

**For information**

**Report on Significant Deviations between Accepted Tender Prices  
and Estimated Provisions in the Approved Project Estimates  
(for Capital Works Contracts Awarded in the Second Quarter of 2021)**

On 21 April 2004, the Director of Audit published a report<sup>1</sup> on the value-for-money audit on the Harbour Area Treatment Scheme Stage I project. Among other observations, the Director of Audit took note of significant deviations between the accepted tender prices for some works contracts under this project and those estimated in the Approved Project Estimates (APE). The Public Accounts Committee (PAC) recommended in its June 2004 report that, in order to ensure effective monitoring on the use of funding, works departments should inform the Legislative Council (LegCo) when there is a difference of \$15 million or more between the accepted tender price and the estimated provision in the APE.

2. In response to the recommendation of PAC, the Administration had agreed to submit quarterly reports to LegCo on significant deviations between the accepted tender prices for capital works projects and the estimated provision in the APE when these “equal/exceed \$15 million or 10% of the original estimated provisions in the APE, whichever is the greater”<sup>2</sup>. We submitted the first report covering projects up to end December 2004 to PAC on 4 February 2005 and were directed by the Clerk to the Finance Committee that future reports should be addressed to the Public Works Subcommittee.

3. For the quarter ending June 2021, 12 capital works contracts meet the stipulated reporting criterion. Relevant details of the contracts are set out at the **Annex** attached.

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Development Bureau  
Works Branch  
December 2021

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<sup>1</sup> See Director of Audit’s Report No. 42, Chapter 3

<sup>2</sup> See paragraph 25 of the Government’s Minute in response to Report No. 42 of the Public Accounts Committee tabled at the LegCo on 20 October 2004

**Report on Significant Deviations between Accepted Tender Prices  
and Estimated Provisions in the Approved Project Estimates  
(for Capital Works Contracts Awarded in the Second Quarter of 2021)**

(1) Department: Architectural Services Department

Project Code  Contract No.	Project Title  Contract Title/ Award Date	Approved Project Estimate (APE)	(A) Sum Allowed in APE for the Contract	(B) Accepted Tender Price	(A) – (B) Difference
<b>\$ million (in MOD prices)</b>					
3035NM  AL K515	<b>Modernisation of Aberdeen Market cum Cooked Food Centre</b>  Modernisation of Aberdeen Market cum Cooked Food Centre/ 23 June 2021	254.00	230.10	195.00	35.10
<p>The accepted tender price is lower than the sum allowed in APE for the contract. This is due to keen competition under prevailing market conditions, which resulted in lower rates in the returned tenders. Details of the key items with significant savings are as follows -</p> <p>(a) Contract preliminaries (\$10.00 million);            (b) Alteration and additional works (\$9.10 million);            (c) Electrical installation (\$5.00 million); and            (d) Air-conditioning installation (\$11.00 million).</p>					

(2) Department: Civil Engineering and Development Department

Project Code  Contract No.	Project Title  Contract Title/ Award Date	Approved Project Estimate (APE)	(A) Sum Allowed in APE for the Contract	(B) Accepted Tender Price	(A) – (B) Difference
\$ million (in MOD prices)					
<b>5001BX</b> (block allocation)	<b>Landslip preventive measures</b>				
Item No. 2.281	Landslip Prevention and Mitigation Programme, 2015, Package D, landslip prevention and mitigation works	116.39			
Item No. 2.309	Landslip Prevention and Mitigation Programme, 2018, Package D, landslip prevention and mitigation works	203.46			
GE/2020/18	<b>Total:</b> Landslip Prevention and Mitigation Programme, 2018, Package D, landslip prevention and mitigation works/ 28 April 2021	319.85	154.23	138.20	16.03
<p>The accepted tender price is lower than the sum allowed in APE for the contract. This is due to keen competition under prevailing market conditions, which resulted in lower rates in the returned tenders. Details of the key items with significant savings are as follows -</p> <p>(a) Contract preliminaries and site clearance (\$2.28 million);  (b) Geotechnical works (\$9.91 million); and  (c) Ancillary works (\$3.84 million).</p>					

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\$ million (in MOD prices)					
5001BX (block allocation)  Item No. 2.310  GE/2020/05	Landslip preventive measures  Landslip Prevention and Mitigation Programme, 2016, Package G, landslip prevention and mitigation works  Landslip Prevention and Mitigation Programme, 2016, Package G, landslip prevention and mitigation works/ 16 June 2021	188.96		164.49	128.48  36.01
<p>The accepted tender price is lower than the sum allowed in APE for the contract. This is due to keen competition under prevailing market conditions, which resulted in lower rates in the returned tenders. Details of the key items with significant savings are as follows -</p> <p>(a) Contract preliminaries (\$6.00 million);  (b) Geotechnical works (\$20.60 million); and  (c) Ancillary works (\$9.41 million).</p>					

