

CHAPTER 8

Home and Youth Affairs Bureau

Youth hostels constructed with Government funding

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This audit review was carried out under a set of guidelines tabled in the Provisional Legislative Council by the Chairman of the Public Accounts Committee on 11 February 1998. The guidelines were agreed between the Public Accounts Committee and the Director of Audit and accepted by the Government of the Hong Kong Special Administrative Region.

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Audit Commission
6th Floor, High Block
Queensway Government Offices
66 Queensway
Hong Kong

Tel : (852) 2867 3423
Fax : (852) 2824 2087
E-mail : enquiry@aud.gov.hk

YOUTH HOSTELS CONSTRUCTED WITH GOVERNMENT FUNDING

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YOUTH HOSTELS CONSTRUCTED WITH GOVERNMENT FUNDING

Executive Summary

1. In his important speech delivered on 1 July 2022, President Xi Jinping remarked that “Hong Kong will prosper only when its young people thrive”. According to the Government, it has all along attached great importance to youth development. In the 2011-12 Policy Address, the Chief Executive of the Hong Kong Special Administrative Region of the People’s Republic of China announced the Youth Hostel Scheme (YHS) with the objectives to unleash the potential of under-utilised sites held by non-governmental organisations (NGOs) by constructing youth hostels on these sites, to meet the aspirations of some working youths in having their own living space and to enable young people to accumulate savings for pursuing their aspirations in personal development. The Home and Youth Affairs Bureau (HYAB) is responsible, amongst other duties, for overseeing NGOs’ development and management of youth hostels constructed with Government funding.

2. For the construction of youth hostels, the Government would provide the full capital cost for NGOs to construct youth hostels on sites held by them and funding would be provided under the Capital Works Reserve Fund (CWRF) for NGOs to carry out pre-construction activities and construction works. As of December 2025, seven youth hostels (Hostels A to G, each managed by NGOs A to G respectively) had been/would be fully funded by the Government for construction, giving rise to a total of 3,444 hostel places in 2,877 hostel units (i.e. hostel rooms). The total approved project estimates under CWRF for the construction of the seven youth hostels amounted to \$3,155.58 million.

3. NGOs operate the youth hostels on a self-financing basis. They are responsible for the recurrent expenditure relating to the operation and maintenance of the youth hostels. An NGO will enter into a Grant and Operation Agreement (GOA) with the Government as represented by HYAB. The GOA sets out the framework within which the NGO will operate the youth hostel in line with the Government policy objectives. The NGO is also required to separately enter into tenancy agreements with individual tenants. The Audit Commission (Audit) has recently

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conducted a review to examine HYAB's work in the development and management of youth hostels constructed with Government funding.

Provision and construction of youth hostels

4. **Target number of hostel units not met.** In July 2012, the Government informed the Legislative Council (LegCo) that, depending on the implementation ability of NGOs, the target was to provide a first batch of 3,000 units of accommodation. As of December 2025 (more than 13 years since 2012), only 1,326 hostel units were completed and in operation and 2,877 hostel units would be provided in the seven youth hostels constructed/to be constructed with Government funding (paras. 2.2 and 2.3).

5. **Long time taken to deliver youth hostel projects.** In February 2013, the then Home Affairs Bureau (HAB) informed LegCo that it planned to start with two relatively more mature youth hostel projects (i.e. Hostels A and E) on a pilot basis and, if the projects proceeded smoothly, it was expected that the construction of the two hostels would be completed by 2016. In February 2016, the then HAB informed LegCo of the expected completion dates of Hostels A to E, which ranged from mid-2018 to end-2020. As of December 2025, the time required to complete the construction of five youth hostels (i.e. Hostels A to E) was 3 to 11 years longer than their respective original expected completion dates, or up to 2.5 years longer than their respective revised expected completion dates as stated in the concerned LegCo Finance Committee paper when funding approval for the construction works was sought. On the other hand, for Hostels F and G, HYAB had not yet sought funding approval for the construction works and specified the completion timeframe (paras. 2.5 to 2.7).

6. **Construction of Hostel A.** The site for Hostel A is located in Tai Po and was previously occupied by an old building accommodating a youth centre managed by NGO A (para. 2.14). Audit examination found that:

- (a) **Long time taken to finalise GOA.** According to the then HAB, NGO A would be governed by a GOA and a land lease (governing issues related to the land use for hostel purposes). In June 2016, NGO A invited tenders for the demolition works of the old building occupying the concerned site and planned to award the concerned works contract in July 2016. As the

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GOA had not been signed, the then HAB informed NGO A in December 2016 that no reimbursement of the cost for any works would be made to the NGO unless and until the GOA was signed and the relevant land lease was modified to accommodate a youth hostel. Acknowledging the commercial risk involved, NGO A awarded the demolition works contract in order to avoid escalation in project cost and the need for re-tendering. The works were commenced five months later than the original planned commencement date of July 2016. In April 2017, the Lands Department asked for NGO A's acceptance of the terms of the lease modification by late April 2017. From April to July 2017, NGO A requested for extensions of the reply deadline on four occasions as the NGO was still liaising with the then HAB on some fundamental principles of the GOA. It was not until February 2018 that the then HAB signed a GOA with NGO A and the relevant lease modification was completed (paras. 2.15 and 2.16); and

- (b) ***Delay in finalising project account for Hostel A.*** According to Financial Circular No. 7/2017 "Capital Works Programme", the concerned Directors of Bureaux and works directors should finalise project accounts as soon as possible and in any event no later than three years after commissioning of the facilities. While Hostel A commenced operation in March 2020, the project account had not yet been finalised as of mid-March 2026, representing a delay of 3 years (paras. 2.22 and 2.23).

7. ***Construction of Hostel E.*** The site for Hostel E is located in Sheung Wan and was occupied by a vacant school previously operated by NGO E. Adjacent to the site is a monument (also managed by NGO E) declared under the Antiquities and Monuments Ordinance (Cap. 53) (para. 2.24). Audit examination found that:

- (a) ***Long time taken to complete the pre-construction activities for Hostel E.*** In 2013, the then HAB expected that, if the project proceeded smoothly, the construction of Hostel E would be completed within 3 years by 2016. However, Audit noted that the then HAB and NGO E had taken about 8 years from 2013 to 2021 for completing the necessary pre-construction activities for Hostel E, including appointment of consultant for technical feasibility studies, consultations with the district council concerned and the Antiquities Advisory Board, proposed rezoning of the concerned site and amendments to an outline zoning plan, seeking planning permission,

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conduct of detailed design and various surveys, and seeking funding approval (para. 2.26); and

- (b) *Need to closely monitor the works progress of Hostel E.* In September 2024, the foundation works for Hostel E commenced with the target completion date of November 2025. However, as of December 2025, the foundation works were still in progress, and NGO E expected that the foundation works would be completed in April 2026 and the main works for Hostel E would commence in the same month. According to HYAB, Hostel E would be completed in 2027 (para. 2.34).

8. *Some furniture and equipment (F&E) items for Hostel A procured at a relatively high cost.* Based on the information provided by NGO A to the then HAB, Audit found that some F&E items for Hostel A were procured at a relatively high cost. For example, NGO A procured 78 thermo ventilators for Hostel A under a contract awarded in January 2020 at \$903,200, comprising the supply, delivery and installation fee (\$733,200) for 78 thermo ventilators (i.e. \$9,400 per ventilator) and a lump-sum fee (\$170,000) for the related preparation works and miscellaneous cost. In this regard, Audit research found that the retail price for the supply, delivery and installation of a thermo ventilator of the same model was about \$2,300 in December 2016 and about \$1,900 in January 2021 (para. 2.40).

9. According to NGO A, the procurement for thermo ventilators was a turnkey supply, delivery and installation package, and the average unit price in the procurement contract included multiple additional cost elements (e.g. product cost, installation labour, delivery, insurance and site protection). The price of a thermo ventilator for a newly built construction site was higher than the retail price due to several key factors, including the specific qualifications for installation workers, insurance cost, the 21-day timeframe for the supply and installation of the thermo ventilators to facilitate the commencement of operation of Hostel A (that had been postponed from the expected commissioning date) and the uncertainty created by the black-clad violence in 2019. While noting NGO A's explanations, Audit found room for improvement (see paras. 12 and 13) in its procurement procedures (paras. 2.41 and 2.46).

10. *Some F&E items procured at a higher cost under a separate F&E contract.* Audit examination found that:

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- (a) the main works contract awarded by NGO A to a contractor (Contractor A) in May 2018 had included the procurement of some F&E items for hostel units in Hostel A at \$886,508. In October 2019, NGO A omitted the procurement of these F&E items from the main works contract and procured them under a separate tender exercise. After tender assessments, in January 2020, NGO A awarded the F&E contract to Contractor A at \$3,506,546 (para. 2.42); and
- (b) Audit selected some items procured under both contracts for examination and found that the average cost of procuring some F&E items through the F&E contract in January 2020 was higher than the unit rate stated in the main works contract in May 2018 (para. 2.44).

11. According to NGO A, there was a need to further revise the design and dimensions of some F&E items taking into account the latest design of hostel units in Hostel A. The main works contract for Hostel A encountered budgetary constraints due to emergence of design changes and adjustments on the main works. The F&E items were omitted from the main works contract and procured under a separate contract with a view to avoiding exceedance of the main works budget. The F&E contract was awarded when anti-government black-clad violence was at its peak, during which the widespread disruption inevitably constrained the normal conduct of the tender exercise and induced upward pressure on pricing. Different from the main works contract, the average unit price in the new F&E contract also included multiple additional cost elements (e.g. product cost, installation labour, delivery, insurance and site protection). To facilitate the commencement of operation of Hostel A (that had been postponed from the expected commissioning date), less than three months were available when the F&E were procured. While noting NGO A's explanations, Audit found room for improvement (see paras. 12 and 13) in its procurement procedures (paras. 2.43 and 2.46).

12. *Limited number of potential suppliers invited to submit tenders.* According to HYAB guidelines, emphasis should be placed on the promotion of a level-playing field and competitive bidding (para. 2.38(e)). Audit examination found that:

- (a) in September 2019, NGO A invited tenders from 7 potential suppliers for the supply, delivery and installation of thermo ventilators for Hostel A (see para. 8). In October 2019, NGO A also invited tenders from 10 potential

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suppliers (including the 7 potential suppliers for thermo ventilators) for the supply, delivery and installation of F&E items for hostel units (see para. 10(a)). However, the reasons for selecting the potential suppliers to submit tenders were not documented in the concerned tender reports prepared by NGO A (para. 2.48); and

- (b) according to NGO A's procurement procedures of September 2025, with full justifications and approval from the appropriate authority in the NGO, restricted tendering may be conducted by inviting a small number of potential suppliers to submit tenders in a tender exercise. To ensure fair and competitive bidding and given the large number of General Building Contractors and Minor Works Contractors registered under the Buildings Ordinance (Cap. 123) available, there are merits for HYAB to request NGOs to take measures to enhance competition as far as possible (e.g. increasing the number of potential suppliers) when there is a need to conduct restricted tendering (para. 2.50).

13. ***Scope for improvement in NGOs' procurement procedures.*** According to HYAB guidelines, an NGO should invite tenders making references to practices in the Government. With reference to the Stores and Procurement Regulations (SPRs) issued by the Financial Services and the Treasury Bureau, Audit examination found room for improvement in NGOs' procurement procedures. For example, according to SPRs, when seeking approval to adopt restricted tendering procedures, if a shortlist of contractors from whom tenders are to be invited is recommended, government bureaux/departments should explain how the shortlist is drawn up, elaborating specifically on the criteria used for the shortlisting, and the professional capability and experience of all the contractors considered, including those not shortlisted. Audit noted that NGO A's procurement procedures did not request the originating officer to explain the rationale in drawing up a shortlist for restricted tendering (paras. 2.51 and 2.52).

14. ***Need to ensure NGOs' adherence to frugality and environmentally-friendly principles in design and choice of materials for youth hostels.*** According to HYAB guidelines, the design and choice of materials for a youth hostel should be frugal and environmentally friendly, and each hostel unit may have an en-suite bathroom with simple and basic furniture. Audit found significant variation in the F&E provision between Hostels A and B, and some F&E items were procured only for Hostel A (e.g. thermo ventilators) (paras. 2.38 and 2.54).

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15. *Some F&E items not installed due to safety or design issues.* Under the F&E contract awarded in January 2020 (see para. 10(a)), Contractor A was required to supply and install various F&E items at hostel units in Hostel A in accordance with the project specifications. According to NGO A, the specifications and requirements of F&E items under this contract were enhanced based on review of mock-up floors (paras. 2.56 and 2.57). However, upon enquiry, NGO A informed Audit in March 2026 that:

- (a) the installed bathroom paper holders (76 holders were purchased at a unit cost of \$3,390) were found to be difficult to use when replacing toilet papers, and were therefore replaced by equivalent products (para. 2.56(a));
- (b) the original soap dispenser holders (46 holders were purchased at a unit cost of \$2,390) might cause potential safety issues and inconvenience to users, and were replaced by equivalent products (para. 2.56(b)); and
- (c) the original design was to install two handlebars/towelbars (152 handlebars/towelbars were purchased at a unit cost of \$1,890) in each bathroom. However, one of the handlebar/towelbar locations was considered a potential safety risk and therefore only one handlebar was installed in each bathroom. The other handlebar was kept as a spare part for future maintenance (para. 2.56(c)).

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16. *Room for improvement in processing new applications and filling room vacancies.* As of December 2025, two youth hostels (i.e. Hostel A and Hostel B) constructed with Government funding were in operation. According to NGOs A and B, applications for hostel places will be vetted against the eligibility criteria, applicants who fulfil the criteria will be invited to an interview for conducting an assessment, and tenancy agreements will be offered to those who are successful. According to GOAs for the two hostels, the NGOs shall process all applications expeditiously. In 2024-25 and 2025-26 (up to September), 34 and 308 new tenancy agreements commenced for Hostel A and Hostel B respectively. Audit examined the records of 10 new applications (including 5 each for Hostel A and Hostel B) and noted the following issues:

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- (a) ***Some rooms remained vacant despite existence of waiting list and no detailed guidelines on basis for room allocation.*** For Hostel A, as there was a waiting list of applicants for vacant rooms, vetting should have been conducted for the applications already received. However, for the 5 applications examined, the application dates of the tenants were later than the room vacancy dates, with the time elapsed ranging from about 7 to 14 months (averaging about 10 months). In addition, as of February 2026, there were no detailed guidelines laid down on the basis for room allocation; and
- (b) ***Scope for improving timeliness in vetting applications, conducting interviews and entering into tenancy agreements.*** As of February 2026, NGOs A and B had not specified in the guidelines the timeframes for processing new applications. For the 10 applications examined, the time elapsed between the application dates and the interview dates ranged from 25 days to about 9 months (averaging about 5 months), and that between the interview dates and the signing of the tenancy agreements ranged from 35 days to about 6 months (averaging about 2 months) (paras. 3.2, 3.4, 3.5, 3.7, 3.8 and 3.10).
17. ***Need to enhance checking of aggregate tenancy period.*** According to GOAs for Hostels A and B, the NGOs shall ensure that the aggregate period of tenancy with each tenant shall under no circumstances exceed 5 years. As the effective date for the first tenancy agreement of the youth hostels was 1 April 2020, the checking of compliance should commence by 31 March 2025. In April 2025, HYAB launched YHS Management System to facilitate the checking of compliance with the aggregate 5-year tenancy period requirement. Audit noted the following issues:
- (a) ***Need to ensure that tenants' information in YHS Management System is complete and up to date.*** In April 2025, HYAB requested NGOs A and B to provide lists of tenants in Hostels A and B on a monthly basis for uploading to YHS Management System. As of February 2026, both NGOs only submitted the lists of tenants to HYAB twice, not meeting the requirement of monthly submission;
- (b) ***Need to ensure that applicants comply with aggregate tenancy period requirement before signing tenancy agreements.*** According to HYAB, NGOs A and B are required to send requests to HYAB to check the aggregate tenancy period of applicants before signing tenancy agreements.

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For the 10 new applications examined (see para. 16), the tenancy agreements for 3 of them were signed after April 2025 (i.e. after the launch of YHS Management System for checking compliance with the aggregate 5-year tenancy period requirement). For the 3 applications, NGOs A and B only submitted their requests to HYAB after the tenancy agreements had been signed, with the elapsed time ranging from about 6 to 7 months; and

- (c) ***Some tenants had aggregate tenancy periods exceeding 5 years.*** For Hostel A, of the 38 tenants with tenancy renewal agreements commencing in 2024-25 and 2025-26 (up to September), 6 (16%) tenants had aggregate tenancy periods in Hostel A exceeding 5 years, with excesses ranging from 1 to 60 days (averaging about 17 days). Audit noted that, as of February 2026, HYAB had not requested NGOs to include, with reasons, the approved cases of tenants with aggregate tenancy periods exceeding 5 years in their annual reports to HYAB (paras. 3.16 to 3.18 and 3.20).

18. ***Need to ensure compliance with requirements in relation to public rental housing (PRH) and interim housing.*** According to GOAs for Hostels A and B, a person eligible to be a tenant of youth hostels shall not occupy a youth hostel unit and a PRH or interim housing flat as a one-person household at the same time. Once a tenancy agreement has been entered into, the NGO shall provide with respect to each tenant a duly executed undertaking to the Hong Kong Housing Authority (HKHA) or the Hong Kong Housing Society (HKHS), or a confirmation to the effect that the tenant fully acknowledges the interface arrangements in relation to PRH and interim housing. For the 10 new applications examined (see para. 16), the applicants had entered into tenancy agreements, and Audit noted the following issues:

- (a) ***Need to ensure submission of tenants' undertakings to appropriate authorities.*** Of the 10 tenants, 7 tenants (3 for Hostel A and 4 for Hostel B) declared that they were living in PRH. For the 3 tenants for Hostel A, as of February 2026, no documentation was available showing the confirmation from HKHA or HKHS regarding their receipt of the tenants' undertakings. According to NGO B and HYAB, the undertakings of the 4 tenants for Hostel B were provided to HKHA in February 2026; and
- (b) ***Need to include interface arrangements with PRH and interim housing in tenancy agreements.*** The 10 tenancy agreements did not include the

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tenants' undertaking for the relevant interface arrangements in relation to PRH and interim housing, thereby not meeting the related requirement under GOAs (paras. 3.24, 3.26 and 3.27).

19. ***Scope for improving utilisation of hostel places.*** Hostel A commenced operation in March 2020 and offered 80 hostel places, while Hostel B commenced operation in May 2023 and offered 1,680 hostel places. Audit noted that the overall occupancy rates of the hostel places for Hostel A ranged from 86% to 99% as at 31 March in the years 2021 to 2025 and 30 September 2025, and those for Hostel B ranged from 77% to 81% as at 31 March 2024, and 31 March and 30 September 2025 (paras. 3.29 and 3.30).

Other related issues

20. ***Room for improvement in the formulation of GOAs and payment of grants.*** Audit noted the following issues:

- (a) ***Payments already made to NGOs before signing GOAs.*** Up to December 2025, the then HAB/HYAB had already made payments totalling about \$134.5 million to the 7 NGOs before the signing of GOAs (para. 4.3);
- (b) ***Need to ensure NGOs' compliance with requirements relating to maintenance of designated bank accounts.*** According to a GOA, in the event the Government has approved an NGO's application for advance payment of the grant, the NGO shall open and maintain a designated interest-bearing bank account solely and exclusively for the grant. According to HYAB, NGO C and NGO D have applied for advance payment of the grant, and they have opened and maintained a designated bank account as required under the GOA. However, Audit noted that the NGOs' bank accounts were not interest-bearing and some transactions shown in the NGOs' bank statements were not related to the youth hostels (paras. 4.6(b) and 4.7); and
- (c) ***Inconsistent clauses in GOAs.*** Some clauses in the five GOAs signed between the then HAB/HYAB and the NGOs concerned were inconsistent. For example, the clauses relating to national security, the reporting of

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employees'/contractors' death or injury to HYAB, and community or volunteer service hours were inconsistent (para. 4.8).

21. ***Need to assess all assets owned and declared by applicants when assessing their eligibility.*** A person eligible to be a tenant of a youth hostel should not own any residential properties in Hong Kong. For the eligibility criteria in relation to the asset limit, according to NGO A, applicants were required to declare all assets they owned. On the other hand, according to NGO B, the assessment of asset value did not cover residential property outside Hong Kong. As of February 2026, HYAB had not specified in its guidelines for NGOs whether residential property outside Hong Kong should be taken into account in assessing the eligibility of applicants. Upon enquiry, HYAB informed Audit in March 2026 that it would advise NGO B to include all assets declared by applicants when assessing their fulfilment of the eligibility criteria (paras. 4.17 and 4.18).

22. ***Room for improvement in review of hostel place rentals.*** According to GOAs for Hostels A and B, the average rental charged for the youth hostel units must not exceed 60% of the market rental level for the time being in effect as determined by HYAB. According to HYAB, NGOs should report the rental and its adjustments to HYAB annually, and HYAB would conduct a review to ensure that the NGOs comply with the relevant requirements. For the 2021-22 to 2025-26 rental levels, NGOs A and B submitted a total of 7 rental proposals to HYAB. Audit noted the following issues:

- (a) ***Need to review and work out timeframes for conducting review of rental proposals and for informing NGOs of review results.*** Of the 7 rental proposals, as of February 2026, HYAB had not provided NGOs with written comments on the proposed rental levels for 3 (43%) proposals (including one proposal with rental levels increased (which had been effective for about 11 months)). According to HYAB, it had verbally informed NGOs of its comments on the proposed rental levels. Of the remaining 4 (57%) rental proposals for which HYAB had provided written replies to NGOs, HYAB provided the NGO concerned with written comments on the revised rental levels only one month after the effective date for one proposal; and
- (b) ***Need to set out clearly the basis for NGOs' submission of the breakdown of proposed rentals for HYAB's review.*** According to NGOs A and B,

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apart from basic rent, the rentals charged for the youth hostel units cover rates, government rent and management fees. Audit noted that for HYAB's reviews of the 2 rental proposals in 2024, while some proposed rental levels exceeded 60% of the market rental levels with the highest reaching about 83%, HYAB considered them acceptable as the comparative market rental levels were exclusive of rates, government rent and management fees. For HYAB's reviews of the 2 rental proposals in 2025, the proposed rental levels for Hostel A used for comparison with the market rental levels excluded rates, government rent and management fees. According to HYAB, it would make reference to the relevant information included in the annual reports submitted by the NGOs, as well as the actual rates and government rent paid by the NGOs when estimating the amount of these items. However, as of February 2026, HYAB had not set out clearly the basis for NGOs' submission of the breakdown of their proposed rentals for HYAB's determination of whether the rental levels did not exceed 60% of the market rental level in accordance with GOAs (paras. 4.21, 4.23 to 4.25).

