

**For discussion
on 26 May 2008**

**Legislative Council Subcommittee on
West Kowloon Cultural District Development**

Upfront endowment for implementing the WKCD Project

PURPOSE

This paper seeks to brief Members on our proposal to seek the Legislative Council's approval for a one-off upfront endowment to be given to the West Kowloon Cultural District Authority (WKCDA) upon its establishment to implement the WKCD project.

PROPOSAL

2. We propose to seek the Public Works Subcommittee of the Finance Committee's agreement for recommending to the Finance Committee to give a one-off upfront endowment of \$21.6 billion, in 2008 NPV, to the WKCDA to implement the WKCD project. The upfront endowment will cover the capital costs of the WKCD project.

PROJECT SCOPE AND NATURE

3. Adopting the recommendations of the Consultative Committee on the Core Arts and Cultural Facilities of the WKCD (Consultative Committee) which was appointed by the Chief Executive in April 2006, and having regard to the results of the public engagement exercise from September to December 2007, we are planning to develop an integrated arts and cultural district with a specified number and type of core arts and cultural facilities, retail dining and entertainment facilities, communal and ancillary facilities on a harbourfront site of 40 hectares in west Kowloon. We would also set up a statutory organization—the WKCD Authority, subject to the passage of the legislation in the Legislative Council (LegCo) to implement the project. As regards the financial arrangements, we will adopt a prudent and transparent financing approach for the WKCD, as follows:

- (a) Finance the capital costs of the WKCD project through an upfront endowment appropriated by the LegCo roughly equivalent to the estimated land revenue from the residential, hotel and office part of the commercial sites

within the WKCD; and

- (b) Vest the retail/dining/entertainment (RDE) part of the commercial sites in the WKCDA to provide a steady source of recurrent income through rental proceeds to meet the operating deficits of the Core Arts and Cultural Facilities (CACF) and related facilities.

The Consultative Committee's Recommendation Report was published in September 2007 and is available on Home Affairs Bureau (HAB)'s web site www.hab.gov.hk/wkcd.

4. We propose to provide an upfront endowment of \$21.6 billion to the WKCD Authority after it has been established to cover the capital costs of the following component parts of the WKCD project:

- (a) Planning, design and construction of the following facilities -
 - (i) CACF – They comprise 15 performing arts venues to be developed in two phases (12 venues for Phase I and 3 venues for Phase II), a cultural institution with museum functions temporarily called **M+** (or Museum Plus)¹, focusing on 20th to 21st century visual culture, an Exhibition Centre with focus on arts and culture and creative industries, and 3 hectares of piazza areas for outdoor performances. Details of the CACF are set out in **Annex 1**.
 - (ii) Other Arts and Cultural Facilities (OACF) – These include accommodation space for conferences/events, etc., offices and ancillary facilities for arts and cultural organizations/groups, arts and cultural information centre, as well as the WKCDA.
 - (iii) Retail, Dining and Entertainment (RDE) Facilities.
 - (iv) Transport Facilities – These include an automated people mover (“APM”) system (or

¹ The **M+** includes the construction and related land acquisition for off-site conservation laboratory and storage facilities.

any other passenger transportation system) and public car parking facilities.

- (v) Public Open Space – This includes the provision of a total of 23 hectares of public open space, including 3 hectares of piazza areas
- (b) Major Repair and Renovation of the facilities mentioned in paragraph 4(a). These cover periodic major repair and renovation of the facilities mentioned in paragraph 4(a) above at different intervals over the 50–year project period.
- (c) Collection, Exhibition Development, Conservation Laboratory Equipment and Library Setup for the M+. These cover -
 - (i) initial acquisition of collection and annual collection thereafter;
 - (ii) periodic fabrication of the exhibition galleries of the M+;
 - (iii) acquisition of conservation laboratory equipment and library setup costs.
- (d) Planning of the WKCD and project management– These include the following areas –
 - (i) preparation of a development plan for the whole WKCD site. The costs include mainly consultancy, technical studies, public consultations and related expenses.
 - (ii) project management during the planning and construction stage of Phase I (estimated to be 7 years from 2008/9 to 2014/15).

5. The other communal and government facilities and related engineering works, such as roads, drainage, fire station, public pier, etc. which are designed to support the whole WKCD (including residential, commercial and hotel developments) will be undertaken by the Government. Funding approval for such works will be sought separately.

JUSTIFICATION

6. The WKCD project is a major initiative to implement the Government's policy on arts and culture by meeting the long-term infrastructural and development needs of Hong Kong's arts and culture. It also serves to meet the acute shortage in performing arts venues. It is an important strategic investment in arts and culture for the future of Hong Kong. This kind of investment should be forward looking and vision-driven, and should not be assessed in terms of financial returns. The vision and objectives of the WKCD project are to develop an integrated arts and cultural district with world-class arts and cultural facilities, distinguished talents, iconic architectures, and quality programmes with a must-visit appeal to the local people and tourists.

7. The Financial Matters Advisory Group (FMAG) under the Consultative Committee was tasked to assess the financial implications of developing and operating the proposed arts and cultural facilities and related facilities of the WKCD. HAB engaged GHK (Hong Kong) Limited as Financial Advisor (FA) to assist in assessing the financial implications of the project. The FA has fielded a strong multi-disciplinary team to work on the consultancy. Its team consists of financial experts, public private partnership (PPP) experts, performing arts venue and museum advisors and architects, engineering experts, quantity surveyors and land and property market specialists.

Recommended Financing Approach

8. The key findings of the FA's financial analysis are as follows:
- (a) None of the proposed arts and cultural facilities is financially self-sustainable (taking both capital and operating costs into account);
 - (b) Only two venues might operate with a surplus—the Exhibition Centre and the Mega performance Venue;
 - (c) There would be a significant funding gap (excess of estimated total capital costs and operating deficits over estimated land premium of the commercial and residential sites in WKCD) if we were to take on board all the initial recommendations on the CACF made by the Performing Arts and Tourism Advisory Group (PATAG) and the Museums Advisory Group (MAG)

under the Consultative Committee, and fully adhere to the initial development mix; and

- (d) As revealed from the FA's market sentiment testing exercise, there is very limited market interest in participating in life-cycle Public Private Partnership (PPP) arrangements owing to expected construction and operating risks and deficits. Moreover, there is a lack of competent market players. Instead, Private Sector Involvement (PSI) in operations with operating subsidies would have more potential to attract private sector interest. As a result, most procurement of the facilities should take the form of traditional Design and Build contracts, and separate operation and management contracts.

The above findings are in line with relevant international experience which indicates that arts and cultural facilities are typically loss-making and require significant public subsidies in both capital and operating costs. There should also be sufficient recurrent income to sustain the long-term operation of the facilities.

9. Taking into account the above findings, the FMAG concluded that there was very limited scope for the WKCD project to pursue PSI scenarios that adopt a life-cycle PPP approach requiring the private sector to finance the development and maintenance of the facilities, and to operate the facilities over a long period of time. There is also limited scope for cross-subsidy between venues. As such, a PSI approach whereby the private sector would design and build the CACF and communal facilities under design and build contracts, while the operation, maintenance and management (OMM) of the completed facilities would be undertaken by different private sector parties to specified levels of performance under OMM contracts let by the public sector or the WKCD as appropriate, was adopted in assessing the financial implications of the WKCD project. There would be no private sector financing involved and no use of land to directly subsidise development and operation of the CACF and infrastructure facilities under this scenario.

10. In drawing up the financing arrangements for WKCD, the FMAG subscribed to the following guiding principles:

- (a) provide funding stability conducive to arts and cultural development;
- (b) preserve maximum flexibility to create a cultural hub of international status;
- (c) ensure early delivery of the project; and
- (d) affordable to the Government and ensure the CACF are financially

sustainable.

Having regard to these guiding principles the Consultative Committee recommended adopting a prudent and transparent financing approach for the WKCD, as follows:

- (a) Finance the capital costs of the WKCD project through an upfront endowment appropriated by the LegCo roughly equivalent to the estimated land revenue from the residential, hotel and office part of the commercial sites within the WKCD; and
- (b) Vest the RDE part of the commercial sites in the WKCDA to provide a steady source of recurrent income through rental proceeds to meet the operating deficits of the CACF and related facilities. The capital cost for the RDE facilities will also be covered by the one-off upfront endowment.

Under this financing arrangement, the Government would provide an upfront endowment as a long-term commitment towards the long-term development of arts and culture in Hong Kong, whilst the sites for residential, hotel and office within the WKCD would be disposed of separately by the Government through the normal land disposal mechanism at suitable timing in future. The WKCDA will be required to manage the upfront endowment (including investment of funds) to ensure that there would be sufficient funds to cover the cash flow requirements of the capital costs of the WKCD project during the project period. The WKCDA will also be required to ensure the financial sustainability of operating and managing the arts and cultural facilities and related facilities in the WKCD.

11. Having adopted certain measures to bridge the funding gap (including reducing the scale of the M+ by 30%, adjusting the Net Operating Floor Area to Gross Floor Area (GFA) ratios for the CACF, adjusting the ratios between GFA for RDE vis-à-vis hotel and office, and adjusting the funding responsibilities between WKCDA and the Government on the communal and infrastructural facilities), the Consultative Committee recommended that an upfront endowment of \$21.6 billion (NPV at 2008) should be sought from the LegCo for developing and operating the CACF and other communal facilities in a self-sufficient and sustainable manner within the 40-hectare WKCD site. With this upfront endowment, the Consultative Committee recommended the following development mix for the WKCD—

Development Mix	GFA (sq. m.)	% of Total GFA
Cultural and related mix		
(A) Arts and cultural/communal facilities		
M+ ²	61 950.	8%
Exhibition Centre (EC)	12 500.	2%
Performing art venues	188 895	26%
Other arts and cultural uses	15 000	2%
Communal facilities including items to be funded under PWP	20 000	3%
(B) RDE facilities (to generate rental income to subsidize operating deficits of (A) above except PWP items)	119 000.	16%
Sub-total	417 345.	57%
Residential/Commercial mix		
(A) Residential: Villa Houses & Apartments	145 257	20%
(B) Hotel	56 000	8%
(C) Office ³	107 683.	15%
Sub-total	308 940	43%
Total	726 285	100%

12. This would be a balanced development mix comprising 57% of GFA for arts and cultural facilities, RDE facilities and communal facilities which will be suitably integrated with 43% of residential, office and hotel facilities. This would enable the WKCD to be developed and operated in a financially sustainable manner within the 40-hectare WKCD site.

² This is the on-site portion. An additional GFA of 16,800 sq.m. is provided for the offsite storage and conservation laboratory of the M+.

³ To allow flexibility, 28 000 sq. m. of the total GFA may be used for office or hotel developments depending on the prevailing market demand.

One-off Upfront Endowment

13. The proposed one-off upfront endowment represents a long-term commitment and determination of the Government towards the development of culture and the arts, such that it would not be subject to the changes in social and economic circumstances. With funding certainty and flexibility, the WKCDA will be able to plan and develop the cultural district together with its facilities and programmes in an integrated manner, in line with the objectives of the WKCD project. A one-off upfront endowment will provide the WKCDA with adequate flexibility to properly manage its own finances, to handle the master planning, and facilities design and construction processes, as well as to manage and operate its facilities and activities in response to changes in the arts and cultural scene and the market conditions. With the provision of the endowment to the WKCDA upfront upon its establishment, the WKCDA would be able to work on the building, design and programming of the facilities in a timely and integrated manner. This is practically necessary since any world-class arts and cultural facilities should be built and designed from the inside out, i.e. with due and adequate account of the user requirements, and the needs of their management and operation. Moreover, every such arts and cultural facility should have in place a host of attractive programmes with good quality at the time of its opening to the public, and any world-class performance or exhibition programmes normally requires a lead preparation period of several years. As such, funding stability is essential to enable the WKCDA to recruit the best talents and engage the best organizations to plan, design and manage the various facilities, as well as to commission and negotiate arrangements for major world-class arts and cultural programmes to be staged in the different facilities in good time. If the proposed endowment of \$21.6 billion is not granted to the WKCDA upfront upon its establishment, there is a risk that the timely realization of the vision and objectives of the WKCD project would be unduly compromised.

14. The upfront endowment will be used to cover the capital costs described above over the project period. For the purpose of the financial assessment, the following development and operation programme has been adopted:

2008-10	Preparation of a Development Plan for the WKCD by the WKCDA (masterplanning)
2014-15	Completion and operation of Phase 1 CACF
2026	Completion and operation of Phase 2 performing arts venues
2031	Operation of Phase 2 of M+

As 73% of the upfront endowment would be for the design and construction of the various facilities under the WKCDA's purview, it would start to be expended as soon as the WKCDA is established. Since it is expressed in 2008 NPV, the WKCDA would be required to invest unused funds at any time to generate

investment return to help meet the future cash flow requirements of the capital costs. To ensure that the WKCD will manage its finances prudently, there are provisions in the WKCD Bill requiring the WKCD to manage its finances (including resources) with due care and diligence. On investment, the WKCD will be required under the Bill to invest in a financially prudent manner. The Bill also provides that the Financial Secretary may specify the classes or descriptions of investment that the WKCD may undertake. We are also planning to amend the WKCD Bill to require the WKCD to set up an Investment Committee to oversee the management and investment of its financial resources including the upfront endowment. The chairman and members of the Investment Committee should possess relevant expertise and experience in this field.

Economic Impact Assessment

15. The Economic Impact Assessment on the WKCD conducted by the Government Economist in May 2007 reveals that the development of the WKCD would bring about substantial tangible and intangible economic benefits for Hong Kong in the longer term. The tangible benefits include the cumulative value added to the Hong Kong economy over a period of 46 years which is estimated at \$71.4 billion in present value terms and the creation of over 21,000 jobs related to the operation of the arts and cultural facilities and over 11,000 jobs for construction works and related services. The WKCD is also expected to attract 2.4 million tourists upon commencement of the operation of the Phase I facilities. The intangible economic impacts include, inter alia, fostering vibrant cultural activities and the development of a creative economy, nurturing local talents, attracting and retaining investors and talents, raising the quality of life, reinforcing economic integration with the Pearl River Delta and branding Hong Kong as a world city. The Report on Economic Impact of Developing the WKCD is available on HAB's web site www.hab.gov.hk/wkcd.

FINANCIAL IMPLICATIONS

16. The estimated costs of the various component parts of the upfront endowment were compiled by the FA on the basis of a detailed financial study on the development and operation of the WKCD which has been accepted by the Government. In estimating the costs and revenues of developing and operating the CACF, the FA has made reference to relevant local facilities as well as comparable overseas facilities. The FA has worked closely with HAB and relevant bureaux and departments in coming up with very detailed assumptions underlying the estimation of the capital costs and the operating costs and revenue of the various facilities of the WKCD. The FA submitted its findings periodically to the FMAG and attended FMAG meetings to seek FMAG's views and advice on its findings. Details of the methodology of the financial analysis and the various assumptions used by the FA in assessing the financial implications of the WKCD project are given in **Annex 2**.

17. The FA had examined different procurement approaches involving the private sector including overseas experiences and concluded that the most suitable procurement approach was to adopt a design and build⁴ approach for most of the facilities. This is similar to the conventional mode adopted for delivering Public Works Projects whereby the private sector is to design and build the facilities to agreed price and specifications under design and build contracts. Based on this approach, the FA has estimated the capital costs for the WKCD project over the project period, in 2008 NPV, which are summarised below. Details are given in **Annex 3**.