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\$ million (in MOD prices)					
7796CL  YL/2020/03	<p data-bbox="296 551 791 685"><b>Hung Shui Kiu/Ha Tsuen New Development Area stage 1 works—site formation and engineering infrastructure</b></p> <p data-bbox="360 730 791 909">Hung Shui Kiu/Ha Tsuen New Development Area Stage 1 Works—Site formation and engineering infrastructure/ 19 April 2021</p>	1,351.20	1,075.30	444.99	630.31
<p data-bbox="842 990 1461 1236">The accepted tender price is lower than the sum allowed in APE for the contract. This is due to keen competition under prevailing market conditions, which resulted in lower rates in the returned tenders. Details of the key items with significant savings are as follows -</p> <ul data-bbox="852 1281 1461 1460" style="list-style-type: none"> <li>(a) Contract preliminaries (\$147.87 million);</li> <li>(b) Land decontamination works (\$156.99 million); and</li> <li>(c) Site formation and engineering infrastructure works (\$325.45 million).</li> </ul>					

Project Code  Contract No.	Project Title  Contract Title/ Award Date	Approved Project Estimate (APE)	(A) Sum Allowed in APE for the Contract	(B) Accepted Tender Price	(A) – (B) Difference
\$ million (in MOD prices)					
7859CL  NL/2020/02	<p data-bbox="296 551 794 651"><b>Tung Chung New Town Extension—site formation and infrastructure works</b></p> <p data-bbox="360 696 794 842">Tung Chung New Town Extension — Salt Water Supply System/ 7 June 2021</p>	19,332.90	596.54	465.58	130.96
<p data-bbox="842 913 1461 1014">The accepted tender price is lower than the sum allowed in APE for the contract. This is due to</p> <ul style="list-style-type: none"> <li data-bbox="879 1061 1461 1205">(i) very keen market competition amongst contractors in light of limited new contracts under “Waterworks” category recently; and</li> <li data-bbox="879 1211 1461 1424">(ii) many contracts being undertaken by the accepted tenderer are about to be completed in 2021. The accepted tenderer is therefore able to redeploy its manpower and plant resources, thereby achieving cost reduction.</li> </ul> <p data-bbox="842 1464 1461 1536">Details of the key items with significant savings are as follows -</p> <ul style="list-style-type: none"> <li data-bbox="852 1576 1417 1608">(a) Contract preliminaries (\$29.78 million);</li> <li data-bbox="852 1615 1283 1646">(b) Waterworks (\$62.72 million);</li> <li data-bbox="852 1653 1442 1684">(c) Geotechnical works (\$22.35 million); and</li> <li data-bbox="852 1691 1461 1762">(d) Engineering infrastructure works (\$16.11 million).</li> </ul>					

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\$ million (in MOD prices)					
NL/2020/03	Tung Chung New Town Extension—Major infrastructure works in Tung Chung East/ 16 June 2021		6,901.60	4,160.77	2,740.83
<p>The accepted tender price is lower than the sum allowed in APE for the contract. This is due to</p> <ul style="list-style-type: none"> <li>(i) the accepted tenderer (who is also the contractor of the on-going reclamation works at the same site with thorough knowledge on the site conditions and constraints for this contract) could offer lower rates for the tender; and</li> <li>(ii) the accepted tenderer also offers cost-effective alternative design and construction method, thereby achieving cost reduction.</li> </ul> <p>Details of the key items with significant savings are as follows -</p> <ul style="list-style-type: none"> <li>(a) Contract preliminaries (\$542.07 million);</li> <li>(b) Roadworks (\$933.27 million);</li> <li>(c) Engineering infrastructure works (\$771.91 million);</li> <li>(d) District cooling system (\$254.77 million); and</li> <li>(e) Site formation works (\$238.81 million).</li> </ul>					

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<b>\$ million (in MOD prices)</b>					
NL/2020/05	Tung Chung New Town Extension—Site formation and infrastructure works at Ma Wan Chung/ 12 May 2021		1,025.17	785.91	239.26
<p>The accepted tender price is lower than the sum allowed in APE for the contract. This is due to the contractor's familiarity with the working environment in the district. The contractor is also able to re-deploy its existing manpower and plant resources to this contract after completion of their contracts in hand, thereby achieving cost reduction. Details of the key items with significant savings are as follows -</p> <ul style="list-style-type: none"> <li>(a) Contract preliminaries (\$41.82 million);</li> <li>(b) Site formation works (\$98.76 million);</li> <li>(c) Road improvement works and drainage works (\$51.66 million); and</li> <li>(d) Engineering infrastructure works (\$47.02 million).</li> </ul>					



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<b>\$ million (in MOD prices)</b>					
NL/2020/06	Tung Chung New Town Extension—Site formation and infrastructure works at Tung Chung Valley, Phase 1/ 17 May 2021		1,855.89	1,139.02	716.87
<p>The accepted tender price is lower than the sum allowed in APE for the contract. This is due to the contractor's ample experience in site formation works of similar nature of works. The contractor is also able to re-deploy its existing manpower and plant resources to this contract after completion of their contracts in hand, thereby achieving cost reduction. Details of the key items with significant savings are as follows -</p> <ul style="list-style-type: none"> <li>(a) Contract preliminaries (\$220.59 million);</li> <li>(b) Roadworks (\$193.38 million);</li> <li>(c) River Park (\$120.19 million); and</li> <li>(d) Engineering infrastructure works (\$182.71 million).</li> </ul>					