23. ***Room for improvement in submission and approval of revisions to Operation Plans.*** According to GOAs for Hostels A and B, NGOs may propose revisions to the Operation Plans for HYAB's approval. The Operation Plans shall continue in full force and effect until any revision thereto is approved in writing by HYAB. Audit noted that since the commencement of operation of Hostel A, NGO A submitted two proposals for revisions to the Operation Plans. According to NGO A, the first proposal was effective from January 2022 and submitted in the same month, while the second proposal was effective from October 2023 and submitted to HYAB in January 2026 (i.e. about 2.3 years after the effective date). According to HYAB, NGO A had not sought its prior approval for the two revised Operation Plans concerned before implementation (paras. 4.30 and 4.31).

24. ***Room for improvement related to annual reports.*** According to GOAs for Hostels A and B, within 7 months after the end of each financial year, the NGOs shall submit to HYAB an annual report and publish the report on their websites. As of February 2026, 5 and 2 annual reports for Hostel A and Hostel B respectively were submitted to HYAB. Audit noted the following issues:

- (a) ***Need to ensure timely submission of annual reports and audited financial statements.*** For Hostel A, there were delays in submitting all 5 annual

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reports, ranging from 26 days to about 2.2 years (averaging about 1.1 years). Besides, in 4 (80%) of the annual report submissions, the audited financial statements were not included as required under GOA but were submitted separately to HYAB at a later time, with delays ranging from about 3.2 months to about 3.1 years (averaging about 1.7 years); and

- (b) *Need to specify information required in published annual reports and ensure that audited financial statements are published.* As of December 2025, except for one annual report, the annual reports available on the two hostels' websites were not the full version (e.g. excluding the audited financial statements). According to HYAB, NGOs A and B were advised in November 2025 to publish the simplified version of the available annual reports on their websites first, and it had been discussing with the NGOs on the information to be included in the online version as of March 2026 (paras. 4.34 and 4.37).

Audit recommendations

25. **Audit recommendations are made in the respective sections of this Audit Report. Only the key ones are highlighted in this Executive Summary. Audit has recommended that the Secretary for Home and Youth Affairs should:**

Provision and construction of youth hostels

- (a) **review the target of providing 3,000 hostel units and take measures to expedite the implementation of the approved youth hostel projects taking into account the implementation ability of NGOs as far as practicable (para. 2.10(a));**
- (b) **strengthen efforts to monitor the construction progress of youth hostels to ensure their timely completion (para. 2.10(b));**
- (c) **review the reasons for the long time taken to finalise GOAs with the NGOs concerned and explore measures to shorten the time required to finalise GOAs in future (para. 2.36(a));**
- (d) **request NGO A to finalise the project account for Hostel A as soon as possible, and take measures to ensure that the accounts of youth hostel**

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projects are finalised within three years after commissioning of the facilities in accordance with Financial Circular No. 7/2017 (para. 2.36(d));

- (e) take into account the long time required to complete the pre-construction activities for Hostel E when planning the works programmes for future youth hostel projects with heritage site(s) in the vicinity (para. 2.36(f));
- (f) review procurement issues for Hostel A identified by Audit and take follow-up actions as appropriate (para. 2.58(a));
- (g) strengthen controls over the procurement of F&E items in future youth hostel projects, including requesting NGOs to:
 - (i) take measures to enhance competition as far as possible when there is a need to conduct restricted tendering (para. 2.58(b)(i)); and
 - (ii) explain the rationale in drawing up a shortlist for restricted tendering, making references to the relevant requirements in SPRs (para. 2.58(b)(ii));
- (h) review the F&E procurement issues identified by Audit and take measures to ensure NGOs' adherence to frugality and environmentally-friendly principles in the design and choice of materials for youth hostels as stated in HYAB's "Note for NGOs" (para. 2.58(c));
- (i) request NGO A to review the safety and design issues of F&E items identified by Audit for Hostel A, conduct an assessment to ascertain whether similar issues exist for other F&E items under the contract concerned, and take follow-up actions as appropriate (e.g. assessing the feasibility of recovering cost from the responsible party and ascertaining the status of unused items) (para. 2.58(d));

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- (j) require NGOs to enhance their monitoring of timeliness in processing applications for hostel places in youth hostels, by making reference to

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the issues identified by Audit and taking follow-up actions as appropriate (para. 3.32(a));

- (k) take measures to ensure that youth hostel tenants' information in YHS Management System is complete and up to date for checking compliance with the aggregate tenancy period requirement (para. 3.32(b));
- (l) remind NGOs to timely submit the requests for checking applicants' compliance with the aggregate tenancy period requirement and to ensure that applicants comply with the requirement before signing tenancy agreements (para. 3.32(c));
- (m) suggest NGOs to include, with reasons, the approved cases of youth hostel tenants with aggregate tenancy periods exceeding 5 years in their annual reports to HYAB (para. 3.32(d));
- (n) for fulfilling the requirements under GOAs in relation to PRH and interim housing, advise NGOs to take measures to provide youth hostel tenants' undertakings to the appropriate authorities, and to include the interface arrangements in tenancy agreements (para. 3.32(f));
- (o) suggest NGOs to implement measures as necessary to improve the occupancy rates of youth hostel places (para. 3.32(g));

Other related issues

- (p) where a payment is required before the GOA is signed, take measures to ensure that justifications are provided and appropriate safeguard measures are implemented (para. 4.11(a));
- (q) take measures to ensure that interest-bearing bank accounts are opened and maintained by NGOs for keeping the grant for youth hostel projects according to the GOAs (para. 4.11(b));
- (r) require NGOs to confirm in their audited financial statements that the grant is kept solely and exclusively in designated bank accounts

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separate from other monies belonging to the NGOs as required under GOAs (para. 4.11(c));

- (s) making reference to the inconsistent clauses identified in the GOAs, review the GOAs and discuss with the relevant NGOs to, where appropriate, align the relevant inconsistent clauses (para. 4.11(d));
- (t) require NGOs to take measures to assess all assets (e.g. residential property outside Hong Kong) owned and declared by applicants for hostel places when assessing their eligibility (para. 4.19(c));
- (u) review and work out the timeframes for conducting reviews of rental proposals for youth hostel places and for informing NGOs of the review results supported by proper documentation (para. 4.28(a));
- (v) set out clearly the basis for NGOs' submission of the breakdown of their proposed rentals for HYAB's determination of whether the rental levels do not exceed 60% of the market rental level (para. 4.28(b));
- (w) take measures to ensure that NGOs submit proposals for revision to the youth hostels' Operation Plans to HYAB in a timely manner, and that any revisions take effect only after obtaining HYAB's approval (para. 4.41(a));
- (x) enhance monitoring to ensure that NGOs submit the annual reports and audited financial statements of youth hostels in accordance with the timeframe requirement stipulated in GOAs (para. 4.41(c)); and
- (y) inform NGOs of the information required in the published annual reports of youth hostels, including ensuring that audited financial statements are published (para. 4.41(e)).

Response from the Government

26. The Secretary for Home and Youth Affairs agrees with the audit recommendations.

PART 1: INTRODUCTION

1.1 This PART describes the background to the audit and outlines the audit objectives and scope.

Background

1.2 In his important speech delivered on 1 July 2022 and the Report to the 20th National Congress of the Communist Party of China, President Xi Jinping remarked that “a nation will prosper only when its young people thrive” and “Hong Kong will prosper only when its young people thrive”. According to the Government, it has all along attached great importance to youth development and strives to assist young people in overcoming the hurdles in education, employment, entrepreneurship and home ownership, so that the younger generation will see hope and opportunities for upward mobility.

1.3 In the 2011-12 Policy Address, the Chief Executive of the Hong Kong Special Administrative Region (HKSAR) of the People’s Republic of China announced the Youth Hostel Scheme (YHS), an important youth development initiative to address the housing needs of working youths. The objectives of the scheme and its implementation mode are as follows:

Objectives

- (a) to unleash the potential of under-utilised sites held by non-governmental organisations (NGOs) by constructing youth hostels on these sites;
- (b) to meet the aspirations of some working youths in having their own living space;
- (c) to enable young people to accumulate savings for pursuing their aspirations in personal development;

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Implementation mode

- (d) the Government would provide the full capital cost for NGOs to construct youth hostels on sites held by them;
 - (e) upon completion of the construction, NGOs would be responsible for the management and maintenance of the youth hostels on a self-financing basis in accordance with Grant and Operation Agreements (GOAs — see para. 1.8) and land leases that govern the rights and obligations of NGOs and the Government. Among other requirements, GOAs commit NGOs to deliver youth hostel services for 50 years in general and to set rents at a level not exceeding 60% of the market rent of flats with similar size in the nearby areas; and
 - (f) a co-termination provision is added to the respective land leases of the NGO sites, such that if NGOs cease to operate youth hostels in accordance with GOAs before the end of the term, the Government will be entitled under the land leases to re-enter the sites and take possession of the sites and the buildings thereon.
- 1.4 According to the Home and Youth Affairs Bureau (HYAB):
- (a) land is a scarce and precious resource in Hong Kong. A distinctive feature of YHS is that the NGOs concerned need to use their sites for the construction of youth hostels; and
 - (b) under YHS, the Government funding only covers the construction cost of youth hostels. By inviting NGOs to operate youth hostels on a self-financing basis, YHS does not give rise to any recurrent implications to the Government as the NGOs concerned will bear all recurrent costs in managing and maintaining the hostels and the associated youth services.

Provision and construction of youth hostels

1.5 HYAB is responsible, amongst other duties, for overseeing NGOs' development and management of youth hostels constructed with Government funding (Note 1), with duties including:

- (a) entering into GOAs with NGOs for governing the use of grant and the operation of youth hostels (see para. 1.8);
- (b) approving tender documents and recommendations of NGOs for the construction of youth hostels;
- (c) liaising with the relevant government bureaux/departments (B/Ds) for providing appropriate support and assistance to NGOs when needed; and
- (d) checking and processing payment requests submitted by NGOs for the construction of youth hostels.

1.6 For the construction of youth hostels, funding would be provided under the Capital Works Reserve Fund (CWRF — Note 2) Head 708 “Capital Subventions and Major Systems and Equipment” for NGOs to carry out pre-construction activities (e.g. technical feasibility studies, site investigations, preliminary and detailed design, and preparation of tender documents) and construction works. The approved funding amount is the approved project estimate (APE). As of December 2025, seven youth hostels (Hostels A to G, each managed by NGOs A to G respectively) had been/would be fully funded by the Government for construction, giving rise to a total of 3,444 hostel places in 2,877 hostel units (Note 3). The total APEs under CWRF Head 708 for the construction of the seven youth hostels amounted to

Note 1: *The former Home Affairs Bureau had been responsible for the concerned duty before HYAB was formed to take up the responsibility pursuant to the reorganisation of government structure on 1 July 2022.*

Note 2: *CWRF is established under the Public Finance Ordinance (Cap. 2) to finance public works programmes, acquisitions of land, capital subventions and major systems and equipment items.*

Note 3: *According to HYAB, a hostel unit in a youth hostel can generally accommodate one or two persons. In this Audit Report, a hostel unit also refers to a room.*

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\$3,155.58 million, comprising \$126.98 million for pre-construction activities and \$3,028.6 million for construction works (see Table 1 for details).

Table 1

**Youth hostels constructed/to be constructed with Government funding
(December 2025)**

Status	Hostel	Location	Actual/Estimated no. of		APE (Approval date — Note)	
			Hostel units	Hostel places	Pre-construction activities (\$ million)	Construction works (\$ million)
(1) Completed and in operation	A	Tai Po	78	80	7.78 (Feb 2014) (May 2015)	150.90 (Jun 2016)
	B	Yuen Long	1,248	1,680	68.10 (Jun 2016)	1,444.70 (May 2018)
	Sub-total (a)		1,326	1,760	75.88	1,595.60
(2) Construction works in progress	C	Mong Kok	72	90	11.10 (Mar 2014) (Dec 2021)	231.20 (Jun 2023)
	D	Jordan	579	592	14.90 (Jan 2019)	766.40 (Apr 2021)
	E	Sheung Wan	210	302	15.60 (Mar 2014) (Mar 2023)	435.40 (Apr 2021)
	Sub-total (b)		861	984	41.60	1,433.00
(3) Pre-construction activities in progress	F	Yuen Long	180	190	6.20 (Jun 2023)	N.A.
	G	Wan Chai	510	510	3.30 (Aug 2019)	N.A.
	Sub-total (c)		690	700	9.50	N.A.
Total (d) = (a) + (b) + (c)			2,877	3,444	126.98	3,028.60

Source: Audit Commission's analysis of HYAB and the Financial Services and the Treasury Bureau (FSTB) records

Note: The Finance Committee (FC) of the Legislative Council (LegCo) is the authority for approving funding under CWRP Head 708. For projects costing up to \$15 million each, FSTB has been delegated the authority to approve funding. For some youth hostels, FSTB approved funding for different pre-construction activities on separate dates.

Operation of youth hostels

1.7 NGOs operate the youth hostels on a self-financing basis. They are responsible for the recurrent expenditure relating to the operation and maintenance of the youth hostels. Hostel A and Hostel B commenced operation in March 2020 and May 2023 respectively, offering a total of 1,760 hostel places in 1,326 hostel units (see Photographs 1(a) and (b) for examples).

Photographs 1(a) and (b)

Examples of hostel units

(a)



(b)



Source: NGO records

1.8 **GOA.** For a youth hostel constructed with Government funding, an NGO will enter into a GOA with the Government as represented by HYAB. The GOA (which is co-terminous with the relevant land lease — see para. 1.3(f)) sets out the framework within which the NGO will operate the youth hostel in line with the Government policy objectives. The NGO is also required to separately enter into tenancy agreements with individual tenants. The GOA includes the following provisions:

- (a) **Government grant.** The NGO will design, build and operate the youth hostel and the Government will provide the NGO with the grant (funded under CWRP Head 708 — see para. 1.6) in accordance with the terms and conditions of the GOA;

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- (b) **Operation Plan.** The NGO is required to submit for HYAB's approval a draft Operation Plan before the completion of the construction of the youth hostel. The operation of the youth hostel will commence after the draft Operation Plan has been approved. The requirements of the Operation Plan include a description of the tenancy mechanism (e.g. factors for consideration of award of a tenancy agreement to an applicant), the rental policy (e.g. rental review mechanism) and an operating budget;
- (c) **Rental.** The NGO may charge a rental for the hostel places at a rate not exceeding 60% of the market rent of flats with similar size in the nearby areas, drawing reference to the rent figures provided by the Rating and Valuation Department (RVD);
- (d) **Tenancy period.** The first tenancy should be for a term of not less than two years, which may be renewed provided that the total period of tenancy comprising the original term plus any renewal shall not exceed an aggregate of five years;
- (e) **Eligibility criteria of tenants.** The target tenants should be working youth (including self-employed) who are permanent residents of Hong Kong aged 18 or above but under 31. They will be subject to income and asset limit tests at the time of application (see para. 1.9) and should not own any residential properties in Hong Kong;
- (f) **Reserve fund.** The NGO is required to set up a mandatory reserve fund to meet the maintenance needs of the hostel over the operation period. Any surpluses after meeting the requirement of the mandatory reserve fund, subject to HYAB's prior written approval, may be applied towards the NGO's other non-profit-making services/programmes; and
- (g) **Annual report.** The NGO is required to submit to HYAB an annual report after the end of each financial year. The annual report should include an overview of the operation of the youth hostel, the tenancy profile, the rental charge, the deployment of reserve fund, audited financial statements and an operating budget.

1.9 ***Income and asset limits.*** According to HYAB, to encourage the youth to aim high, and given there is an upper limit to the tenancy period, the young people should be allowed to fully utilise their increased income during their tenancies in youth hostels to accumulate savings to prepare for future developments. Therefore, the tenants are only required to undergo income and asset limit tests at the time of application, and not upon renewal of their tenancies. The income and asset limits are as follows:

- (a) ***Income limit.*** The income level of a one-person household applicant should not exceed the 75th percentile of the monthly employment earnings of employed persons aged 18 to 30, and the household income level of a two-person household applicant should not exceed twice the level of a one-person household. The income level will be reviewed and where necessary adjusted annually in accordance with the latest statistics issued by the Census and Statistics Department. As of December 2025, the monthly income limit for a one-person and two-person household was \$29,200 and \$58,400 respectively; and
- (b) ***Asset limit.*** As of December 2025, the total net asset of a one-person household applicant and a two-person household applicant should not exceed \$404,000 and \$808,000 respectively. The asset limit will be adjusted annually by HYAB having regard to the Composite Consumer Price Index.

1.10 ***Provision of activities to tenants.*** According to the Government, NGOs managing the youth hostels will provide youth tenants with various support and training activities so that they could achieve self-enrichment and widen their personal and social networks during their stay at the hostels with a view to embracing the challenges in their stages of life ahead.

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Responsible branch of HYAB

1.11 Headed by the Commissioner for Youth of HYAB, as at 31 December 2025, an establishment and strength of 4 civil servants with the support of 2 non-civil service contract staff from the Youth Affairs Branch were responsible for overseeing NGOs' development and management of youth hostels constructed with Government funding (Note 4). An extract of HYAB organisation chart is at Appendix A.

Audit review

1.12 In November 2025, the Audit Commission (Audit) commenced a review to examine HYAB's work in the development and management of youth hostels constructed with Government funding (Note 5). The audit review has focused on the following areas:

- (a) provision and construction of youth hostels (PART 2);
- (b) operation of youth hostels (PART 3); and
- (c) other related issues (PART 4).

Audit has found room for improvement in the above areas and has made a number of recommendations to address the issues.

Note 4: *According to HYAB, it did not maintain a separate breakdown of the staff expenditure for performing the concerned duty as the staff concerned were also responsible for other regular duties.*

Note 5: *In the 2022 Policy Address, the Chief Executive announced the expansion of YHS by introducing a Subsidy Scheme to provide subsidies to NGOs to rent suitable hotels and guesthouses for use as youth hostels. In addition, an initiative was introduced to identify suitable land sale sites where developers would, on a pilot basis, be required to set aside a certain number of flats to support YHS. The Subsidy Scheme was launched in early 2023, and the Government identified a potential land sale site in 2025 for the latter initiative. These measures are not covered in this audit review.*

General response from the Government

1.13 The Secretary for Home and Youth Affairs agrees with the audit recommendations. She has said that HYAB welcomes the audit review and will take appropriate follow-up actions and improvement measures according to the audit recommendations.

Acknowledgement

1.14 Audit would like to acknowledge with gratitude the full cooperation of the staff of HYAB during the course of the audit review.

PART 2: PROVISION AND CONSTRUCTION OF YOUTH HOSTELS

2.1 This PART examines issues related to the provision and construction of youth hostels, focusing on the following areas:

- (a) provision of hostel units and overall construction progress (paras. 2.2 to 2.11);
- (b) construction of Hostels A and E (paras. 2.12 to 2.37); and
- (c) procurement of furniture and equipment (F&E) for youth hostels (paras. 2.38 to 2.59).

Provision of hostel units and overall construction progress

2.2 In July 2012, the Chief Executive informed LegCo that:

- (a) in order to assist NGOs to construct youth hostels as soon as possible, the Government proposed to fully finance the related construction cost; and
- (b) depending on the implementation ability of NGOs, the target was to provide a first batch of 3,000 units of accommodation.

Target number of hostel units not met

2.3 Audit noted that, as of December 2025 (more than 13 years since the Chief Executive announced the target of providing 3,000 hostel units):

- (a) only 1,326 hostel units were completed and in operation (see Table 1 in para. 1.6); and
- (b) 2,877 hostel units would be provided in the seven youth hostels constructed/to be constructed with Government funding (see Table 1 in para. 1.6).

2.4 Upon enquiry, HYAB informed Audit in March 2026 that the Chief Executive had said in July 2012 that the target of providing 3,000 hostel units depended on the implementation ability of NGOs (see para. 2.2(b)), and the target had since been reviewed from time to time taking into account the conditions and constraints of individual youth hostel projects together with the NGOs' implementation ability. In Audit's view, HYAB needs to review the target and take measures to expedite the implementation of the approved youth hostel projects taking into account the implementation ability of NGOs as far as practicable.

Long time taken to deliver youth hostel projects

2.5 In February 2013, the then Home Affairs Bureau (HAB) informed the then LegCo Panel on Home Affairs (HA Panel) that:

- (a) it planned to start with two relatively more mature youth hostel projects (i.e. Hostels A and E) on a pilot basis; and
- (b) if the projects proceeded smoothly, it was expected that the construction of the two hostels would be completed by 2016.

2.6 In February 2016, the then HAB informed LegCo of the expected completion dates of Hostels A to E, which ranged from mid-2018 to end-2020. In particular, the expected completion dates of Hostel A and Hostel E were revised to mid-2018 and mid-2020 respectively.

2.7 Audit noted that, as of December 2025, the time required to complete the construction of five youth hostels (i.e. Hostels A to E) was 3 to 11 years longer than their respective original expected completion dates (see paras. 2.5 and 2.6), or up to 2.5 years longer than their respective revised expected completion dates as stated in the concerned FC paper when funding approval for the construction works was sought. On the other hand, for Hostels F and G, HYAB had not yet sought funding approval for the construction works and specified the completion timeframe. Table 2 shows the construction progress and actual expenditure of youth hostels as of December 2025.

Provision and construction of youth hostels

Table 2

Construction progress and actual expenditure of youth hostels (December 2025)

Status	Hostel	Completion date			Longer than expected completion date by		Total APE (\$ million)	Actual expenditure (\$ million)
		Original expected (a)	Revised expected (in FC paper) (b)	Actual/ Projected (c)	Original expected (d) = (c) – (a) (years)	Revised expected (e) = (c) – (b) (years)		
(1) Completed and in operation	A	2016	3rd quarter of 2018	Mar 2020	3	1.5	158.68	142.69
	B	Mid-2020	3rd quarter of 2021	May 2023	3	1.5	1,512.80	916.15
(2) Construction works in progress	C	End-2019	End-2026	End-2026	7	0	242.30	114.24
	D	End-2020	2nd quarter of 2025	End-2026	6	1.5	781.30	294.04
	E	2016	2nd quarter of 2025	End-2027	11	2.5	451.00	95.27
(3) Pre-construction activities in progress	F	N.A.	N.A.	N.A.	N.A.	N.A.	6.20	2.34
	G	N.A.	N.A.	N.A.	N.A.	N.A.	3.30	2.43
Total							3,155.58	1,567.16

Source: Audit analysis of HYAB and the Treasury records

2.8 Upon enquiry, HYAB informed Audit in February and March 2026 that:

- (a) the estimated completion dates of the youth hostel construction projects were provided by the concerned NGOs and updated at different project stages (e.g. pre-construction activities and construction works) after taking into account the actual project progress, outcomes of various pre-construction and ongoing studies and works, as well as other unforeseen circumstances that had come up during the project implementation; and

- (b) HYAB had been closely monitoring the project progress against the planned schedules. NGOs were required to submit regular returns on the construction progress of youth hostel projects to HYAB, which subsequently submitted these returns to the relevant B/Ds (e.g. the Development Bureau (DEVB)) for monitoring purpose.

2.9 While noting HYAB's explanations, given that some youth hostel projects were behind schedule, Audit considers that HYAB needs to strengthen efforts to monitor the construction progress of youth hostels to ensure their timely completion.

