

**立法會**  
**Legislative Council**

LC Paper No. CB(1)820/16-17  
(These minutes have been seen by  
the Administration)

Ref : CB1/PS/2/16

**Panel on Development and Panel on Home Affairs**

**Joint Subcommittee to Monitor the Implementation of  
the West Kowloon Cultural District Project**

**Minutes of meeting held on  
Tuesday, 21 February 2017, at 10:45 am  
in Conference Room 3 of the Legislative Council Complex**

**Members present** : Hon LAU Kwok-fan, MH (Chairman)  
Hon Tanya CHAN (Deputy Chairman)  
Hon Abraham SHEK Lai-him, GBS, JP  
Hon LEUNG Kwok-hung  
Hon Claudia MO  
Hon Frankie YICK Chi-ming, JP  
Hon YIU Si-wing, BBS  
Hon MA Fung-kwok, SBS, JP  
Hon CHAN Chi-chuen  
Hon CHU Hoi-dick  
Dr Hon Junius HO Kwan-yiu, JP  
Hon Holden CHOW Ho-ding  
Hon Wilson OR Chong-shing, MH  
Hon CHEUNG Kwok-kwan, JP  
Dr Hon YIU Chung-yim

**Members attending** : Dr Hon KWOK Ka-ki  
Dr Hon CHENG Chung-tai

**Members absent** : Hon Steven HO Chun-yin, BBS  
Dr Hon Helena WONG Pik-wan  
Dr Hon LAU Siu-lai

**Public officers  
attending**

: **Agenda items II and III**

Mr Matthew CHEUNG Kin-chung, GBS, JP  
Chief Secretary for Administration and Chairman of the Board  
of the West Kowloon Cultural District Authority

Mrs Betty FUNG CHING Suk-ye, JP  
Permanent Secretary for Home Affairs

Mrs Sorais LEE KWAN Siu-kuen, JP  
Project Manager (Home Affairs Bureau)

Ms Angela LEE Chung-yan, JP  
Deputy Secretary for Home Affairs (2)

**Agenda item II**

Mr Eric CHENG Siu-fun  
Principal Assistant Secretary for Home Affairs (West  
Kowloon Cultural District)

**Attendance by  
invitation**

: **Agenda items II and III**

Mr Duncan PESCOD, GBS, JP  
Chief Executive Officer  
West Kowloon Cultural District Authority

Dr William CHAN  
Chief Operating Officer  
West Kowloon Cultural District Authority

**Agenda item II**

Mr Richard TSE  
Executive Director, Finance  
West Kowloon Cultural District Authority

**Agenda item III**

Ms Suhanya RAFFEL  
Executive Director, M+  
West Kowloon Cultural District Authority

Mr Jeremy STOWE  
Director, Project Control  
West Kowloon Cultural District Authority

**Clerk in attendance** : Ms Sharon CHUNG  
Chief Council Secretary (1)2

**Staff in attendance** : Ms Mandy LI  
Council Secretary (1)2

Ms Haley CHEUNG  
Legislative Assistant (1)9

Miss Joey LAW  
Clerical Assistant (1)2

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Action

**I Confirmation of minutes**

(LC Paper No. CB(1)548/16-17 — Minutes of the second meeting on 20 December 2016)

The minutes of the meeting held on 20 December 2016 were confirmed.

**II Update on the financial situation of the West Kowloon Cultural District project**

(LC Paper No. CB(1)560/16-17(01) — Administration's paper on update on the financial situation of the West Kowloon Cultural District project

LC Paper No. CB(1)560/16-17(02) — Paper on financial arrangements for the West Kowloon Cultural District project prepared by the Legislative Council Secretariat (Updated background brief))

Other relevant papers

(File Ref.: SF(37) to HABCS CR — Administration's paper on enhanced financial arrangement for the West Kowloon Cultural District (Legislative Council Brief)

LC Paper No. CB(1)576/16-17(01) — Letter dated 17 February 2017 from Dr Hon Helena WONG on the Hong Kong Palace Museum and the financial arrangement for the West Kowloon Cultural District project)

2. At the invitation of the Chairman, the Chief Secretary for Administration and Chairman of the Board of the West Kowloon Cultural District Authority ("CS cum WKCDA Board Chairman") gave an overview of the latest financial situation of and arrangements for the West Kowloon Cultural District ("WKCD") project. With the aid of a powerpoint presentation, Permanent Secretary for Home Affairs ("PSHA") briefed members on the details of the enhanced financial arrangement for WKCD, which were set out in the discussion paper (LC Paper No. CB(1)560/16-17(01)) and the powerpoint presentation materials tabled at the meeting.