		Paragraph reference	\$Million (in 2008 NPV)	% share	
(a)	Design and construction of				
	(i)	Core Arts and Cultural Facilities ⁵	4(a)(i)	11,178	52%
	(ii)	Other Arts and Cultural Facilities	4(a)(ii)	309	1%
	(iii)	Retail, Dining and Entertainment Facilities	4(a)(iii)	2,351	11%
	(iv)	Transport Facilities (i.e. Automated People Mover, Public Car Parks)	4(a)(iv)	934	5%
	(v)	Public Open Space ⁶	4(a)(v)	925	4%
	Sub-total			15,697	73%
(b)	Major Repair and Renovation of the above facilities listed in (a) over the 50-year project period		4(b)	2,891	13%
(c)	Collection Costs and Related Costs for M+		4(c)	1,717	8%
(d)	Planning of the WKCD and project management (costs to be incurred by the WKCDA)		4(d)	1,264	6%
Total				21,569	100%
				=====	

⁴ Design and build is the standard Government procurement mode. In this procurement mode, the client enters into contractual relationship with the contractor to design and construct the project in accordance with performance specifications prepared by the client. The contractor then enters into a series of separate agreements with consultants, specialist sub-contractors and suppliers to deliver the completed project in accordance with the agreed performance specifications. This method intends to encourage more contractor involvement, increase the speed of project delivery, lower the level of responsibility for the client, and increase the use of proprietary systems or modules.

⁵ The capital costs include the construction and related land acquisition for the off-site conservation laboratory and storage facilities for the M+.

⁶ Including 3 hectares of piazza areas.

18. Since the project is a long-term investment spanning a long period of time, expressing the financial implications in NPV is the most appropriate way to assess the present day value of the costs of the project and compare the financial implications of developing individual facilities. In estimating the capital costs, the FA has estimated the costs based on 2006 Q3 prices and adjusted the estimates with an annual inflation rate of 2%⁷ over the project period to arrive at the money of the day (MOD) cash flow estimates. The MOD estimates were then discounted to 2008 using a nominal discount rate of 6.1%, which is composed of a 4% real discount rate per annum and a 2% annual inflation rate. The 4% real discount rate has been adopted by the FA having regard to the social discount rate (4%) used by the Government on infrastructure projects as advised by Government Economist. The cash flow requirements of the capital costs in MOD prices over the project period are given in **Annex 4**.

Design and Construction Costs of the Various Facilities

19. The estimated design and construction costs of the facilities are a function of the assumed construction floor area and the estimated unit construction costs for individual facilities, professional fees and contract management costs involved in the design, planning and construction process, as well as construction risk or contingency assessed for individual facilities. The FA arrived at the estimated unit construction costs (detailed at **Annex 5**), after taking into account international and local comparators. The Architectural Services Department considers that the unit construction cost estimates for the individual facilities adopted by the FA are within reasonable range, having regard to the need for building world-class arts and cultural facilities for the WKCD. The estimates of professional fees and contract management costs are based on the experience of the FA's technical advisors in their relevant professions, supplemented by reference to the scales of professional charges for the appropriate Hong Kong professional institutes and FA's consultation with major Hong Kong developers. Given the high standards and quality required of the CACF, the FA has applied a more sophisticated estimate of contingencies (or risk premium) for these facilities, which is higher than the simple approach of adding a fixed percentage to the base cost estimates. For non-CACF, a fixed percentage of 15% has been applied. The base cost estimates at 2006 prices for the design and construction costs of individual facilities and their respective calculations are shown in **Annex 6(a)**, with their corresponding costs in 2008 NPV shown in **Annex 6(b)**.

⁷ Government Economist's view is that as an advanced economy and under a currency board system with the Hong Kong dollar linked to the US dollar, Hong Kong's inflation over the very longer run would tend to be more or less in line with those experienced by economies at a similar stage of development. The implicit or explicit inflation targets set by most major central banks in the advanced economies are around 2%. Thus, the inflation assumptions adopted by the FA for the 50-year period are broadly acceptable.

Major Repair and Renovation Costs of the Various Facilities

20. Instead of setting aside annual provision for asset depreciation and replacement, periodic major repair and renovation costs are provided in the financial assessment to cover major renovation works including building renovation, fitting out, electrical and mechanical installations of the arts and cultural facilities and related facilities, etc. As regards regular building maintenance, the FA has provided for annual provision in the operating account of individual facilities. The FA estimated that the CACF would require major repair and renovation once every 20 years (excluding piazzas which is 30 years). As for the non-CACF, the cycle would range from 12 years (RDE facilities) to 30 years (piazzas, APM, public open space). The FA included the cost of major repair and renovation at appropriate intervals, in order to ensure that the facilities will continue to be fully functional throughout the 50-year project period. The extent and cycle of periodic major repair and renovation and the total costs involved in each such major overhaul for individual facilities are summarised in **Annex 7(a)**. Their respective NPV at 2008 and the projected annual cash flows in MOD prices over the project period are given in **Annex 7(b)**.

Collection Costs and Related Costs for M+

21. For the M+, the FA has included provisions for acquiring collection, exhibition development, conservation laboratory equipment and library set up costs as capital costs, as the M+ cannot be operational if these are not in place.

22. The FA assumed an initial capital of \$1 billion (in 2006 prices) for building up sizeable and impressive collections commensurate with M+'s status and attributes upon the opening of the M+ in 2015, and made provision for an annual collection cost of \$20 million (in 2006 prices) thereafter over the project period to 2059.

23. The FA provided for exhibition development costs (i.e., periodic fabrication of the exhibition galleries) of the M+ at a unit cost \$12,750 per sq. m. (in 2006 prices). The net exhibition area in Phase I was assumed to be 16,000 sq. m. and a further 10,000 sq. m. to be made available upon commissioning of the Phase II of M+. The FA provided for initial exhibition development costs for the exhibition galleries of the respective Phases I and II when they first come into operation, and further exhibition development costs for them at an interval of 15 years thereafter.

24. The FA has also provided for the acquisition of conservation laboratory equipment at a cost of about \$26 million (in 2006 prices) upon

commissioning of the Phase I of M+ and assumed 50% replacement cost (i.e. about \$13 million in 2006 prices) at an interval of 10 years thereafter.

25. The FA has included a one-off sum of \$28 million (in 2006 prices) for library set-up costs upon commissioning of the Phase I M+. Recurrent provision for running the library has been provided for in the annual operating costs of the M+.

26. The total costs in 2008 NPV and the projected annual cash flows in MOD prices of the above items (i.e. museum collection, exhibition development, conservation laboratory equipment and library set up) for the M+ over the project period are summarised in **Annex 8**.

Master Planning of the WKCD and Project Management (costs to be incurred by the WKCDA)

27. For financial assessment purpose, the operating costs of the future WKCDA in implementing the WKCD project from 2008-09 till 2014-15 when the Phase I CACF are completed in stages, including the master planning costs (about \$16.7 million a year in 2006 prices) during the period 2008-2009 and the project management costs from 2008-09 to 2014-15, are capitalised and treated as capital costs so as to distinguish them from the operating deficits incurred during the operation period of the WKCD (from 2015 onwards). The FA estimated that the WKCDA would require a staff of 90 people during the development stage of the Phase I facilities. In preparing the cost estimates for the WKCDA, (note this is not institutional advice but assumptions for cost estimation) the FA assumed that there would be five divisions: office of the chief executive; planning and development; property; finance and procurement. The duties include but are not limited to: masterplanning and project development, strategic and business planning, cultural and arts policy liaison, property development and management, legal, procurement, contracting and finance. This assumption was adopted with reference to the establishment of comparable local statutory bodies and area-based agencies elsewhere. The annual total cost (including staff costs and other operating expenses) involved will be \$189.4 million a year (in 2006 prices). A breakdown of these costs in NPV at 2008 and the projected annual cash flows (in MOD prices) over the period from 2008 to 2014 are given in **Annex 9**.

Operational Income and Expenditure

Rental income from RDE facilities

28. The FA assumed that the RDE facilities would secure a net monthly

rental of \$323 per sq. m. (in 2006 prices) for the shops and \$2,500 (in 2006 prices) per car parking space in the RDE facilities. The annual net total rental income in 2006 prices is \$473 million and the net total rental income over the project period to 2059 is \$8.4 billion in 2008 NPV. This is higher than the total operating deficits of the arts and cultural facilities and other facilities under the purview of the WKCDA estimated at \$7.6 billion in 2008 NPV (see paragraph 29 below). The operating surplus from RDE in NPV at 2008 and the projected annual cash flows in MOD prices over the project period are summarised in **Annex 10**.

Operational surplus/deficits for the CACF, communal facilities and WKCDA

29. The operating surpluses/deficits have been estimated based on the assumption that they will be operated by private or non-government bodies under various PSI arrangements taking into account the characteristics of the individual facilities, and not by the WKCDA itself. They include the following -

- (a) operating surpluses/deficits of the CACF, other arts and cultural facilities, APM, public car parks and public open space; and
- (b) operating costs of the WKCDA (mainly in area management).

The total operating deficit is estimated at \$7.6 billion in 2008 NPV. A breakdown of the operating cost recovery rates (at a reference year) and the operating surpluses/deficits for individual facilities (except RDE facilities) is given in **Annex 11**. The key operating/working assumptions of the CACF are given in **Annex 12**. The estimated capital costs, operating surpluses/deficits and the key working assumptions for each individual CACF are summarized in the form of templates in **Annex 13** for Members' ease of reference.

30. In preparing the estimates for the operating costs of the WKCDA during the operations stage (i.e. after 2015) (note this is not institutional advice but assumptions for cost estimation), the FA assumed that there would be 3 divisions: office of the chief executive, area management and finance. The duties would include but not limited to: estate management, area marketing and programming, strategic and business planning, cultural and arts policy liaison, legal, contract management, procurement and finance.

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West Kowloon Cultural District
Details of the Core Arts and Cultural Facilities

(A) Performing Arts Venues:

Category (Phase I)	Seating Capacity	Main Purposes
Mega Performance Venue	15 000 (max.)	Mega events, large scale entertainment shows, pop concerts
A Great Theatre	2 100 to 2 200 (Total: 2 200) (max.)	Suitable for long-run overseas productions, as well as Chinese and Western opera, drama, ballet, modern dance, musical, children's performances etc.
Two Medium-sized Theatres	500 to 800 each (Total: 1 600) (max.)	Drama, musical, dance, suitable for local productions
Four Blackbox Theatres	150 to 250 each (Total: 1 000) (max.)	Experimental/avant-garde performances, budding artists' production, comedy shows, children shows etc.
A Concert Hall	2 000 (max.)	Orchestral music
A Chamber Music Hall	800 (max.)	Chamber music, jazz, piano or violin recital etc.
A Xiqu Centre [戲曲中心] (performance venue) (small theatre)	1 400 (max.) 400 (max.)	Cantonese opera, other forms of Chinese opera and musical performances
Piazza Areas	at least 30 000 m ²	Mega outdoor events, circus, commercial events, concerts
Category (Phase II)	Seating Capacity	Main Purposes
<ul style="list-style-type: none"> • A Great Theatre • Two Medium- sized Theatres 	1 900 (max.) 800 each (1 600) (max.)	

(B) Museum Facilities and Exhibition Centre:

Category	Area	Concept
<ul style="list-style-type: none"> • A cultural institution with museum functions (temporarily called M+, or Museum Plus) on visual culture of the 20th to 21st century • The initial broad groupings include <ul style="list-style-type: none"> - Design - Moving image - Popular culture - Visual art (cover ink art) 	<p>Gross Floor Area (GFA) – 78 750 m² comprising (On site : 61 950 m² Off site : 16 800 m²)</p> <p>The development of M+ would be phased – 70% of the on-site GFA (i.e. 43,365 m², giving a net gallery area of 16,000 m²) and all the off-site area (storage and conservation laboratory) are to be provided in the first phase and the remaining 30% on-site GFA (i.e. 18,585 m², giving a net gallery area of 10,000 m²) to be provided in subsequent phase(s)</p>	<p>A forward looking institution, to present visual culture of the 20th and 21st century from a Hong Kong perspective, the perspective of now and with a global vision</p>
<p>An Exhibition Centre</p>	<p>Net Operating Floor Area (NOFA) – 10 000 m² equivalent to a GFA of 12,500 m², using a 1:1.25 GFA/NOFA conversion ratio</p>	<p>A self-financed venue with focus on arts, culture, creative industries and WKCD-related activities</p>

West Kowloon Cultural District

Methodology of Financial Analysis and Various Key Assumptions

Methodology of Financial Analysis

Overview

1. The sequence of the major steps involved in undertaking the financial analysis by the FA is as follows:

- (a) The recommendations and requirements of the PATAG and MAG, the October 2005 Package^{Note 1} and the Invitation for Proposals (IFP) were used as the basis for the WKCD project. The FA then went on to prepare detailed assumptions and development parameters for each facility as well as the WKCD site as a whole;
- (b) Based on the Public Private Partnership (PPP) analysis and a market sentiment exercise conducted in Hong Kong and elsewhere, alternative appropriate procurement options for each facility were proposed. The facilities were grouped together to form different scenarios for the WKCD as a whole. In this way, three alternative Private Sector Involvement (PSI) scenarios were developed for testing, each reflecting different levels of risk transfer to the private sector. A further scenario which reflected existing Government procurement practices – the Public Sector Comparator (PSC) - was also developed;

^{Note 1} The Government announced in October 2005 that additional parameters would be imposed on the original IFP in order to address the public concerns. These include, inter alia, setting a plot ratio of 1.81 for the WKCD site and limiting the residential development in the site to 20% of the total Gross Floor Area (GFA)

- (c) A set of financial assumptions to be adopted in the financial analysis were developed, drawing on existing Government practice, evidence on financial and economic parameters and the market sentiment exercise;
- (d) The proposed residential and commercial facilities were valued using comparables, based on a generally accepted methodology and the general market situation as at end 2006. This provided an estimate of the residual land value which would be paid as land premiums;
- (e) Estimation of the costs and revenues (before risk and contingency) for each of the facilities. The cost/revenue estimates included-
 - Initial capital costs including master planning, area and project management, construction and associated professional fees and contract management costs;
 - Additional capital costs, including the costs of museum collection, offsite storage and conservation laboratory equipment, library set up and further exhibition development for the M+;
 - Periodic major repair and renovation costs (considered as capital costs); and
 - Operating costs and revenues;
- (f) Risk analysis was undertaken to adjust costs and revenues to reflect the relevant procurement option or development package and also adjust for factors such as tax and insurance;
- (g) The annual costs and revenues for the analysis period were estimated, with a project period of 50 years from assumed land sales in 2010 and assuming the master planning occurs in 2008 and 2009;

- (h) A Money of the Day (MOD) annual surplus or deficit for each facility and a 2008 Net Present Value (NPV) equivalent were calculated; and
- (i) The financial results of individual CACF, communal and other facilities including land premiums were combined to provide an overall analysis including annual MOD surplus and deficit, and a resultant NPV for the WKCD project as a whole under the alternative scenarios.

The assumptions, costs and revenues reported in this paper refer to the financial implications of the WKCD project taking into account the recommendations of the Consultative Committee.