Audit recommendations

2.10 **Audit has recommended that the Secretary for Home and Youth Affairs should:**

- (a) **review the target of providing 3,000 hostel units and take measures to expedite the implementation of the approved youth hostel projects taking into account the implementation ability of NGOs as far as practicable; and**
- (b) **strengthen efforts to monitor the construction progress of youth hostels to ensure their timely completion.**

Response from the Government

2.11 The Secretary for Home and Youth Affairs agrees with the audit recommendations. She has said that HYAB will continue to closely monitor the progress of the approved youth hostel projects, and provide suitable guidance and support to NGOs as appropriate.

Construction of Hostels A and E

2.12 While HYAB is responsible for overseeing NGOs' development and management of youth hostels constructed with Government funding (see para. 1.5), NGOs have engaged consultants to carry out pre-construction activities (e.g. technical

Provision and construction of youth hostels

feasibility studies and detailed design), monitor the works progress, control the expenditure and manage the works contracts of youth hostel projects. NGOs have also engaged contractors to carry out the construction works under the works contracts.

2.13 Audit examined records relating to the construction of Hostels A and E and identified room for improvement, as reported in paragraphs 2.14 to 2.23 (for Hostel A) and paragraphs 2.24 to 2.35 (for Hostel E).

Construction of Hostel A

2.14 The site for Hostel A is located in Tai Po and was previously occupied by an old building accommodating a youth centre managed by NGO A. In November 2012, NGO A formulated a works programme (setting out the original planned start and end dates of key project phases — Note 6) with a view to completing the hostel construction by December 2016.

Long time taken to finalise GOA and complete the construction works

2.15 In June 2016, when seeking funding approval for the construction works of Hostel A, the then HAB informed FC that:

- (a) the works were planned to commence in the third quarter of 2016 for completion in the third quarter of 2018; and
- (b) NGO A would be governed by a GOA and a land lease, as follows:
 - (i) the GOA would set out the parameters (see para. 1.8) under which NGO A would manage and maintain Hostel A; and

Note 6: *The key project phases included: (a) preparation work for technical feasibility studies; (b) appointment of consultant and conduct of technical feasibility studies; (c) appointment of consultants and conduct of detailed design; (d) application for funding required for construction works; and (e) appointment of contractors and conduct of construction works.*

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- (ii) the land lease would govern issues related to the land use for hostel purposes. The Government would reserve the right to re-enter the site and take possession of the entire building in case of breach of lease conditions.

FC subsequently approved the funding application.

2.16 Audit noted that the construction works of Hostel A were divided into three stages under three separate contracts (i.e. demolition works, foundation works and main works). The key developments for the construction works are as follows:

- (a) in June 2016, NGO A invited tenders for the demolition works of the old building occupying the concerned site and planned to award the concerned works contract in the following month. In July 2016, NGO A submitted the tender report and recommendations to the then HAB for approval;
- (b) in November 2016, as the GOA had not been signed between the then HAB and NGO A, the then HAB sought legal advice and consulted FSTB on the way forward;
- (c) in December 2016, the then HAB issued a letter to NGO A indicating that it had no comments on the technical aspects of the tender report and recommendations. The then HAB also stated that no reimbursement of the cost for any works would be made to NGO A unless and until the GOA was signed and the relevant land lease was modified to accommodate a youth hostel (Note 7). In the same month, acknowledging the commercial risk involved, NGO A awarded the demolition works contract in order to avoid escalation in project cost and the need for re-tendering (Note 8). The works were commenced five months later than the original planned commencement date of July 2016;

Note 7: *Audit noted that, despite the issue of the letter in December 2016, the then HAB had made payments to NGO A and other NGOs before the signing of GOAs (see para. 4.3).*

Note 8: *Similarly, in April 2017, after conducting a tender exercise, NGO A awarded the foundation works contract to avoid escalation in project cost and the need for re-tendering.*

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- (d) in April 2017, the Lands Department asked for NGO A’s acceptance of the terms of the lease modification (Note 9) by late April 2017. From April to July 2017, NGO A issued four letters to the Lands Department requesting for extension of the reply deadline, as the NGO was still liaising with the then HAB on some fundamental principles of the GOA; and
 - (e) it was not until February 2018 that the then HAB signed a GOA with NGO A and the relevant lease modification was completed. In May 2018, after conducting a tender exercise, NGO A awarded the main works contract to a contractor (Contractor A) for the construction of Hostel A targeted for completion in May 2019. NGO A subsequently approved an extension of the completion date to March 2020 (Note 10).
- 2.17 Upon enquiry, HYAB informed Audit in February and March 2026 that:
- (a) according to HYAB’s guidelines “Note for NGOs” provided to NGOs, the rights and obligations of NGOs and the Government would be governed by a GOA and a land lease (see para. 1.3(e)) with the two documents making cross references to each other, where appropriate. A co-termination provision would be added to the land lease of the site, such that in case an NGO ceases to operate a youth hostel in accordance with the GOA before the end of the term, the Government would be entitled under the land lease to re-enter the site and take possession of the site and the building thereon (see para. 1.3(f)); and
 - (b) considering the co-terminous nature of GOA and the land lease, as well as the development parameters of the youth hostel to be approved and reflected in the land lease (e.g. total gross floor area, building height and parking requirements), GOAs would usually be signed after completing the pre-construction activities and before the commencement of operation of the youth hostel under the prevailing practice.

Note 9: *According to NGO A, the original land lease had confined the use of the concerned site as a youth centre (see para. 2.14) and it had to apply for a lease modification to accommodate the development of a youth hostel.*

Note 10: *According to NGO A, the extension of time for works completion was mainly due to inclement weather, the extra time needed to apply for the excavation permit and the construction noise permit for the works, and the extra time needed to resubmit the temporary traffic management scheme for installing water pipes to Hostel A.*

2.18 While noting HYAB's explanations, Audit considers that HYAB needs to review the issues and explore measures to shorten the time required to finalise GOAs with the NGOs concerned in future. HYAB also needs to take measures to ensure that NGOs' contractors complete the works within the timeframe stipulated in the relevant works contracts.

Need to follow up on coverage of professional indemnity insurance procured

2.19 According to the GOA for Hostel A, the NGO shall at no additional cost to the Government ensure that all design consultants involved in the design of any significant part of the construction of Hostel A effect and maintain a professional indemnity insurance with a reputable insurer for a period of not less than 10 years from the commencement date of hostel operation. Moreover, the consultancy brief of NGO A's design consultant required a professional indemnity insurance of at least \$21 million for any one claim. However, Audit found that the design consultant procured a professional indemnity insurance of only \$20 million for any one claim, falling short of the required insurance amount by \$1 million. In Audit's view, HYAB needs to remind NGO A to liaise with the design consultant to increase the limit of the professional indemnity insurance to comply with the contractual requirement.

Need to continue to follow up on green building rating of Hostel A

2.20 According to the guidelines issued by DEVB and the then Environment Bureau in April 2015:

- (a) a green building performance framework has been formulated in the Government setting out the best practicable targets to be achieved for green buildings in general, including the green building labelling in (b) below;
- (b) all new government buildings of construction floor area (CFA) above 5,000 square metres (m²) with central air-conditioning or above 10,000 m² should aim to obtain the second highest grade or above under

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BEAM Plus (Note 11) as promulgated by the Hong Kong Green Building Council as far as practicable; and

- (c) B/Ds should encourage subvented bodies and quasi-government organisations under their purview to adopt the above framework for their new and existing buildings as far as reasonably practicable.

2.21 According to HYAB, while the building for Hostel A had a total CFA of about 4,040 m² (Note 12), NGO A still aimed to obtain the second highest grade or above under BEAM Plus, and the then HAB, with the advice of the Architectural Services Department (ArchSD — Note 13), agreed with NGO A in 2017 that funding would be released to the NGO for payments on the green building labelling upon obtaining the concerned rating. In this regard, according to the consultancy brief of NGO A's design consultant, the consultant should prepare, submit and deliver all necessary documents to obtain the second highest rating or above under a locally or internationally recognised building environmental assessment system (e.g. BEAM Plus). Audit noted that it had taken some time to handle issues relating to the green building labelling. According to HYAB, the relevant B/Ds have been actively handling the issues while finalising the project account.

Delay in finalising project account for Hostel A

2.22 According to Financial Circular No. 7/2017 “Capital Works Programme”, the concerned Directors of Bureaux and works directors should finalise project

Note 11: *BEAM Plus is an initiative to offer independent assessment of building sustainability performance in order to enhance the health and wellbeing of building occupants, to reduce the environmental impacts of buildings and to make buildings more efficient and emit less carbon.*

Note 12: *The CFA of 4,040 m² comprised 3,460 m² for Hostel A and 580 m² for a youth centre situated in the same building.*

Note 13: *According to Financial Circular No. 9/2004 “Guidelines on the Management and Control of Government Funding for Subvented Organisations”, upon HYAB's request, ArchSD is the technical advisor for youth hostel construction projects. NGOs, supported by their consultants, are responsible for the day-to-day management of works contracts and NGOs' contractors are responsible for carrying out the construction works (see para. 2.12).*

accounts as soon as possible and in any event no later than three years after commissioning of the facilities.

2.23 Audit noted that Hostel A commenced operation in March 2020 and the concerned project account should have been finalised by March 2023 in accordance with Financial Circular No. 7/2017. However, the project account had not yet been finalised as of mid-March 2026, representing a delay of 3 years. In this connection, Audit examination found that:

- (a) it was not until May 2025 that NGO A's consultant submitted the draft project account to HYAB and ArchSD for comments;
- (b) in August 2025, ArchSD requested NGO A and its consultant to provide further information relating to 21 variation orders issued, the cost breakdown of resident site staff and the green building rating of Hostel A;
- (c) in November 2025, based on ArchSD's comments, NGO A's consultant submitted the revised draft project account (with justifications for the subventability of the consultancy fee relating to the green building rating and justifications for other items requiring HYAB's policy support) to HYAB and ArchSD for further comments; and
- (d) in February 2026, ArchSD provided further comments (with additional items requiring HYAB's policy support) to HYAB requesting NGO A and its consultants to provide response by early March 2026. According to HYAB, NGO A had provided information for further processing in early March 2026. As of mid-March 2026, the project account of Hostel A had not yet been finalised.

Construction of Hostel E

2.24 The site for Hostel E is located in Sheung Wan and was occupied by a vacant school previously operated by NGO E. Adjacent to the site is a monument (also managed by NGO E) declared by the Antiquities Authority (i.e. the Secretary for Development) under the Antiquities and Monuments Ordinance (Cap. 53).

Provision and construction of youth hostels

Need to maintain supporting information relating to expected completion date of youth hostel projects

2.25 In February 2013, the then HAB informed the then LegCo HA Panel that it planned to start with two relatively more mature youth hostel projects (including Hostel E) on a pilot basis, and that if the projects proceeded smoothly, it was expected that the construction of the two hostels would be completed by 2016 (see para. 2.5). However, there was no supporting information (e.g. a works programme) showing how the expected completion date of 2016 had been derived. As a result, it was difficult to compare the original planned and actual implementation dates of key phases for the construction of Hostel E, in comparison with the detailed works programme available for Hostel A (see para. 2.14).

Long time taken to complete the pre-construction activities for Hostel E

2.26 In 2013, the then HAB expected that, if the project proceeded smoothly, the construction of Hostel E would be completed within 3 years by 2016 (see para. 2.5(b)). However, Audit noted that the then HAB and NGO E had taken about 8 years from 2013 to 2021 for completing the necessary pre-construction activities for Hostel E, including appointment of consultant for technical feasibility studies, consultations with the district council concerned and the Antiquities Advisory Board (AAB — established under the Antiquities and Monuments Ordinance), proposed rezoning of the concerned site and amendments to an outline zoning plan (OZP), seeking planning permission, conduct of detailed design and various surveys, and seeking funding approval (see Appendix B for details).

2.27 Upon enquiry, HYAB informed Audit in March 2026 that:

- (a) as the construction of Hostel E was a capital works project with a heritage site (Note 14) within 50 metres of the project boundary, a heritage impact assessment was required. Advice had been sought from the Antiquities and Monuments Office of DEVB and taken into account in the design of the project. AAB's approval was also required. Since a concern group

Note 14: *According to DEVB, heritage sites include declared monuments, proposed monuments, sites and buildings graded by AAB, sites of archaeological interest and Government sites identified by the Antiquities and Monuments Office of DEVB.*

Provision and construction of youth hostels

repeatedly raised objections to the proposed development, the proposal was submitted to AAB for consideration twice before the revised proposal was approved (see item (3) in Appendix B);

- (b) although the application for rezoning the concerned site had been approved in May 2016, representations (most of them objecting the rezoning) were received during the exhibition period of the subsequent OZP amendment. Hence, the concerned OZP was further amended and the development of a youth hostel at the concerned site would require planning permission (instead of being one of the always permitted uses). Owing to this amendment, an application for planning permission was required and extra time was involved (see item (4) in Appendix B);
- (c) during the original design stage, conventional construction method was adopted. Owing to DEVB's promulgation of a policy in March 2020 on the adoption of Modular Integrated Construction (MiC) for capital works projects (Note 15), NGO E's consultants revised the related building plans and the tender documents to accommodate such changes; and
- (d) Hostel E was one of the first batch of youth hostel projects implemented on a pilot basis, and NGO E had encountered various challenges and unforeseen circumstances that were site-specific (as the project site was located very close to a declared monument) and out of the control of NGO E. As of March 2026, no new youth hostel projects being explored by HYAB were located in the vicinity of heritage site(s).

2.28 While noting HYAB's explanations, Audit considers that HYAB needs to take into account the long time required to complete the pre-construction activities for Hostel E when planning the works programmes for future youth hostel projects with heritage site(s) in the vicinity.

Note 15: *According to the guidelines issued by DEVB in March 2020:*

- (a) *MiC is a construction method whereby freestanding volumetric modules with finishes, fixtures, fittings, furniture and building services installation manufactured off-site and then transported to site for assembly; and*
- (b) *MiC should be adopted for new building works funded under CWRP with a total CFA larger than 300 m² tendered on or after 1 April 2020.*

Provision and construction of youth hostels

Need to draw lessons from re-tendering of foundation and main works contracts for Hostel E

2.29 In April 2021, the then HAB obtained FC's approval of \$435.4 million for the construction works of Hostel E with target completion in around four years (i.e. the second quarter of 2025). The construction works of Hostel E were originally divided into two stages: (a) demolition and site formation works; and (b) foundation and main works.

2.30 In September 2021, NGO E's contractor commenced demolition and site formation works for Hostel E. In June 2022, the contractor completed the demolition of the vacant school and proceeded to site formation works (Note 16).

2.31 Audit noted that the foundation and main works contracts for Hostel E had been re-tendered and the key developments are as follows:

- (a) in September 2022, NGO E invited tenders from interested contractors to carry out foundation and main works for Hostel E under a single works contract. In January 2023, NGO E received two tenders and both the returned prices exceeded the pre-tender estimate of the works contract. According to NGO E, the higher-than-expected tender prices might be due to the high pricing in adopting MiC modules, complexity of works, confined site area, traffic constraints and the anticipated risk associated with the declared monument adjacent to the site;
- (b) in July 2023, NGO E informed HYAB that additional funding would be required before acceptance of the lowest conforming tender. Taking the advice of DEVB, the NGO proposed to re-tender for the foundation works

Note 16: *Audit noted that in October 2022, a salt water pipe near the concerned site burst and caused significant increase in the groundwater pressure. According to NGO E, this led to ground heaving at the declared monument and some cracks appeared on the wall surface of the monument. As a result, the site formation works were suspended from October 2022 to May 2023, and NGO E had to adjust the design of the site formation works which involved extra time for implementation. The site formation works resumed afterwards and were completed by end-2023. The NGO also conducted a thorough structural survey on the declared monument and most of the repair works to the monument were completed in August 2024.*

Provision and construction of youth hostels

and main works by splitting them into two separate works contracts. In the same month, HYAB expressed no objection to the split-tender approach proposed by NGO E. According to HYAB, the split-tender approach would help lower the construction cost as the risk related to the foundation works could be addressed separately;

- (c) in September 2023, NGO E invited tenders from interested contractors for carrying out the foundation works, and the returned price of the lowest conforming tender was higher than the pre-tender estimate. Since January 2024, HYAB had held meetings with NGO E together with the representatives of DEVB and ArchSD to review the foundation design and devise remedial measures to reinforce the damaged wall of the declared monument (see Note 16 to para. 2.30). According to HYAB, with the advice of DEVB and ArchSD, NGO E conducted a tender negotiation with a view to reducing the tender price. The reduced tender price was still higher than the pre-tender estimate;
- (d) in August 2024, HYAB approved the award of the foundation works contract to the lowest conforming tenderer at the reduced tender price. HYAB also informed NGO E that \$435.4 million had been approved for the construction works of Hostel E and the NGO would be requested to bear any excess above the approved budget; and
- (e) in March 2025, NGO E appointed an MiC specialist for reviewing the MiC design. According to HYAB, the MiC specialist, based on the proposed MiC design, revised the tender documents to allow tenderers to submit an alternative tender. In June 2025, NGO E invited tenders from interested contractors for carrying out the main works, and the returned price of the lowest conforming tender was lower than the pre-tender estimate. In December 2025, HYAB approved the award of the main works contract to the lowest conforming tenderer as sufficient funding was available within the approved budget.

2.32 Audit noted that NGO E originally grouped the foundation and main works for Hostel E under a single works contract in 2022, and the returned prices of the two tenders received both exceeded the pre-tender estimate. Subsequently, NGO E re-tendered the works after splitting them into two separate works contracts. After appointment of an MiC specialist to review the MiC design in 2025, the main works contract could be awarded within the approved budget.

Provision and construction of youth hostels

2.33 Upon enquiry, HYAB informed Audit in March 2026 that, to speed up the project progress of Hostel E, the relevant B/Ds had been tendering prompt and professional advice for NGO E to implement the construction works in a timely manner and within APE. In Audit's view, HYAB needs to draw lessons from this experience and to remind NGOs to take into account the lessons learnt in formulating the tendering strategy in future youth hostel projects with heritage site(s) in the vicinity.

Need to closely monitor the works progress of Hostel E

2.34 In September 2024, the foundation works for Hostel E commenced with the target completion date of November 2025. However, as of December 2025, the foundation works were still in progress, and NGO E expected that the foundation works would be completed in April 2026 and the main works for Hostel E would commence in the same month. According to HYAB's reply to LegCo in April 2025, Hostel E would be completed in 2027, representing 11 years longer than the original expected completion date of 2016, or 2.5 years longer than the revised expected completion date of the second quarter of 2025 stated in the 2021 funding paper.

2.35 Upon enquiry, HYAB informed Audit in March 2026 that the time taken for the site formation and foundation works for Hostel E was slightly longer than expected due to the unforeseen ground conditions, leading to the suspension of site works and the need to complete the required remedial measures before the resumption of site works. In Audit's view, HYAB needs to strengthen efforts to monitor the construction progress of Hostel E to ensure its timely completion (see para. 2.10(b)).

Audit recommendations

2.36 **Audit has recommended that the Secretary for Home and Youth Affairs should:**

Construction of Hostel A

- (a) **review the reasons for the long time taken to finalise GOAs with the NGOs concerned and explore measures to shorten the time required to finalise GOAs in future;**

- (b) **take measures to ensure that NGOs' contractors complete the works within the timeframe stipulated in the relevant works contracts;**
- (c) **remind NGO A to liaise with the design consultant to increase the limit of the professional indemnity insurance;**
- (d) **request NGO A to finalise the project account (including the application for green building rating) for Hostel A as soon as possible, and take measures to ensure that the accounts of youth hostel projects are finalised within three years after commissioning of the facilities in accordance with Financial Circular No. 7/2017;**

Construction of Hostel E

- (e) **take measures to maintain supporting information relating to the expected completion date of future youth hostel projects (e.g. works programme with target implementation dates of key phases) for monitoring purpose;**
- (f) **take into account the long time required to complete the pre-construction activities for Hostel E when planning the works programmes for future youth hostel projects with heritage site(s) in the vicinity; and**
- (g) **draw lessons from re-tendering of the foundation and main works contracts for the construction of Hostel E and remind NGOs to take into account the lessons learnt in formulating the tendering strategy in future youth hostel projects with heritage site(s) in the vicinity.**

Response from the Government

2.37 The Secretary for Home and Youth Affairs agrees with the audit recommendations. She has said that:

- (a) HYAB will continue to closely monitor the construction progress of the approved youth hostel projects;

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- (b) NGO A has been liaising with the design consultant to arrange an endorsement or revised policy to increase the limit of professional indemnity insurance to comply with the contractual requirements;
- (c) HYAB will draw experience from the ongoing youth hostel projects when planning the future youth hostel projects; and
- (d) HYAB will continue to follow up with NGO A to finalise the project account for Hostel A as soon as possible.

Procurement of furniture and equipment for youth hostels

2.38 According to HYAB's "Note for NGOs" and "Guidance Notes on Project Implementation":

Note for NGOs

- (a) to ensure proper use of public funding, the allowance for F&E in a youth hostel project should not exceed 12.5% of the construction unit cost (Note 17), represented by the sum of building works cost and building services cost divided by CFA of a building. Any over-design and/or over-provision specification will not be supported by the Government, notwithstanding that the above cap is not exceeded;
- (b) the design and choice of materials for a youth hostel should be frugal and environmentally friendly;
- (c) each hostel unit may have an en-suite bathroom (with shower but no bathtub) with simple and basic furniture, and without kitchen;

Note 17: *According to HYAB, the construction unit cost is an industry-recognised method and has been used in FC paper for cost comparison of similar projects.*

Guidance Notes on Project Implementation

- (d) an NGO should invite tenders in accordance with its prevailing procedures and ensure that tendering is made on a transparent, fair and cost-effective basis, making references to practices in the Government;
- (e) emphasis should be placed on the promotion of a level-playing field and competitive bidding; and
- (f) the NGO should seek HYAB's approval before the procurement. Unless supported by very strong justifications from the NGO, the Government will expect that the lowest conforming tender will be recommended by NGO for acceptance.

2.39 Audit examined the F&E procurement records of NGO A and noted that, up to December 2025, NGO A spent \$8 million on the procurement of F&E items. Moreover, based on the information provided in the concerned FC paper, Audit analysis found that the allowance for F&E in Hostel A was \$2,312 per m² of CFA, representing 9.7% of the construction unit cost of Hostel A (i.e. below the 12.5% cap specified in HYAB's "Note for NGOs" — see para. 2.38(a)). Notwithstanding this, Audit examination found room for improvement in the procurement of F&E items in Hostel A (see paras. 2.40 to 2.57 for details).