*(Post-meeting note: A softcopy of the powerpoint presentation materials was circulated to members vide LC Paper No. CB(1)591/16-17(01) by email on 21 February 2017.)*

3. The Joint Subcommittee deliberated (index of proceedings in the **Appendix**).

Admin/  
WKCDA 4. The Joint Subcommittee requested the Administration and the West Kowloon Cultural District Authority ("WKCDA") to provide the following information:

Monitoring the financial situation of the WKCD project

(a) given that the income to be shared by WKCDA from the development packages under the enhanced financial arrangement would be subject to the result of the tendering process, how the

Administration could ensure that WKCDA would be provided with sufficient but not excessive resources;

- (b) given that WKCDA would no longer need the funding approval of the Finance Committee for the development of the facilities in WKCD (except for the integrated basement) and its operating costs, how the Legislative Council could effectively monitor the financial situation of the WKCD project;

Tendering of the development packages

- (c) how the Administration or WKCDA could ensure that the tendering of the hotel/office/residential ("HOR") development packages would be conducted in an open and competitive manner and whether there were any relevant guidelines for WKCDA to follow;

Procurement of consultancy services

- (d) the justification for the WKCDA Management to appoint Rocco Design Architects Limited in June 2016 to provide advance consultancy services in a bundle, covering a preliminary technical study on the Mega Performance Venue/Exhibition Centre site (i.e. P46/P47 land parcels) for the integrated development of Exhibition Centre, hotels, offices and a proposed new museum, and to provide conceptual design for reference and cost estimation;
- (e) the procurement guidelines of WKCDA in relation to hire of consultancy services, including those related to direct appointments; and whether the financial advisor for the enhanced financial arrangement had been engaged by way of direct appointment;

Land value of the development packages

- (f) the estimated land value of the HOR portion and the retail/dining/entertainment portion of WKCD;

Financial analysis for the enhanced financial arrangement

- (g) detailed financial projections for the enhanced financial arrangement, including estimates on the upfront payment for the

Government and income shared by WKCDA, whether the income generated for WKCDA could cover the shortfall in the funds for developing and operating the arts and cultural facilities to be provided in WKCD, how long a 'build-operate-transfer' contract would last, the yearly discounted cash flows for WKCDA, and the financial model adopted for making the projections/analysis, if any; and

- (h) whether minimum upfront payment and ratios of income sharing between WKCDA and the developer would be worked out before tendering the development packages, and whether there were initial formulations for the sharing of surplus between WKCDA and the Government.

5. The Chairman suggested and PSHA agreed that the Administration should brief the Joint Subcommittee on the Project Agreement to be signed by the Government and WKCDA in relation to the enhanced financial arrangement before both parties entered into the Agreement.

### **III Update on the development of M+ and museum matters**

(LC Paper No. CB(1)560/16-17(03) — Administration's paper on update on the development of M+ and museum matters

LC Paper No. CB(1)560/16-17(04) — Paper on the development of M+ prepared by the Legislative Council Secretariat (Updated background brief))

#### Other relevant paper

(LC Paper No. CB(1)560/16-17(05) — Submission from Critical Existentialism dated 10 January 2017)

6. CS cum WKCDA Board Chairman gave an overview of the latest development of M+ and museum matters in WKCD. With the aid of a powerpoint presentation, Director, Project Control, WKCDA and Executive Director, M+, WKCDA briefed members on the progress of the hardware and software development in relation to M+, which were set out in the discussion paper (LC Paper No. CB(1)560/16-17(03)) and the powerpoint presentation materials tabled at the meeting.

*(Post-meeting note: A softcopy of the powerpoint presentation materials was circulated to members vide LC Paper No. CB(1)591/16-17(02) by email on 21 February 2017.)*

7. The Joint Subcommittee deliberated (index of proceedings in the **Appendix**).

#### **IV Any other business**

8. Members noted that the next meeting would be held on Friday, 21 April 2017, at 8:30 am for discussion on the following items:

- (a) Implementation of the Infrastructure Works for WKCD, Phase 1; and
- (b) Implementation of the Integrated Basement for WKCD.

9. There being no other business, the meeting ended at 12:56 pm.

Council Business Division 1  
Legislative Council Secretariat  
18 April 2017

## Panel on Development and Panel on Home Affairs

**Proceedings of the meeting of the Joint Subcommittee to Monitor  
the Implementation of the West Kowloon Cultural District Project  
held on Tuesday, 21 February 2017, at 10:45 am  
in Conference Room 3 of the Legislative Council Complex**