The Net Present Value (NPV) Approach

2. The NPV approach is adopted in appraising project cash flows over the project period which spans over a long period of time. As part of the estimation process, the capital costs and operating surpluses/deficits have first been estimated in 2006 prices, which were then translated into annual cash flows in MOD prices taking into account the assumed phasing (in %) and timing of the cash flows required as well as inflation. These future annual cash flows in MOD prices are converted at a nominal discount rate into their present day value equivalents at year 2008 using the Discounted Cash Flow Techniques to produce a net cost in NPV terms for the WKCD project as a whole. In other words, the total NPV deficit equates to the present-day value equivalent at year 2008 of the upfront investment required to cover both the capital costs and operating deficits (operating costs minus operating revenues) of the arts and cultural and related facilities over the project period, based on the assumption that the investment return is equal to the nominal discount

rate ^{Footnote 1} used in the NPV calculation and that the timing and magnitude of the annual cash flows are realised as assumed in the financial assessment. The NPV approach is considered the most suitable approach for assessing the financial implications of the project and comparing the results between different facilities or procurement options.

Key Assumptions

3. The financial analysis was conducted on the basis of the CACF recommended by the Consultative Committee, the development parameters set out in the October 2005 Package and other relevant requirements set out in the IFP. To conduct the financial analysis, the FA worked out a number of assumptions in consultation with relevant Government bureaux and departments, making use of local and international experience and benchmarks where appropriate. The key assumptions include the following:

- (a) phasing of the arts and cultural facilities;
- (b) operating assumptions of the arts and cultural facilities;
- (c) the financial parameters/assumptions used in the financial assessment; and
- (d) development and operation programme.

Further details of these assumptions are given below.

^{Footnote 1} The 6.1% nominal discount rate adopted for WKCD project is based on 4% real discount rate (reflective of the social discount rate) and the 2% inflation rate. Looking at it from investment return perspective, the FA considered it an appropriate reasonable assumption. For reference:

- 1996 to 2006, Moody's yield on seasoned all industries bonds ranged from 5.23% to 7.62% for Moody's AAA, 6.06% to 8.37% for Moody's BAA
- The compound annual growth rate for equities over the period January 1987 to January 2007 was: Hang Seng was 10.9%; S&P 500 8.6%
- the Exchange Fund generated a compound nominal annual investment return of 7% over the 14-year period from 1994 to 2007

(a) Phasing of the Arts and Cultural Facilities

4. The PATAG recommended that a few of the performing arts (PA) venues should be stand-alone structures due to their function, iconic design and specific image. These include the Mega Performance Venue (MPV), the Xiqu Centre, the Great Theatre 1 and the Concert Hall and Chamber Music Hall (the last two facilities should be co-located). The PATAG also indicated that the remaining facilities should be suitably clustered to achieve synergy and efficiency gains, but stopped short of making any specific recommendation on the exact clustering pattern. However, the PATAG recommended that the medium-sized theatres and blackbox theatres should be integrated with commercial facilities. Taking into account the PATAG's recommendations, the PA facilities were categorized into several clusters as follows for the purpose of financial assessment–

Phase 1 facilities :

- (i) Mega Performance Venue (MPV)
- (ii) Great Theatre 1
- (iii) Concert Hall and Chamber Music Hall
- (iv) Xiqu Centre (consisting of one large and one small theatre)
- (v) Medium-sized Theatre 1
- (vi) Medium-sized Theatre 2 and
Blackbox Theatre 1
- (vii) Blackbox Theatres 2 and 3
- (viii) Blackbox Theatre 4
- (ix) Piazzas (including a small canopy as recommended by PATAG)

Phase 2 facilities :

- (x) Great Theatre 2 and Medium-sized Theatre 3
- (xi) Medium-sized Theatre 4

(b) Operating Assumptions of the Arts and Cultural Facilities

5. The operating assumptions adopted by the FA have taken into account the recommendations of the PATAG and the MAG as well as local and international comparators. The key operating assumptions are highlighted below.

M+

- Start up collection costs at \$1 billion (in 2006 prices) and annual collection costs at \$20 million (in 2006 prices)
- Programming costs of annual total operating expenditure – 27% for Phase 1 and 35% for Phase 2 (Reference year: Year 10 after commencement of operation)
- Visitor number targeted at 1.2 million per annum initially, reaching 2.0 million per annum upon opening of Phase 2
- Regular admission fee at \$25

Performing Arts Venues (Reference year: Year 10 after commencement of operation)

- Utilization rates at 82% - 90%
- Average ticket price at a range of \$100 - \$350 (in 2006 prices)
- Attendance rates at 67% - 72%
- Venue programming costs at 6% to 41% of annual operating expenditure (except MPV which is 0%)

General

- All the CACF facilities will be ‘world class’
- Build up of costs and revenue during initial years of operation
- Gradual increase in demand for PA venues and EC over 30 years

Area and Project Management

- Area and project management was assumed to commence in 2008 and cover the whole assessment period to the year 2059. There are 2 phases: (i) 2008 to 2014, which is primarily construction and area management and (ii) 2015 onwards, which is primarily operational management.

(c) Financial Parameters/Assumptions

6. The following financial parameters/assumptions have been adopted in the financial assessment–

<u>Parameters</u>	<u>Assumptions</u>
Project period from design/construction to operation	50 years from 2010 to 2059 (assuming that the WKCD Authority would be set up by 2008 and complete the master planning of the WKCD during 2008-2009)
Real Discount Rate	4% per annum ^{Footnote 2}
Inflation Rate	2% per annum ^{Footnote 3}
Nominal Discount Rate for arriving at the NPV	6.1% [i.e. $(1+4\%) \times (1+2\%) - 1$]
Construction Cost Escalation	2% inflation rate per annum
Staff Costs Escalation	2% inflation rate per annum
Land Premium	Land valuation as at 2006 Q4, but land sale is assumed to take place in 2010

(d) Development and Operation Programme

7. Estimates of the capital costs and operating deficits by the FA are based on the following assumptions on development and operation programme –

^{Footnote 2} A real discount rate of 4% p.a. is assumed by making reference to the social discount rate (which is 4% p.a.) adopted by the Government for assessing public investment projects.

^{Footnote 3} As an advanced economy and under a currency board system with the Hong Kong dollar linked to the US dollar, Hong Kong's inflation over the very longer run would tend to be more or less in line with those experienced by economies at a similar stage of development. The implicit or explicit inflation targets set by most major central banks in the advanced economies are around 2%.

<u>Year(s)</u>	<u>Development/Operation Programme</u>
<u>Phase 1:</u>	
2008	Establishment of WKCD Authority
2008–2009	Master planning by WKCD Authority
2014-2015	Completion and operation in stages of all Phase 1 CACF
<u>Phase 2:</u>	
2026	Completion and operation of Phase 2 PA venues
2031	Operation of M+ extension

8. The FA assumed that the design and construction of PA venues (except Concert Hall/Chamber Music Hall and Xiqu Centre) and the EC would take 3 to 4 years, and the design and construction of M+, Concert Hall/Chamber Music Hall and Xiqu Centre would take 5 years, including 1 year for an architectural design competition by invitation as recommended by the Consultative Committee. As such Phase 1 PA venues (except Concert Hall/Chamber Music Hall and Xiqu Centre) would be operational by 2014 and the M+, Concert Hall/Chamber Music Hall and Xiqu Centre by 2015. Payment for the design and construction works would take one extra year due to withholding of retention money which would be paid in the year following the works completion year.

Capital Costs Analysed by Cost Elements in 2008 Net Present Value (NPV) (\$Million) (Note 1)

Facilities	Total	Breakdown of Cost Elements			
		Project management and master planning	Design, planning and construction	Periodic major repair and renovation	Museum collection etc. costs
PHASE 1					
1 Management and Masterplanning	(1,264)	(1,264)	0	0	0
1.1 Masterplanning	(34)	(34)	-	-	-
1.2 Area and Project Management	(1,230)	(1,230)	-	-	-
2 Museum and Exhibition Space	(4,801)	0	(2,656)	(514)	(1,630)
2.1 M+	(4,266)	-	(2,215)	(421)	(1,630)
2.2 Exhibition Centre	(535)	-	(441)	(94)	-
3 Performing Arts Facilities (Note 2)	(8,560)	0	(7,059)	(1,502)	0
3.1 Mega Performance Venue	(2,706)	-	(2,218)	(488)	-
3.2 Great Theatre 1	(1,220)	-	(996)	(224)	-
3.3 Concert Hall and Chamber Music Hall	(1,421)	-	(1,177)	(244)	-
3.4 Xiqu Centre	(1,174)	-	(972)	(202)	-
3.5 Medium Theatre 1	(515)	-	(419)	(96)	-
3.6 Medium Theatre 2 and Black Box Theatre 1	(699)	-	(573)	(126)	-
3.7 Black Box Theatres 2 and 3	(320)	-	(263)	(57)	-
3.8 Black Box Theatre 4	(195)	-	(160)	(35)	-
3.9 Piazzas	(310)	-	(280)	(30)	-
4 Other Arts and Cultural Uses	(331)	0	(309)	(21)	0
5 Transport Facilities	(1,049)	0	(934)	(115)	0
5.1 Automated People Mover	(679)	-	(598)	(81)	-
5.2 Car parks	(370)	-	(336)	(35)	-
6 Communal Facilities	(1,027)	0	(925)	(101)	0
6.1 Public Open Space	(1,027)	-	(925)	(101)	-
	(17,032)	(1,264)	(11,883)	(2,254)	(1,630)
7 Retail/Dining/Entertainment Facilities	(2,765)	0	(2,351)	(414)	0
Phase 1 total	(19,796)	(1,264)	(14,234)	(2,668)	(1,630)
PHASE 2					
8 Performing Arts Facilities (Phase 2)	(1,290)	0	(1,117)	(173)	0
8.1 Great Theatre 2 and Medium Theatre 3	(986)	-	(855)	(132)	-
8.2 Medium Theatre 4	(303)	-	(262)	(41)	-
9 M+ (Phase 2)	(483)	0	(346)	(50)	(87)
Phase 2 total	(1,773)	0	(1,463)	(223)	(87)
TOTAL CAPITAL COSTS	(21,569)	(1,264)	(15,697)	(2,891)	(1,717)

() = Negative NPV / Value

Note:

(1) All numbers are rounded to zero decimal place (i.e. nearest \$Million) for presentation purpose. The table totals presented therefore may not add up due to rounding.

(2) The PATAG recommended that the Concert Hall and Chamber Music Hall should be co-located. The clusters of the theatres are proposed by the Financial Advisor based on PATAG's advice that apart from the free standing facilities (i.e. Xiqu Centre, Great Theatre 1 and Mega Performance Venue), the remaining facilities should be suitably clustered to achieve synergy and efficiency gains.

Capital Costs in 2008 Net Present Value (NPV) and in Money-of-the-day (MOD) (\$Million)

	2008 NPV	Total MOD	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
PHASE 1																					
1 Management and Masterplanning	(1,264)	(1,500)	(214)	(219)	(205)	(209)	(213)	(218)	(222)	-	-	-	-	-	-	-	-	-	-	-	-
1.1 Masterplanning	(34)	(35)	(17)	(18)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
1.2 Area and Project Management	(1,230)	(1,465)	(197)	(201)	(205)	(209)	(213)	(218)	(222)	-	-	-	-	-	-	-	-	-	-	-	-
2 Museum and Exhibition Space	(4,801)	(12,156)	-	-	-	(586)	(1,284)	(1,862)	(1,143)	(116)	(24)	(25)	(25)	(26)	(26)	(27)	(27)	(28)	(47)	(29)	(30)
2.1 M+	(4,266)	(10,884)	-	-	-	(547)	(1,023)	(1,607)	(1,125)	(116)	(24)	(25)	(25)	(26)	(26)	(27)	(27)	(28)	(47)	(29)	(30)
2.2 Exhibition Centre	(535)	(1,273)	-	-	-	(39)	(261)	(255)	(18)	-	-	-	-	-	-	-	-	-	-	-	-
3 Performing Arts Facilities	(8,560)	(20,502)	-	-	(345)	(1,503)	(3,309)	(2,925)	(917)	(90)	-	-	-	-	-	-	-	-	-	-	-
3.1 Mega Performance Venue	(2,706)	(6,442)	-	-	(188)	(631)	(1,176)	(714)	(87)	-	-	-	-	-	-	-	-	-	-	-	-
3.2 Great Theatre 1	(1,220)	(2,926)	-	-	(85)	(284)	(528)	(321)	(39)	-	-	-	-	-	-	-	-	-	-	-	-
3.3 Concert Hall and Chamber Music Hall	(1,421)	(3,507)	-	-	-	(106)	(355)	(662)	(402)	(49)	-	-	-	-	-	-	-	-	-	-	-
3.4 Xiqu Centre	(1,174)	(2,903)	-	-	-	(88)	(293)	(547)	(332)	(41)	-	-	-	-	-	-	-	-	-	-	-
3.5 Medium Theatre 1	(515)	(1,261)	-	-	-	(37)	(248)	(242)	(17)	-	-	-	-	-	-	-	-	-	-	-	-
3.6 Medium Theatre 2 and Black Box Theatre 1	(699)	(1,663)	-	-	(49)	(163)	(304)	(184)	(23)	-	-	-	-	-	-	-	-	-	-	-	-
3.7 Black Box Theatres 2 and 3	(320)	(766)	-	-	-	(23)	(156)	(152)	(11)	-	-	-	-	-	-	-	-	-	-	-	-
3.8 Black Box Theatre 4	(195)	(466)	-	-	-	(14)	(95)	(93)	(6)	-	-	-	-	-	-	-	-	-	-	-	-
3.9 Piazzas	(310)	(566)	-	-	(23)	(156)	(153)	(11)	-	-	-	-	-	-	-	-	-	-	-	-	-
4 Other Arts and Cultural Uses	(331)	(561)	-	-	-	(27)	(183)	(179)	(12)	-	-	-	-	-	-	-	-	-	-	-	-
5 Transport Facilities	(1,049)	(2,001)	-	-	(78)	(522)	(509)	(35)	-	-	-	-	-	-	-	-	-	-	-	-	-
5.1 Automated People Mover	(679)	(1,332)	-	-	(50)	(334)	(326)	(23)	-	-	-	-	-	-	-	-	-	-	-	-	-
5.2 Car parks	(370)	(669)	-	-	(28)	(187)	(183)	(13)	-	-	-	-	-	-	-	-	-	-	-	-	-
6 Communal Facilities	(1,027)	(1,886)	-	-	(77)	(516)	(504)	(35)	-	-	-	-	-	-	-	-	-	-	-	-	-
6.1 Public Open Space (at-grade and deck)	(1,027)	(1,886)	-	-	(77)	(516)	(504)	(35)	-	-	-	-	-	-	-	-	-	-	-	-	-
Subtotal	(17,032)	(38,607)	(214)	(219)	(705)	(3,363)	(6,002)	(5,254)	(2,294)	(206)	(24)	(25)	(25)	(26)	(26)	(27)	(27)	(28)	(47)	(29)	(30)
7 Retail/Dining/Entertainment Facilities	(2,765)	(5,244)	-	-	-	-	(1,475)	(1,504)	(95)	0	-	-	-	-	-	-	-	-	-	(560)	-
Subtotal (Phase 1)	(19,796)	(43,852)	(214)	(219)	(705)	(3,363)	(7,477)	(6,758)	(2,389)	(206)	(24)	(25)	(25)	(26)	(26)	(27)	(27)	(28)	(47)	(589)	(30)
PHASE 2																					
8 Performing Arts Facilities (Phase 2)	(1,290)	(4,415)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(147)	(541)	(1,235)	(866)	(90)
8.1 Great Theatre 2 and Medium Theatre 3	(986)	(3,359)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(147)	(494)	(920)	(559)	(68)
8.2 Medium Theatre 4	(303)	(1,056)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(47)	(315)	(307)	(21)
9 M+ (Phase 2)	(483)	(2,304)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Subtotal (Phase 2)	(1,773)	(6,719)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(147)	(541)	(1,235)	(866)	(90)
TOTAL CAPITAL COSTS	(21,569)	(50,571)	(214)	(219)	(705)	(3,363)	(7,477)	(6,758)	(2,389)	(206)	(24)	(25)	(25)	(26)	(26)	(27)	(175)	(569)	(1,282)	(1,455)	(119)

() = Negative NPV / Value

Note:

All numbers are rounded to zero decimal place (i.e. nearest \$Million) for presentation purpose. The table totals presented therefore may not add up due to rounding.