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\$ million (in MOD prices)					
B857CL  CV/2020/11	<p data-bbox="296 551 791 685"><b>Site formation and infrastructure works for public housing developments at Tuen Mun Central –Phase 1</b></p> <p data-bbox="360 730 791 887">Site formation and infrastructure works at Tuen Mun Central Phase 1—Wu Shan Road/ 27 May 2021</p>	968.40	486.57	268.36	218.21
<p data-bbox="842 987 1461 1088">The accepted tender price is lower than the sum allowed in APE for the contract. This is due to</p> <ul style="list-style-type: none"> <li data-bbox="874 1133 1461 1312">(i) the recommended tenderer appeared to be eager to secure his market share as the lead participant had no public works contract in hand during tendering; and</li> <li data-bbox="874 1317 1461 1458">(ii) the accepted tenderer planned to adopt cost-effective alternative design and construction method, thereby achieving cost reduction.</li> </ul> <p data-bbox="842 1503 1461 1570">Details of the key items with significant savings are as follows -</p> <ul style="list-style-type: none"> <li data-bbox="850 1615 1417 1644">(a) Contract preliminaries (\$38.58 million);</li> <li data-bbox="850 1648 1461 1677">(b) Site formation works (\$92.05 million); and</li> <li data-bbox="850 1682 1449 1711">(c) Infrastructure works (\$43.53 million); and</li> <li data-bbox="850 1715 1337 1744">(d) Ancillary works (\$44.05 million).</li> </ul>					

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\$ million (in MOD prices)					
B858CL  YL/2020/04	<p data-bbox="296 551 794 689"><b>Site formation and infrastructure works for public housing developments at Kam Tin South, Yuen Long—Phase 1</b></p> <p data-bbox="360 730 794 909">Site formation and infrastructure works for public housing developments at Kam Tin South, Yuen Long—Phase 1/ 17 June 2021</p>	907.10	742.40	475.12	267.28
<p data-bbox="842 987 1461 1238">The accepted tender price is lower than the sum allowed in APE for the contract. This is due to keen competition under prevailing market conditions, which resulted in lower rates in the returned tenders. Details of the key items with significant savings are as follows -</p> <p data-bbox="852 1279 1461 1424">(a) Geotechnical works (\$250.85 million); (b) Ground investigation works (\$12.58 million); and (c) Ancillary Works (\$3.85 million).</p>					

(3) Department: Drainage Services Department

Project Code  Contract No.	Project Title  Contract Title/ Award Date	Approved Project Estimate (APE)	(A) Sum Allowed in APE for the Contract	(B) Accepted Tender Price	(A) – (B) Difference
\$ million (in MOD prices)					
4172CD  DC/2020/09	<b>Rehabilitation of underground stormwater drains—remaining works</b>  Rehabilitation of underground stormwater drains—Stage 3/ 17 June 2021	702.70	527.00	373.23	153.77
<p>The accepted tender price is lower than the sum allowed in APE for the contract. This is due to the fact that the recommended contractor is also the current contractor of another DSD works contract of similar nature, who is considered possessing the expertise, plant and equipment necessary and make it readily available for this contract. Details of the key items with significant savings are as follows -</p> <p>(a) Contract preliminaries (\$22.76 million); and</p> <p>(b) Rehabilitation of existing stormwater drains (\$131.01 million).</p>					

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\$ million (in MOD prices)					
4445DS  DC/2020/05	<p data-bbox="296 551 791 689"><b>Relocation of Sha Tin Sewage Treatment Works to caverns— main caverns construction and upstream sewerage works</b></p> <p data-bbox="360 730 791 869">Relocation of Sha Tin Sewage Treatment Works to caverns— Main caverns construction/ 23 June 2021</p>	14,076.50	8,601.02	4,221.23	4,379.79
<p data-bbox="842 954 1461 1055">The accepted tender price is lower than the sum allowed in APE for the contract. This is due to</p> <ul style="list-style-type: none"> <li data-bbox="890 1099 1461 1346">(i) the fact that the recommended contractor is also the current contractor of another DSD works contract of similar nature, who is considered possessing the expertise, plant and equipment necessary and make it readily available for this contract; and</li> <li data-bbox="890 1357 1461 1536">(ii) the fact that the recommended contractor possesses vast amount of experience in drill and blast construction, and is familiar with the site constraints for this contract.</li> </ul> <p data-bbox="842 1581 1461 1648">Details of the key items with significant savings are as follows -</p> <ul style="list-style-type: none"> <li data-bbox="855 1693 1437 1720">(a) Contract preliminaries (\$430.00 million);</li> <li data-bbox="855 1731 1461 1798">(b) Construction of caverns complex (\$3,400.00 million);</li> <li data-bbox="855 1809 1374 1836">(c) Disposal of rocks (\$355.00 million);</li> <li data-bbox="855 1848 1461 1915">(d) Site formation works (\$74.00 million); and</li> <li data-bbox="855 1917 1430 1944">(e) Other ancillary works (\$120.79 million).</li> </ul>					