Time marker	Speaker(s)	Subject(s)/Discussion	Action required
<b>Agenda Item I –Confirmation of minutes</b>			
000220-000300	Chairman	Confirmation of minutes (LC Paper No. CB(1)548/16-17)	
<b>Agenda Item II –Update on the financial situation of the West Kowloon Cultural District project</b>			
000301 - 002622	Chief Secretary for Administration and Chairman of the Board of the West Kowloon Cultural District Authority ("CS cum WKCDA Board Chairman") Permanent Secretary for Home Affairs ("PSHA")	Briefing and powerpoint presentation by CS cum WKCDA Board Chairman and PSHA on the enhanced financial arrangement for the West Kowloon Cultural District ("WKCD") project (LC Paper Nos. CB(1)560/16-17(01) and CB(1)591/16-17(01))	
002623-003246	Ms Claudia MO CS cum WKCDA Board Chairman Chief Executive Officer, WKCDA ("CEO/WKCDA")	Ms Claudia MO opined that it was inappropriate for WKCDA to be involved in the development of commercial or residential properties in WKCD. She enquired whether the Administration/WKCDA had considered putting on hold the delivery of Batch 3 facilities or downsizing the scale of the WKCD project having regard to the funding shortfall.  CS cum WKCDA Board Chairman advised that:  (a) To provide WKCDA with the financial capability to operate sustainably the various facilities in WKCD and continue to develop the remaining planned facilities, it was crucial for the Administration to provide an enhanced financial arrangement for WKCD. The Administration would devise a mechanism to receive upfront payments from the development packages where possible and to share income with WKCDA upon the expiry of the build-operate-transfer ("BOT") periods for the hotel/office/residential ("HOR") developments so as to safeguard Government's interests.	



Time marker	Speaker(s)	Subject(s)/Discussion	Action required
		<p>(b) Through open and competitive tendering, WKCDA would engage private sector partners for the HOR developments and these partners would shoulder development risks in accordance with commercial considerations such that WKCDA needed not play a developer role and could focus on the overall coordination of design and programme of WKCD, and development of arts and culture.</p> <p>CEO/WKCDA advised that HOR development had always been part of the WKCD project and the question was just how it would be delivered. WKCDA was committed to taking forward the WKCD project in a pragmatic manner, even though the Authority had reported to the Joint Subcommittee on various occasions that the Authority was facing financial challenges. The enhanced financial arrangement would provide WKCDA the financial capacity to operate WKCD on a sustainable basis and deliver Batch 3 and the rest of Batch 2 facilities in an organic growth approach.</p>	
003247-003729	<p>Chairman Mr CHAN Chi-chuen CS cum WKCDA Board Chairman</p>	<p>Mr CHAN Chi-chuen made the following enquiries:</p> <p>(a) given that the income to be shared by WKCDA from the development packages under the enhanced financial arrangement would be subject to the result of the tendering process, how the Administration could ensure that WKCDA would be provided with sufficient but not excessive resources; and</p> <p>(b) given that WKCDA would no longer need the funding approval of the Finance Committee ("FC") for the development of the facilities in WKCD (except for the integrated basement) and its operating costs, how the Legislative Council ("LegCo") could effectively monitor the financial situation of the WKCD project.</p> <p>CS cum WKCDA Board Chairman explained that the original intention of setting up WKCDA as an independent statutory body and providing it with an upfront endowment was to allow for more flexibility in WKCDA's operation. That said, WKCDA was governed by a Board comprising, among other members, CS as the Board Chairman and three other public officers to closely monitor the work of the Authority. To maintain the transparency of the</p>	

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		<p>operation of WKCDA, the Authority had been updating and would continue to update the Joint Subcommittee on the progress of the WKCD project.</p> <p>At the request of the Chairman, the Administration and WKCDA would provide a written response to Mr CHAN's questions after the meeting.</p>	<p>The Administration/WKCDA to take follow-up action as per paragraphs 4(a) and 4(b) of the minutes</p>
003730-004259	<p>Chairman Dr CHENG Chung-tai CEO/WKCDA</p>	<p>Dr CHENG Chung-tai commented that the proposed enhanced financial arrangement was essentially a sham to evade the monitoring of LegCo on WKCDA's financial situation.</p> <p>Given that the public were not aware, until it was reported by the media, that Rocco Design Architects Limited ("RDA"), which had been appointed by the WKCDA as the design consultant of the Hong Kong Palace Museum ("HKPM") project, had commissioned Ove Arup &amp; Partners Hong Kong Ltd. (which had been suspended from tendering in respect of all categories of consultancy agreements under the jurisdiction of the Engineering and Associated Consultants Selection Board for three months from 7 November 2016) in 2016 to carry out ground investigation works in relation to the development of HKPM, Dr CHENG enquired:</p> <p>(a) how the Administration or WKCDA could ensure that the tendering of the HOR development packages would be conducted in an open and competitive manner; and</p> <p>(b) whether there were any relevant guidelines for WKCDA to follow.</p> <p>CEO/WKCDA responded that:</p> <p>(a) WKCDA had its own procurement procedures.</p> <p>(b) WKCDA had engaged RDA to provide advance consultancy service for the HKPM project and it was the obligation of RDA to engage a suitable contractor to undertake site investigation works to inform WKCDA of RDA's recommendation.</p>	