Capital Costs in 2008 Net Present Value (NPV) and in Money-of-the-day (MOD) (\$Million)

	2008 NPV	Total MOD	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037	2038	2039	2040	2041	2042	2043	2044	2045
PHASE 1																					
1 Management and Masterplanning	(1,264)	(1,500)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
1.1 Masterplanning	(34)	(35)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
1.2 Area and Project Management	(1,230)	(1,465)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2 Museum and Exhibition Space	(4,801)	(12,156)	(30)	(31)	(353)	(32)	(33)	(33)	(315)	(1,398)	(36)	(36)	(37)	(38)	(38)	(39)	(40)	(41)	(42)	(503)	(43)
2.1 M+	(4,266)	(10,884)	(30)	(31)	(353)	(32)	(33)	(33)	(34)	(1,398)	(36)	(36)	(37)	(38)	(38)	(39)	(40)	(41)	(42)	(503)	(43)
2.2 Exhibition Centre	(535)	(1,273)	-	-	-	-	-	-	(281)	-	-	-	-	-	-	-	-	-	-	-	-
3 Performing Arts Facilities	(8,560)	(20,502)	-	-	-	-	-	-	(3,079)	(1,423)	-	-	-	-	-	-	-	(223)	-	-	-
3.1 Mega Performance Venue	(2,706)	(6,442)	-	-	-	-	-	-	(1,466)	-	-	-	-	-	-	-	-	-	-	-	-
3.2 Great Theatre 1	(1,220)	(2,926)	-	-	-	-	-	-	(672)	-	-	-	-	-	-	-	-	-	-	-	-
3.3 Concert Hall and Chamber Music Hall	(1,421)	(3,507)	-	-	-	-	-	-	-	(778)	-	-	-	-	-	-	-	-	-	-	-
3.4 Xiqu Centre	(1,174)	(2,903)	-	-	-	-	-	-	-	(645)	-	-	-	-	-	-	-	-	-	-	-
3.5 Medium Theatre 1	(515)	(1,261)	-	-	-	-	-	-	(288)	-	-	-	-	-	-	-	-	-	-	-	-
3.6 Medium Theatre 2 and Black Box Theatre 1	(699)	(1,663)	-	-	-	-	-	-	(379)	-	-	-	-	-	-	-	-	-	-	-	-
3.7 Black Box Theatres 2 and 3	(320)	(766)	-	-	-	-	-	-	(171)	-	-	-	-	-	-	-	-	-	-	-	-
3.8 Black Box Theatre 4	(195)	(466)	-	-	-	-	-	-	(104)	-	-	-	-	-	-	-	-	-	-	-	-
3.9 Piazzas	(310)	(566)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(223)	-	-	-
4 Other Arts and Cultural Uses	(331)	(561)	-	-	-	-	-	-	(64)	-	-	-	-	-	-	-	-	-	-	-	-
5 Transport Facilities	(1,049)	(2,001)	-	-	-	-	-	-	(104)	-	-	-	-	-	-	-	-	-	(600)	-	-
5.1 Automated People Mover	(679)	(1,332)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(600)	-	-
5.2 Car parks	(370)	(669)	-	-	-	-	-	-	(104)	-	-	-	-	-	-	-	-	-	-	-	-
6 Communal Facilities	(1,027)	(1,886)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(754)	-	-
6.1 Public Open Space (at-grade and deck)	(1,027)	(1,886)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(754)	-	-
Subtotal	(17,032)	(38,607)	(30)	(31)	(353)	(32)	(33)	(33)	(3,563)	(2,820)	(36)	(36)	(37)	(38)	(38)	(39)	(40)	(1,617)	(42)	(503)	(43)
7 Retail/Dining/Entertainment Facilities	(2,765)	(5,244)	-	-	-	-	-	-	-	-	-	-	(710)	-	-	-	-	-	-	-	-
Subtotal (Phase 1)	(19,796)	(43,852)	(30)	(31)	(353)	(32)	(33)	(33)	(3,563)	(2,820)	(36)	(36)	(747)	(38)	(38)	(39)	(40)	(1,617)	(42)	(503)	(43)
PHASE 2																					
8 Performing Arts Facilities (Phase 2)	(1,290)	(4,415)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(1,535)
8.1 Great Theatre 2 and Medium Theatre 3	(986)	(3,359)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(1,170)
8.2 Medium Theatre 4	(303)	(1,056)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(366)
9 M+ (Phase 2)	(483)	(2,304)	-	(83)	(559)	(750)	(38)	-	-	-	-	-	-	-	-	-	-	-	-	-	(276)
Subtotal (Phase 2)	(1,773)	(6,719)	-	(83)	(559)	(750)	(38)	-	-	-	-	-	-	-	-	-	-	-	-	-	(1,811)
TOTAL CAPITAL COSTS	(21,569)	(50,571)	(30)	(114)	(912)	(782)	(71)	(33)	(3,563)	(2,820)	(36)	(36)	(747)	(38)	(38)	(39)	(40)	(1,617)	(42)	(503)	(1,855)

() = Negative NPV / Value

Note:

All numbers are rounded to zero decimal place (i.e. nearest \$Million) for presentation purpose. The table totals presented therefore may not add up due to rounding.

Capital Costs in 2008 Net Present Value (NPV) and in Money-of-the-day (MOD) (\$Million)

	2008 NPV	Total MOD	2046	2047	2048	2049	2050	2051	2052	2053	2054	2055	2056	2057	2058	2059
PHASE 1																
1 Management and Masterplanning	(1,264)	(1,500)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
1.1 Masterplanning	(34)	(35)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
1.2 Area and Project Management	(1,230)	(1,465)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2 Museum and Exhibition Space	(4,801)	(12,156)	(44)	(45)	(46)	(47)	(48)	(49)	(50)	(469)	(2,077)	(53)	(54)	(55)	(56)	(640)
2.1 M+	(4,266)	(10,884)	(44)	(45)	(46)	(47)	(48)	(49)	(50)	(51)	(2,077)	(53)	(54)	(55)	(56)	(640)
2.2 Exhibition Centre	(535)	(1,273)	-	-	-	-	-	-	-	(418)	-	-	-	-	-	-
3 Performing Arts Facilities	(8,560)	(20,502)	-	-	-	-	-	-	-	(4,575)	(2,114)	-	-	-	-	-
3.1 Mega Performance Venue	(2,706)	(6,442)	-	-	-	-	-	-	-	(2,179)	-	-	-	-	-	-
3.2 Great Theatre 1	(1,220)	(2,926)	-	-	-	-	-	-	-	(998)	-	-	-	-	-	-
3.3 Concert Hall and Chamber Music Hall	(1,421)	(3,507)	-	-	-	-	-	-	-	-	(1,156)	-	-	-	-	-
3.4 Xiqu Centre	(1,174)	(2,903)	-	-	-	-	-	-	-	-	(958)	-	-	-	-	-
3.5 Medium Theatre 1	(515)	(1,261)	-	-	-	-	-	-	-	(428)	-	-	-	-	-	-
3.6 Medium Theatre 2 and Black Box Theatre 1	(699)	(1,663)	-	-	-	-	-	-	-	(563)	-	-	-	-	-	-
3.7 Black Box Theatres 2 and 3	(320)	(766)	-	-	-	-	-	-	-	(254)	-	-	-	-	-	-
3.8 Black Box Theatre 4	(195)	(466)	-	-	-	-	-	-	-	(154)	-	-	-	-	-	-
3.9 Piazzas	(310)	(566)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4 Other Arts and Cultural Uses	(331)	(561)	-	-	-	-	-	-	-	(96)	-	-	-	-	-	-
5 Transport Facilities	(1,049)	(2,001)	-	-	-	-	-	-	-	(154)	-	-	-	-	-	-
5.1 Automated People Mover	(679)	(1,332)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
5.2 Car parks	(370)	(669)	-	-	-	-	-	-	-	(154)	-	-	-	-	-	-
6 Communal Facilities	(1,027)	(1,886)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
6.1 Public Open Space (at-grade and deck)	(1,027)	(1,886)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Subtotal	(17,032)	(38,607)	(44)	(45)	(46)	(47)	(48)	(49)	(50)	(5,294)	(4,191)	(53)	(54)	(55)	(56)	(640)
7 Retail/Dining/Entertainment Facilities	(2,765)	(5,244)	-	-	-	(900)	-	-	-	-	-	-	-	-	-	-
Subtotal (Phase 1)	(19,796)	(43,852)	(44)	(45)	(46)	(947)	(48)	(49)	(50)	(5,294)	(4,191)	(53)	(54)	(55)	(56)	(640)
PHASE 2																
8 Performing Arts Facilities (Phase 2)	(1,290)	(4,415)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
8.1 Great Theatre 2 and Medium Theatre 3	(986)	(3,359)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
8.2 Medium Theatre 4	(303)	(1,056)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
9 M+ (Phase 2)	(483)	(2,304)	-	-	-	-	(598)	-	-	-	-	-	-	-	-	-
Subtotal (Phase 2)	(1,773)	(6,719)	-	-	-	-	(598)	-	-	-	-	-	-	-	-	-
TOTAL CAPITAL COSTS	(21,569)	(50,571)	(44)	(45)	(46)	(947)	(646)	(49)	(50)	(5,294)	(4,191)	(53)	(54)	(55)	(56)	(640)

() = Negative NPV / Value

Note:

All numbers are rounded to zero decimal place (i.e. nearest \$Million) for presentation purpose. The table totals presented therefore may not add up due to rounding.

Estimated Unit Construction Costs at 2006 Prices

Facilities	WKCD Facilities				International / Local Comparators as Advised by the Financial Advisor					
	Total	Breakdown			Remarks	International Comparators provided by Financial Advisor, GHK (HK) Ltd.			Local Comparators	
		Foundation	Building construction	Fitting out		Institutions	Country	Unit Construction Costs	Type of Development	Unit Construction Costs
	\$/sq. m. Construction Floor Area (CFA)	\$/sq. m. CFA	\$/sq. m. CFA	\$/sq. m. CFA			\$/sq. m. CFA		\$/sq. m. CFA	
Museum and Exhibition Centre										
M+ (Phase 1) - on-site	24,200	4,200	14,000	6,000 #	# Only covers basic fitting out of galleries; additional fitting out costs are provided for under periodic exhibition development capital costs.	Jewish Museum, Berlin	Germany	14,300	Grade A Offices Prestige Shopping Centre 5-star Luxury Hotels	11,000 - 14,000 13,000 - 16,000 17,000 - 19,000
M+ (Phase 2) - on-site	22,200	4,200	14,000	4,000 #			Imperial War Museum North, Manchester	UK		
					San Francisco Museum of Modern Art	USA	23,900			
					Denver Art Museum Extension	USA	24,600			
					Beijing New Capital Museum	China	26,200			
					The Centre Pompidou	France	29,600			
					Tate Modern	UK	30,300			
					The Museum of Modern Art, New York	USA	41,100			
Exhibition Centre	22,200	4,200	12,600	5,400	Range of examples above		14,300 - 41,100			
Performing Arts Facilities (Phases 1 & 2)										
Mega Performance Venue	26,200	4,200	14,300	7,700	Milton Keynes Theatre	UK	10,800			
Great Theatre 1	29,200	4,200	16,250	8,750		The Lowry, Salford	UK	23,700		
Concert Hall and Chamber Music Hall	29,200	4,200	16,250	8,750		The Esplanade - Theatres on the Bay	Singapore	23,900		
Xiqu Centre	27,200	4,200	14,950	8,050		Wales Millennium Centre, Cardiff	UK	25,500		
Medium Theatre 1	27,200	4,200	14,950	8,050		Theater am Potsdamer Platz, Berlin	Germany	26,100		
Medium Theatre 2 and Black Box Theatre 1	26,200	4,200	14,300	7,700		The Sage, Gateshead	UK	28,000		
Black Box Theatres 2 and 3	22,200	4,200	11,700	6,300		Shanghai Grand Theatre	PRC	32,600		
Black Box Theatre 4	22,200	4,200	11,700	6,300		Casa Da Musica, Porto	Portugal	37,800		
Great Theatre 2 and Medium Theatre 3	29,200	4,200	16,250	8,750		Wait Disney Concert Hall, LA	USA	41,500		
Medium Theatre 4	27,200	4,200	14,950	8,050		Range of examples above		10,800 - 41,500		

Note:

Construction cost data have been converted by the Financial Advisor (GHK (HK) Ltd.) to 2006 prices using the published regional Tender Price Index (TPI) in different countries and to local construction cost data by making reference to the published construction costs for different countries worldwide.