Need to strengthen controls on procurement of F&E items in youth hostels

2.40 *Some F&E items for Hostel A procured at a relatively high cost.* Based on the information provided by NGO A to the then HAB, Audit found that some F&E items for Hostel A were procured at a relatively high cost (Note 18). For example, NGO A procured 78 thermo ventilators for Hostel A under a contract awarded in January 2020 at \$903,200, comprising the supply, delivery and installation fee (\$733,200) for 78 thermo ventilators (i.e. \$9,400 per ventilator) and a lump-sum fee

Note 18: *Apart from 78 thermo ventilators, other F&E items procured for Hostel A included 46 bathroom soap dispenser holders at \$109,940 (i.e. \$2,390 per holder) and 228 door hooks at \$316,920 (i.e. \$1,390 per hook).*

Provision and construction of youth hostels

(\$170,000) for the related preparation works and miscellaneous cost (Note 19). In this regard, Audit research found that the retail price for the supply, delivery and installation of a thermo ventilator of the same model was about \$2,300 in December 2016 and about \$1,900 in January 2021, whereas the average fee for the supply, delivery and installation of a thermo ventilator for Hostel A in January 2020 was \$9,400.

2.41 Upon enquiry, NGO A informed Audit in March 2026 that:

- (a) the procurement for thermo ventilators was a turnkey supply, delivery and installation package. Therefore, the average unit price in the procurement contract included multiple additional cost elements, including the product cost, installation labour, delivery and on-site logistics (use of hoist or carry-up via staircases where lift was unavailable), electrical/power supply works, insurance, site protection, temporary works and compliance measures, testing, commissioning, handover documentation and warranty obligations, site supervision, coordination and project administration, making good, cleaning and lawful disposal of packaging/waste, contractors overheads, profit and contingency allowances. On the other hand, the retail price of a thermo ventilator generally did not reflect site-specific works, statutory compliance, logistical complexity or contractor overheads. This explained why the turnkey unit rate was materially higher than the retail price; and
- (b) the price of a thermo ventilator for a newly built construction site was higher than the retail price due to several key factors, including:
 - (i) installation workers were required to have specific qualifications, including holding a green card for site access. This added to labour costs as only certified personnel could perform the installation on a construction site;

Note 19: *According to the information submitted by NGO A to the then HAB, the lump-sum fee of \$170,000 included preliminaries, all necessary preparation works, ladder, insurance of the works and third party insurance, full-time supervision, safety and environmental, site cleaning, removal of debris, defect rectification, protection of works and public property, shop drawings and as-built drawings.*

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- (ii) before handover of Hostel A to NGO A, workers had to pay the lift contractor for using lifts to transport the thermo ventilators to hostel units on each floor. This additional cost was necessary for the installation works;
- (iii) the higher price also accounted for the preliminary costs associated with insurance ensuring coverage during the installation process and the protection measures to safeguard the equipment and the site;
- (iv) the pricing also included costs for cleaning and making good any potential damages, ensuring that the installation was completed to a high standard before handover to NGO A;
- (v) to facilitate the commencement of operation of Hostel A (that had been postponed from the expected commissioning date), only 21 days were allowed for the supply and installation of the thermo ventilators; and
- (vi) the black-clad violence in 2019 (e.g. marches, road blockages and similar events) created uncertainty on the works.

2.42 *Some F&E items procured at a higher cost under a separate F&E contract.* Audit examination also found that the main works contract awarded by NGO A to Contractor A in May 2018 (see para. 2.16(e)) had included the procurement of some F&E items for hostel units in Hostel A at \$886,508. In October 2019, NGO A omitted the procurement of these F&E items from the main works contract and procured them under a separate tender exercise. After tender assessments, in January 2020, NGO A awarded the F&E contract to Contractor A (the lowest conforming tenderer) at \$3,506,546 (see para. 2.48(b)).

2.43 Upon enquiry, NGO A informed Audit in March 2026 that:

- (a) it considered that the design and dimensions of some F&E items would need to be further revised taking into account the latest design of hostel units in Hostel A, and the NGO came up with a more comprehensive list of F&E items with enhanced specifications and requirements based on review of mock-up floors;

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- (b) the main works contract for Hostel A encountered budgetary constraints due to emergence of design changes and adjustments on the main works. There were two budgets — one for the main works and another for F&E items — available for charging the F&E expenses for Hostel A. NGO A considered in 2019 that the F&E items included in the main works contract should be charged to the main works budget unless the F&E items were omitted from the main works contract and subsequently procured under a separate contract (such that the concerned F&E expenses could be charged to the F&E budget with a view to avoiding exceedance of the main works budget);
- (c) while recognising that some F&E items were procured at a higher cost (and some at a lower cost — see para. 2.45(b)) under a separate F&E contract, it was awarded when anti-government black-clad violence was at its peak, which inevitably impacted on the conduct of the tender exercise. The widespread disruption, including significant impacts on public order, supply chain stability, as well as heightened operational and security risks, inevitably constrained the normal conduct of the tender exercise, and induced upward pressure on pricing during that exceptional period;
- (d) different from the main works contract, the average unit price in the new F&E contract also included multiple additional cost elements, including the product cost, installation labour, delivery and on-site logistics (use of hoist or carry-up via staircases where lift was unavailable), electrical/power supply works, insurance, site protection, temporary works and compliance measures, testing, commissioning, handover documentation and warranty obligations, site supervision, coordination and project administration, making good, cleaning and lawful disposal of packaging/waste, contractors overheads, profit and contingency allowances; and
- (e) the price of F&E items for a newly built construction site was higher than the retail price due to several key factors, including the factors listed in paragraph 2.41(b)(i) to (iv) and the need to facilitate the commencement of operation of Hostel A (that had been postponed from the expected commissioning date), which was only less than three months when the F&E were procured.

Provision and construction of youth hostels

2.44 Audit selected some items procured under both contracts for examination and found that the average cost of procuring some F&E items through the F&E contract in January 2020 was higher than the unit rate stated in the main works contract in May 2018 (see Table 3 for details). Upon enquiry, NGO A informed Audit in March 2026 that:

- (a) in the absence of documentation on the cost breakdown between equipment and other costs, NGO A had further provided its explanations to HYAB based on the assessment from an independent Registered Architect engaged by the NGO in March 2026; and
- (b) drawing on his professional expertise, the Registered Architect was tasked to provide a technical analysis on the estimated ratio between equipment costs and other associated costs, with a view to achieving a more accurate and objective understanding of the actual cost variation between the two contracts.

Provision and construction of youth hostels

Table 3

**Estimated procurement cost of some F&E items and
the corresponding unit rates under Hostel A's contracts**

F&E item for hostel unit (Note 1)	Main works contract (May 2018)			F&E contract (January 2020)			Estimated procurement cost (March 2026)	
	Quantity estimated	Total estimated amount	Estimated unit rate	Quantity	Actual cost	Average total cost (Note 2)	Estimated unit rate (Note 3)	Total estimated amount
	(a) (No.)	(b) (\$)	(c) (\$)	(d) (No.)	(e) (\$)	(f) (\$)	(g) = (f) × 40% (\$)	(h) = (g) × (d) (\$)
(A) Items of same size in two contracts								
Bathroom paper holder	78	21,060	270	76	257,640	3,390	1,356	103,056
Desk Type 1	14	24,878	1,777	14	87,038	6,217	2,487	34,818
Wardrobe Type 1 (Note 1)	16	42,560	2,660	16	113,600	7,100	2,840	45,440
Roller blind	64	54,720	855	64	86,820	1,357	543	34,752
(B) Items of smaller size in F&E contract								
Desk Type 2	2	3,040	1,520	2	11,540	5,770	2,308	4,616
Desk Type 3	30	61,358	2,045	30	188,300	6,277	2,511	75,330
Desk Type 4	16	36,480	2,280	12	80,640	6,720	2,688	32,256
Bathroom handlebar/towelbar	78	43,524	558	152	287,280	1,890	756	114,912
Wardrobe Type 2 (Note 1)	12	31,920	2,660	12	85,200	7,100	2,840	34,080
Wardrobe Type 3	4	10,640	2,660	4	28,400	7,100	2,840	11,360
Wardrobe Type 4	14	46,956	3,354	14	109,116	7,794	3,118	43,652
Wardrobe Type 5	14	67,830	4,845	14	129,990	9,285	3,714	51,996

Provision and construction of youth hostels

Table 3 (Cont'd)

F&E item for hostel unit (Note 1)	Main works contract (May 2018)			F&E contract (January 2020)			Estimated procurement cost (March 2026)	
	Quantity estimated	Total estimated amount	Estimated unit rate	Quantity	Actual cost	Average total cost (Note 2)	Estimated unit rate (Note 3)	Total estimated amount
	(a) (No.)	(b) (\$)	(c) (\$)	(d) (No.)	(e) (\$)	(f) (\$)	(g) = (f) × 40% (\$)	(h) = (g) × (d) (\$)
<i>(C) Items of larger size in F&E contract</i>								
Desk Type 5 (Note 4)	14	15,960	1,140	14	78,120	5,580	2,232	31,248
Bed (Note 5)	74	175,750	2,375	74	504,310	6,815	2,726	201,724
Wardrobe Type 6 (Note 6)	14	39,900	2,850	14	102,060	7,290	2,916	40,824
Total		676,576		Total	2,150,054		Total	860,064

Source: Audit analysis of HYAB and NGO records

Note 1: A type refers to the same model of F&E item. For example, under the main works contract, Wardrobe Type 1 was 1,100 millimetres (mm) wide, 600 mm deep and 2,900 mm high, and Wardrobe Type 2 was 1,260 mm wide, 600 mm deep and 2,950 mm high.

Note 2: As advised by NGO A, the average total cost shown in column (f) included equipment costs, labour costs, lift contractor costs, insurance costs, cleaning and making good costs, etc.

Note 3: According to NGO A, based on the estimation of the NGO's independent Registered Architect, the general cost of preliminaries, overhead and profit for F&E contractor ranging from 40% to 60% was considered understandable, whereas adding up to approximate 10% for force majeure and special circumstances such as the black-clad violence in 2019 (i.e. 50% to 70% — hereinafter referred to as "estimated range"). The estimated unit rate shown in column (g) is assumed as 40% of the average total cost of the F&E items (i.e. mid-range of the estimated unit rate).

Note 4: Under the main works contract, Desk Type 5 was 1,480 mm (or 1,505 mm) long, 625 mm wide and 825 mm high. Under the F&E contract, its width remained the same with the length increased to 2,301 mm and the height increased to 850 mm.

Note 5: Under the main works contract, Bed was 2,000 mm long, 1,625 mm wide and 825 mm high. Under the F&E contract, its length remained the same with the width increased to 1,650 mm and the height increased to 850 mm.

Note 6: Under the main works contract, Wardrobe Type 6 was 1,720 mm wide, 600 mm deep and 2,916 mm high. Under the F&E contract, its width and depth remained the same with the height increased to 2,950 mm.

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2.45 For the 15 F&E items shown in Table 3, 4 items were of the same size in the two contracts, 8 items were smaller in size in the F&E contract and 3 items were larger in size in the F&E contract. It was noted that the average cost of all the 15 items in the F&E contract was higher than the unit rate stated in the main works contract. Upon enquiry, NGO A informed Audit in March 2026 that:

- (a) under the mid-range of the estimated range (see Note 3 to Table 3 in para. 2.44), if the total cost of the two contracts with similar quantities and types of items purchased was compared, the cost for the new F&E contract (\$860,064) would be 27% higher than the main works contract (\$676,576); and
- (b) in case the lower end of the estimated range was adopted, the F&E items procured under the new F&E contract (\$645,016) would be 4.7% cheaper than those under the main works contract (\$676,576). Under this scenario, some F&E items under the new F&E contract would be cheaper than those under the main works contract (e.g. the estimated unit rate of Wardrobe Type 1 under the new F&E contract would be \$2,130 as compared with \$2,660 under main works contract priced, and the estimated unit rate of roller blind under the new F&E contract would be \$407 as compared with \$855 under the main works contract).

2.46 Upon enquiry, HYAB informed Audit in March 2026 that:

- (a) NGO A advised HYAB that the design and dimensions of some F&E items would need to be further revised taking into account the latest design of hostel units in Hostel A, and the NGO came up with a more comprehensive list of F&E items with enhanced specifications and requirements based on review of mock-up floors;
- (b) the F&E contract awarded in January 2020 included not only the unit rate (including delivery and installation costs) but also other expenses such as lift usage fees, insurance and protection costs while construction works were still in progress at that time; and
- (c) the F&E items were procured at the height of the black-clad violence in 2019 which inevitably drove up the relevant delivery and labour costs. Moreover, the procurement was conducted against the general backdrop

where properties or buildings related to the Government were frequently under attack by the black-clad protesters. This was totally different from the environment when the main works contract was awarded in 2018.

While noting the explanations of NGO A and HYAB, Audit found room for improvement in NGO A's procurement procedures (see paras. 2.47 to 2.53).

Scope for improvement in NGOs' procurement procedures

2.47 Audit noted that NGO A's relevant procurement procedures prevailing at the time of procuring the F&E items in Hostel A (which commenced operation in March 2020) were as follows:

- (a) for a procurement with an estimated value above \$200,000, at least 5 potential suppliers should be invited to submit tenders and 5 tenders should be received (Note 20); and
- (b) for a procurement with an estimated value above \$5,000 to \$200,000, a specified number of written/verbal quotations should be received (e.g. five written quotations should be received for a procurement with an estimated value above \$50,000 to \$200,000 — see Note 20). For a procurement with an estimated value of \$5,000 or below, no quotation would be required.

2.48 *Limited number of potential suppliers invited to submit tenders.* According to NGO A, it has complied with the prevailing procurement procedures in the procurement of F&E items in Hostel A and the tender results of F&E items are approved by the then HAB before procurement. In this connection, Audit noted that:

- (a) in September 2019, NGO A invited tenders from 7 potential suppliers for the supply, delivery and installation of thermo ventilators (see para. 2.40), and received 5 tenders by the tender closing date. After tender assessments,

Note 20: *In September 2025, NGO A increased the quotation limit for a procurement from an estimated value of \$200,000 to \$800,000. Under the procedure, open tenders should generally be invited for all tender exercises, without specifying any requirement on the minimum number of tenders to be received.*

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NGO A found that the tender submitted by Contractor A (i.e. the works contractor responsible for the construction of Hostel A — see para. 2.16(e)) was the lowest conforming tender, and awarded the contract to Contractor A at \$903,200 in January 2020;

- (b) in October 2019, NGO A also invited tenders from 10 potential suppliers (including the 7 potential suppliers in (a) above) for the supply, delivery and installation of F&E items for hostel units (including beds, wardrobes, desks, roller blinds, bathroom paper holders, bathroom handlebars/towelbars, bathroom soap dispenser holders and door hooks). The NGO received 5 tenders by the tender closing date (3 of the 5 tenderers had also submitted tenders in the tender exercise in (a) above). After tender assessments, the tender submitted by Contractor A was the lowest conforming tender at \$3,506,546. In January 2020, NGO A awarded the contract to Contractor A; and
- (c) however, the reasons for selecting the potential suppliers to submit tenders in the above two tender exercises were not documented in the concerned tender reports prepared by NGO A.

2.49 Upon enquiry, NGO A informed Audit in March 2026 that:

- (a) NGO A did not maintain a list of qualified suppliers for F&E items. The suppliers were selected based on their statutory qualifications and prior working experience with NGO A;
- (b) regarding the tender exercise for thermo ventilators (see para. 2.48(a)), NGO A invited 7 potential suppliers to submit tenders with preference given to those listed in the Registers of General Building Contractors or Minor Works Contractors kept under the Buildings Ordinance (Cap. 123);
- (c) regarding the tender exercise for F&E items (see para. 2.48(b)), NGO A invited 10 potential suppliers to submit tenders with 2 of them also being invited to submit tenders for the main works contract. For other potential suppliers, preference was given to those listed in the Registers of General Building Contractors or Minor Works Contractors. As F&E items in this tender exercise did not involve electrical installations, other potential suppliers specialised in millworks could also be involved; and

- (d) as the two tender exercises mentioned in (b) and (c) involved projects at the same site, NGO A preferred to invite the same set of suppliers to submit tenders as far as possible. This approach offered several advantages, including familiarity with the site conditions, efficient logistics and streamlined communication. In addition, engaging the same supplier could lead to cost savings and improved coordination, ensuring more effective execution of the projects. In order to achieve more competitive bidding, other potential suppliers with specialisation in a single area would also be invited.

2.50 According to NGO A's procurement procedures of September 2025, with full justifications and approval from the appropriate authority in the NGO, restricted tendering may be conducted by inviting a small number of potential suppliers to submit tenders in a tender exercise. However, to ensure fair and competitive bidding (see para. 2.38(e)), and given the large number of General Building Contractors and Minor Works Contractors available (Note 21), Audit considers that HYAB needs to request NGOs to take measures to enhance competition as far as possible (e.g. increasing the number of potential suppliers) when there is a need to conduct restricted tendering.

2.51 ***Room for improvement in NGOs' procurement procedures.*** Audit also noted that, according to HYAB's guidelines, an NGO should invite tenders making references to practices in the Government (see para. 2.38(d)). In this connection, according to the Stores and Procurement Regulations (SPRs) issued by FSTB:

- (a) ***Rationale in drawing up a shortlist for restricted tendering.*** When seeking approval to adopt restricted tendering procedures, if a shortlist of contractors from whom tenders are to be invited is recommended, B/Ds should explain how the shortlist is drawn up, elaborating specifically on the criteria used for the shortlisting, and the professional capability and experience of all the contractors considered, including those not shortlisted;
- (b) ***Market research.*** B/Ds are encouraged to conduct a market research to better understand the goods or services likely to be available in the market,

Note 21: *Audit noted that in early March 2026, about 800 General Building Contractors and about 16,000 Minor Works Contractors were included in the respective Register under the Buildings Ordinance.*

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technological trends and the number of potential bidders. In a tender report, B/Ds should state whether a market research has been conducted. If positive, B/Ds should indicate the tender requirements that have been incorporated to promote competition and innovation arising from the market research; and

- (c) ***Comparison of recommended tendered sum/rates with pre-tender estimate and previous similar contracts.*** In a tender report, B/Ds should provide a pre-tender estimate, explain the basis on which the pre-tender estimate is drawn up, compare the recommended tendered sum/rates with the pre-tender estimate and the award contract sum of a previous contract or those rates in similar contracts (whichever is applicable), and explain the differences. B/Ds should also confirm with analysis that the recommended tendered sum is fair and reasonable, and explain why it is considered realistic to accept the tender if the tendered sum is significantly higher or lower than the pre-tender estimate, the award contract sum of a previous contract or the sum allowed for the contract in APE.

2.52 According to NGO A's procurement procedures of September 2025, with full justifications and approval from the appropriate authority in the NGO, restricted tendering may be conducted (see para. 2.50). However, NGO A's procurement procedures did not request the originating officer to explain the rationale in drawing up a shortlist for restricted tendering. Moreover, from the tender reports prepared by NGO A for the procurement of F&E items, there was no evidence showing that a market research had been conducted for better understanding the market situation and a pre-tender estimate had been prepared for comparison purpose.

2.53 ***Need to consider incorporating the Government Logistics Department (GLD) guidelines into NGOs' procurement guidelines.*** According to the guidelines issued by GLD in October 2025, B/Ds are requested, among other requirements, to take more proactive actions in conducting due diligence checks at different stages of procurement to better safeguard the Government's interests in procurement, and to ask the selected tenderer to submit a signed "Non-collusive Tendering Certificate" to declare that the submitted bid is developed genuinely, independently and made with the intention to accept the contract. In light of the audit findings on the procurement of F&E items by NGO A, Audit considers that HYAB needs to consider requiring NGOs to incorporate, as appropriate, the requirements of GLD guidelines into their procurement guidelines.

Need to ensure NGOs' adherence to frugality and environmentally-friendly principles in design and choice of materials for youth hostels

2.54 Audit found that:

- (a) ***Significant variation in allowance for F&E in Hostels A and B.*** According to FC papers submitted by the then HAB, \$8 million and \$23.4 million were allocated for F&E items in Hostel A and Hostel B respectively. Audit analysis found that the allowance for F&E in Hostel A was \$2,312 per m² of CFA, whereas that in Hostel B was \$569 per m² of CFA. Also, the allowance for F&E in Hostel A and Hostel B accounted for 9.7% and 2.2% of the respective construction unit cost (see para. 2.38(a)) of the youth hostel;
- (b) ***Significant variation in F&E provision per hostel unit in Hostels A and B.*** Based on the F&E provision stated in the FC papers, the average F&E provision per hostel unit of Hostel A was \$102,564 and that of Hostel B was \$18,750; and
- (c) ***Some F&E items procured only for Hostel A.*** Based on the list of F&E items of Hostels A and B, some F&E items had been procured only for Hostel A, including 78 thermo ventilators and 46 bathroom soap dispenser holders (see para. 2.40). Upon enquiry, HYAB informed Audit in March 2026 that, while the F&E items involved could bear similar functions, in view of the different operational needs and constraints (e.g. room design and availability of other communal facilities such as clothes dryers), the specifications and requirements for F&E items could vary in different youth hostels.

2.55 While the allowances for F&E in Hostels A and B did not exceed the 12.5% cap (see para. 2.38(a)) specified in HYAB's "Note for NGOs", Audit found significant variation in the F&E provision between Hostels A and B, and some F&E items were procured only for Hostel A. In this connection, Audit noted that, according to HYAB's "Note for NGOs", the design and choice of materials for a youth hostel should be frugal and environmentally friendly, and each hostel unit may have an en-suite bathroom with simple and basic furniture (see para. 2.38(b) and (c)). In Audit's view, HYAB needs to review the issues and take measures to ensure that

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the principles stated in HYAB's "Note for NGOs" are adhered to, drawing reference from past projects of similar nature and scale.

Some F&E items not installed due to safety or design issues

2.56 Under the F&E contract awarded in January 2020 (see para. 2.42), Contractor A was required to supply and install various F&E items at hostel units in Hostel A in accordance with the project specifications. However, upon enquiry, NGO A informed Audit in March 2026 that:

- (a) the installed bathroom paper holders (76 holders were purchased at a unit cost of \$3,390) were found to be difficult to use when replacing toilet papers, and were therefore replaced by equivalent products;
- (b) the original soap dispenser holders (46 holders were purchased at a unit cost of \$2,390) might cause potential safety issues and inconvenience to users, and were replaced by equivalent products; and
- (c) the original design was to install two handlebars/towelbars (152 handlebars/towelbars were purchased at a unit cost of \$1,890) in each bathroom. However, one of the handlebar/towelbar locations was considered a potential safety risk and therefore only one handlebar was installed in each bathroom. The other handlebar was kept as a spare part for future maintenance.

2.57 In this connection, Audit noted that, according to NGO A, the specifications and requirements of F&E items under the F&E contract awarded in January 2020 had been enhanced based on review of mock-up floors (see para. 2.43(a)). However, the safety and design issues revealed in paragraph 2.56 indicate a need to review the related matters, conduct an assessment to ascertain whether similar issues exist for other F&E items under the contract concerned, and take follow-up actions as appropriate (e.g. assessing the feasibility of recovering cost from the responsible party and ascertaining the status of unused items).