Time marker	Speaker(s)	Subject(s)/Discussion	Action required
		<p>(c) To engage private sector partners for the HOR developments through open and competitive tendering, the Authority would make public all tender exercises for the sites, for example, by uploading the invitations for tender onto the website of WKCDA, so as to attract all interested parties to return their tenders.</p> <p>Dr CHENG remained unconvinced. At the request of the Chairman, the Administration and WKCDA would provide a written response to Dr CHENG's questions after the meeting.</p>	<p>The Administration/WKCDA to take follow-up action as per paragraph 4(c) of the minutes</p>
<p>004300-004915</p>	<p>Chairman Dr KWOK Ka-ki CS cum WKCDA Board Chairman CEO/WKCDA</p>	<p>Dr KWOK Ka-ki expressed the following views:</p> <p>(a) CS should apologize for failing to control the expenditure of WKCDA, since the Administration had advised in 2008 that the endowment fund of \$21.6 billion to WKCDA and the investment income would be sufficient to cover the costs of the design and construction of the WKCD project.</p> <p>(b) The monitoring role of LegCo over the expenditure of the WKCD project would be diminished as the Administration would no longer need the approval of FC for extra funds for the development of the facilities in WKCD.</p> <p>(c) With the implementation of the enhanced financial arrangement, Dr KWOK estimated that the HOR and retail/dining/entertainment ("RDE") portions of WKCD, worth \$130 billion to \$150 billion, would be granted to WKCDA, making WKCDA an "independent kingdom".</p> <p>(d) The Administration should provide an alternative financing/funding option, other than the present enhanced financial arrangement, to enable WKCDA to implement the rest of the WKCD project.</p> <p>CS cum WKCDA Board Chairman advised that:</p> <p>(a) WKCDA was facing critical financial challenges in both capital and recurrent terms owing to a host of factors. For instance, there had been a significant upsurge in construction costs (by</p>	

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		<p>137%) from the third quarter of 2006 to the third quarter of 2016 and the global investment return had been in decline.</p> <p>(b) Under the enhanced financial arrangement, the Government would retain the right to share with WKCD the income generated from the development packages upon the expiry of the BOT period to ensure WKCD would not be given excessive resources.</p> <p>CEO/WKCD supplemented that:</p> <p>(a) As indicated in paragraph 5 of the Administration's paper (LegCo Brief, File Ref.: SF(37) to HABCS CR 7/1/27/1), WKCD had estimated that a capital funding of about \$11.7 billion in 2016 prices would be required for completing the Batch 3 facilities, two remaining black box theatres in Batch 2 as well as the remaining other arts and cultural facilities, RDE facilities and public open spaces.</p> <p>(b) WKCD needed to increase its operating budget for additional manpower and/or expenses on, for example, facilities management and cultural software development. It was estimated that the total operating deficit to be incurred in the next three years from 2017-2018 to 2019-2020 would be about \$1 billion, whereas the average operating deficit was estimated to be around \$500 million per annum from 2017-2018 to 2026-2027 in money-of-the-day prices.</p> <p>At the request of the Chairman, the Administration and WKCD would provide supplementary information on the estimated land value of the HOR portion and the RDE portion of WKCD.</p>	<p>The Administration/WKCD to take follow-up action as per paragraph 4(f) of the minutes</p>
004916-005507	Deputy Chairman CEO/WKCD PSHA	Referring to a set of powerpoint presentation materials prepared by the former financial advisor for the WKCD project ( <a href="#">WKCD-507</a> ) for the meeting of the former Subcommittee on 24 January 2008, the Deputy Chairman said that the endowment for WKCD (\$21.6 billion) was roughly equal to the estimated land revenue (\$21.3 billion) from the HOR sites to be disposed of through the normal land	

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		<p>disposal mechanism. In other words, the latter would cover the former, and the land sale proceeds from the disposal of HOR sites to be retained by the Government would not form part of the endowment fund for WKCD. The Deputy Chairman queried whether a financial advisor had been engaged to examine the enhanced financial arrangement.</p> <p>CEO/WKCDA said that a financial advisor had been engaged by WKCD. He added that as the assessment contained commercially sensitive information, WKCD would have to further consider the best way to make the results of the financial assessment known to members of the Joint Subcommittee.</p> <p>PSHA supplemented that the Government had reviewed the financial assessment conducted by WKCD and the assumptions adopted in the financial assessment, such as tender-related assumptions, involved market sensitive information.</p> <p>The Deputy Chairman queried whether the financial advisor(s) engaged for reviewing the Mega Performance Venue ("MPV") and the enhanced financial arrangement had been commissioned by way of direct appointment. She requested WKCD to provide the procurement guidelines in relation to hire of consultancy services, including those related to direct appointments.</p> <p>CEO/WKCDA responded that the relevant procurement guidelines would be made publicly available and the appointment of the financial advisor went through the normal tendering process.</p>	<p>WKCD to take follow-up action as per paragraph 4(e) of the minutes</p>
005508-005919	Dr YIU Chung-yim CEO/WKCDA	<p>Dr YIU Chung-yim opined that the enhanced financial arrangement should be called an "U-BOT-S" as it was consisted of three components, i.e. upfront payment, BOT agreements and income sharing with the Government.</p> <p>Assuming that the revenue generated from the development packages would be exhausted in about 34 years, Dr YIU enquired about:</p> <p>(a) estimates on the upfront payments for the Administration and the income to be shared by WKCD under the BOT agreements;</p>	<p>The Administration/WKCDA to take follow-up</p>