West Kowloon Cultural District

Details of Construction Costs (in 2006 Prices)

	(a)	(b)	(c) = (a) x (b)	(d)	(e) = (c) x (d)	(f)	(g) = (e) x (f) x 0.000001				(h)	(i) = (g) x (h)	(j)	(k)	(l) = (i) x [(j)+(k)]	(m)	(n) = (i)+(l)+(m)	(o)	(p) = (n)x(o)	(q) = (n)+(p)	
	Floor Area					Initial Construction Cost (Note 4)							Professional Fees and Contract Management Costs (Note 5)			Other Costs	Total Construction Cost (before risk premium)	Construction Risk Premium (Note 6)		Risk Adjusted Total Construction Cost	
	Net Operating Floor Area (NOFA)	NOFA to GFA	Gross Floor Area (GFA)	GFA to CFA	Construction Floor Area (CFA) (Note 2)	Unit Construction Cost	Breakdown of Unit Construction Cost			Unadjusted Total Construction Cost	Construction Period	Inflation Adjustment	Adjusted Total Construction Cost	Professional Fees	Contract Management Costs			Total	%		%
sq m	ratio (1 to x)	sq m	ratio (1 to x)	sq m	\$/sq m CFA (in 2006 prices)	\$ per sq.m. (in 2006 prices)	\$ per sq.m. (in 2006 prices)	\$ per sq.m. (in 2006 prices)	\$ Million (in 2006 prices) (Note 1)	No of Years	Index (rounded to 2 decimal points)	\$ Million (in 2006 prices) (Note 1)	%	%	\$ Million (in 2006 prices) (Note 1)	\$ Million (in 2006 prices) (Note 1)	\$ Million (in 2006 prices) (Note 1)	%	\$ Million (in 2006 prices) (Note 1)	\$ Million (in 2006 prices) (Note 1)	
PHASE 1																					
2	Museum and Exhibition Space																				
2.1	Museum (Phase 1)																				
M+	28,910	1.5	43,365	1.3	56,375	24,200	4,200	14,000	6,000	1,364	5	0.96	1,313	11.1%	9.0%	264	73 (Land Cost)	1,576	29.2%	460	2,037
Off-site storage and conservation laboratory	14,000	1.2	16,800	1.2	20,160	15,000	2,000	8,000	5,000	302	5	0.96	291	11.1%	9.0%	58		422	29.2%	123	545
2.2	Exhibition Centre																				
	10,000	1.25	12,500	1.3	16,250	22,200	4,200	12,600	5,400	361	4	0.97	351	9.0%	8.0%	60	410	23.0%	94	505	
3	Performing Arts Facilities																				
3.1	Mega Performance Venue																				
	36,710	1.4	51,394	1.3	66,812	26,200	4,200	14,300	7,700	1,750	5	0.96	1,684	12.0%	8.0%	337	2,021	23.0%	465	2,486	
3.2	Great Theatre 1																				
	14,800	1.4	20,720	1.3	26,936	29,200	4,200	16,250	8,750	787	5	0.96	757	12.0%	8.0%	151	908	23.0%	209	1,117	
3.3	Concert Hall and Chamber Music Hall																				
	16,800	1.4	23,520	1.3	30,576	29,200	4,200	16,250	8,750	893	5	0.96	859	14.6%	9.0%	203	1,062	29.2%	310	1,372	
3.4	Xiqu Centre																				
	14,955	1.4	20,937	1.3	27,218	27,200	4,200	14,950	8,050	740	5	0.96	712	14.1%	9.0%	165	877	29.2%	256	1,133	
3.5	Medium Theatre 1																				
	6,750	1.4	9,450	1.3	12,285	27,200	4,200	14,950	8,050	334	4	0.97	325	12.0%	8.0%	65	390	23.0%	90	479	
3.6	Medium Theatre 2 and Black Box Theatre 1																				
	9,480	1.4	13,272	1.3	17,254	26,200	4,200	14,300	7,700	452	5	0.96	435	12.0%	8.0%	87	522	23.0%	120	642	
3.7	Black Box Theatres 2 and 3																				
	5,195	1.4	7,273	1.3	9,455	22,200	4,200	11,700	6,300	210	4	0.97	204	12.0%	8.0%	41	245	23.0%	56	301	
3.8	Black Box Theatre 4																				
	3,160	1.4	4,424	1.3	5,751	22,200	4,200	11,700	6,300	128	4	0.97	124	12.0%	8.0%	25	149	23.0%	34	183	
3.9	Piazzas																				
Piazzas					30,000	5,500				165	4	0.97	160	6.5%	8.0%	23	184	23.0%	42	226	
Small canopy					10,000	6,000				60	4	0.97	58	6.5%	8.0%	8	67	23.0%	15	82	
4	Other Arts and Cultural Uses																				
			15,000	1.3	19,500	14,200	4,200	10,000		277	4	0.97	269	6.2%	8.0%	38	307	15.0%	46	353	
5	Transport Facilities																				
5.1	Automated People Mover																				
										504	4	0.97	490	5.8%	11.0%	82	572	15.0%	86	658	
5.2	Car parks																				
Public Car Parks (basement)					9,526	11,200				107	4	0.97	104	3.0%	8.0%	11	115	15.0%	17	132	
Public Car Parks (podium)					19,958	4,000				80	4	0.97	78	3.0%	8.0%	8	86	15.0%	13	99	
Public Car Parks (basement shared foundation)					15,876	7,000				111	4	0.97	108	3.0%	8.0%	12	120	15.0%	18	138	
6	Communal Facilities																				
6.1	Public Open Space																				
Public Open Space (at -grade)					170,000	3,500				595	4	0.97	578	2.1%	8.0%	58	636	15.0%	95	732	
Public Open Space (terraces)					50,000	4,500				225	4	0.97	219	2.1%	8.0%	22	241	15.0%	36	277	
Contingency space (soft landscaping)			3,340	1.0	3,340	2,000				7	4	0.97	6	2.1%	8.0%	1	7	15.0%	1	8	
7	Retail/Dining/Entertainment																				
													2,232	6.0%		134	2,365	15.0%	335	2,700	
PHASE 2																					
8	Performing Arts (Phase 2)																				
8.1	Great Theatre 2 and Medium Theatre 3																				
	20,325	1.4	28,455	1.3	36,992	29,200	4,200	16,250	8,750	1,080	5	0.96	1,039	12.0%	8.0%	208	1,247	23.0%	287	1,534	
8.2	Medium Theatre 4																				
	6,750	1.4	9,450	1.3	12,285	27,200	4,200	14,950	8,050	334	4	0.97	325	12.0%	8.0%	65	390	23.0%	90	479	
9	Museum and Exhibition (Phase 2)																				
9.0	M+ (phase 2)																				
	12,390	1.5	18,585	1.3	24,161	22,200	4,200	14,000	4,000	536	4	0.97	521	11.1%	9.0%	105	626	23.0%	144	770	

Note: (1) Figure in 2006 prices, rounded to nearest \$ million.

(2) Refers to floor area for piazzas and public open space.

(3) Breakdown of RDE construction costs:

	Area (GFA)	Unit Cost (in 2006 prices) (Note 7)	Cost (\$M) (in 2006 prices)
Shops	119,000 sq.m.	\$18,198 / sq.m.	2,166
Car Parking (Podium)	298 spaces	\$140,000 / space	42
Car Parking (Basement)	99 spaces	\$245,000 / space	24
		Sub Total	2,232
Professional Fees (6%)	\$2,232 million x 0.06		134
Contingency (15%)	\$2,232 million x 0.15		335
		Total Construction Cost	2,700

(4) Please refer to Annexes C (M+ and Exhibition Centre), D (performing arts venues, piazzas and small canopy), E (APM and public car parks) and F (other arts and cultural facilities, and public open space) the Financial Advisor's Final Report dated April 2007 for the unit construction costs / construction costs of respective facilities adopted.

(5) Annex G of Financial Advisor's Final Report dated April 2007 refers

(6) Annex J of Financial Advisor's Final Report dated April 2007 refers

(7) Annex L of Financial Advisor's Final Report dated April 2007 refers

West Kowloon Cultural District

Details of Construction Costs in 2008 NPV and MOD Cash Flows (\$Million)

	Risk Adjusted Total Construction Cost	2008 NPV	Total MOD	MOD																			
				2008	2009	2010	2011	2012	2013	2014	2015	2016-2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032-2059
				\$ Million (in 2006 prices)																			
PHASE 1																							
2 Museum and Exhibition Space																							
2.1 Museum (Phase 1)																							
M+	2,037	(1,747)	(2,337)	-	-	-	(157)	(528)	(983)	(597)	(73)	-	-	-	-	-	-	-	-	-	-	-	-
Off-site storage and conservation laboratory	545	(468)	(626)	-	-	-	(42)	(141)	(263)	(160)	(20)	-	-	-	-	-	-	-	-	-	-	-	-
M+ (Phase 1) total	(2,215)	(2,963)					(200)	(669)	(1,246)	(756)	(93)												
2.2 Exhibition Centre	505	(441)	(573)	-	-	-	(39)	(261)	(255)	(18)	-	-	-	-	-	-	-	-	-	-	-	-	-
3 Performing Arts Facilities																							
3.1 Mega Performance Venue	2,486	(2,218)	(2,797)	-	-	(188)	(631)	(1,176)	(714)	(87)	-	-	-	-	-	-	-	-	-	-	-	-	-
3.2 Great Theatre 1	1,117	(996)	(1,257)	-	-	(85)	(284)	(528)	(321)	(39)	-	-	-	-	-	-	-	-	-	-	-	-	-
3.3 Concert Hall and Chamber Music Hall	1,372	(1,177)	(1,574)	-	-	-	(106)	(355)	(662)	(402)	(49)	-	-	-	-	-	-	-	-	-	-	-	-
3.4 Xiqu Centre	1,133	(972)	(1,300)	-	-	-	(88)	(293)	(547)	(332)	(41)	-	-	-	-	-	-	-	-	-	-	-	-
3.5 Medium Theatre 1	479	(419)	(545)	-	-	-	(37)	(248)	(242)	(17)	-	-	-	-	-	-	-	-	-	-	-	-	-
3.6 Medium Theatre 2 and Black Box Theatre 1	642	(573)	(722)	-	-	(49)	(163)	(304)	(184)	(23)	-	-	-	-	-	-	-	-	-	-	-	-	-
3.7 Black Box Theatres 2 and 3	301	(263)	(342)	-	-	-	(23)	(156)	(152)	(11)	-	-	-	-	-	-	-	-	-	-	-	-	-
3.8 Black Box Theatre 4	183	(160)	(208)	-	-	-	(14)	(95)	(93)	(6)	-	-	-	-	-	-	-	-	-	-	-	-	-
3.9 Piazzas																							
Piazzas	226	(206)	(252)	-	-	(17)	(115)	(112)	(8)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Small canopy	82	(75)	(91)	-	-	(6)	(42)	(41)	(3)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Piazzas (total)	(280)	(343)					(23)	(156)	(153)	(11)													
4 Other Arts and Cultural Uses	353	(309)	(402)	-	-	-	(27)	(183)	(179)	(12)	-	-	-	-	-	-	-	-	-	-	-	-	-
5 Transport Facilities																							
5.1 Automated People Mover	658	(598)	(732)	-	-	(50)	(334)	(326)	(23)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
5.2 Car parks																							
Public Car Parks (basement)	132	(120)	(147)	-	-	(10)	(67)	(66)	(5)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Public Car Parks (podium)	99	(90)	(110)	-	-	(8)	(50)	(49)	(3)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Public Car Parks (basement shared foundation)	138	(125)	(153)	-	-	(10)	(70)	(68)	(5)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Public Car Park (total)	(336)	(411)					(28)	(187)	(183)	(13)													
6 Communal Facilities																							
6.1 Public Open Space																							
Public Open Space (at-grade)	732	(666)	(815)	-	-	(55)	(372)	(363)	(25)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Public Open Space (terraces)	277	(252)	(308)	-	-	(21)	(141)	(137)	(10)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Contingency space (soft landscaping)	8	(7)	(9)	-	-	(1)	(4)	(4)	(0)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Public Open Space (total)	(925)	(1,132)					(77)	(516)	(504)	(35)													
7 Retail/Dining/Entertainment	2,700	(2,351)	(3,074)	-	-	-	-	(1,475)	(1,504)	(95)	-	-	-	-	-	-	-	-	-	-	-	-	-
PHASE 2																							
8 Performing Arts (Phase 2)																							
8.1 Great Theatre 2 and Medium Theatre 3	1,534	(855)	(2,189)	-	-	-	-	-	-	-	-	(147)	(494)	(920)	(559)	(68)	-	-	-	-	-	-	-
8.2 Medium Theatre 4	479	(262)	(691)	-	-	-	-	-	-	-	-	-	(47)	(315)	(307)	(21)	-	-	-	-	-	-	-
9 Museum and Exhibition (Phase 2)																							
9.0 M+ (phase 2)	770	(346)	(1,225)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(83)	(559)	(545)	(38)	-	-
TOTAL		(15,697)	(22,480)	-	-	(500)	(2,806)	(6,909)	(6,179)	(1,798)	(182)	-	(147)	(541)	(1,235)	(866)	(90)	-	(83)	(559)	(545)	(38)	-

() = Negative NPV / Value

Note:

All numbers are rounded to zero decimal place (i.e. nearest \$ million) for presentation purpose. The table totals presented therefore may not add up due to rounding.

West Kowloon Cultural District

Major Repair and Renovation Costs (in 2006 Prices)

	(a)	(b)	(c) = (a) x (b)		
	Initial Construction Cost (excl. professional fees and contract management costs)(Column (i) of Annex 6(a) refers)	Major Overhaul Costs as % of Initial Construction Cost (Note 2)	Total Costs per Major Overhaul	Major Overhaul Cycle	Year of Major Overhaul Carried Out
	\$ Million (in 2006 prices) - (Note 1)	%	\$ Million (in 2006 prices) - (Note 1)	Carry out every	Year(s)
PHASE 1					
1 Management and Masterplanning					
1.1	Masterplanning				
1.2	Area and Project Management				
2 Museum and Exhibition Space					
2.1	M+ (on-site)	1,313	48%	630	20 years 2034, 2054
	(off-site storage and conservatory laboratory)	291	48%	140	20 years 2034, 2054
2.2	Exhibition Centre	351	47%	165	20 years 2033, 2053
3 Performing Arts Facilities					
3.1	Mega Performance Venue	1,684	51%	859	20 years 2033, 2053
3.2	Great Theatre 1	757	52%	394	20 years 2033, 2053
3.3	Concert Hall and Chamber Music Hall	859	52%	447	20 years 2034, 2054
3.4	Xiqu Centre	712	52%	370	20 years 2034, 2054
3.5	Medium Theatre 1	325	52%	169	20 years 2033, 2053
3.6	Medium Theatre 2 and Black Box Theatre 1	435	51%	222	20 years 2033, 2053
3.7	Black Box Theatres 2 and 3	204	49%	100	20 years 2033, 2053
3.8	Black Box Theatre 4	124	49%	61	20 years 2033, 2053
3.9	Piazas	219	50%	109	30 years 2042
4 Other Arts and Cultural Uses					
		269	14%	38	20 years 2033, 2053
5 Transport Facilities					
5.1	Automated People Mover	490	60%	294	30 years 2042
5.2	Car parks	289	21%	61	20 years 2033, 2053
6 Communal Facilities					
6.1	Public Open Space	804	46%	370	30 years 2042
7 Retail/Dining/Entertainment Facilities					
			\$300/sq.ft. GFA (or \$3,229/sq.m.)	384 #	12 years 2025, 2037, 2049
PHASE 2					
8 Performing Arts Facilities (Phase 2)					
8.1	Great Theatre 2 and Medium Theatre 3	1,039	52%	540	20 years 2045
8.2	Medium Theatre 4	325	52%	169	20 years 2045
9 M+ (Phase 2)					
		521	48%	250	20 years 2050

Assumed major overhaul costs at \$300/sq.ft. GFA (i.e. 119,000 sq.m. x \$300/sq.ft. x 10.764 x 0.000001)

Note: (1) Figure in 2006 prices, rounded to zero decimal point (i.e. nearest \$million)
(2) Annexes C to F and L of Financial Advisor's Final Report dated April 2007 refer.