Audit recommendations

2.58 **Audit has recommended that the Secretary for Home and Youth Affairs should:**

- (a) **review procurement issues for Hostel A identified by Audit and take follow-up actions as appropriate;**
- (b) **strengthen controls over the procurement of F&E items in future youth hostel projects, including:**
 - (i) **requesting NGOs to take measures to enhance competition as far as possible when there is a need to conduct restricted tendering;**
 - (ii) **requesting NGOs to explain the rationale in drawing up a shortlist for restricted tendering, conduct market research and prepare pre-tender estimates for their tender exercises in future, making references to the relevant requirements in SPRs; and**
 - (iii) **considering requiring NGOs to incorporate, as appropriate, the requirements of GLD guidelines issued in October 2025 into their procurement guidelines;**
- (c) **review the F&E procurement issues identified by Audit and take measures to ensure NGOs' adherence to frugality and environmentally-friendly principles in the design and choice of materials for youth hostels as stated in HYAB's "Note for NGOs"; and**
- (d) **request NGO A to review the safety and design issues of F&E items identified by Audit for Hostel A, conduct an assessment to ascertain whether similar issues exist for other F&E items under the contract concerned, and take follow-up actions as appropriate (e.g. assessing the feasibility of recovering cost from the responsible party and ascertaining the status of unused items).**

Response from the Government

2.59 The Secretary for Home and Youth Affairs agrees with the audit recommendations. She has said that:

- (a) under YHS, NGOs need to use the land held by them for the construction of youth hostels, while the Government funding only covers the construction cost. Upon works completion, the youth hostels are run by NGOs on a self-financing basis. The NGOs need to operate the youth hostel in accordance with GOAs and land leases. Among other requirements, the GOAs commit NGOs to deliver youth hostel services for 50 years in general, and to set rents at a level not exceeding 60% of the market rent of flats with similar size in the nearby areas. If NGOs cease to operate youth hostels in accordance with GOAs before the end of the term, the Government is entitled under the land leases to re-enter the sites and take possession of the sites and the buildings thereon;
- (b) land is a scarce and precious resource in Hong Kong. A distinctive feature of this scheme is that NGOs need to use their own land for construction of youth hostels. Furthermore, by inviting NGOs to operate the youth hostels on a self-financing basis, there is substantial saving to the Government as YHS does not give rise to any recurrent implications. Amongst others, NGOs will bear all recurrent costs in managing and maintaining the hostels and the associated youth services. Using NGO A's hostel as a reference, there is an annual saving of around \$6.64 million (including \$4 million for operating the youth hostel and \$2.64 million for subsidising the rents for similar accommodation in the same district). Taking into account NGO A's commitment of providing youth hostel service for 50 years, the savings to the Government would amount to some \$322 million;
- (c) in light of the above, the Government's policy is to recognise the importance to allow NGOs sufficient flexibility in taking forward their respective youth hostel projects, instead of requiring the NGOs to follow strictly all the government rules and procedures as a government department;
- (d) under the prevailing procurement guidelines, NGOs are required to cap the F&E expenditure at 12.5% of the construction unit cost. Such requirement has been widely adopted in similar public works projects ranging from

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schools, universities funded by the University Grants Committee and student hostels. It is noted that Hostel A's F&E allowance was 9.7% of the construction unit cost, well within the 12.5% ceiling;

- (e) regarding the variation in F&E provision in Hostels A and B, attention should be drawn to their substantially different scales of operation. Hostel A offers 80 places while Hostel B offers 1,680 places. In other words, Hostel B provides 21 times the number of hostel places offered by Hostel A. In general, the larger the scale of a youth hostel, the lower the average unit cost of F&E procurement, reflecting the economies of scale in bulk purchasing and overall project coordination;
- (f) there are also other factors affecting the procurement cost, particularly the social environment in which Hostel A's F&E procurement procedures was conducted. The procurement and construction works of the project were implemented at a time when Hong Kong was experiencing the widespread black-clad violence. Given the need to complete the project for the target opening of the hostel in early 2020, the completion of the project faced considerable practical difficulties, including elevated transportation cost, labour cost, logistics and installation of equipment under the unstable social environment;
- (g) on the issue of comparing the F&E items of the two contracts, with the benefit of the independent Registered Architect's assessment engaged by NGO A, the other costs for F&E procurement would range from 40% to 60%, whereas adding up to approximately 10% for force majeure and special circumstances such as the black-clad violence in 2019 (i.e. an estimated range of 50% to 70%). HYAB notes that, if the lower end of the estimated range was taken (see para. 2.45(b)), the F&E items procured under the new F&E contract would be 4.7% cheaper than those under the main works contract. If the mid-range of the estimated range was taken (see para. 2.45(a)), the cost for the new F&E contract would be 27% higher than the main works contract. In addition, HYAB has recognised that the social environment for awarding the main works contract in 2018 was entirely different from that for the new F&E contract as pointed out in (f) above;
- (h) nonetheless, HYAB agrees with the audit observations that there is scope for enhancement in NGOs' procurement procedures. With the launch of YHS back in 2011, HYAB notes there have been significant improvements

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in the Government's procurement requirements over the years, with the recent introduction of GLD guidelines issued in October 2025 (see para. 2.53) on conducting due diligence checks. HYAB has decided to strengthen controls over the procurement of F&E items in all future youth hostel projects in view of the promulgation of GLD guidelines in October 2025 and the audit recommendation in paragraph 2.58(b), including requiring NGOs, when conducting procurement of F&E items, to document rationale in drawing up a shortlist for restricted tendering as well as the breakdown between equipment and other related costs; to conduct market research; to compare the recommended tendered sum/rates with the pre-tender estimate and previous similar contracts; and to incorporate the relevant GLD guidelines into NGOs' procurement guidelines. HYAB has also decided to require NGOs to include information on how they have observed the above guidelines in their submissions when seeking HYAB's approval for procurement;

- (i) HYAB will require NGO A to take measures to ensure all relevant consideration and cost breakdown will be well documented in future procurement exercises or should there be any special circumstances that would affect the returned prices; and
- (j) HYAB has already taken action to recover costs from NGO A for the unused F&E items purchased.

PART 3: OPERATION OF YOUTH HOSTELS

3.1 This PART examines issues relating to the operation of youth hostels, focusing on the following areas:

- (a) processing of applications and utilisation of hostel places (paras. 3.2 to 3.33);
- (b) provision of activities to tenants (paras. 3.34 to 3.39); and
- (c) management of properties and facilities (paras. 3.40 to 3.50).

Processing of applications and utilisation of hostel places

3.2 As of December 2025, two youth hostels (i.e. Hostel A and Hostel B) constructed with Government funding were in operation. Audit visited the two hostels to review their operation.

3.3 According to GOAs for the two hostels, a person is eligible to be a tenant if that person (Note 22):

- (a) is a Hong Kong permanent resident;
- (b) is aged 18 or above but below 31 (Note 23);

Note 22: *According to GOAs, NGOs A and B have the discretion to enter into a tenancy agreement with any person who does not comply with any one or more of the eligibility criteria (excluding that in relation to public rental housing or interim housing (see para. 3.3(f))) up to 5% of the total number of tenants on a full-occupancy basis. As of September 2025, for the two hostels, such discretion had been exercised once.*

Note 23: *Prior to 1 January 2025, a tenant who passed his/her 31st birthday during the tenancy was allowed to finish the current term only. Since 1 January 2025, this age requirement has been relaxed when an existing tenant seeks to renew the tenancy agreement with the same youth hostel, provided that such criterion has been fulfilled at the time when he/she was first admitted and the aggregate tenancy period (including tenancies in other youth hostels) would not be more than 5 years.*

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- (c) is working full-time or part-time, or is self-employed;
- (d) earns an income of a level not exceeding the income limit and is the beneficial owner of total net assets not exceeding the asset limit at the time of application (see para. 1.9);
- (e) does not own any residential properties in Hong Kong (Note 24); and
- (f) does not occupy a youth hostel unit and a public rental housing (PRH) or interim housing flat as a one-person household at the same time.

Room for improvement in processing new applications and filling room vacancies

3.4 According to NGOs A and B, applications for hostel places will be invited when necessary. Applicants are required to complete an online application form and submit relevant supporting documents. When rooms become available, applications will be vetted against the eligibility criteria in the order of receipt. Applicants who fulfil the criteria will be invited to an interview for conducting an assessment. Applicants will be informed of the results, and tenancy agreements will be offered to those who are successful.

3.5 According to GOAs for the two hostels, the NGOs shall process all applications expeditiously. In 2024-25 and 2025-26 (up to September), 34 and 308 new tenancy agreements commenced for Hostel A and Hostel B respectively. Audit noted that:

Note 24: *According to GOA, a person is eligible to be a tenant if that person:*

- (a) does not own or co-own or have any beneficial interest in any residential property in Hong Kong;*
- (b) has not entered into any agreement, including provisional agreement, to purchase any residential property in Hong Kong; and*
- (c) does not hold more than 50% of shares in a company which owns, directly or through its subsidiaries, any residential property in Hong Kong.*

- (a) for Hostel A, the time elapsed between the dates the rooms became vacant (room vacancy dates) (Note 25) and the tenancy agreement effective dates ranged from 2 days to about 23 months (averaging about 6 months); and
- (b) for Hostel B, the time elapsed between the application dates (Note 26) and the tenancy agreement effective dates ranged from 1 day to about 12 months (averaging about 2 months).

3.6 Upon enquiry, NGOs A and B informed Audit in March 2026 that:

NGO A

- (a) for Hostel A, the time elapsed between the room vacancy dates and the tenancy agreement effective dates (see para. 3.5(a)) reflected the administrative processing required (including application processing, contracting and intake arrangements) and the unit readiness work necessary before re-allocation. The case with an elapsed time of about 23 months was related to a room within a co-living suite (Note 27) which, due to special circumstances, was withheld from allocation for part of the period (see para. 3.9(a)). Excluding this exceptional case and deducting periods during which the rooms were undergoing repair refurbishment (ranging from 3 days to about 8 months), the elapsed time for the remaining cases ranged from the same day to about 14 months (averaging about 4 months); and

NGO B

- (b) for Hostel B, the applications showing the time lapses of 1 day and 12 months between the application dates and the tenancy agreement effective dates (see para. 3.5(b)) were exceptional cases. The cases with

Note 25: *According to NGO A, there was a waiting list of applicants who had submitted applications but were not assigned hostel places (see para. 3.8), and the list included both vetted and unvetted applications.*

Note 26: *According to NGO B, there were room vacancies and no waiting list of applicants for hostel places.*

Note 27: *Hostel A had two co-living suites (each comprising three single rooms and a common living room).*

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only a 1-day lapse involved urgent room transfers triggered by special incidents in the rooms concerned or in neighbouring rooms. For the case with a 12-month lapse, it was an extreme situation in which the applicant delayed confirming the online application, submitting the required supporting documents and attending interviews.

3.7 While noting the explanations from NGOs A and B, Audit examined the records of 10 new applications (including 5 each for Hostel A and Hostel B) with the longest time elapsed between the room vacancy dates/application dates and the tenancy agreement effective dates (see para. 3.5) and found room for improvement in processing new applications and filling room vacancies (see paras. 3.8 to 3.11).

3.8 *Some rooms remained vacant despite existence of waiting list and no detailed guidelines on basis for room allocation.* According to NGO A, applications for vacant rooms in the following year are generally invited from the end of the current year. Applicants who are not assigned a place are put on a waiting list, which becomes invalid after each year end. Audit noted that for vacant places in 2022 and 2023 (Note 28), 2024 and 2025, 510, 383 and 200 applications were received, and only 36, 23 and 26 new tenants were admitted respectively. For the 5 applications examined (see para. 3.7), Audit noted that:

- (a) as there was a waiting list of applicants, vetting should have been conducted for the applications already received, in the order of receipt. However, for the 5 applications, the application dates of the tenants were later than the room vacancy dates, with the time elapsed ranging from about 7 to 14 months (averaging about 10 months);
- (b) for example, for a room (Room A), the elapsed time between the room vacancy date (September 2022) and the tenancy agreement effective date (August 2024) was about 23 months. The tenant (Tenant A) submitted the application in November 2023 for a vacant room in 2024. Despite the existence of a waiting list of applicants for 2022 and 2023, Room A was not allocated to any tenant between the vacancy date in September 2022 and the application date in November 2023 (about 14 months); and

Note 28: *According to NGO A, applications were not invited for vacant hostel places in 2023 and the waiting list for 2022 remained valid until 31 December 2023.*

- (c) Room A was a single room within a co-living suite. Further Audit examination revealed that 6 single rooms became vacant after September 2022 (i.e. later than Room A) but were allocated to tenants before August 2024 (i.e. earlier than Room A), and in the application forms, the tenants of these 6 rooms had indicated both single room and single room within a co-living suite as acceptable room types. On the other hand, Tenant A had indicated only single room as acceptable room type in the application form. As of February 2026, no documentation was available to explain why these 6 tenants were not assigned Room A while Tenant A was assigned a room type that was different from his indicated preference. In addition, there were no detailed guidelines laid down on the basis for room allocation (e.g. order of allocation).

3.9 Upon enquiry, NGO A informed Audit in March 2026 that regarding room allocation for the 5 applications examined for Hostel A (see para. 3.8):

- (a) Room A formed part of a co-living suite. During the period concerned, the suite required ongoing interventions to stabilise interpersonal dynamics among residents. The allocation of Room A was suspended from October 2022 to November 2023 to stabilise the living environment for existing residents and ensure suitable future placement;
- (b) for the remaining four cases, the rooms had been allocated to earlier applicants on the waiting list in accordance with the established sequence. However, due to withdrawals or refusals by one to three applicants for each room, multiple rounds of re-allocation were required before the rooms were allocated to the eventual tenants. As a result, the application dates of the final tenants appeared later than the original room vacancy dates;
- (c) Hostel A operated a staged intake arrangement to ensure orderly procedures and consistent service quality and manage risk. Where an applicant declined an offer, allocation for the room would resume in the next scheduled stage rather than on an immediate one-by-one basis. Longer intervals observed in certain cases therefore reflected re-allocation cycles and workflow sequencing, rather than delay or inaction. This arrangement also enabled staff to deliver structured induction support and risk-management measures for new residents; and

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- (d) Tenant A initially indicated single room only and later consented to accept a co-living single room. NGO A had always allocated rooms based on established operational principles (including applicants' acceptable room types, income and asset vetting, room availability, intake timing and interview performance). These principles were consistently applied in practice, but had not been consolidated into a standalone written guideline.

3.10 *Scope for improving timeliness in vetting applications, conducting interviews and entering into tenancy agreements.* As of February 2026, NGOs A and B had not specified in the guidelines the timeframes for processing new applications (e.g. vetting, conducting interviews, informing applicants of results and signing tenancy agreements). For the 10 applications examined (see para. 3.7), Audit noted that:

- (a) the time elapsed between the application dates and the interview dates ranged from 25 days to about 9 months (averaging about 5 months); and
- (b) the time elapsed between the interview dates and the signing of the tenancy agreements (with effective dates generally about one week later) ranged from 35 days to about 6 months (averaging about 2 months).

3.11 Upon enquiry, NGOs A and B informed Audit in March 2026 that:

NGO A

- (a) for Hostel A, regarding the longer interval between application dates and interview dates (see para. 3.10(a)), it reflected staged intake arrangement and supply matching. NGO A processed applications on a quarterly/batch basis to align with actual room vacancy windows. Regarding the timing of signing tenancy agreements (see para. 3.10(b)), the timing was affected by unit handover readiness, allocation schedule, applicants' personal and family arrangements, administrative procedures and holiday periods; and

NGO B

- (b) for Hostel B, during the vetting process (see para. 3.10), staff used written working files/slips, which were discarded after the application process was completed. Improvements had been made to revise the relevant parts of the

Operation Plan and working guidelines to specify a timeframe, and interview officers would be reminded to record interview dialogues on the designated forms for future reference.

Room for improvement in handling renewal applications

3.12 According to GOAs for Hostels A and B, a tenant is allowed to renew the tenancy provided that the eligibility criteria (see para. 3.3 except that the tenant is not subject to income and asset limit tests under item (d)) are met and the aggregate period of tenancy with the same tenant does not exceed 5 years. According to the NGOs, the timeframes for handling tenancy renewal by the two hostels are shown in Table 4.

Table 4
Timeframes for handling tenancy renewal by Hostels A and B
(December 2025)

Procedure	Hostel A	Hostel B
(a) Submission of renewal applications by tenants	Timeframe specified in individual notifications to tenants prior to expiry of the current tenancy agreements	2 months before the expiry of the current tenancy agreements
(b) Processing renewal applications	Issuing result or arranging meetings with tenants to complete the necessary procedures within 2 weeks after receipt of applications	Signing renewal agreements before the expiry of the current tenancy agreements

Source: NGO records

3.13 ***Room for improvement in submission of renewal applications by tenants.*** In 2024-25 and 2025-26 (up to September), 38 and 612 tenancy renewal agreements commenced for Hostel A and Hostel B respectively. Audit noted that:

- (a) for Hostel A, the applications for the 38 agreements were submitted 18 days to about 3 months (averaging about 2 months) before the expiry of the

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current tenancy agreements. According to NGO A, the hostel staff would issue expiry notifications (including specified deadline for reply) and renewal instructions directly to tenants about two months prior to the end of each tenancy period, with reminder mechanisms to facilitate timely tenant responses. Upon enquiry on compliance with the timeframes specified in the individual notifications for submitting renewal applications by tenants, NGO A informed Audit in March 2026 that:

- (i) submission status had previously been followed up operationally by frontline staff; and
 - (ii) to enhance management visibility, the information had now been standardised and summarised, enabling monthly review of submission timeliness and response rates, with targeted reminders issued where necessary; and
- (b) for Hostel B, the applications for 22 (4%) of the 612 agreements were submitted less than 2 months before the expiry of the current tenancy agreements, thereby not meeting the specified timeframe requirement (see item (a) in Table 4 in para. 3.12). Upon enquiry, NGO B informed Audit in March 2026 that it had already issued several reminders to the tenants concerned starting six months before the expiry of the tenancy agreements. To maintain a satisfactory occupancy rate, NGO B accepted late renewals with reasonable justifications. However, as of February 2026, the justifications for accepting these late renewals were not documented.

3.14 ***Room for improvement in processing renewal applications.*** For the time elapsed between the application dates and the processing completion dates of renewal applications for the two hostels (see para. 3.13), Audit noted that:

- (a) for Hostel B, the time elapsed for the 612 agreements ranged from 3 days to about 10 months (averaging about 3.4 months). All the renewal agreements were signed before the expiry of the current tenancy agreements; and
- (b) for Hostel A, the time elapsed for the 38 agreements ranged from 2 days to about 2 months (averaging about 1 month). For 25 (66%) agreements, the application processing was completed more than 2 weeks and up to about

2 months (averaging about 41 days) after receipt of applications, thereby not meeting the specified timeframe requirement (see item (b) in Table 4 in para. 3.12). Upon enquiry, NGO A informed Audit in March 2026 that for the 6 cases that took up to around 2 months, the extended processing time was due to document supplementation and verification, and that the cases fell within the rental adjustment period, during which renewal approvals had to be aligned with the updated rental levels.

Need to enhance checking of aggregate tenancy period

3.15 Under YHS, the first tenancy entered into with a youth tenant must be for a term of not less than 2 years, which may be renewed provided that the total period of tenancy comprising the original term plus any renewal must not exceed an aggregate of 5 years (including tenancies in other youth hostels). According to the application criteria on the websites of Hostels A and B, a person eligible to be a tenant should have lived in youth hostels under YHS for not more than 3 years in aggregate in the past.

3.16 ***Room for improvement in using YHS Management System to check aggregate tenancy period.*** The effective date for the first tenancy agreement of the youth hostels was 1 April 2020. Accordingly, the checking of compliance with the aggregate 5-year tenancy period requirement should commence by 31 March 2025. In April 2025, HYAB launched YHS Management System to facilitate the checking of compliance with the aggregate 5-year tenancy period requirement. The system contains information of tenants of youth hostels (e.g. the Hong Kong Identity Card numbers and start and end dates of tenancy). Audit noted that:

- (a) ***Need to ensure that tenants' information in YHS Management System is complete and up to date.*** On 1 April 2025, HYAB requested NGOs A and B to provide the lists of tenants (including existing and those who had moved out) in Hostels A and B in computerised spreadsheets for uploading to YHS Management System and also required them to submit updated lists of tenants for the preceding month by the 10th day of each month

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(Note 29). Both NGOs provided the requested lists in April 2025, and as of February 2026 (i.e. about 10 months after April 2025), NGOs A and B had only submitted updated lists of tenants to HYAB once (in January 2026 and February 2026 respectively), not meeting the requirement of monthly submission; and

(b) *Need to ensure that applicants comply with aggregate tenancy period requirement before signing tenancy agreements.* According to HYAB, NGOs A and B are required to send requests to HYAB to check the aggregate tenancy period of applicants before signing tenancy agreements for the youth hostel places. Audit noted that:

(i) between April 2025 and February 2026, NGO B submitted on four occasions to HYAB the lists of applications received for Hostel B, whereas NGO A did so on two occasions for Hostel A. HYAB provided its replies on whether the applicants had complied with the aggregate tenancy period requirement within the same day to 19 days (averaging about 5 days). Upon enquiry, HYAB informed Audit in March 2026 that, in general, it provided its replies within 1 to 2 days, while it might take longer for some of the special cases; and

(ii) for the 10 new applications examined by Audit (see para. 3.7), the tenancy agreements for 3 of them were signed after April 2025 (i.e. after the launch of YHS Management System for checking compliance with the aggregate 5-year tenancy period requirement). Audit noted that, for the 3 applications, NGOs A and B only submitted their requests to HYAB for checking the applicants' aggregate tenancy period after the tenancy agreements had been signed, with the elapsed time ranging from about 6 to 7 months.

Note 29: *According to HYAB, the aggregate 5-year tenancy period requirement includes tenancies in all youth hostels under YHS, including the youth hostels under the Subsidy Scheme for Using Hotels and Guesthouses as Youth Hostels. As of December 2025, HYAB had approved six projects under the Subsidy Scheme. Upon enquiry, HYAB informed Audit in March 2026 that the NGOs managing the youth hostels under the Subsidy Scheme had submitted lists of tenants on a monthly basis.*

3.17 *Some tenants had aggregate tenancy periods exceeding 5 years.* According to GOAs for Hostels A and B, the NGOs shall ensure that the aggregate period of tenancy with each tenant shall under no circumstances exceed 5 years. According to HYAB, NGOs shall maintain communication with tenants during their tenancies, in particular when the tenancy agreements are about to expire, NGOs shall provide bridging support so that the tenants can move out in a timely manner.

3.18 As of December 2025, Hostel A and Hostel B had been in operation for more than 5 and 2 years respectively. In order to ascertain whether any tenants had lived in youth hostels for more than 5 years, Audit examined the relevant records of Hostel A. Of the 38 tenancy renewal agreements commencing in 2024-25 and 2025-26 (up to September) for Hostel A (see para. 3.13), Audit noted that 6 (16%) tenants had aggregate tenancy periods in Hostel A exceeding 5 years, with excesses ranging from 1 to 60 days (averaging about 17 days).