Time marker	Speaker(s)	Subject(s)/Discussion	Action required
		<p>(b) how long a BOT contract would last;</p> <p>(c) yearly discounted cash flow for WKCDA; and</p> <p>(d) how WKCDA would deal with the operating deficit if the capital funding was exhausted.</p> <p>CEO/WKCDA advised that:</p> <p>(a) The assumptions on the upfront payments would not be disclosed as their disclosure might affect the tendering of the development packages.</p> <p>(b) Under the current assumption, the BOT contract would last around 30 to 40 years.</p> <p>(c) WKCDA would retain the ownership of the land and premises in WKCD during the term of the BOT agreements, and private developers would have to hand over the control of the premises to WKCDA upon the expiry of the BOT agreements. As such, WKCDA would capture all the net income from the developments in due course.</p> <p>(d) WKCDA would explore various financing options (e.g. issuing bonds or raising bank loans) by leveraging against its development right of the HOR sites and long-term income stream. WKCDA would engage a financial consultant to draw up a comprehensive and affordable external borrowing plan taking into account the interest risks involved and cash flow requirements.</p>	<p>action as per paragraph 4(g) of the minutes</p>
005920-010353	Mr Holden CHOW PSHA	<p>Mr Holden CHOW noted with concern that, for the development package of the Exhibition Hub Development Area ("EHDA"), instead of setting a pre-determined ratio for the income sharing between the private developer and WKCDA as a tender condition, WKCDA would require tenderers to indicate the ratio of income from the operation of the BOT development package that they would share with WKCDA, having regard to the tender conditions. Mr CHOW urged the Administration, for safeguarding public interest, to set a pre-determined ratio for income sharing between the private developer and WKCDA for each development package. He also enquired how long a BOT contract would last.</p> <p>PSHA made the following points:</p>	

Time marker	Speaker(s)	Subject(s)/Discussion	Action required
		<p>(a) WKCD was required to come up with its own assessment of the full market value of the income that the market was willing to share with WKCD for the EHDA development package concerned under specified tender conditions (pre-determined Full Market Value ("FMV")) and WKCD would retain the power to cancel the tender if the offer on the income to be shared was unreasonably low vis-à-vis the pre-determined FMV.</p> <p>(b) To ensure providing sufficient but not excessive resources to WKCD, a mechanism would be built into the enhanced financial arrangement to give the Government the right to share the income generated from the HOR and EHDA developments upon expiry of the BOT period having regard to the funding requirements and financial position of WKCD.</p> <p>(c) WKCD would enter into a Project Agreement with the Government in late 2017 to set out the legal rights and responsibilities of both parties. This would cover, among others, the financial arrangements on the upfront payments to be paid to Government and the latter's right to share the income upon expiry of the BOT period.</p>	
010354-010809	Chairman Mr YIU Si-wing PSHA	<p>In the absence of relevant information, including the terms of the BOT agreements, estimated land value for the BOT period and return on the rentals of the HOR portion of WKCD, Mr YIU Si-wing cast doubt on the suitability of granting the development right of the entire HOR portion of WKCD to WKCD at nominal premium.</p> <p>PSHA advised that a nominal premium was usually set at the price of \$1,000. While granting the HOR portion to WKCD at nominal premium, the upfront payment for the development packages determined through tendering would be attributable to the Administration. To protect the Government's interest, WKCD was required to prepare pre-tender estimates for the FMV based on the tender conditions set for each development package. In addition, the Home Affairs Bureau would assist WKCD in enhancing its corporate governance in respect of the formulation and management of the BOT agreements, etc.</p>	