West Kowloon Cultural District

Major Repair and Renovation Costs - in 2008 NPV and MOD Cash Flows (\$Million)

	2008 NPV	Total MOD	MOD																	
			2006 - 2024	2025	2026 - 2032	2033	2034	2035 - 2036	2037	2038 - 2041	2042	2043 - 2044	2045	2046 - 2048	2049	2050	2051 - 2052	2053	2054	2055 - 2059
PHASE 1																				
1 Management and Masterplanning																				
1.1 Masterplanning	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
1.2 Area and Project Management	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2 Museum and Exhibition Space																				
2.1 M+ (on-site)	(344)	(2,727)	-	-	-	-	(1,097)	-	-	-	-	-	-	-	-	-	-	-	-	(1,630)
M+ (off-site storage and conservation laboratory)	(76)	(604)	-	-	-	-	(243)	-	-	-	-	-	-	-	-	-	-	-	-	(361)
M+ total	(421)	(3,331)	-	-	-	-	(1,340)	-	-	-	-	-	-	-	-	-	-	-	-	(1,991)
2.2 Exhibition Centre	(94)	(699)	-	-	-	(281)	-	-	-	-	-	-	-	-	-	-	-	(418)	-	-
3 Performing Arts Facilities																				
3.1 Mega Performance Venue	(488)	(3,645)	-	-	-	(1,466)	-	-	-	-	-	-	-	-	-	-	-	(2,179)	-	-
3.2 Great Theatre 1	(224)	(1,670)	-	-	-	(672)	-	-	-	-	-	-	-	-	-	-	-	(998)	-	-
3.3 Concert Hall and Chamber Music Hall	(244)	(1,933)	-	-	-	-	(778)	-	-	-	-	-	-	-	-	-	-	-	(1,156)	-
3.4 Xiqu Centre	(202)	(1,603)	-	-	-	-	(645)	-	-	-	-	-	-	-	-	-	-	-	(958)	-
3.5 Medium Theatre 1	(96)	(717)	-	-	-	(288)	-	-	-	-	-	-	-	-	-	-	-	(428)	-	-
3.6 Medium Theatre 2 and Black Box Theatre 1	(126)	(941)	-	-	-	(379)	-	-	-	-	-	-	-	-	-	-	-	(563)	-	-
3.7 Black Box Theatres 2 and 3	(57)	(424)	-	-	-	(171)	-	-	-	-	-	-	-	-	-	-	-	(254)	-	-
3.8 Black Box Theatre 4	(35)	(258)	-	-	-	(104)	-	-	-	-	-	-	-	-	-	-	-	(154)	-	-
3.9 Piazzas	(30)	(223)	-	-	-	-	-	-	-	(223)	-	-	-	-	-	-	-	-	-	-
4 Other Arts and Cultural Uses	(21)	(160)	-	-	-	(64)	-	-	-	-	-	-	-	-	-	-	-	(96)	-	-
5 Transport Facilities																				
5.1 Automated People Mover	(81)	(600)	-	-	-	-	-	-	-	(600)	-	-	-	-	-	-	-	-	-	-
5.2 Car parks	(35)	(258)	-	-	-	(104)	-	-	-	-	-	-	-	-	-	-	-	(154)	-	-
6 Communal Facilities																				
6.1 Public Open Space	(101)	(754)	-	-	-	-	-	-	-	(754)	-	-	-	-	-	-	-	-	-	-
7 Retail/Dining/Entertainment Facilities	(414)	(2,170)	-	(560)	-	-	-	-	(710)	-	-	-	-	-	(900)	-	-	-	-	-
PHASE 2																				
8 Performing Arts Facilities (Phase 2)																				
8.1 Great Theatre 2 and Medium Theatre 3	(132)	(1,170)	-	-	-	-	-	-	-	-	-	(1,170)	-	-	-	-	-	-	-	-
8.2 Medium Theatre 4	(41)	(366)	-	-	-	-	-	-	-	-	-	(366)	-	-	-	-	-	-	-	-
9 M+ (Phase 2)	(50)	(598)	-	-	-	-	-	-	-	-	-	-	-	-	(598)	-	-	-	-	-
Total	(2,891)	(21,520)	-	(560)	-	(3,528)	(2,763)	-	(710)	-	(1,577)	-	(1,535)	-	(900)	(598)	-	(5,243)	(4,105)	-

() = Negative NPV / Value

Note:

All numbers are rounded to zero decimal place (i.e. nearest \$ million) for presentation purpose. The table totals presented therefore may not add up due to rounding.

West Kowloon Cultural District**Museum Collection and Other Costs for the M+ - in 2008 NPV and MOD
Cash Flows (\$Million)**

	2008 NPV	Total MOD	MOD																		
			2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
Phase 1 M+:																					
Other capital :-																					
Collection :																					
Initial collection - \$1 billion (in 2006 prices)	(873)	(1,138)	-	-	-	(276)	(282)	(287)	(293)	-	-	-	-	-	-	-	-	-	-	-	-
Annual collection @ \$20m (in 2006 prices) from 2015 onwards)	(341)	(1,718)	-	-	-	-	-	-	-	(24)	(24)	(25)	(25)	(26)	(26)	(27)	(27)	(28)	(29)	(29)	(30)
Total collection costs	(1,214)	(2,856)	-	-	-	(276)	(282)	(287)	(293)	(24)	(24)	(25)	(25)	(26)	(26)	(27)	(27)	(28)	(29)	(29)	(30)
Exhibition development :																					
Initial - \$204 million (in 2006 prices)	(178)	(232)	-	-	-	(56)	(57)	(59)	(60)	-	-	-	-	-	-	-	-	-	-	-	-
Periodic once every 15 years thereafter (\$204 million in 2006 prices)	(174)	(1,337)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total exhibition development costs	(352)	(1,569)	-	-	-	(56)	(57)	(59)	(60)	-	-	-	-	-	-	-	-	-	-	-	-
Conservation laboratory equipment :																					
Initial - \$26 million (in 2006 prices)	(23)	(30)	-	-	-	(7)	(7)	(8)	(8)	-	-	-	-	-	-	-	-	-	-	-	-
Periodic once every 10 years thereafter (\$13 million in 2006 prices)	(18)	(102)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(19)	-	-
Total conservation laboratory equipment costs	(41)	(132)	-	-	-	(7)	(7)	(8)	(8)	-	-	-	-	-	-	-	-	-	(19)	-	-
Library set up costs :																					
	(24)	(32)	-	-	-	(8)	(8)	(8)	(8)	-	-	-	-	-	-	-	-	-	-	-	-
Total library set up costs	(24)	(32)	-	-	-	(8)	(8)	(8)	(8)	-	-	-	-	-	-	-	-	-	-	-	-
Total museum collection and other costs	(1,630)	(4,590)	-	-	-	(347)	(354)	(361)	(369)	(24)	(24)	(25)	(25)	(26)	(26)	(27)	(27)	(28)	(47)	(29)	(30)
Phase 2 M+:																					
Other capital :-																					
Exhibition development :																					
Initial - \$128 million (in 2006 prices)	(56)	(205)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Periodic once every 15 years thereafter (\$128 million in 2006 prices)	(31)	(276)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total exhibition development costs	(87)	(481)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total (Phases 1 and 2)	(1,717)	(5,071)	-	-	-	(347)	(354)	(361)	(369)	(24)	(24)	(25)	(25)	(26)	(26)	(27)	(27)	(28)	(47)	(29)	(30)

() = Negative NPV / Value

Note: All numbers are rounded to zero decimal place (i.e. nearest \$ million) for presentation purpose. The table totals presented therefore may not add up due to rounding.

West Kowloon Cultural District**Museum Collection and Other Costs for the M+ - in 2008 NPV and MOD
Cash Flows (\$Million)**

	2008 NPV	Total MOD	MOD																		
			2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037	2038	2039	2040	2041	2042	2043	2044	2045
Phase 1 M+:																					
Other capital :-																					
Collection :																					
Initial collection - \$1 billion (in 2006 prices)	(873)	(1,138)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Annual collection @ \$20m (in 2006 prices) from 2015 onwards)	(341)	(1,718)	(30)	(31)	(32)	(32)	(33)	(33)	(34)	(35)	(36)	(36)	(37)	(38)	(38)	(39)	(40)	(41)	(42)	(42)	(43)
Total collection costs	(1,214)	(2,856)	(30)	(31)	(32)	(32)	(33)	(33)	(34)	(35)	(36)	(36)	(37)	(38)	(38)	(39)	(40)	(41)	(42)	(42)	(43)
Exhibition development :																					
Initial - \$204 million (in 2006 prices)	(178)	(232)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Periodic once every 15 years thereafter (\$204 million in 2006 prices)	(174)	(1,337)	-	-	(322)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(433)	-
Total exhibition development costs	(352)	(1,569)	-	-	(322)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(433)	-
Conservation laboratory equipment :																					
Initial - \$26 million (in 2006 prices)	(23)	(30)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Periodic once every 10 years thereafter (\$13 million in 2006 prices)	(18)	(102)	-	-	-	-	-	-	-	(23)	-	-	-	-	-	-	-	-	-	(28)	-
Total conservation laboratory equipment costs	(41)	(132)	-	-	-	-	-	-	-	(23)	-	-	-	-	-	-	-	-	-	(28)	-
Library set up costs :																					
Initial - \$24 million (in 2006 prices)	(24)	(32)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total library set up costs	(24)	(32)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total museum collection and other costs	(1,630)	(4,590)	(30)	(31)	(353)	(32)	(33)	(33)	(34)	(57)	(36)	(36)	(37)	(38)	(38)	(39)	(40)	(41)	(42)	(503)	(43)
Phase 2 M+:																					
Other capital :-																					
Exhibition development :																					
Initial - \$128 million (in 2006 prices)	(56)	(205)	-	-	-	(205)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Periodic once every 15 years thereafter (\$128 million in 2006 prices)	(31)	(276)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(276)
Total exhibition development costs	(87)	(481)	-	-	-	(205)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(276)
Total (Phases 1 and 2)	(1,717)	(5,071)	(30)	(31)	(353)	(237)	(33)	(33)	(34)	(57)	(36)	(36)	(37)	(38)	(38)	(39)	(40)	(41)	(42)	(503)	(319)

() = Negative NPV / Value

Note: All numbers are rounded to zero decimal place (i.e. nearest \$ million) for presentation purpose. The table totals presented therefore may not add up due to rounding.

West Kowloon Cultural District**Museum Collection and Other Costs for the M+ - in 2008 NPV and MOD
Cash Flows (\$Million)**

	2008 NPV	Total MOD	MOD													
			2046	2047	2048	2049	2050	2051	2052	2053	2054	2055	2056	2057	2058	2059
Phase 1 M+:																
Other capital :-																
Collection :																
Initial collection - \$1 billion (in 2006 prices)	(873)	(1,138)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Annual collection @ \$20m (in 2006 prices) from 2015 onwards)	(341)	(1,718)	(44)	(45)	(46)	(47)	(48)	(49)	(50)	(51)	(52)	(53)	(54)	(55)	(56)	(57)
Total collection costs	(1,214)	(2,856)	(44)	(45)	(46)	(47)	(48)	(49)	(50)	(51)	(52)	(53)	(54)	(55)	(56)	(57)
Exhibition development :																
Initial - \$204 milion (in 2006 prices)	(178)	(232)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Periodic once every 15 years thereafter (\$204 million in 2006 prices)	(174)	(1,337)	-	-	-	-	-	-	-	-	-	-	-	-	-	(583)
Total exhibition development costs	(352)	(1,569)	-	-	-	-	-	-	-	-	-	-	-	-	-	(583)
Conservation laboratory equipment :																
Initial - \$26 million (in 2006 prices)	(23)	(30)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Periodic once every 10 years thereafter (\$13 milion in 2006 prices)	(18)	(102)	-	-	-	-	-	-	-	-	(34)	-	-	-	-	-
Total conservation laboratory equipment costs	(41)	(132)	-	-	-	-	-	-	-	-	(34)	-	-	-	-	-
Library set up costs :																
	(24)	(32)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total library set up costs	(24)	(32)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total museum collection and other costs	(1,630)	(4,590)	(44)	(45)	(46)	(47)	(48)	(49)	(50)	(51)	(85)	(53)	(54)	(55)	(56)	(640)
Phase 2 M+:																
Other capital :-																
Exhibition development :																
Initial - \$128 milion (in 2006 prices)	(56)	(205)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Periodic once every 15 years thereafter (\$128 million in 2006 prices)	(31)	(276)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total exhibition development costs	(87)	(481)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total (Phases 1 and 2)	(1,717)	(5,071)	(44)	(45)	(46)	(47)	(48)	(49)	(50)	(51)	(85)	(53)	(54)	(55)	(56)	(640)

() = Negative NPV / Value

Note: All numbers are rounded to zero decimal place (i.e. nearest \$ million) for presentation purpose. The table totals presented therefore may not add up due to rounding.

Annex 9

West Kowloon Cultural District

Capitalized Operating Costs of the WKCDA (including Master Planning) - in 2008 NPV and MOD Cash Flows (\$Million)

	2008 NPV	Total MOD	MOD						
			2008	2009	2010	2011	2012	2013	2014
Capitalized costs									
Master planning	(34)	(35)	(17)	(18)	-	-	-	-	-
WKCDA costs	(1,230)	(1,465)	(197)	(201)	(205)	(209)	(213)	(218)	(222)
Total	(1,264)	(1,500)	(214)	(219)	(205)	(209)	(213)	(218)	(222)

() = Negative NPV / Value

Note:

All numbers are rounded to zero decimal place (i.e. nearest \$ million) for presentation purpose. The table totals presented therefore may not add up due to rounding.

West Kowloon Cultural District
Retail/Dining/Entertainment (RDE) Net Rental Income (\$Million)

Parameters/Assumptions

RDE GFA	119,000 sq.m.
Net Monthly Rental	\$30 per sq.ft. GFA (or \$3,875 per sq.m. per annum) (2006 prices)(Note 3)
Car Parking	397 spaces
Net Monthly Carpark Rental	\$2,500 per space (2006 prices)(Note 3)
Annual Net Rental Income	473 \$ million (2006 prices) (\$3,875 x 119,000 sq.m. + \$2,500 x 397 spaces x 12 months)

	2008 NPV	Total MOD	MOD																																
			2008-2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037	2038	2039	2040	2041	2042	2043	2044	2045
Net Rental Income	8,448	41,197	-	554	565	577	588	600	612	624	637	649	662	676	689	703	717	731	746	761	776	792	807	824	840	857	874	891	909	927	946	965	984	1,004	1,024

Note:

- (1) All numbers are rounded to zero decimal place (i.e. nearest \$ million) for presentation purpose. The table totals presented therefore may not add up due to rounding.
- (2) Rental income is net of rates and Government rents, property / profit tax and other expenses.
- (3) Annex L of Financial Advisor's Final Report dated April 2007 refers.

