sporting members: 7
 - Total members: 1,287
- A member complained that membership applications should be transparent, and that the membership secretary is not responding to requests for applications.
- ET replied that the GC serves as gatekeepers for applications of memberships through interviews. We did consider capacity constraint for users. The GC has put considerable pressure on paddle section for its temporary members to join the VRC, and is increasing the number of both sporting members and junior members. She said the club is planning for renovation and development, and providing more transparency for ordinary membership applications.
- A member noted that he was familiar with the workings of the HK Government. Given the political situation, the club is under threat of land usage, so it all goes to Government politics only. The figures have to look good! We need to be seen to improve on membership.
- A member recommended that we work on additional programs/events and improve on our commitment to show how valuable our contributions are.
- Another member recommended that we have more students/junior youth programmes, to bring to schools/universities, and to make the club more family oriented.
- Several members offered to provide financial sponsorship for youth sports programmes.
- ET noted that we need to have more programmes for children/students – and that it was an excellent point, exactly what we have to do. She noted the re-organisation of sporting section over the past few months, and that the GC is making a big push to add swimming, surf ski and outrigger programs. She added that we have been slowed down by the difficulties of replacing the GM, and that we are working on manpower, marketing, and resource allocation.

- LW noted that the sports convenor, Alex Leung, was out of town. The Sporting Committee has held only two meetings, and will open up more programs.
- A member noted that the Royal Hong Kong Yacht Club has many basic sporting members, and the booking systems for boats/coaches are well established.
- ET replied that the VRC is trying to do that from scratch.
- A member suggested that the VRC have more sponsored programmes; promote local usage; offer friendly access to boat facilities; corporate partnerships; parents/children programmes; and swimming/water polo on Saturdays and Sundays. Under normal financial constraints, the member said he would be happy to be a sponsor of such events and activities. It's beneficial for the club to be more open, and to offer access on low-cost and subsidized basis.
- LW asked the member to please help out, and thanked him for his contribution.
- CY noted that we are working with Blue Sky, and hoping to expand programmes to surf ski and other coached sports.
- ET briefed members on the probable increase of entrance fees from \$30,000 to \$50,000, and increase on subscription fees by 5% next year. She then addressed the question of motor boat storage, and described it as a serious issue. It should be banned and we should make it a policy.
- CY said he had met with owner of the last remaining member storing a motor boat at the club, who agreed it'll be removed at the end of this year.
- A member reminded the GC that if motor boat storage was allowed, the quarterly subscriptions should be increased significantly, that boat owners should submit their boat registrations and insurance policies to the VRC for the record, and that the owner should ensure that the maintenance of boats and trailers are in good owners.
- A member asked if the GC could follow up with the insurance coverage held by the existing motor boat owner, and another claimed her boat had damaged 16 smaller craft during the typhoon, each of which cost more \$20,000. The member demanded that the boat owner pay compensation.
- ET pointed out that the boat owners stored boats at the club at their own risk and would need to have proof that it was the motor-boat which caused damage.
- Another member noted that numerous boats on the lower rack were destroyed by the steel walkway as well as the boat and its trailer, and asked what was the club going to do about its insurance and potential

claims against the club by members. WKS noted that the club's insurance covered damage to the pontoon and bridge.

- ET raised the question whether dogs on leash should be allowed at the club.
- One member agreed, provided it's within walled area and the area kept clean.
- Another member noted that past policy was that no dogs were allowed.

4. Vote on Revisions to the Articles of Association of the Club:

The Articles of Association were approved by a ballot vote of 37 (for) to 3 (against).

5. Closing of the Extraordinary General Meeting by the Chairman:

The Chairman announced the closing of the EGM at 8:40 pm.