Time marker	Speaker(s)	Subject(s)/Discussion	Action required
		<p>The Chairman and Mr YIU asked whether the Administration would consider retaining the ownership and development right of the HOR portion in WKCD while leasing out the concerned land to WKCDA.</p> <p>PSHA responded that according to the normal land grant policy, new leases of land shall be granted for a term of 50 years from the date of grant. As it was projected that the enhanced financial arrangement would generate considerable cash inflow for WKCDA upon the expiry of the BOT agreements, the Administration would retain the right to share the income with WKCDA by then. The Administration currently had no plan to lease out the HOR portion of land in WKCD to WKCDA.</p>	
010810-011233	<p>Chairman Mr LEUNG Kwok-hung CEO/WKCDA PSHA</p>	<p>Mr LEUNG Kwok-hung queried how the Administration could ensure that the income for WKCDA generated from the enhanced financial arrangement would cover the shortfall in the funds for developing and operating the arts and cultural facilities.</p> <p>Mr LEUNG requested the Administration/WKCDA to provide a detailed financial analysis on the enhanced financial arrangement to justify the decision to grant WKCDA the development right of the HOR portion, and the financial model adopted for making the projections/analysis, if any.</p> <p>PSHA advised that WKCDA would consider the best way to provide the information requested by Mr LEUNG to members of the Joint Subcommittee, taking into consideration that disclosure of commercially sensitive information at this juncture might provide the potential bidders with considerable advantages at the expense of WKCDA in the tenders for the development packages.</p> <p>The Chairman suggested and PSHA agreed that the Administration should brief the Joint Subcommittee on the Project Agreement to be signed by the Government and WKCDA in relation to the enhanced financial arrangement before both parties entered into the Agreement.</p>	<p>The Administration/WKCDA to take follow-up action as per paragraph 4(g) of the minutes</p> <p>Admin</p>
011234-011735	<p>Chairman Deputy Chairman</p>	<p>The Deputy Chairman asked about the justification for the WKCDA Management to appoint RDA in</p>	



Time marker	Speaker(s)	Subject(s)/Discussion	Action required
	CEO/WKCDA	<p>June 2016 to provide advance consultancy services in a bundle, covering a preliminary technical study on MPV/Exhibition Centre ("EC") site (i.e. P46/P47 land parcels) for the integrated development of EC, hotels, offices and a proposed new museum, and to provide conceptual design for reference and cost estimation.</p> <p>CEO/WKCDA explained that since the review of MPV and EC had revealed that the original proposal to build an MPV in WKCD was no longer a suitable proposition, WKCDA had to study the alternative uses for that site. In doing so, WKCDA had engaged a financial advisor to explore how the alternative uses could be funded through private sector investment. As the financial advisor would not be able to examine the spatial configuration of the site as well as the technical feasibility, an architectural consultancy would also be required to study whether the proposed integrated development would be technically feasible. WKCDA had therefore engaged RDA to provide such consultancy service.</p> <p>At the request of the Chairman, WKCDA would provide a written response to the Deputy Chairman's question after the meeting.</p>	WKCDA to take follow-up action as per paragraph 4(d) of the minutes
011736-011949	Dr YIU Chung-yim CEO/WKCDA PSHA	<p>Dr YIU Chung-yim expressed objection to the BOT arrangements. He was concerned that, when the BOT periods were over and WKCDA would have to oversee the management of the premises in the HOR portion of WKCD, which would include leasing issues, maintenance of buildings, etc., WKCDA would inevitably have to play a developer's role.</p> <p>CEO/WKCDA stressed that under the enhanced financial arrangement, WKCDA only had the role of a landlord, which was different from the role of a developer, as the latter would involve 'design and build' while the former would focus on management.</p> <p>PSHA added that even without the enhanced financial arrangement, WKCDA already had to manage the commercial RDE facilities. Under the enhanced financial arrangement, it was an extension of WKCDA's management role to the HOR portion. It was likely that WKCDA would contract out the</p>	

Time marker	Speaker(s)	Subject(s)/Discussion	Action required
		management services for the HOR portion. WKCDA would be a landlord but not a developer.	
011950-012239	Mr CHU Hoi-dick PSHA CS cum WKCDA Board Chairman	<p>In response to Mr CHU Hoi-dick's enquiry, PSHA advised that the Chief Executive-in-Council had approved in December 2016 the framework of the enhanced financial arrangement for WKCD. In addition to the Land Grant, the Government would enter into a Project Agreement with WKCDA. The Administration would seek approval from the Chief Executive-in-Council for the key terms of the Land Grant and the Project Agreement.</p> <p>Mr CHU opined that the Board of WKCDA had too much power and it was dominated by a handful of Board members, resulting in a lack of transparency and democracy in the making of its development decisions, e.g. developing HKPM. He enquired if the Administration would restructure the Board of WKCDA so as to enhance the transparency and public accountability of WKCDA.</p> <p>CS cum WKCDA Board Chairman advised that when appointing the members of the Board of WKCDA, the Administration had to follow the statutory requirement on the composition of the Board, and would consider the ability, expertise, experience as well as commitment to public service of the appointees. CS, as the Board Chairman, and three other principal officials, as Board members, would help oversee the operation of WKCDA. The Administration considered that the current composition of the WKCDA Board was appropriate. CS cum WKCDA Board Chairman added that the WKCDA Ordinance also had clear provision for public participation.</p>	
012240-012519	Chairman Mr Holden CHOW PSHA	<p>Mr Holden CHOW emphasised the need to work out a minimum level of upfront payment and set a pre-determined ratio for income sharing between WKCDA and the developer for each development package.</p> <p>PSHA advised that WKCDA would estimate the FMV for both the upfront payment and the income sharing ratio prior to tendering, taking into account the tender conditions for each development package.</p>	