West Kowloon Cultural District
Retail/Dining/Entertainment (RDE) Net Rental Income (\$Million)

	2008 NPV	Total MOD	MOD													
			2046	2047	2048	2049	2050	2051	2052	2053	2054	2055	2056	2057	2058	2059
Net Rental Income	8,448	41,197	1,044	1,065	1,087	1,108	1,131	1,153	1,176	1,200	1,224	1,248	1,273	1,299	1,325	1,351

West Kowloon Cultural District

Operating Surpluses/Deficits (Excl. RDE) in NPV and MOD Cash Flows (\$ Million) and
Operating Cost Recovery Rates by Facility

	Operating cost recovery rate of CACF (%) (Note 2) (Reference year: Year 10 after commencement of operation)	2008 NPV	Total MOD	MOD																	
				2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
PHASE 1																					
1 Management and Masterplanning		(1,015)	(5,118)	0	0	0	0	0	0	0	(71)	(73)	(74)	(76)	(77)	(79)	(80)	(82)	(83)	(85)	(87)
1.1 Masterplanning		0	0	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
1.2 Area and Project Management		(1,015)	(5,118)	-	-	-	-	-	-	-	(71)	(73)	(74)	(76)	(77)	(79)	(80)	(82)	(83)	(85)	(87)
2 Museum and Exhibition Space		(5,011)	(24,373)	0	0	0	0	0	(17)	(202)	(353)	(370)	(371)	(371)	(374)	(380)	(387)	(394)	(401)	(409)	(416)
2.1 M+	18%	(5,292)	(26,007)	-	-	-	-	-	-	(213)	(362)	(381)	(385)	(388)	(392)	(399)	(407)	(416)	(424)	(432)	(441)
2.2 Exhibition Centre	142%	281	1,633	-	-	-	-	-	(17)	11	9	11	14	17	18	19	20	22	23	24	25
3 Performing Arts Facilities		(128)	1,433	0	0	0	0	0	(126)	(97)	(78)	(73)	(52)	(31)	(21)	(16)	(12)	(7)	(2)	1	4
3.1 Mega Performance Venue	149%	1,014	5,916	-	-	-	-	-	(46)	40	33	42	50	60	63	67	71	75	79	82	86
3.2 Great Theatre 1	101%	(5)	338	-	-	-	-	-	(35)	(9)	(13)	(9)	(6)	(2)	(2)	(1)	(0)	0	1	2	2
3.3 Concert Hall and Chamber Music Hall	83%	(307)	(1,190)	-	-	-	-	-	-	(52)	(31)	(36)	(32)	(28)	(23)	(23)	(23)	(22)	(22)	(21)	(21)
3.4 Xiqu Centre	82%	(213)	(855)	-	-	-	-	-	-	(32)	(20)	(23)	(21)	(19)	(16)	(16)	(16)	(16)	(15)	(15)	(15)
3.5 Medium Theatre 1	66%	(159)	(700)	-	-	-	-	-	(14)	(12)	(13)	(12)	(12)	(11)	(11)	(11)	(11)	(11)	(11)	(12)	(12)
3.6 Medium Theatre 2 and Black Box Theatre 1	64%	(213)	(946)	-	-	-	-	-	(17)	(16)	(17)	(16)	(15)	(15)	(15)	(15)	(15)	(15)	(15)	(16)	(16)
3.7 Black Box Theatres 2 and 3	51%	(140)	(646)	-	-	-	-	-	(9)	(10)	(10)	(10)	(10)	(9)	(10)	(10)	(10)	(10)	(10)	(11)	(11)
3.8 Black Box Theatre 4	41%	(104)	(484)	-	-	-	-	-	(5)	(7)	(7)	(7)	(7)	(7)	(7)	(7)	(7)	(8)	(8)	(8)	(8)
3.9 Piazzas	100%	0	0	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
			(assumed breakeven)																		
4 Other Arts and Cultural Uses		0	0	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
			(assumed breakeven)																		
5 Transport Facilities		179	838	0	0	0	0	0	11	11	12	12	12	12	13	13	13	13	14	14	14
5.1 Automated People Mover		0	0	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
			(assumed breakeven)																		
5.2 Car parks		179	838	-	-	-	-	-	11	11	12	12	12	12	13	13	13	13	14	14	14
6 Communal Facilities		(537)	(2,529)	-	-	-	-	-	(33)	(34)	(34)	(35)	(36)	(37)	(37)	(38)	(39)	(40)	(40)	(41)	(42)
6.1 Public Open Space		(537)	(2,529)	-	-	-	-	-	(33)	(34)	(34)	(35)	(36)	(37)	(37)	(38)	(39)	(40)	(40)	(41)	(42)
Subtotal		(6,512)	(29,749)	-	-	-	-	-	(165)	(322)	(525)	(539)	(521)	(502)	(496)	(500)	(505)	(509)	(513)	(520)	(527)
PHASE 2																					
8 Performing Arts Facilities (Phase 2)		(446)	(2,930)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(94)
8.1 Great Theatre 2 and Medium Theatre 3	74%	(318)	(2,051)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(74)
8.2 Medium Theatre 4	59%	(128)	(879)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(21)
9 M+ (Phase 2)	22%	(625)	(5,184)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Subtotal		(1,070)	(8,114)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(94)
Total CACF, Transport and Communal Facilities - Operation Only		(7,582)	(37,863)	-	-	-	-	-	(165)	(322)	(525)	(539)	(521)	(502)	(496)	(500)	(505)	(509)	(513)	(520)	(621)

() = Negative NPV / Value

Note

(1) All numbers are rounded to 0 decimal places (i.e. nearest \$ million) for presentation purpose. The table totals presented therefore may not add up due to rounding.

(2) This is the operating revenue as a % of operating costs (i.e. excl. depreciation) for a reference year.

West Kowloon Cultural District

Operating Surpluses/Deficits (Excl. RDE) in NPV and MOD Cash Flows (\$ Million) and
Operating Cost Recovery Rates by Facility

	Operating cost recovery rate of CACF (%) (Note 2) (Reference year: Year 10 after commencement of operation)	2008 NPV	Total MOD	MOD																	
				2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037	2038	2039	2040	2041	2042	2043
PHASE 1																					
1 Management and Masterplanning		(1,015)	(5,118)	(89)	(90)	(92)	(94)	(96)	(98)	(100)	(102)	(104)	(106)	(108)	(110)	(112)	(115)	(117)	(119)	(122)	(124)
1.1 Masterplanning		0	0	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
1.2 Area and Project Management		(1,015)	(5,118)	(89)	(90)	(92)	(94)	(96)	(98)	(100)	(102)	(104)	(106)	(108)	(110)	(112)	(115)	(117)	(119)	(122)	(124)
2 Museum and Exhibition Space		(5,011)	(24,373)	(424)	(432)	(441)	(449)	(457)	(466)	(475)	(516)	(394)	(502)	(512)	(522)	(531)	(541)	(552)	(562)	(573)	(583)
2.1 M+	18%	(5,292)	(26,007)	(450)	(459)	(468)	(477)	(487)	(497)	(507)	(517)	(429)	(538)	(548)	(559)	(571)	(582)	(594)	(606)	(618)	(630)
2.2 Exhibition Centre	142%	281	1,633	26	27	27	28	30	31	32	1	34	35	37	38	39	41	42	44	45	47
3 Performing Arts Facilities		(128)	1,433	7	11	14	18	21	25	29	(114)	(15)	43	48	53	58	64	69	76	82	89
3.1 Mega Performance Venue	149%	1,014	5,916	89	93	96	100	104	108	112	13	121	126	131	136	141	146	152	158	164	170
3.2 Great Theatre 1	101%	(5)	338	3	3	4	5	5	6	7	(28)	8	9	10	11	12	13	14	15	16	18
3.3 Concert Hall and Chamber Music Hall	83%	(307)	(1,190)	(22)	(22)	(22)	(22)	(22)	(22)	(22)	(22)	(54)	(22)	(22)	(22)	(22)	(21)	(21)	(21)	(21)	(21)
3.4 Xiqu Centre	82%	(213)	(855)	(15)	(15)	(15)	(16)	(16)	(16)	(16)	(16)	(37)	(16)	(16)	(16)	(16)	(16)	(16)	(16)	(16)	(16)
3.5 Medium Theatre 1	66%	(159)	(700)	(12)	(12)	(12)	(13)	(13)	(13)	(13)	(17)	(13)	(14)	(14)	(14)	(14)	(14)	(15)	(15)	(15)	(15)
3.6 Medium Theatre 2 and Black Box Theatre 1	64%	(213)	(946)	(16)	(16)	(17)	(17)	(17)	(17)	(18)	(23)	(18)	(19)	(19)	(19)	(19)	(20)	(20)	(20)	(21)	(21)
3.7 Black Box Theatres 2 and 3	51%	(140)	(646)	(11)	(11)	(11)	(12)	(12)	(12)	(12)	(13)	(13)	(13)	(13)	(13)	(14)	(14)	(14)	(14)	(15)	(15)
3.8 Black Box Theatre 4	41%	(104)	(484)	(8)	(8)	(9)	(9)	(9)	(9)	(9)	(9)	(10)	(10)	(10)	(10)	(10)	(11)	(11)	(11)	(11)	(11)
3.9 Piazzas	100%	0	0	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
		(assumed breakeven)																			
4 Other Arts and Cultural Uses		0	0	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
		(assumed breakeven)																			
5 Transport Facilities		179	838	14	15	15	15	16	16	16	8	17	17	18	18	18	19	19	19	20	20
5.1 Automated People Mover		0	0	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
		(assumed breakeven)																			
5.2 Car parks		179	838	14	15	15	15	16	16	16	8	17	17	18	18	18	19	19	19	20	20
6 Communal Facilities		(537)	(2,529)	(43)	(44)	(45)	(45)	(46)	(47)	(48)	(49)	(50)	(51)	(52)	(53)	(54)	(55)	(56)	(58)	(45)	(60)
6.1 Public Open Space		(537)	(2,529)	(43)	(44)	(45)	(45)	(46)	(47)	(48)	(49)	(50)	(51)	(52)	(53)	(54)	(55)	(56)	(58)	(45)	(60)
Subtotal		(6,512)	(29,749)	(534)	(541)	(548)	(555)	(563)	(570)	(577)	(773)	(547)	(599)	(607)	(614)	(622)	(629)	(636)	(644)	(637)	(658)
PHASE 2																					
8 Performing Arts Facilities (Phase 2)		(446)	(2,930)	(76)	(85)	(79)	(74)	(68)	(68)	(69)	(69)	(70)	(70)	(71)	(73)	(74)	(75)	(76)	(77)	(79)	(80)
8.1 Great Theatre 2 and Medium Theatre 3	74%	(318)	(2,051)	(56)	(63)	(58)	(53)	(49)	(49)	(49)	(49)	(49)	(49)	(50)	(51)	(52)	(52)	(53)	(54)	(55)	(55)
8.2 Medium Theatre 4	59%	(128)	(879)	(20)	(22)	(21)	(20)	(19)	(20)	(20)	(20)	(21)	(21)	(21)	(22)	(22)	(23)	(23)	(24)	(24)	(25)
9 M+ (Phase 2)	22%	(625)	(5,184)	-	-	-	-	(92)	(131)	(143)	(143)	(143)	(142)	(145)	(148)	(151)	(154)	(157)	(160)	(163)	(167)
Subtotal		(1,070)	(8,114)	(76)	(85)	(79)	(74)	(160)	(200)	(212)	(212)	(213)	(212)	(216)	(221)	(225)	(229)	(233)	(238)	(242)	(247)
Total CACF, Transport and Communal Facilities - Operation Only		(7,582)	(37,863)	(610)	(626)	(628)	(629)	(723)	(770)	(790)	(985)	(759)	(812)	(823)	(835)	(846)	(858)	(870)	(881)	(879)	(905)

() = Negative NPV / Value

Note

(1) All numbers are rounded to 0 decimal places (i.e. nearest \$ million) for presentation purpose. The table totals presented therefore may not add up due to rounding.

(2) This is the operating revenue as a % of operating costs (i.e. excl. depreciation) for a reference year.

West Kowloon Cultural District

Operating Surpluses/Deficits (Excl. RDE) in NPV and MOD Cash Flows (\$ Million) and Operating Cost Recovery Rates by Facility

	Operating cost recovery rate of CACF (%) (Note 2) (Reference year: Year 10 after commencement of operation)	2008 NPV	Total MOD	MOD																
				2008 NPV	Total MOD	2044	2045	2046	2047	2048	2049	2050	2051	2052	2053	2054	2055	2056	2057	2058
PHASE 1																				
1 Management and Masterplanning		(1,015)	(5,118)	(126)	(129)	(132)	(134)	(137)	(140)	(142)	(145)	(148)	(151)	(154)	(157)	(160)	(164)	(167)	(170)	
1.1 Masterplanning		0	0	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
1.2 Area and Project Management		(1,015)	(5,118)	(126)	(129)	(132)	(134)	(137)	(140)	(142)	(145)	(148)	(151)	(154)	(157)	(160)	(164)	(167)	(170)	
2 Museum and Exhibition Space		(5,011)	(24,373)	(595)	(607)	(619)	(631)	(644)	(657)	(670)	(683)	(697)	(763)	(579)	(740)	(755)	(770)	(785)	(801)	
2.1 M+	18%	(5,292)	(26,007)	(643)	(655)	(669)	(682)	(696)	(709)	(724)	(738)	(753)	(768)	(637)	(799)	(815)	(831)	(848)	(865)	
2.2 Exhibition Centre	142%	281	1,633	48	49	50	51	52	53	54	55	56	5	58	59	60	62	63	64	
3 Performing Arts Facilities		(128)	1,433	91	93	95	97	99	101	103	105	107	(138)	21	114	116	118	121	123	
3.1 Mega Performance Venue	149%	1,014	5,916	173	177	180	184	187	191	195	199	203	34	211	215	220	224	229	233	
3.2 Great Theatre 1	101%	(5)	338	18	18	19	19	20	20	20	21	21	(38)	22	22	23	23	24	24	
3.3 Concert Hall and Chamber Music Hall	83%	(307)	(1,190)	(20)	(21)	(21)	(22)	(22)	(23)	(23)	(23)	(24)	(24)	(80)	(25)	(26)	(26)	(27)	(28)	
3.4 Xiqu Centre	82%	(213)	(855)	(16)	(16)	(16)	(17)	(17)	(17)	(18)	(18)	(18)	(19)	(54)	(19)	(20)	(20)	(21)	(21)	
3.5 Medium Theatre 1	66%	(159)	(700)	(16)	(16)	(16)	(17)	(17)	(17)	(18)	(18)	(18)	(25)	(19)	(19)	(20)	(20)	(21)	(21)	
3.6 Medium Theatre 2 and Black Box Theatre 1	64%	(213)	(946)	(21)	(22)	(22)	(23)	(23)	(24)	(24)	(24)	(25)	(33)	(26)	(27)	(27)	(28)	(28)	(29)	
3.7 Black Box Theatres 2 and 3	51%	(140)	(646)	(15)	(16)	(16)	(16)	(16)	(17)	(17)	(17)	(18)	(19)	(19)	(19)	(19)	(20)	(20)	(20)	
3.8 Black Box Theatre 4	41%	(104)	(484)	(12)	(12)	(12)	(12)	(13)	(13)	(13)	(13)	(14)	(13)	(14)	(14)	(15)	(15)	(15)	(16)	
3.9 Piazzas	100%	0	0	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
			(assumed breakeven)																	
4 Other Arts and Cultural Uses		0	0	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
			(assumed breakeven)																	
5 Transport Facilities		179	838	21	21	21	22	22	23	23	24	24	12	25	26	26	27	27	28	
5.1 Automated People Mover		0	0	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
			(assumed breakeven)																	
5.2 Car parks		179	838	21	21	21	22	22	23	23	24	24	12	25	26	26	27	27	28	
6 Communal Facilities		(537)	(2,529)	(61)	(62)	(64)	(65)	(66)	(68)	(69)	(70)	(72)	(73)	(75)	(76)	(78)	(79)	(81)	(82)	
6.1 Public Open Space		(537)	(2,529)	(61)	(62)	(64)	(65)	(66)	(68)	(69)	(70)	(72)	(73)	(75)	(76)	(78)	(79)	(81)	(82)	
Subtotal		(6,512)	(29,749)	(670)	(684)	(697)	(711)	(726)	(740)	(755)	(770)	(785)	(1,113)	(762)	(834)	(850)	(867)	(885)	(902)	
PHASE 2																				
8 Performing Arts Facilities (Phase 2)		(446)	(2,930)	(81)	(125)	(84)	(85)	(86)	(88)	(89)	(90)	(91)	(93)	(94)	(95)	(97)	(99)	(101)	(103)	
8.1 Great Theatre 2 and Medium Theatre 3	74%	(318)	(2,051)	(56)	(96)	(58)	(58)	(59)	(60)	(61)	(61)	(62)	(63)	(63)	(64)	(65)	(67)	(68)	(69)	
8.2 Medium Theatre 4	59%	(128)	(879)	(25)	(29)	(26)	(27)	(27)	(28)	(28)	(29)	(29)	(30)	(30)	(31)	(32)	(32)	(33)	(34)	
9 M+ (Phase 2)	22%	(625)	(5,184)	(170)	(173)	(177)	(180)	(184)	(188)	(169)	(195)	(199)	(203)	(207)	(211)	(215)	(220)	(224)	(229)	
Subtotal		(1,070)	(8,114)	(251)	(299)	(260)	(265)	(270)	(275)	(257)	(285)	(290)	(296)	(301)	(306)	(313)	(319)	(325)	(332)	
Total CACF, Transport and Communal Facilities - Operation Only		(7,582)	(37,863)	(922)	(982)	(958)	(977)	(996)	(1,015)	(1,012)	(1,055)	(1,076)	(1,409)	(1,063)	(1,140)	(1,163)	(1,186)	(1,210)	(1,234)	

() = Negative NPV / Value

Note

(1) All numbers are rounded to 0 decimal places (i.e. nearest \$ million) for presentation purpose. The table totals presented therefore may not add up due to rounding.