3.19 Upon enquiry, NGO A and HYAB informed Audit in January to March 2026 that:

NGO A

- (a) specific procedures were in place for handling requests for tenancy extension (including timeframes for submission and processing of requests, and approval authority), and extensions could be granted for up to 6 months;
- (b) for the 6 cases (with aggregate tenancy periods exceeding 5 years — see para. 3.18), the tenants had requested tenancy extensions and NGO A processed the requests in accordance with its procedures (see (a) above). Specifically, for the case with an excess of 60 days, NGO A executed a short-term continuation tenancy with the tenant. For the remaining 5 cases (i.e. excesses of 1 day to 18 days), written confirmations or meeting records were maintained;
- (c) the 6 cases were included in the lists of tenants reported to HYAB in January 2026 (see para. 3.16(a));

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- (d) for the 6 cases, the short extended stays were arranged to facilitate tenants moving out of the hostels on compassionate ground; and
- (e) with the introduction of YHS Management System, the NGOs concerned were required to submit an updated list of tenants to HYAB by the 10th day of each month, hence irregular cases (including cases with approved short extended stays on compassionate ground) could be identified promptly and followed up accordingly.

3.20 However, Audit noted that as of February 2026:

- (a) NGO A had not specified in its guidelines the procedures and approval authority for handling requests for tenancy extension, particularly in cases where the aggregate tenancy period exceeded the 5-year requirement;
- (b) for the 6 cases involving aggregate tenancy periods exceeding 5 years (see para. 3.19(b) and (c)), the elapsed time between the tenancy end dates and the dates the cases were reported to HYAB ranged from about 1 month to 10 months, averaging about 7 months; and
- (c) HYAB had not requested NGOs to include, with reasons, the approved cases of tenants with aggregate tenancy periods exceeding 5 years in their annual reports to HYAB.

Need to review guidelines for conducting checks for property ownership

3.21 According to HYAB's guidelines for NGOs:

- (a) an applicant for a hostel place must not solely or jointly or through a company own any residential property in Hong Kong at the time of application. Under the tenancy agreement, a tenant will be required to inform the NGO if he subsequently comes into ownership of one or more residential properties; and

- (b) NGOs shall cross-check, on a regular basis, the tenants' records against the Housing Department's list of subsidised sale flats' ownership by submitting the requested data to HYAB.

3.22 Audit noted that as of February 2026:

- (a) no documentation was available to show that checks had been conducted for tenants in Hostels A and B on their ownership of subsidised sale flats (see para. 3.21(b)); and
- (b) the timeframe for conducting such checks was not specified in HYAB's guidelines.

3.23 Upon enquiry, HYAB informed Audit in March 2026 that, under prevailing practice, applicants were required to declare on their property ownership (including subsidised sale flats), and no applicants had declared owning any flats. Audit noted that, as of February 2026, HYAB's guidelines for NGOs had not specified the details of the cross-check arrangement on applicants' records of subsidised sale flats' ownership (see para. 3.21(b)). Besides, according to HYAB, there was no requirement to verify the declaration of property ownership for applicants who had declared no property ownership of subsidised sale flats, and it will explore with the Housing Department the feasibility of conducting such checks.

Need to ensure compliance with requirements in relation to PRH and interim housing

3.24 According to GOAs for Hostels A and B:

- (a) a person eligible to be a tenant of youth hostels shall not occupy a youth hostel unit and a PRH or interim housing flat as a one-person household at the same time;
- (b) under a tenancy agreement a tenant must undertake that should he/she be allocated a PRH or interim housing flat as a one-person household or as part of a family household whose other members are all tenants of accommodation provided under YHS, he/she shall notify the NGO in writing and choose either to continue the occupancy in the youth hostel and

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reject the allocation of the PRH or interim housing flat, or to take up the PRH or interim housing flat allocated and move out of the youth hostel unit;

- (c) for cases whereby the family of the tenant (whose family members are not tenants of accommodation provided under YHS) is allocated a PRH or interim housing flat, the tenant would be regarded as taking temporary absence from PRH or interim housing during the tenancy agreement;
- (d) the NGO shall inform applicants of the interface arrangements with PRH and interim housing (including (a) to (c) above); and
- (e) once a tenancy agreement has been entered into, the NGO shall provide with respect to each tenant under the tenancy agreement a duly executed undertaking to the Hong Kong Housing Authority (HKHA) or the Hong Kong Housing Society (HKHS) (Note 30), or a confirmation to the effect that the tenant fully acknowledges the interface arrangements in relation to PRH and interim housing and that during the period under tenancy agreement, the tenant shall not occupy a youth hostel unit and a PRH or interim housing flat as a one-person household at the same time.

3.25 *Need to inform applicants of all requirements under interface arrangements with PRH and interim housing.* Audit noted that:

- (a) for Hostel B, the information about the interface arrangements with PRH and interim housing was available on Hostel B's website; and
- (b) for Hostel A, as of February 2026, applicants were not informed of the interface arrangements specified in paragraph 3.24(b) and (c), contrary to the requirement under GOA (see para. 3.24(d)), as the information was not available on Hostel A's website, application form or tenancy agreement.

Note 30: *PRH is provided by HKHA or HKHS, while interim housing is provided by HKHA.*

3.26 *Need to take measures to ensure that tenants' undertakings relating to PRH and interim housing are provided to appropriate authorities.* For the undertaking of tenants in relation to PRH and interim housing (see para. 3.24(e)), Audit noted that:

- (a) *Inconsistent practices regarding responsibility for submitting tenants' undertakings.* Regarding the submission of tenants' undertakings to the appropriate authorities:
 - (i) for Hostel A, according to NGO A, the tenants were required to submit the signed undertakings directly to HKHA or HKHS, rather than through NGO A; and
 - (ii) for Hostel B, according to its guidelines, the tenants were required to submit the signed undertakings to HKHA or HKHS through NGO B; and
- (b) *Need to ensure submission of tenants' undertakings to appropriate authorities.* For the 10 new applications examined by Audit (see para. 3.7), the applicants had entered into tenancy agreements for hostel places in Hostels A and B. Of the 10 tenants, 7 tenants (3 for Hostel A and 4 for Hostel B) declared that they were living in PRH. Of the 7 tenants:
 - (i) for Hostel A, upon enquiry, NGO A informed Audit in January 2026 that the 3 tenants had signed and submitted the undertakings to the appropriate authorities, and provided copies of the undertakings for 2 of the tenants. Audit noted that the undertakings for the 2 tenants were signed only after Audit's enquiry, and the undertaking for the remaining tenant was not available. In addition, as of February 2026, no documentation was available showing the confirmation from HKHA or HKHS regarding their receipt of the related undertakings; and
 - (ii) for Hostel B, NGO B provided copies of the undertakings for the 4 tenants to Audit. Upon enquiry, NGO B informed Audit in March 2026 that the undertakings were submitted to HYAB in mid-January 2026. According to HYAB, it provided the undertakings to HKHA in February 2026.

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3.27 *Need to include interface arrangements with PRH and interim housing in tenancy agreements and tenants' confirmations.* For the 10 new applications examined by Audit (see para. 3.7), Audit noted that:

- (a) the 10 tenancy agreements did not include the tenants' undertaking that should they be allocated PRH or interim housing flats as a one-person household, they should notify the NGOs and choose either to continue to live in the youth hostels or take up the PRH or interim housing flats, thereby not meeting the related requirement under GOAs (see para. 3.24(b)); and
- (b) as of February 2026, for the 3 tenants (2 for Hostel A and 1 for Hostel B) who were not living in PRH or interim housing, confirmations to the effect that they fully acknowledged the interface arrangements and that they should not occupy a youth hostel unit and a PRH or interim housing flat as a one-person household at the same time were not available, thereby not meeting the related requirement under GOAs (see para. 3.24(e)). NGO A informed Audit in March 2026 that for Hostel A, after Audit's enquiry, it had obtained the signed acknowledgements in relation to the interface arrangements from the 2 tenants concerned.

3.28 Upon enquiry, HYAB informed Audit in March 2026 that it was working closely with the Housing Department to further develop a system to more effectively cross check if the tenants had fulfilled all of the PRH and interim housing related criteria (see para. 3.24).

Scope for improving utilisation of hostel places

3.29 Hostel A commenced operation in March 2020 and offered 80 hostel places (in 78 rooms), while Hostel B commenced operation in May 2023 and offered 1,680 hostel places (in 1,248 rooms). The occupancy rates of hostel places in the two hostels are shown in Table 5.

Table 5

Occupancy rates of hostel places in Hostels A and B
(2021 to 2025)

Particular	Hostel A			Hostel B		
	Single room (Note 1)	Double room	Overall	Single room	Double room	Overall
<i>No. of hostel places</i>	76	4	80	816	864	1,680
<i>Occupancy rate (Note 2)</i>						
31 March 2021	95%	100%	95%	N.A. (Note 3)		
31 March 2022	86%	100%	86%			
31 March 2023	95%	100%	95%			
31 March 2024	91%	100%	91%	98%	65%	81%
31 March 2025	99%	100%	99%	85%	69%	77%
30 September 2025	89%	100%	90%	91%	72%	81%

Source: Audit analysis of NGO records

Note 1: For Hostel A, the single rooms included the six single rooms located within two co-living suites (see Note 27 to para. 3.6(a)).

Note 2: The occupancy rates of the two hostels were calculated based on the numbers of hostel places and tenants as at year end (i.e. 31 March) of each financial year and 30 September 2025.

Note 3: Hostel B commenced operation in May 2023.

3.30 As shown in Table 5 in paragraph 3.29, Audit noted that:

- (a) the overall occupancy rates of the hostel places for Hostel A ranged from 86% to 99% as at 31 March in the years 2021 to 2025 and 30 September 2025, and those for Hostel B ranged from 77% to 81% as at 31 March 2024, and 31 March and 30 September 2025;
- (b) for Hostel A, as at 31 March in the years 2021 to 2025 and 30 September 2025, the occupancy rates of the hostel places in single rooms (ranging from 86% to 99%) were lower than those of

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double rooms (100%). Further Audit examination revealed that, except for 31 March and 30 September 2025, the occupancy rates of the single rooms located within the co-living suites (ranging from 50% to 83%) were lower than those of single rooms (ranging from 87% to 99%); and

- (c) for Hostel B, as at 31 March 2024, and 31 March and 30 September 2025, the occupancy rates of the hostel places in double rooms (ranging from 65% to 72%) were lower than those of single rooms (ranging from 85% to 98%).

3.31 Upon enquiry, NGOs A and B and HYAB informed Audit in March 2026 that:

NGO A

- (a) for Hostel A, the key reasons for the lower occupancy rates of single rooms within co-living suites (see para. 3.30(b)) included youths' stronger preference for accommodation with higher privacy, and concerns among some applicants regarding compatibility and shared-space arrangements. NGO A had enhanced room configurations and strengthened community-building activities to improve the attractiveness of the rooms within co-living suites;
- (b) NGO A acknowledged that the time gaps in processing applications and arranging move-in dates might have affected overall occupancy rates. To expedite the filling of vacancies, NGO A would take measures including streamlining application procedures, increasing assessment time slots, and improving flexibility in move-in scheduling;

NGO B

- (c) for Hostel B, a comprehensive and proactive promotional strategy had been implemented to improve the occupancy rates. This included displaying promotional materials in public housing estate lobbies, promoting through social media and sharing tenant story video; and

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- (d) single rooms were generally more popular with youth tenants as they preferred not to share room with others.

Audit recommendations

3.32 **Audit has *recommended* that the Secretary for Home and Youth Affairs should:**

- (a) **require NGOs to enhance their monitoring of timeliness in processing new and renewal applications for hostel places in youth hostels, by making reference to the issues identified by Audit and taking follow-up actions as appropriate, for the purpose of fulfilling the requirements in GOAs;**
- (b) **take measures to ensure that youth hostel tenants' information in YHS Management System is complete and up to date for checking compliance with the aggregate tenancy period requirement, including ensuring that NGOs regularly provide updated lists of tenants to HYAB as required;**
- (c) **remind NGOs to timely submit the requests for checking applicants' compliance with the aggregate tenancy period requirement and to ensure that applicants comply with the requirement before signing tenancy agreements;**
- (d) **suggest NGOs to include, with reasons, the approved cases of youth hostel tenants with aggregate tenancy periods exceeding 5 years in their annual reports to HYAB;**
- (e) **review HYAB's guidelines on the cross-check requirement for youth hostel applicants' records of subsidised sale flats' ownership by making reference to the results of exploring the feasibility of conducting such checks with the relevant government department;**

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- (f) **advise NGOs to take the following measures for fulfilling the requirements under GOAs in relation to PRH and interim housing:**
 - (i) **inform applicants for youth hostel places of all the requirements under the interface arrangements;**
 - (ii) **provide youth hostel tenants' undertakings to the appropriate authorities; and**
 - (iii) **include the interface arrangements in tenancy agreements and tenants' confirmations for youth hostel places;**
- (g) **suggest NGOs to implement measures as necessary to improve the occupancy rates of youth hostel places; and**
- (h) **make reference to utilisation rates from existing youth hostels when determining the allocation of room types in planning future youth hostel projects.**

Response from the Government

3.33 The Secretary for Home and Youth Affairs agrees with the audit recommendations. She has said that HYAB will:

- (a) **continue to closely monitor the performance of NGOs in terms of youth hostel occupancy and processing of applications for youth hostel places;**
- (b) **require NGOs to enhance their monitoring of timeliness in processing new and renewal applications and take follow-up actions to the issues identified by Audit as appropriate; and**
- (c) **remind NGOs to take measures to fulfil the requirements under GOAs.**

Provision of activities to tenants

3.34 According to HYAB, apart from meeting young people's aspirations of having their own living space, youth tenants will also benefit through participating in the various support and training activities provided by youth hostels during their stay. According to GOAs for Hostels A and B, the NGOs shall provide appropriate services to facilitate tenants to develop self-confidence and personal goals through assisting them to explore and understand their personal strengths, to learn to live with other people, to build up job and co-working skills as well as the capacity to deal with life transitions.

Room for improvement in provision and evaluation of activities

3.35 According to the Operation Plans for:

- (a) Hostel A, various activities will be organised for the tenants, including those for life skills, social networking and financial planning, and the tenants will automatically join as a member and volunteer of the NGO; and
- (b) Hostel B, various activities will be provided to the tenants, including life skills training, volunteer activities and career enhancement training.

3.36 For Hostels A and B, according to their Operation Plans, tenants' participation in activities and volunteer services is on a voluntary basis. According to the House Rules of Hostel B, tenants with tenancy agreements effective from May 2025 have been required to participate in activities at least three times a year to equip themselves, put ideals into practices, serve the society and foster future development. For the activities (e.g. training and volunteer activities) organised by the two hostels, Audit noted that:

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- (a) for Hostel B, 303 activities were organised with 4,623 participants in 2024-25 and 2025-26 (up to November), and since April 2025, evaluation had been conducted for the activities organised (Note 31); and
- (b) for Hostel A, 41 activities were organised in 2024-25 with 328 participants. As of February 2026, the information on the evaluation results was not available.

3.37 Upon enquiry, NGO A informed Audit in March 2026 that for activities which were experiential or life-skills-based, it had collected qualitative insights through meetings, on-site observations, casual conversations during gatherings, and individual discussions. In addition, overall feedback on activities was incorporated into both renewal and exit surveys to ensure comprehensive assessment without disrupting the activity experience. However, Audit noted that, as of February 2026, qualitative feedback on individual activities had not been documented and the renewal and exit surveys only captured overall feedback on activities.

Audit recommendation

3.38 **Audit has recommended that the Secretary for Home and Youth Affairs should take measures to encourage NGOs to conduct evaluations and document feedback on individual activities provided to tenants of youth hostels with a view to identifying room for improvement.**

Response from the Government

3.39 The Secretary for Home and Youth Affairs agrees with the audit recommendation.

Note 31: *According to NGO B, 141 activities were organised in the period from April to November 2025. Based on the participants' evaluations, the satisfaction level of the activities ranged from 60% to 100%.*

Management of properties and facilities

3.40 For Hostels A and B, the Government has provided full capital funding to the NGOs for developing the youth hostels and directly associated facilities. In addition to the hostel units, the hostels include management offices and communal facilities (e.g. multi-purpose rooms (see Photograph 2 for an example), kitchens (see Photograph 3 for an example) and laundry rooms). The NGOs are responsible for the recurrent expenditure relating to the maintenance of the youth hostels.

Photograph 2

Example of a multi-purpose room



Source: NGO records

Photograph 3

Example of a kitchen



Source: NGO records

Scope for improvement in repairs and maintenance of properties and facilities

3.41 ***Need to improve timeliness of defect rectification for Hostel A.*** For Hostel A:

- (a) during Audit's visit to Hostel A on 5 January 2026, Audit noted that there was water seepage in a multi-function room. Upon enquiry, NGO A informed Audit in March 2026 that the problem was identified in July 2025, and preliminary maintenance works were carried out with further rectification scheduled after rainy season. The rectification works were completed in February 2026 (i.e. about 7 months after the problem was identified); and

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- (b) according to the list of major defects for Hostel A, a total of 25 defects (including the defect in (a) above) were identified from January 2025 to February 2026. For the 25 defects, the time lapse between identification of defects to completion of repair works ranged from the same day to about 7 months (averaging about 1.4 months).

3.42 *Scope for improving management information on defects and repair works for Hostel B.* For Hostel B, according to NGO B, defects might be identified during daily inspections on youth hostel's facilities and reported by tenants. The defects identified and the repair works performed were recorded in a repair reporting system. Audit noted that:

- (a) the repair reporting system only recorded defects reported by the tenants through the system. Defects identified during daily inspections by NGO B and those reported verbally by tenants were only recorded in paper form. For example, in March 2025, a total of 106 defects were identified, of which 98 (92%) defects were recorded in the repair reporting system and 8 (8%) defects were recorded in paper form; and
- (b) the completion dates of repair works were not recorded in the repair reporting system. According to NGO B, the completion dates were recorded on individual paper forms. Hence, the timeliness in carrying out the repair works could not be ascertained readily.

Need to include clauses on safeguarding national security in quotations, tender documents and contracts for maintenance of youth hostels

3.43 The Law of the People's Republic of China on Safeguarding National Security in the HKSAR was implemented on 30 June 2020. The Law stipulates that it is the constitutional duty of the HKSAR to safeguard national security. Besides, the Safeguarding National Security Ordinance took effect on 23 March 2024. It is stated in section 8(3) of the Ordinance that if the law of the HKSAR confers any function on a person, the function is to be read as including a duty to safeguard national security, and accordingly, any person, in making any decision in the performance of the function, must regard national security as the most important factor, and give appropriate consideration to it accordingly.

3.44 For Hostels A and B, the two NGOs had outsourced the maintenance services of the youth hostels (e.g. building management services and maintenance of elevators/lifts) to contractors. Audit noted that:

- (a) for Hostel A, since April 2024, NGO A had incorporated the requirement to include specific clauses on safeguarding national security in quotations, tender documents and contracts in its procurement guidelines. As of January 2026, two maintenance contracts were in force, of which the tender for one contract had been invited in or after April 2024. Audit noted that for the contract with tender invited in or after April 2024:
 - (i) the clauses on safeguarding national security were not included in the tender documents for the tender invited in April 2025; and
 - (ii) NGO A confirmed the purchase of the maintenance services by issuing a letter to the contractor for acceptance of the tender submitted. However, there was no evidence to show that NGO A had provided the clauses on safeguarding national security to the contractor for its attention and compliance; and
- (b) for Hostel B, NGO B had only incorporated the requirement to include specific clauses on safeguarding national security in quotations, tender documents and contracts in its procurement guidelines since September 2025.

Scope for improvement in managing mandatory reserve fund

3.45 According to GOAs for Hostels A and B:

- (a) NGOs shall set up a mandatory reserve fund for the sole and exclusive purpose of meeting major repair and maintenance needs of the youth hostels;
- (b) unless and until the reserve amount reaches the Required Reserve Level, NGOs shall, for and before the end of each financial year pay into the reserve an amount equivalent to the Minimum Annual Reserve Contribution. NGOs shall pay into the reserve all the operating surplus for that financial year; and

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- (c) where the reserve amount has reached the Required Reserve Level, NGOs may apply to HYAB for its approval to deploy any of the reserve in excess of the Required Reserve Level for a use other than meeting major repair and maintenance needs of the youth hostels (e.g. purposes related to NGOs' other non-profit-making services/programmes).

3.46 *Need to ensure that balance of mandatory reserve fund is properly reported in audited financial statements.* According to GOAs for Hostels A and B, the audited financial statements must indicate the balance and deployment of the mandatory reserve fund. As of December 2025, there had been no utilisation of the mandatory reserve fund for both hostels. For Hostel A, as stated in the audited financial statements for 2020-21 to 2024-25, the accumulated fund, representing the accumulated operating surplus or deficit arising from youth hostel operation, would be used for the sole and exclusive purpose of meeting major repair and maintenance needs of the youth hostel (i.e. the accumulated fund balance represented the mandatory reserve fund balance). For Hostel B:

- (a) according to the supporting documentation for determining the mandatory reserve balance, the balance of the mandatory reserve fund should be \$12 million as at 31 March 2025. In the audited financial statements for 2024-25, the accumulated operating surplus was classified into different reserves (including “accumulated surplus” of \$10 million and “Minimum Annual Reserve Contribution reserve” of \$2 million), and only the “Minimum Annual Reserve Contribution reserve” of \$2 million was reported as being set aside for major repair and maintenance costs of the youth hostel (i.e. the balance of the mandatory reserve fund); and
- (b) upon enquiry, NGO B informed Audit in January 2026 that the “accumulated surplus” of \$10 million as at 31 March 2025 was also designated solely and exclusively for repair and maintenance purposes. However, this information was not explicitly reported in the audited financial statements.

3.47 Upon enquiry, HYAB informed Audit in March 2026 that should NGO B wish to deploy any funds from the reserve for a use other than meeting major repair and maintenance needs of the youth hostel, approval from HYAB will be required (see para. 3.45(c)), and so far, no application had been submitted by NGO B for the use of the reserves for Hostel B.

Scope for improvement relating to accounting for government-funded properties and facilities

3.48 The capital costs of Hostels A and B funded by the Government covered the construction of the youth hostels and related facilities serving the hostel tenants, including F&E and communal facilities (e.g. multi-purpose room). Audit examined the audited financial statements submitted by the two NGOs to HYAB and noted that:

- (a) ***Properties and facilities funded by the Government included in Hostel A's financial statements.*** For Hostel A, the APE for construction works of the hostel was \$150.9 million. The capital costs funded by the Government (including costs for construction of the building and F&E) were accounted for in Hostel A's audited financial statements, with depreciation calculated based on their estimated useful lives (e.g. 50 years for building and 5 years for F&E); and
- (b) ***Properties and facilities funded by the Government not included in Hostel B's financial statements.*** For Hostel B, the APE for construction works of the hostel was \$1,444.7 million. The capital costs funded by the Government (including costs for construction of the building and F&E) were not included in Hostel B's audited financial statements. Upon enquiry, NGO B informed Audit in January 2026 that according to GOA, the annual report (including the audited financial statements) covered the operation of Hostel B, and that the fixed assets and related depreciation for pre-operation items were included in NGO B's audited financial statements. In February 2026, NGO B provided to Audit schedules accounting for the government-funded properties and facilities (including the costs and depreciation for F&E) for Hostel B for 2023-24 and 2024-25. Audit noted that, as of February 2026, such information had not been provided to HYAB for monitoring.