Time marker	Speaker(s)	Subject(s)/Discussion	Action required
		<p>The Chairman said that the Administration/WKCDA should provide supplementary information after the meeting.</p>	<p>The Administration/WKCDA to take follow-up action as per paragraph 4(h) of the minutes</p>
012520-012752	<p>Mr CHAN Chi-chuen CEO/WKCDA</p>	<p>Mr CHAN Chi-chuen sought clarification on:</p> <p>(a) with the implementation of the enhanced financial arrangement, whether the WKCD project would require extra funding from the Government in the future (except for the integrated basement); and</p> <p>(b) whether the remaining Batch 3 facilities, including the Musical Theatre, the Great Theatre, the Music Centre and Medium Theatre I, would be developed under the enhanced financial arrangement.</p> <p>CEO/WKCDA responded that by leveraging on the development right granted to WKCDA under the enhanced financial arrangement, WKCDA might be able to raise funds for the building of the remaining planned Core Arts and Cultural Facilities. WKCDA would move forward with the construction and operation of the Music Centre and thereafter other remaining facilities. The construction of EC and the Musical Theatre would be subject to private sector funding.</p>	
<p><b>Agenda Item III –Update on the development of M+ and museum matters</b></p>			
012753-015001	<p>CS cum WKCDA Board Chairman Director, Project Control, WKCDA ("D(PC)/WKCDA") Executive Director, M+, WKCDA ("ED(M+)/WKCDA")</p>	<p>Briefing by CS cum WKCDA Board Chairman and powerpoint presentation by D(PC)/WKCDA and ED(M+)/WKCDA on the progress of the hardware and software development in relation to M+ (LC Paper Nos. CB(1)560/16-17(03) and CB(1)591/16-17(02))</p>	
015002-015658	<p>Deputy Chairman ED(M+)/WKCDA CEO/WKCDA</p>	<p>The Deputy Chairman raised the following enquiries :</p> <p>(a) whether WKCDA would consider loaning</p>	

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		<p>exhibits, especially the works of young artists, to companies as well as to the Government for display in public open space for grooming local young artists and bringing their works to the local community;</p> <p>(b) whether HKPM, which would showcase collections to be loaned by the Palace Museum in Beijing on a long-term basis, would cause competition with M+;</p> <p>(c) the amount of funding that had been earmarked for purchase of works by M+; and</p> <p>(d) the rationale for acquiring a large number of works from the Mainland.</p> <p>The Deputy Chairman also commented that the exhibition organized by WKCDA as part of the public consultation exercise on the development of HKPM in WKCD was not up to a professional standard, and the opinions of visitors were not sought on whether there should be HKPM in WKCD.</p> <p>ED(M+)/WKCDA advised that:</p> <p>(a) The M+ team would continue to engage and cooperate with many overseas museums, including discussing future collection sharing with museums in Asia-Pacific, Europe and North America.</p> <p>(b) HKPM and M+ would be complementary to each other as the co-existence of HKPM and M+ would offer an unprecedented opportunity for exchange between HKPM and M+ to explore the rich visual culture of both historic and contemporary times. They would deepen the museum culture within WKCD.</p> <p>(c) From the \$1.2 billion tranche of funds earmarked for collection acquisition and related costs of M+, \$0.7 billion would have been spent as at the end of the 2016-2017 financial year. While M+ would continue to expand its collection until the opening of the M+ Building and beyond, the M+ Board had been prudently managing the acquisition budget. Currently, around \$0.1 billion was budgeted per year for the next three years on collection acquisitions. In addition,</p>	

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		<p>\$0.4 billion would be spent over the next three years on exhibition development, museum collection management, library set-up cost and conservation laboratory equipment. The M+ team would endeavour to seek donations. Major artists had made various important donations to M+.</p> <p>(d) The M+ Collection was deeply rooted in Hong Kong and the local visual culture would give M+ its substance, purpose and structure. Moving forward, M+ would acquire art work from South and Southeast Asia in expanding its collection to enhance its Asian perspective.</p> <p>Regarding the consultation on the HKPM project, CEO/WKCDA advised that there were various channels for members of the public to give views on the project. They might express their views through filling in the questionnaires at the exhibition at City Gallery in Central or on the website of WKCDA. During the consultation period, WKCDA reached out to different groups in the community to solicit their views on the HKPM project. WKCDA would consolidate and consider comprehensively all the views collected during the public consultation exercise, and would report the outcome of the consultation to the Board of WKCDA and the Joint Subcommittee.</p>	
015659-020219	Chairman Mr YIU Si-wing CEO/WKCDA ED(M+)/WKCDA	<p>Mr YIU Si-wing opined that M+ and WKCD would benefit from the development of HKPM. He made the following views:</p> <p>(a) In preparation for the opening of M+ in 2019, WKCDA should make good use of the M+ collection to promote M+, such as sharing collection with overseas museums with a view to enhancing the reputation of WKCD and M+.</p> <p>(b) Given that Mainland visitors accounted for about three-quarters of the total number of inbound visitors of Hong Kong, before the opening of M+, WKCDA should enhance collaboration with Mainland arts groups and museums to raise their awareness of WKCD and M+.</p> <p>(c) WKCDA should step up its efforts in promoting public awareness about M+, such as engaging</p>	