Audit recommendations

3.49 **Audit has recommended that the Secretary for Home and Youth Affairs should:**

- (a) **remind NGOs to take measures to ensure that the properties and facilities of youth hostels are properly maintained and defects are rectified in a timely manner;**

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- (b) **remind NGOs to include clauses on safeguarding national security in quotations, tender documents and contracts for the maintenance of youth hostels;**
- (c) **remind NGOs to ensure that the balance of mandatory reserve fund for meeting major repair and maintenance needs is properly reported in the audited financial statements in accordance with GOAs; and**
- (d) **suggest NGO B to provide HYAB the schedules accounting for the government-funded properties and facilities for Hostel B for monitoring.**

Response from the Government

3.50 The Secretary for Home and Youth Affairs agrees with the audit recommendations. She has said that HYAB:

- (a) will remind NGOs to take measures to ensure that the properties and facilities of youth hostels are properly maintained and defects are rectified in a timely manner;
- (b) will continue to closely monitor the performance of NGOs and ensure that the requirements in the GOAs are complied with; and
- (c) attaches great importance to safeguarding national security and will remind NGOs to include clauses in quotations, tender documents and contracts for maintenance and other services in future.

PART 4: OTHER RELATED ISSUES

4.1 This PART examines other issues related to youth hostels constructed with Government funding, focusing on the following areas:

- (a) formulation of GOAs and payment of grants (paras. 4.2 to 4.12);
- (b) review of tenant eligibility criteria for YHS (paras. 4.13 to 4.20);
- (c) monitoring of rental and other charges (paras. 4.21 to 4.29); and
- (d) performance measurement and reporting (paras. 4.30 to 4.42).

Formulation of Grant and Operation Agreements and payment of grants

4.2 The GOA signed between HYAB and an NGO governs the rights and obligations of both parties on the design, construction and operation of a youth hostel in accordance with the Government's policy objectives.

Payments already made to NGOs before signing GOAs

4.3 Audit noted that, up to December 2025, the then HAB/HYAB had signed GOAs with the 5 NGOs (i.e. NGOs A to E) responsible for the construction and operation of Hostels A to E, but had not yet done so for the 2 NGOs (i.e. NGOs F and G) responsible for Hostels F and G. Audit examination revealed that the then HAB/HYAB had already made payments totalling about \$134.5 million to the 7 NGOs before the signing of GOAs (see Table 6 for details).

Other related issues

Table 6
Payments made to NGOs before signing GOAs
(December 2025)

NGO	Date of signing GOA	Payment made to NGO before signing GOA (\$)	Payment date	Payment purpose (Note 1)
A	9.2.2018	6,352,050	30.3.2015 to 14.12.2017	1
B	16.10.2018	10,466,500	30.3.2017 to 1.8.2018	1
C	22.8.2025	9,717,688	23.9.2015 to 17.3.2025	1
		81,351,378 (Note 2)	8.11.2023 to 12.8.2025	2
D	30.9.2021	3,733,172 (Note 3)	31.3.2020 to 24.6.2021	1
E	10.10.2022	11,254,773	24.3.2015 to 22.8.2022	1
		6,839,153	18.3.2022 to 16.8.2022	2
F	GOA not signed	2,336,960	28.12.2023 to 23.10.2025	1
G		2,432,100	24.3.2021 to 29.3.2023	1
Total		134,483,774		

Source: Audit analysis of HYAB and the Treasury records

Note 1: The number "1" refers to consultancy fees and pre-construction activities and the number "2" refers to construction works.

Note 2: On 2 November 2023, NGO C signed a letter of undertaking for disbursement of advance payment by HYAB (see Note 32 to para. 4.4(c) for details).

Note 3: On 28 December 2023, NGO D signed a letter of undertaking for disbursement of advance payment by HYAB.

4.4 Upon enquiry, HYAB informed Audit in February and March 2026 that:

- (a) HYAB considered it infeasible to have GOAs signed during the pre-construction stage, as GOAs would usually be signed after completing the pre-construction activities and before the commencement of operation of the youth hostel under the prevailing practice (see para. 2.17(b));
- (b) the payment of the approved funding before the signing of GOAs would be normally be made on a reimbursement basis (i.e. an NGO first settled an

invoice and then submitted the receipts to HYAB to claim for payment) with reference to the payment arrangements stated in HYAB's Guidance Notes on Project Implementation of YHS; and

- (c) according to HYAB's experience gained from the implementation of the seven youth hostel projects, the NGOs concerned would suffer from serious cashflow problems (which might lead to delay in project implementation) if reimbursement for both pre-construction and construction works could only be processed after the signing of GOAs. In 2023, HYAB devised a new mechanism with NGO C (which was unable to settle the bills due to cashflow problem) under which HYAB would process and approve NGO C's applications for advance payment upon receiving the NGO's invoices covering the works certified by an independent architect or quantity surveyor. To protect the Government's interest, NGOs applying for advance payment were required to sign a letter of undertaking (Note 32) requiring them, amongst others, to use the advance payment solely for settling the certified invoices vetted by the consultant within a specific period. With this additional safeguard, NGO C had been implementing its youth hostel project according to the planned schedule.

4.5 While noting HYAB's explanations, Audit found that some expenditure had been incurred for pre-construction activities and a significant amount of expenditure had also been incurred on construction works before the signing of GOAs (see Table 6 in para. 4.3). In Audit's view, HYAB needs to explore measures to shorten the time required to finalise GOAs in future (see para. 2.36(a)), and where payment

Note 32: *On 2 November 2023, NGO C signed a letter of undertaking in consideration of the NGO being responsible for designing, building and operating Hostel C and the disbursement of advance payment by HYAB, which included the following terms:*

- (a) *the advance payment shall solely and exclusively be used for the purpose of settling payments to NGO C's consultants and/or works contractors for the design and construction of Hostel C. The advance payment shall be deposited into and kept in a designated bank account separate from other monies belonging to NGO C; and*
- (b) *the designated bank account shall be an interest-bearing account established and maintained in the sole name of NGO C, and all unspent balance of the advance payment shall be kept in the designated bank account and be returned immediately to the Government upon request. All transactions into and out of the designated bank account shall be properly and timely recorded and such records shall be available for inspection upon HYAB's request.*

Other related issues

is required before the GOA is signed, take measures to ensure that justifications are provided and appropriate safeguard measures (e.g. requiring an NGO to sign and comply with a letter of undertaking including the NGO's obligations in receiving the payment and the Government's rights of access to the records relating to a youth hostel project) are implemented.

4.6 *Need to ensure NGOs' compliance with requirements relating to maintenance of designated bank accounts.* Audit noted that the GOA has contained various clauses to ensure that the grant provided to an NGO is properly used and timely recorded starting from the design stage of a youth hostel, including:

- (a) in consideration of the NGO agreeing to design, build and operate the youth hostel, the Government will provide the NGO with the grant in accordance with the terms and conditions of the GOA;
- (b) in the event the Government has approved the NGO's application for advance payment of the grant, the NGO shall open and maintain a designated interest-bearing bank account solely and exclusively for the grant, and keep the grant separate from other monies belonging to the NGO. The NGO shall ensure that the grant is paid into and kept in the designated bank account, and ensure that all receipts into and payments out of the bank account are properly and timely recorded. The NGO shall keep all unspent balance of the grant at all times in the designated bank account;
- (c) if the GOA is terminated prior to the commencement date of hostel operation, the NGO shall immediately upon demand by the Government return part or all of the grant with interest accrued to the designated bank account; and
- (d) the NGO shall permit and arrange for the Government's representatives to access all financial records and books of accounts of the NGO in relation to the youth hostel project.

4.7 According to HYAB, NGO C and NGO D have applied for advance payment of the grant, and they have opened and maintained a designated bank account as required under the GOA. However, Audit noted that the NGOs' bank accounts were not interest-bearing, contrary to the relevant GOA requirement (see para. 4.6(b)). Audit also found that some transactions shown in the NGOs' bank

statements were not related to the youth hostels. For example, NGO D’s bank statements showed deposits from other organisations that were unrelated to Hostel D, contrary to the relevant GOA requirement that a designated bank account should be opened and maintained solely and exclusively for keeping the grant for a youth hostel separate from other monies belonging to the NGO (see para. 4.6(b)).

Inconsistent clauses in GOAs

4.8 Audit examination revealed that some clauses in the five GOAs signed between the then HAB/HYAB and the NGOs concerned were inconsistent (see Table 7 for examples).

Table 7

Examples of inconsistencies across five GOAs signed between the then HAB/HYAB and NGOs

Clause	NGO A	NGO B	NGO C	NGO D	NGO E
	With GOA signed on				
	9.2.2018	16.10.2018	22.8.2025	30.9.2021	10.10.2022
1. Term of GOA	50 years	50 years	50 years	50 years	40 years
2. Grant amount stated in GOA	\$158.68 million (same as APE)	\$1,512.85 million (exceeding APE by \$50,000)	\$242.3 million (same as APE)	\$781.3 million (same as APE)	\$449.9 million (less than APE by \$1.1 million)
3. Inclusion of explicit national security clause (Note 1)	No (Note 2)	No (Note 2)	Yes	Yes (Note 1)	No (Note 2)
4. Professional indemnity insurance of design consultant	At least 10 years from commencement date of hostel operation	At least 6 years from the date of notification of completion of the design consultancy			
5. Appointment of project coordinator	Not required	Not required	Required	Not required	Not required
6. Authorised signatories of designated bank account	Not required	Not required	Required	Not required	Not required

Other related issues

Table 7 (Cont'd)

Clause	NGO A	NGO B	NGO C	NGO D	NGO E
	With GOA signed on				
	9.2.2018	16.10.2018	22.8.2025	30.9.2021	10.10.2022
7. Reporting of employees'/ contractors' death or injury to HYAB	Not required	Not required	Required	Not required	Not required
8. Community or volunteer service hours	Not required (Note 3)	Not required (Note 3)	At least 200 hours per year	Not required	Not required
9. Submission and publication of annual reports	By 7 months after financial year-end (Note 4)				
10. Contribution to reserve fund account	By financial year-end			By 7 months after financial year-end	By financial year-end

Source: *Audit analysis of HYAB records*

Note 1: *The Law of the People's Republic of China on Safeguarding National Security in the HKSAR was implemented on 30 June 2020 and the Safeguarding National Security Ordinance took effect on 23 March 2024 (see para. 3.43). The GOA between the then HAB and NGO D, signed on 30 September 2021, explicitly specified the requirement to comply with the Law.*

Note 2: *According to the GOAs of NGOs A, B and E, it is specified that each NGO agrees to comply with all applicable laws in the performance of the GOA. The national security legislations referred to in Note 1 are not explicitly specified.*

Note 3: *While the GOAs do not stipulate any requirement for community or volunteer service hours, Audit notes that, according to the Operation Plan for Hostel A (managed by NGO A), tenants will automatically join as volunteers of the NGO (see para. 3.35(a)). Besides, the House Rules and Operation Plan of Hostel B (managed by NGO B) require tenants with tenancy agreements effective from May 2025 to participate in activities (including volunteer activities) at least three times a year (see paras. 3.35(b) and 3.36).*

Note 4: *According to the GOA between the then HAB and NGO D, the NGO shall inform the Government if it encounters genuine difficulties in submitting and publishing an annual report according to the stipulated timeframe and the Government shall consider appropriate timeframe as suggested by the NGO.*

4.9 Upon enquiry, HYAB informed Audit in February 2026 that the inconsistencies in GOA clauses identified in Table 7 arose because:

- (a) for item 1, the Chief Executive in Council had specifically directed in 2017 that a shorter GOA term of 40 years should be imposed for Hostel E based on a special consideration that NGO E had a land lease of a term of 999 years covering the site concerned;
- (b) for item 2, subsequent to the signing of the GOA between HYAB and NGO E in October 2022, FSTB approved an additional \$1.1 million (from \$12.4 million to \$13.5 million) in March 2023 for the pre-construction works of Hostel E. For NGO B, the total APE for Hostel B should be \$1,512.8 million (comprising \$68.1 million for pre-construction activities and \$1,444.7 million for construction works) and HYAB had all along adhered to the total APE amount in the management of the youth hostel project;
- (c) for item 4, the related requirement was updated for NGOs B to E to align with the relevant ArchSD's guidelines on professional indemnity insurance;
- (d) for items 5 to 7, the related requirements were formulated for NGO C with reference to the funding agreement prepared in early 2023 for the Subsidy Scheme under YHS (see Note 5 to para. 1.12) after consultation with the Department of Justice;
- (e) for item 8, the requirement of at least 200 hours of community or volunteer services per year (Note 33) was added after seeking NGO C's agreement in order to nurture youth tenants' sense of belonging to the society and responsibility as well as to cultivate their sense of ownership; and
- (f) for items 9 and 10, the related requirements were refined upon NGO D's request by considering that its annual report and statement of accounts would be approved at its annual general meeting held in November each year according to the NGO's constitution.

Note 33: *Under the Subsidy Scheme launched in early 2023 (see Note 5 to para. 1.12), tenants of youth hostels are required to participate in no less than 200 hours of community or volunteer services to the neighbourhood community each year.*

Other related issues

4.10 While noting HYAB's explanations, Audit considers that, making reference to the inconsistent clauses identified, HYAB needs to review the GOAs and discuss with the relevant NGOs to, where appropriate, align the relevant inconsistent clauses.

Audit recommendations

4.11 **Audit has recommended that the Secretary for Home and Youth Affairs should:**

- (a) **where a payment is required before the GOA is signed, take measures to ensure that justifications are provided and appropriate safeguard measures are implemented;**
- (b) **take measures to ensure that interest-bearing bank accounts are opened and maintained by NGOs for keeping the grant for youth hostel projects according to the GOAs;**
- (c) **require NGOs to confirm in their audited financial statements that the grant is kept solely and exclusively in designated bank accounts separate from other monies belonging to the NGOs as required under GOAs; and**
- (d) **making reference to the inconsistent clauses identified in the GOAs, review the GOAs and discuss with the relevant NGOs to, where appropriate, align the relevant inconsistent clauses.**

Response from the Government

4.12 The Secretary for Home and Youth Affairs agrees with the audit recommendations. She has said that HYAB will:

- (a) continue to closely monitor the performance of NGOs and ensure that the requirements in the GOAs are complied with;
- (b) take appropriate safeguard measures for payments made before signing GOAs; and

- (c) review the GOAs and discuss with the relevant NGOs to, where appropriate, align the relevant inconsistent clauses.

Review of tenant eligibility criteria for Youth Hostel Scheme

Need to inform NGOs of timeframes for annual review and update of income and asset limits for applicants

4.13 The applicants for hostel places in youth hostels are subject to income and asset limit tests at the time of application (see para. 1.9). According to HYAB, the income level will be reviewed and where necessary adjusted annually in accordance with the latest statistics issued by the Census and Statistics Department, and the asset limit will be adjusted annually having regard to the Composite Consumer Price Index. HYAB will inform NGOs of the revised limits accordingly.

4.14 In the period from 2021 to 2025, the income limit for applicants had been revised annually five times and the asset limit had been revised six times (including twice in 2023) (Note 34). Audit noted that for the five revisions to the income and asset limits (excluding the revision to the asset limit only in February 2023), HYAB informed NGOs of the revised limits, with effective dates ranging from the same day of notification to five days later, once in March, twice in May, once in June, and once in July.

4.15 Upon enquiry, HYAB informed Audit in March 2026 that the income and asset limits had been reviewed annually around the middle of the year. However, as of February 2026, HYAB had not informed NGOs of the timeframes for the annual review and update of the income and asset limits for applicants for hostel places to facilitate NGOs' selection of tenants according to the eligibility criteria set out in GOAs.

Note 34: *From 2021 to 2025, HYAB revised the income limit based on the previous year's annual statistics. According to HYAB, before 2022, the asset limit was adjusted based on the annual rates of changes of the Composite Consumer Price Index, and starting from 2022, the index used was the index for March annually.*

Other related issues

Need to review the need to standardise valuation basis of assets owned by applicants

4.16 A person eligible to be a tenant of a youth hostel should be the beneficial owner of total net assets not exceeding the asset limit at the time of application (see para. 3.3(d)). However, Audit noted that as of December 2025:

- (a) according to the information available on the websites of Hostels A and B for applications of hostel places, while the categories of assets taken into account in assessing the total value of assets (e.g. lands, non-residential properties, vehicles and cash) owned by applicants were the same for both hostels, there were inconsistencies in the valuation basis of some assets. For example, in valuing cash balance, Hostel A included fixed deposit and saving/current account balances owned by applicants as at the day before the application date, while Hostel B included those as at the application date; and
- (b) the valuation basis of assets owned by applicants for conducting the asset limit test was not specified in HYAB's guidelines for NGOs.

Need to assess all assets owned and declared by applicants when assessing their eligibility

4.17 A person eligible to be a tenant of a youth hostel should not own any residential properties in Hong Kong (see para. 3.3(e)). Audit noted that:

- (a) the eligibility criteria in relation to property ownership only referred to residential property in Hong Kong;
- (b) for the eligibility criteria in relation to the asset limit, according to the information available on the websites of Hostels A and B as of December 2025, the assessment of asset value covered non-residential property (both in and outside Hong Kong) (see para. 4.16(a));
- (c) upon enquiry, NGO A informed Audit in January 2026 that while the application materials did not specifically mention residential property outside Hong Kong, applicants were required to declare all assets they owned. On the other hand, NGO B informed Audit in January 2026 that

the assessment of asset value did not cover residential property outside Hong Kong; and

- (d) as of February 2026, HYAB had not specified in its guidelines for NGOs whether residential property outside Hong Kong should be taken into account in assessing the eligibility of applicants.

4.18 Upon enquiry, HYAB informed Audit in March 2026 that, among other criteria, applicants for youth hostel places were required to meet the specified asset limits and did not own any residential property in Hong Kong. Under the prevailing practice, applicants were required to declare their assets and property ownership in Hong Kong for assessing their fulfilment of these two criteria. HYAB would advise NGO B to include all assets declared by applicants when assessing their fulfilment of such criteria.

Audit recommendations

4.19 **Audit has *recommended* that the Secretary for Home and Youth Affairs should:**

- (a) **inform NGOs of the timeframes for the annual review and update of the income and asset limits for applicants for hostel places to facilitate NGOs' selection of tenants according to the eligibility criteria set out in GOAs;**
- (b) **review the need to standardise the valuation basis of assets (e.g. valuation date of cash balance) applied by NGOs in asset limit test for applicants for hostel places, and take follow-up actions as appropriate (e.g. informing NGOs of the related requirements); and**
- (c) **require NGOs to take measures to assess all assets (e.g. residential property outside Hong Kong) owned and declared by applicants for hostel places when assessing their eligibility.**

Response from the Government

4.20 The Secretary for Home and Youth Affairs agrees with the audit recommendations.

Monitoring of rental and other charges

4.21 According to GOAs for Hostels A and B, the average rental charged for the youth hostel units must not exceed 60% of the market rental level for the time being in effect as determined by HYAB whose determination shall be conclusive. The NGOs may, in accordance with the Operation Plans:

- (a) charge and collect rental for the youth hostel units;
- (b) adjust rental for youth hostel units once a year;
- (c) charge for electricity and water consumed within the youth hostel units; and
- (d) levy and collect any other charges as specified in the Operation Plans.

4.22 According to the Operation Plans for Hostels A and B, the rentals charged for the youth hostel units cover basic rent, rates, government rent and management fees. Table 8 shows the rental levels and room sizes of Hostels A and B as of December 2025.

Table 8
Rental levels and room sizes of Hostels A and B
(December 2025)

Room type	Hostel A		Hostel B	
	Rental level (Note) (\$)	Room size (square foot)	Rental level (Note) (\$)	Room size (square foot)
Single room	4,499 to 6,181	187 to 232	3,000 to 3,850	179 to 214
Double room	9,099 to 9,124	398	3,200 to 4,300	199 to 240
Co-living single room	4,876 to 6,005	152 to 189	N.A.	N.A.

Source: NGO records

Note: According to NGOs A and B, the rental levels for Hostel A were set at not exceeding 60% of the market rental value, while those for Hostel B were set at 50% of the market rental value.

Room for improvement in review of hostel place rentals

4.23 According to the Operation Plans for Hostels A and B, the rental levels of youth hostel places would be regularly reviewed and adjusted with reference to independent surveyors' valuation reports and/or rent figures from RVD. According to HYAB:

- (a) NGOs may charge a rental for the hostel places at a rate not exceeding 60% of the market rent of flats with similar size in the nearby areas, drawing reference to the rent figures provided by RVD (Note 35); and
- (b) in order to allow flexibility to respond to changing market conditions, the NGOs are not required to seek HYAB's prior approval on the rental and its adjustments. However, such information should be reported to HYAB

Note 35: According to RVD, it has provided a range of unit market rents (per square metre basis) of domestic flats with similar building age and size in the nearby area of the hostels concerned to HYAB.

Other related issues

annually for reference. Upon receipt of the information, HYAB would conduct a review to ensure that the NGOs comply with the relevant requirements in relation to rental levels, i.e. at a level which does not exceed 60% of the market rent of flats of similar size in nearby areas.

4.24 *Need to review and work out timeframes for conducting review of rental proposals and for informing NGOs of review results.* NGOs A and B each conducted a review of the rental levels of hostel places and submitted a rental proposal to HYAB annually (i.e. 5 times for the 2021-22 to 2025-26 rental levels for Hostel A, and 2 times for the 2024-25 and 2025-26 rental levels for Hostel B). Of the 7 rental reviews, rental levels were revised on 3 occasions and 1 occasion for Hostel A and Hostel B respectively. The revised rental levels were applicable to new tenancy agreements signed on or after the respective effective dates. According to HYAB, no prior approval is required from HYAB for rental adjustment, but NGOs are required to inform HYAB of any changes in rental levels before implementation. HYAB will review the rental proposals and if find in order, verbally inform the NGOs concerned before the new rentals take effect. For the 7 rental proposals, Audit noted that:

- (a) for 3 (43%) rental proposals, as of February 2026, HYAB had not provided NGOs with written comments on the proposed rental levels. For 2 proposals, the rental levels were proposed to remain unchanged. For the remaining proposal, the rental levels were increased (which had been effective for about 11 months). Upon enquiry, HYAB informed Audit in March 2026 that it had verbally informed NGOs of its comments on the proposed rental levels and would not provide written replies on the review results if no irregularities were found;
- (b) for 4 (57%) rental proposals, HYAB had provided written replies to NGOs and stated that it had no objection to the rental proposals. In addition, the time elapsed between the submissions by NGOs A and B and HYAB's notification of its written comments to NGOs ranged from 15 days to about 1.7 months (averaging about 1.2 months). For one proposal, which was submitted 19 days before the effective date of the rental adjustment, HYAB provided the NGO concerned with written comments on the revised rental levels only one month after the effective date; and
- (c) while HYAB was the authority for determining whether the rentals exceed 60% of the market rental levels (see para. 4.21), HYAB had not always provided written replies to NGOs about the review results (see (a) above).

4.25 *Need to set out clearly the basis for NGOs' submission of the breakdown of proposed rentals for HYAB's review.* According to NGOs A and B, apart from basic rent, the rentals charged for the youth hostel units cover rates, government rent and management fees. For the 7 rental reviews for Hostels A and B (see para. 4.24):

- (a) according to HYAB's reviews of the 2 rental proposals submitted by NGOs in 2024, some proposed rental levels exceeded 60% of the market rental levels (Note 36) with the highest reaching about 83%. According to HYAB, as the unit market rents provided by RVD (which formed the basis for the comparative market rental levels) were exclusive of rates, government rent and management fees, it considered the proposed rental levels acceptable;
- (b) according to HYAB's reviews of the 2 rental proposals submitted by NGOs in 2025, the proposed rental levels ranged from about 52% to 60% of the market rental levels (Note 37). Audit noted that, for Hostel A, the proposed rental levels used for comparison with the market rental levels excluded rates, government rent and management fees (Note 38), whereas those for Hostel B included them. According to HYAB, for Hostel B, as the proposed rental levels were below 60% of the market rental levels even before excluding the rates, government rent and management fees, it did not consider it necessary to further assess these charges; and
- (c) upon enquiry, HYAB informed Audit in March 2026 that it would make reference to the relevant information included in the annual reports submitted by the NGOs, as well as the actual rates and government rent paid by the NGOs when estimating the amount of the rates, government rent and management fees. However, as of February 2026, HYAB had not set out clearly the basis for NGOs' submission of the breakdown of their

Note 36: *In the reviews of rental proposals in 2024, HYAB calculated the market rental levels by multiplying the unit market rents (both the lowest and the highest) provided by RVD by the room sizes of the hostels.*

Note 37: *In the reviews of rental proposals in 2025, HYAB calculated the market rental levels by multiplying the highest unit market rents provided by RVD by the room sizes of the hostels.*

Note 38: *According to HYAB, NGO A provided the proposed rental levels both before and after, excluding rates, government rent and management fees.*

Other related issues

proposed rentals for HYAB's determination of whether the rental levels did not exceed 60% of the market rental level in accordance with GOAs.

Scope for improvement in monitoring other charges

4.26 According to GOAs for Hostels A and B, the NGOs may levy and collect any other charges as specified in the Operation Plans. Audit noted that:

- (a) for Hostel A, the items of other charges (e.g. wireless broadband fee and laundry fee) were included in the Operation Plan, but not in the annual reports (for 2020-21 to 2024-25) submitted to HYAB; and
- (b) for Hostel B, the items of other charges (e.g. laundry fee and parking fee) were included in both the Operation Plan and the annual reports (for 2023-24 and 2024-25) submitted to HYAB.

4.27 Upon enquiry, HYAB informed Audit in March 2026 that there was no requirement in GOAs for NGOs to include their other charges in the annual report. Audit noted that under GOAs, NGOs may only collect other charges as specified in the Operation Plans (see para. 4.21(d)). In order to ensure that other charges collected aligned with those specified in the Operation Plan, HYAB needs to remind NGOs to state in the Operation Plans the other charges to be collected, including any revisions to those charges, in accordance with GOAs.

Audit recommendations

4.28 Audit has *recommended* that the Secretary for Home and Youth Affairs should:

- (a) **review and work out the timeframes for conducting reviews of rental proposals for youth hostel places and for informing NGOs of the review results supported by proper documentation;**
- (b) **set out clearly the basis for NGOs' submission of the breakdown of their proposed rentals for HYAB's determination of whether the rental**

levels do not exceed 60% of the market rental level in accordance with GOAs; and

- (c) remind NGOs to state in the Operation Plans the other charges to be collected, including any revisions to those charges, in accordance with GOAs.

Response from the Government

4.29 The Secretary for Home and Youth Affairs agrees with the audit recommendations.

Performance measurement and reporting

Room for improvement related to Operation Plans

4.30 *Room for improvement in submission and approval of revisions to Operation Plans.* According to GOAs for Hostels A and B:

- (a) at least 90 days before the completion of the construction of the youth hostels, the NGOs shall submit for HYAB's approval the draft Operation Plans, which should cover various required information (see para. 1.8(b)); and
- (b) NGOs may propose revisions to the Operation Plans for HYAB's approval. The Operation Plans shall continue in full force and effect until any revision thereto is approved in writing by HYAB.

4.31 Audit examined the records for the two hostels and noted that:

- (a) since the commencement of operation of Hostel A, NGO A submitted two proposals for revisions to the Operation Plans (mainly concerning changes to the application procedures and the House Rules for tenants). According to NGO A, the first proposal was effective from January 2022 and submitted in the same month, while the second proposal was effective

Other related issues

from October 2023 and submitted to HYAB in January 2026 (i.e. about 2.3 years after the effective date); and

- (b) upon enquiry, HYAB informed Audit in March 2026 that NGO A had not sought its prior approval for the two revised Operation Plans concerned before implementation.

4.32 *Need to clearly indicate on websites information drawn from Operation Plans.* In May 2016, in discussing the subvention for construction of Hostel A, the then HAB informed LegCo that the NGO was required under GOA to provide the financial plan of the youth hostel, which would be available to the public. In April 2018, the then HAB informed LegCo that the Operation Plan of Hostel B would be published online for public information. According to GOAs for Hostels A and B, the NGOs shall publish on their websites the Operation Plans from time to time in force.

4.33 As of December 2025, the Operation Plans for Hostels A and B were not available on the websites. Upon enquiry, HYAB informed Audit in March 2026 that NGOs had published the relevant information in the Operation Plans on their websites. Instead of in the form of the “Operation Plan”, HYAB considered it appropriate for NGOs to publish the concerned information in a format that was more suitable for public consumption. Audit noted that:

- (a) NGOs A and B had not indicated on their websites what information was drawn from the Operation Plans of Hostels A and B; and
- (b) HYAB had not informed NGOs of what types of information from the Operation Plans should be published on websites. For example, while the 5-year operating budget was included in the Operation Plans for Hostels A and B, such information was not available on the websites as of February 2026.

Room for improvement related to annual reports

4.34 *Need to ensure timely submission of annual reports and audited financial statements.* According to GOAs for Hostels A and B, within 7 months after the end of each financial year, the NGOs shall submit to HYAB an annual report. As of

February 2026, 5 annual reports for Hostel A (for 2020-21 to 2024-25) and 2 annual reports for Hostel B (for 2023-24 and 2024-25) were submitted to HYAB. Audit noted that for Hostel A:

- (a) there were delays in submitting all 5 annual reports, ranging from 26 days to about 2.2 years (averaging about 1.1 years); and
- (b) in 4 (80%) of the annual report submissions (excluding the submission for 2020-21), the audited financial statements were not included as required under GOA but were submitted separately to HYAB at a later time (the financial statements for 2021-22 and 2022-23 were submitted in December 2025 and those for 2023-24 and 2024-25 were submitted in February 2026). The delays in submitting the 4 audited financial statements ranged from about 3.2 months to about 3.1 years (averaging about 1.7 years).

4.35 *Need to ensure that NGOs provide all required information in annual reports.* According to GOAs for the two hostels, the annual reports should cover various required information. Audit noted that for Hostel A:

- (a) in 4 (80%) of the 5 annual reports, the 1-year operating budget had not been provided as required under GOA;
- (b) in all 5 annual reports, only the then current rental levels were provided. The details of every rental adjustment made during the past financial year (see para. 4.24), together with an account of the adjustment, were not included in the annual reports as required under GOA; and
- (c) as of February 2026, except for Hostel A's annual report for 2024-25, the remaining 4 annual reports had been submitted to HYAB for about 1 to 2.7 years (averaging about 1.5 years) and the non-compliances identified in (a) and (b) above were not yet rectified.

4.36 Upon enquiry, HYAB informed Audit in March 2026 that since there was still outstanding information in some of the annual reports, HYAB had been chasing NGOs to submit the outstanding information as soon as possible (see para. 4.34). As

Other related issues

of March 2026, all information had been submitted by NGO A after repeated reminders.

4.37 ***Room for improvement in publishing annual reports.*** According to GOAs for the two hostels, the NGOs shall publish the annual reports on their websites within 7 months after the end of each financial year. Audit noted that:

(a) ***Need to specify information required in published annual reports and ensure that audited financial statements are published.*** The then HAB informed LegCo in May 2016 and April 2018 respectively that the audited financial statements of Hostel A and Hostel B would be published for public information. As of December 2025, except for Hostel A's 2020-21 annual report, the annual reports available on the two hostels' websites were not the full version (e.g. excluding the audited financial statements). Upon enquiry, HYAB informed Audit in March 2026 that:

- (i) pending NGO A's submission of the outstanding audited financial statements (see para. 4.34(b)), the two NGOs were advised in November 2025 to publish the simplified version of the available annual reports (containing only information of direct interest and relevant to the public) on their websites first; and
- (ii) for consistency purpose and to facilitate public consumption of the published information, HYAB had been discussing with the NGOs on the information to be included in the online version and expected that the complete version would be uploaded shortly; and

(b) ***Delay in publishing annual reports.*** Audit noted that there were delays in publishing the annual reports of the two hostels, as follows:

- (i) for Hostel A, except for the annual report for 2020-21, the 4 annual reports for 2021-22 to 2024-25 were only available on the website from December 2025 (i.e. during audit review). The delays in publishing the 5 annual reports ranged from 1 month to about 3.1 years (averaging about 1.6 years);
- (ii) for Hostel B, the annual report for 2023-24 was only available on the website from December 2025, indicating a delay of about

1.1 years. As of February 2026, the annual report for 2024-25 had not yet been published, and the overdue period was about 4 months; and

- (iii) upon enquiry, HYAB informed Audit in March 2026 that it had advised the two NGOs in November 2025 to publish the simplified version of the available annual reports on their websites first and had been discussing with the NGOs on the information to be included in the online version for consistency purpose and to facilitate public consumption of the published information (see (a) above).

Need to display Government-funded Programme Logo on publicity materials

4.38 According to the “Government-funded Programme Logo Usage Guidelines”:

- (a) the Government often funds or supports non-government bodies to organise services, events and programmes to create a positive impact and benefit the public. However, the public may not be aware of such sponsorship or backing. To earn the goodwill of the Hong Kong public and enhance their sense of belonging and happiness, B/Ds are required to widely adopt and prominently display the logo design specified in the guideline on the relevant publicity materials to help reinforce awareness of the Government’s contribution to enjoyable activities; and
- (b) the logo should be presented in a highly visible way on publicity and communication materials, including websites and opening or closing of promotional videos.

4.39 According to HYAB, the Government-funded Programme Logo has been promptly displayed by the two NGOs, including in the entrances of the hostels and other activities organised by the NGOs that are funded by the Government. Audit noted that as of February 2026:

- (a) for Hostel B, the Government-funded Programme Logo was displayed on its website and on promotional video for the hostel; and

Other related issues

- (b) for Hostel A, the Government-funded Programme Logo was not displayed on its website.

Room for improvement in review of effectiveness of youth hostel initiative

4.40 As of December 2025, Hostel A and Hostel B had operated for more than 5 and 2 years respectively. According to HYAB, as of March 2026, while no formal review had been conducted on the effectiveness of the initiative relating to youth hostels constructed with Government funding, HYAB had kept collecting information from NGOs regarding their operation, such as through annual reports, regular updates on occupancy rates, and monitoring responses to public or media enquiries. Separately, HYAB's officials also visited the youth hostels in operation and had direct dialogues with the youth tenants to gauge their views on staying at the youth hostels from time to time. However, Audit noted that, as of February 2026, the review results arising from these activities were not documented.

Audit recommendations

4.41 **Audit has recommended that the Secretary for Home and Youth Affairs should:**

- (a) **take measures to ensure that NGOs submit proposals for revision to the youth hostels' Operation Plans to HYAB in a timely manner, and that any revisions take effect only after obtaining HYAB's approval in accordance with GOAs;**
- (b) **inform NGOs of the types of information from Operation Plans of youth hostels that should be published on websites, and require NGOs to clearly indicate on their websites the information that is drawn from the Operation Plans;**
- (c) **enhance monitoring to ensure that NGOs submit the annual reports and audited financial statements of youth hostels in accordance with the timeframe requirement stipulated in GOAs;**

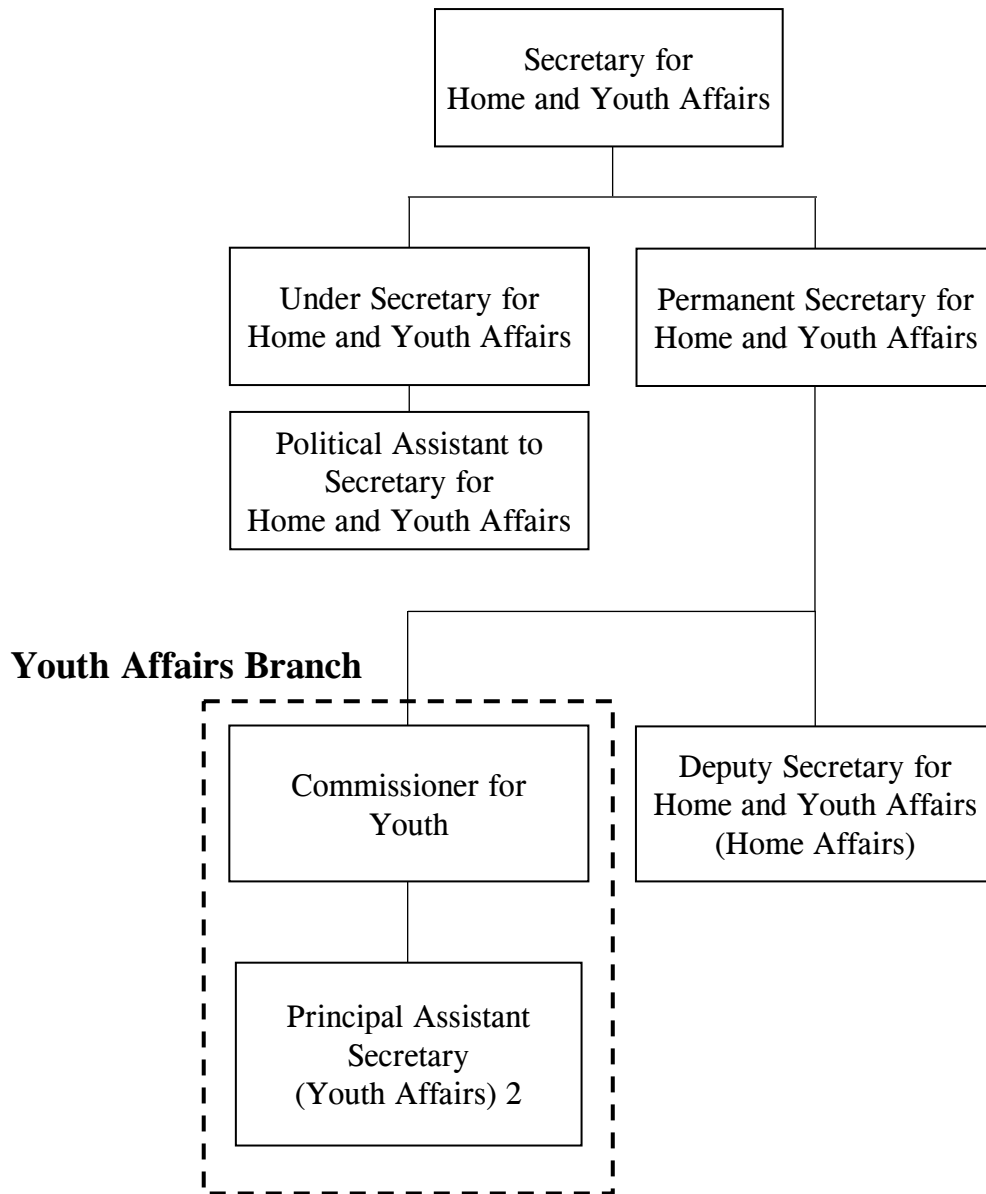
- (d) **strengthen measures to ensure that NGOs provide all required information in the annual reports of youth hostels in accordance with GOAs, and take timely follow-up actions on any non-compliances;**
- (e) **inform NGOs of the information required in the published annual reports of youth hostels, including ensuring that audited financial statements are published, and take measures to ensure compliance;**
- (f) **take measures to ensure that annual reports of youth hostels are published in accordance with the timeframe stipulated in GOAs, including expediting the review of annual reports for publication;**
- (g) **take measures to ensure that NGOs display the Government-funded Programme Logo on publicity materials of youth hostels; and**
- (h) **document the results of the reviews on the effectiveness of the initiative relating to youth hostels constructed with Government funding, including the achievement of its intended objectives, with a view to identifying room for improvement.**

Response from the Government

4.42 The Secretary for Home and Youth Affairs agrees with the audit recommendations. She has said that:

- (a) HYAB will continue to closely monitor the performance of NGOs and take further measures to ensure that the requirements in the GOAs are complied with;
- (b) the annual reports (including the audited financial statements) are published on the websites of Hostels A and B; and
- (c) the Government-funded Programme Logo is now displayed on the website of Hostel A.

**Home and Youth Affairs Bureau:
Organisation chart (extract)
(31 December 2025)**



Source: HYAB records

Key pre-construction activities for Hostel E (2013 to 2021)

Month	Key activity
<i>(1) Appointment of consultant for technical feasibility studies</i>	
Dec 2013	NGO E invited tenders from interested consultants for conducting technical feasibility studies for Hostel E.
Mar 2014	NGO E appointed a consultant for the studies.
<i>(2) Consultation with the district council concerned</i>	
Jul 2014	<ul style="list-style-type: none"> - The then HAB consulted a committee of the district council concerned on the design concepts of Hostel E and the preliminary findings of impact assessments on the heritage, traffic, environmental and visual aspects. - The committee had no objection to the proposed change of land use to a youth hostel and recommended that the nearby residents should be consulted on the proposed hostel height.
<i>(3) Consultation with AAB</i>	
Mar 2015	<ul style="list-style-type: none"> - The then HAB presented the findings of the heritage impact assessment to AAB on the proposed hostel design, the related heritage impacts on the adjacent declared monument and the suggested measures to mitigate the impacts. - AAB considered that the hostel design and mitigation measures should be refined.
Jun 2015	After the necessary refinements, the then HAB obtained AAB's support on the findings of the heritage impact assessment.
<i>(4) Proposed rezoning of the concerned site and amendments to OZP</i>	
Sep 2015	Under section 12A of the Town Planning Ordinance (Cap. 131 — Note 1), NGO E submitted an application to the Town Planning Board (TPB) proposing to rezone concerned site from "Government, Institution or Community" ("G/IC") to "G/IC(2)" with stipulation of a building height restriction and to add "Residential Institution (Hostel Only) (on land designated "G/IC(2)" only)" as one of the always permitted uses under the "G/IC" zone.
May 2016	The Metro Planning Committee (Note 2) of TPB agreed with NGO E's application.
Oct 2016	<ul style="list-style-type: none"> - The draft OZP incorporating the above amendments was exhibited for public inspection for two months as required under the Town Planning Ordinance. - Over 630 representations (most of them objecting to the above amendments) were received during the exhibition period.
Apr 2017	<p>After hearing the representations, to ensure that the building design would be scrutinised by TPB so as to minimise any adverse visual impact that it might have on the adjacent declared monument, TPB decided to partially meet some of the representations by:</p> <ul style="list-style-type: none"> - deleting "Residential Institution (Hostel Only) (on land designated "G/IC(2)" only)" as one of the always permitted uses under the G/IC zone;

Appendix B
(Cont'd)
(paras. 2.26 and 2.27 refer)

Month	Key activity
<i>(4) Proposed rezoning of the concerned site and amendments to OZP (Cont'd)</i>	
Apr 2017 (Cont'd)	<ul style="list-style-type: none"> – requiring planning permission for development of a youth hostel at the concerned site by specifying “Residential Institution” as a use that may be permitted on application to TPB; and – rezoning the concerned site from “G/IC(2)” back to “G/IC” to correspond with the above amendments.
May 2017	<ul style="list-style-type: none"> – The amendments to the draft OZP were exhibited for public inspection for three weeks as required under the Town Planning Ordinance. – Over 40 further representations (most of them supporting the revised amendments) were received during the exhibition period.
Aug 2017	After considering the further representations, TPB considered that the revised amendments should be incorporated in the draft OZP.
Dec 2017	The Chief Executive in Council approved the draft OZP.
<i>(5) Seeking planning permission</i>	
Apr 2018	Under section 16 of the Town Planning Ordinance, NGO E submitted an application to TPB seeking planning permission for developing a youth hostel at the concerned site.
Aug 2018	After considering B/Ds’ and public comments received, TPB approved NGO E’s application with conditions.
<i>(6) Conduct of detailed design and various surveys</i>	
Jan 2019	NGO E appointed consultants to carry out detailed design for Hostel E.
Sep/Oct 2019	NGO E commenced various surveys (e.g. asbestos, topographic, tree and condition surveys) to collect necessary information for the detailed design.
Mar 2021	The detailed design was substantially completed.
<i>(7) Seeking funding approval</i>	
Mar 2021	The then HAB submitted a funding application to LegCo Public Works Subcommittee for the construction works of Hostel E.
Apr 2021	Upon the Subcommittee’s endorsement, FC approved the then HAB’s funding application.

Source: HYAB, AAB, TPB, Planning Department and NGO records

Note 1: According to the Planning Department, the relevant Town Planning Ordinance referred to the Ordinance in force before 1 September 2023, on which the Ordinance was amended to streamline some statutory procedures.

Note 2: For better discharge of TPB’s functions, two planning committees, namely the Metro Planning Committee and the Rural and New Town Planning Committee, are set up to exercise powers and functions delegated by TPB, including consideration of applications for amendments of OZPs under section 12A and planning permissions under section 16 of the Town Planning Ordinance.

Acronyms and abbreviations

AAB	Antiquities Advisory Board
APE	Approved project estimate
ArchSD	Architectural Services Department
Audit	Audit Commission
B/Ds	Government bureaux/departments
CFA	Construction floor area
CWRF	Capital Works Reserve Fund
DEVB	Development Bureau
FC	Finance Committee
F&E	Furniture and equipment
FSTB	Financial Services and the Treasury Bureau
G/IC	Government, Institution or Community
GLD	Government Logistics Department
GOA	Grant and Operation Agreement
HAB	Home Affairs Bureau
HA Panel	Panel on Home Affairs
HKHA	Hong Kong Housing Authority
HKHS	Hong Kong Housing Society
HKSAR	Hong Kong Special Administrative Region
HYAB	Home and Youth Affairs Bureau
LegCo	Legislative Council
MiC	Modular Integrated Construction
m ²	Square metres
mm	Millimetres
NGO	Non-governmental organisation
OZP	Outline zoning plan
PRH	Public rental housing
RVD	Rating and Valuation Department
SPRs	Stores and Procurement Regulations
TPB	Town Planning Board
YHS	Youth Hostel Scheme