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		<p>local groups to host exhibitions displaying selections from the M+ collection.</p> <p>Mr YIU also asked about the amount of financial resources that WKCDA had deployed for the publicity of M+.</p> <p>CEO/WKCDA advised that WKCDA had maintained close liaison with the Travel Industry Council of Hong Kong and the Hong Kong Tourism Board in respect of the future development of WKCD. Although WKCDA had yet to start any marketing campaign in the Mainland, promotional activities would be implemented in the Mainland in due course.</p> <p>ED(M+)/WKCDA supplemented that the M+ Pavilion (opened in July 2016) had served as the primary site for exhibitions curated by M+ in the run-up to the opening of the M+ Building in 2019. Since the opening of the M+ Pavilion, two exhibitions had already been held. "Tsang Kin-Wah: <del>Nothing</del>" was the inaugural exhibition for the M+ Pavilion and a total of more than 11 000 visitors had been attracted to this exhibition. The second exhibition held at the M+ Pavilion, "Shifting Objectives: Design from the M+ Collection", was M+'s debut design exhibition, which had attracted about 10 000 visitors. "Ambiguously Yours: Gender in Hong Kong Popular Culture" was the third exhibition to be presented at the M+ Pavilion to explore popular culture.</p> <p>Extension of meeting for 15 minutes</p>	
020220-020639	Dr YIU Chung-yim CEO/WKCDA D(PC)/WKCDA	<p>Dr YIU Chung-yim made the following enquiries:</p> <p>(a) with regard to the experience of the M+ Building project, whether it would be better to appoint an architect/a designer following a competition or on the ground of race; and</p> <p>(b) whether there were any guidelines or criteria for WKCDA to decide whether an appointment of an architect/a designer should be determined through a competition, a tender or a direct appointment.</p> <p>Referring to the powepoint presentation materials (LC Paper No. CB(1)591/16-17(02)) which showed photos regarding construction progress of the M+</p>	

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		<p>Building, Dr YIU opined that WKCDA, in the future, should provide more information to members about the construction projects, such as the implementation timeline (i.e. the progress), delay (if any), capital cost, cost overrun (if any), and the quality of the project.</p> <p>CEO/WKCDA responded that there were different ways to select a designer for a design project and each option had its pros and cons. Appointment of a designer would be determined on a case by case basis, e.g. scales and complexity of individual projects. The key would be how WKCDA would monitor and provide inputs for the project. WKCDA's procurement guidelines would be available for public information on WKCDA's website.</p> <p>D(PC)/WKCDA said that WKCDA would be happy to share the progress reports of the construction of the M+ Building. As the M+ Building was located immediately above the existing Airport Express Tunnels, the close monitoring of any settlement of the tunnel movement induced from the M+ foundation and building works was a key activity. WKCDA had undertaken mitigation measures, including substantially increasing WKCDA's collaboration with and management of the main contractor to enhance their planning, coordination and progress. WKCDA would continue to monitor and manage the progress of the construction works of M+, and maintain its original plan to open M+ in late 2019.</p>	
020640-020943	Chairman Mr Holden CHOW ED(M+)/WKCDA	<p>Mr Holden CHOW opined that the M+ team should exercise caution in acquiring artworks and accepting donations so as to avoid being used to influence the prices of artworks of individual artists. The Chairman asked if M+ would accept any donated collections.</p> <p>ED(M+)/WKCDA advised that the WKCDA Board had established the Interim Acquisition Committee in June 2012 and had also formulated an acquisition policy for M+. All proposed acquisitions (both purchases and donations) would be carefully reviewed in accordance with the strategy and acquisition criteria as set forth in the M+ Acquisition Policy, which was available on WKCDA's website for public inspection. Proposed acquisitions were to</p>	

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		be approved by different tiers of authority according to the value of the work. As the donated artworks would usually be used for public purpose, it was unlikely that private collectors would gain profits from donating their collections to M+.	
<b>Agenda Item IV – Any other business</b>			
020944-021026	Chairman	Date of the next meeting  Items for discussion at the next meeting	

Council Business Division 1  
Legislative Council Secretariat  
18 April 2017