(2) This is the operating revenue as a % of operating costs (i.e. excl. depreciation) for a reference year.

West Kowloon Cultural District**M+ (Phase 1) - Operating Assumptions**

Assumptions		
1	Physical Parameters	
1.1.1	Museum NOFA	28,910 sq.m.
1.1.2	Museum GFA	43,365 sq. m.
1.1.3	Museum NOFA to GFA Ratio	1: 1.50
1.2.1	Food Service Space	700 sq. m.
1.2.2	Retail Space	700 sq. m.
1.3	Exhibition Space	16,000 sq. m.
1.4.1	Off-site Storage (NOFA)	14,000 sq.m.
1.4.2	Off-site Storage (GFA)	16,800 sq. m.
1.4.3	Off-site Storage NOFA to GFA Ratio	1: 1.20
2	Total Attendance	1,200,000 per annum
3	Usage by Hirers	250 number of hires per annum
4	Admission and Hire Charges	
4.1	Admission Revenue from Visitors	\$27.5 per person
4.2	Hire Charge per engagement	\$6,000 average per session
5	Retail/Food Service	
5.1.1	Retail Spend	\$28.0 per visitor
5.1.2	Profit Margin on Retail Goods	15%
5.2	Food Service Concession Rental	\$4,000 per annum
5.3	Retail Shop Rental	\$4,000 per annum
6	Initial Broad Groupings and Exhibitions (includes qualitative assumptions)	
6.1	Initial Broad Groupings will be visual art (including ink art), popular culture, moving image and design	
6.2	All exhibitions will be to international standards	
7	Public Programmes	
7.1	There will be a full range of museum quality public and school programmes as per international museum practice	
7.2	Public Programme Revenues	\$4,000,000
8	Collections (includes qualitative assumptions)	
8.1	The Museum will build a world-class collection relating to each of the four themes.	
9	Fundraising - Special Events	\$15,000,000
10	Other Income	\$3,200,000

West Kowloon Cultural District**M+ (Phase 1) - Operating Assumptions**

Assumptions		
11	Staff Costs	
11 . 1	Total Number of FTE Positions	320
11 . 1 . 1	Senior Staff	18
11 . 1 . 2	Professional Staff	212
11 . 1 . 3	Assistant / Clerical Staff	90
11 . 2 . 1	Assumed Average Salary/Benefits - Senior Staff	\$1,367,000 per FTE
11 . 2 . 2	Assumed Average Salary/Benefits - Professional Staff	\$450,000 per FTE
11 . 2 . 3	Assumed Average Salary/Benefits - Assistant / Clerical Staff	\$180,000 per FTE
12	General and Administrative Costs	12.0% of Staff Costs
13	Occupancy Costs	
13 . 1	Building Maintenance	\$70 per sq.m. GFA
13 . 2	Electricity	\$500 per sq.m. GFA
13 . 3	Water	\$0.1 per visitor per annum
13 . 4	Cleaning and security	\$300 per sq.m. GFA
13 . 5	Other Occupancy Costs	\$440 per sq.m. GFA
14	Exhibitions	
14 . 1	Number of major temporary exhibitions	4 per year
14 . 2	Average Cost per Temporary Exhibition	\$14,000,000
14 . 3	Number of Small Scale Temporary Exhibitions	12 per year
14 . 4	Average Cost per Small Scale Temporary Exhibition	\$2,000,000
14 . 5	Routine Maintenance Cost	\$8,000,000 per year
15	Public Programmes	3 times the cost of Public Programme Revenues
16	Marketing Costs	6% of Other Operating Expenditure
17	Library Costs	\$2,100,000 per annum

West Kowloon Cultural District
M+ (Phase 2) - Operating Assumptions

Assumptions		
1	Physical Parameters	
1.1.1	Museum NOFA	41,300 sq.m.
1.1.2	Museum GFA	61,950 sq. m.
1.1.3	Museum NOFA to GFA Ratio	1: 1.50
1.2.1	Food Service Space	700 sq. m.
1.2.2	Retail Space	700 sq. m.
1.3	Exhibition Space	26,000 sq. m.
1.4.1	Off-site Storage (NOFA)	14,000 sq.m.
1.4.2	Off-site Storage (GFA)	16,800 sq. m.
1.4.3	Off-site Storage NOFA to GFA Ratio	1: 1.20
2	Total Attendance	2,000,000 per annum
3	Usage by Hirers	300 number of hires per annum
4	Admission and Hire Charges	
4.1	Admission Revenue from Visitors	\$30.0 per person
4.2	Hire Charge per engagement	\$6,000 average per session
5	Retail/Food Service	
5.1.1	Retail Spend	\$28.0 per visitor
5.1.2	Profit Margin on Retail Goods	15%
5.2	Food Service Concession Rental	\$4,000 per annum
5.3	Retail Shop Rental	\$4,000 per annum
6	Initial Broad Groupings and Exhibitions (includes qualitative assumptions)	
6.1	Initial Broad Groupings will be visual art (including ink art), popular culture, moving image and design	
6.2	All exhibitions will be to international standards	
7	Public Programmes	
7.1	There will be a full range of museum quality public and school programmes as per international museum practice	
7.2	Public Programme Revenues	\$7,000,000
8	Collections (includes qualitative assumptions)	
8.1	The Museum will build a world-class collection relating to each of the four themes.	
9	Fundraising - Special Events	\$18,000,000
10	Other Income	\$4,350,000
11	Staff Costs	
11.1	Total Number of FTE Positions	336
11.1.1	Senior Staff	20
11.1.2	Professional Staff	220
11.1.3	Assistant / Clerical Staff	96
11.2.1	Assumed Average Salary/Benefits - Senior Staff	\$1,367,000 per FTE
11.2.2	Assumed Average Salary/Benefits - Professional Staff	\$450,000 per FTE
11.2.3	Assumed Average Salary/Benefits - Assistant / Clerical Staff	\$180,000 per FTE
12	General and Administrative Costs	12.0% of Staff Costs
13	Occupancy Costs	
13.1	Building Maintenance	\$70 per sq.m. GFA
13.2	Electricity	\$500 per sq.m. GFA
13.3	Water	\$0.1 per visitor per annum
13.4	Cleaning and security	\$300 per sq.m. GFA
13.5	Other Occupancy Costs	\$440 per sq.m. GFA

West Kowloon Cultural District
M+ (Phase 2) - Operating Assumptions

Assumptions	
14	Exhibitions
14 . 1	Number of major temporary exhibitions 7 per year
14 . 2	Average Cost per Temporary Exhibition \$14,000,000
14 . 3	Number of Small Scale Temporary Exhibitions 20 per year
14 . 4	Average Cost per Small Scale Temporary Exhibition \$2,000,000
14 . 5	Routine Maintenance Cost \$13,000,000 per year
15	Public Programmes
	3 times the cost of Public Programme Revenues
16	Marketing Costs
	6% of Other Operating Expenditure
17	Library Costs
	\$2,100,000 per annum

West Kowloon Cultural District
Exhibition Centre - Operating Assumptions

Assumptions		
1	Physical Parameters	
1.1	Total NOFA	10,000 sq.m.
1.2	Total GOFA	12,500 sq. m.
1.3	GFA to NOFA Ratio	1.25
1.4.1	Exhibition Space (Gallery 1)	2,000 sq.m.
1.4.2	Exhibition Space (Gallery 2)	1,300 sq.m.
1.4.3	Exhibition Space (Gallery 3)	1,000 sq.m.
1.4.4	Exhibition Space (Gallery 4)	500 sq.m.
1.5	Retail Space	100 sq.m.
2	Hire Charges	
2.1.1	Gallery 1	\$37 per sq.m. per day
2.1.2	Gallery 2	\$45 per sq.m. per day
2.1.3	Gallery 3	\$47 per sq.m. per day
2.1.4	Gallery 4	\$57 per sq.m. per day
2.2	Discount for Cultural Uses	30%
2.3	Other Hire Charges	8% of Gallery Hire Income
3	Utilisation	
3.1	Days for Hire	351 days a year
3.2	Utilisation Rate	72%
3.3.1	Gallery 1 (commercial)	177 days
3.3.2	Gallery 2 (commercial)	177 days
3.3.3	Gallery 3 (commercial)	177 days
3.3.4	Gallery 4 (commercial)	177 days
3.4.1	Gallery 1 (cultural)	76 days
3.4.2	Gallery 2 (cultural)	76 days
3.4.3	Gallery 3 (cultural)	76 days
3.4.4	Gallery 4 (cultural)	76 days
5	Rental of Retail Space	\$4,000 per sq.m. per annum
6	Attendance	1,500,000 per annum
7	Staff Costs	
7.1.1	Level 1 Staff	\$1,200,000 per annum
7.1.2	Level 2 Staff	\$800,000 per annum
7.1.3	Level 3 Staff	\$450,000 per annum
7.1.4	Level 4 Staff	\$200,000 per annum
7.1.5	Level 5 Staff	\$150,000 per annum
7.1.6	Level 6 Staff	\$125,000 per annum
7.2.1	Level 1 Staff	1 staff
7.2.2	Level 2 Staff	2 staff
7.2.3	Level 3 Staff	2 staff
7.2.4	Level 4 Staff	5 staff
7.2.5	Level 5 Staff	5 staff
7.2.6	Level 6 Staff	5 staff
7.2	Total Number of Staff	20

**West Kowloon Cultural District
Exhibition Centre - Operating Assumptions**

Assumptions		
8	General and Administrative Costs	12% of staffing costs
9	Occupancy Costs	
9 . 1	Building Maintenance	\$70 per sq.m. GFA per annum
9 . 2	Electricity	\$350 per sq.m. GFA per annum
9 . 3	Water	\$0.1 per visitor per annum
9 . 4	Cleaning and security	\$300 per sq.m. GFA per annum
9 . 5	Other Occupancy Costs	\$336 per sq.m. GFA per annum
10	Marketing Costs	10% of Hire Income
11	Public Programming Costs	\$600,000 per annum

Assumptions / Parameters		Unit	Mega Performance Venue	Great Theatre 1	Concert Hall Chamber Music Hall (Concert Hall)	Concert Hall Chamber Music Hall (Chamber Music Hall)	Xiqu Centre (Main Theatre)	Xiqu Centre (Small Theatre)	Medium-Sized Theatre 1	Medium-Sized Theatre 2 and Blackbox Theatre 1 (Medium-Sized Theatre 2)	Medium-Sized Theatre 2 and Blackbox Theatre 1 (Blackbox Theatre 1)	Blackbox Theatre 2 and Blackbox Theatre 3 (Blackbox Theatre 2)	Blackbox Theatre 2 and Blackbox Theatre 3 (Blackbox Theatre 3)	Blackbox Theatre 4	Great Theatre 2 Medium-Sized Theatre 3 (Great Theatre 2)	Great Theatre 2 Medium-Sized Theatre 3 (Medium-Sized Theatre 3)	Medium-Sized Theatre 4
Physical Parameters	Total NOFA	sq.m.	36,710	14,800	16,800	-	14,955	-	6,750	9,480	-	5,195	-	3,160	20,325	-	6,750
	NOFA to GFA Ratio	1:	1.4	1.4	1.4	1.4	1.4	1.4	1.4	1.4	1.4	1.4	1.4	1.4	1.4	1.4	1.4
	Seating Capacity	seats	15,000	2,200	2,000	800	1,400	400	800	800	250	250	250	250	1,900	800	800
	Restaurants NOFA	sq.m.	1,000	1,000	1,000	-	3,220	-	250	250	70	70	70	70	1,000	250	250
	Retail NOFA	sq.m.	500	190	190	100	100	-	100	100	50	50	50	50	150	100	100
	VVIP Facilities NOFA	sq.m.	1,130	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Resident Company Space NOFA	sq.m.	0	600	1300	525	300	0	300	300	225	225	225	225	600	300	300	
Utilisation	Closure for Maintenance	days per annum	14	14	14	14	14	14	14	14	14	14	14	14	14	14	14
	Utilisation Rate	%	90	90	82	82	90	90	82	82	82	82	82	82	82	82	82
	No. of Sessions Per Day		1	3	3	3	3	3	3	3	3	3	3	3	3	3	3
Ticket Price	Average Ticket Price	\$ per performance	\$300	\$350	\$300	\$125	\$200	\$100	\$150	\$150	\$100	\$100	\$100	\$100	\$250	\$150	\$150
Attendance	Attendance Rate	%	72	72	67	67	72	67	72	72	72	72	72	72	72	72	72
Performance	No. of Weekends / Public Holidays	days per annum	120	120	120	120	120	120	120	120	120	120	120	120	120	120	120
	Performances on Weekends / Public Holidays	No. of performances per day	1.0	1.5	1.5	1.5	1.5	1.5	1.5	1.5	1.5	1.5	1.5	1.5	1.5	1.5	1.5
	Performances on Weekdays	No. of performances per day	0.4	0.7	0.8	0.8	0.8	0.8	0.8	0.8	0.8	0.8	0.8	0.8	0.8	0.8	0.8
Usage	Usage by Hirers (Arts)	%	80	85	70	60	80	70	85	85	85	85	85	85	60	75	75
	% of Performances also Hire Venue for Rehearsals	%	0	100	100	100	200	100	200	200	100	100	100	100	200	200	200
	% is Community Hire with Discounts	%	0	10	50	50	10	50	20	20	50	50	50	50	30	40	40
	Usage by Hirers (Non-Arts)	%	20	5	10	10	10	5	5	5	5	5	5	5	10	5	5
Hiring Charges	Basic Rate (per session per seat)	\$ per session per seat	\$8.0	\$28.0	\$23.0	\$23.0	\$23.0	\$23.0	\$28.0	\$28.0	\$23.0	\$23.0	\$23.0	\$23.0	\$28.0	\$28.0	\$28.0
	Hire Charge as % of Gross Ticket Sales	% of Gross Ticket Sales	20	20	20	20	20	20	20	20	20	20	20	20	20	20	20
	Discount Rate (Rehearsal Hire)	%	0	60	60	60	75	60	75	75	60	60	60	60	75	75	75
	Discount Rate (Community Hire)	%	0	30	30	30	30	50	30	30	30	30	30	30	30	30	30
	Other Hire Charges	% of Total Hire Income	17	12	12	6	12	4	8	8	4	4	4	4	10	6	6
Ticketing Services	Box Office Fee	\$ per ticket	\$6.5	\$6.5	\$6.5	\$6.5	\$6.5	\$6.5	\$6.5	\$6.5	\$6.5	\$6.5	\$6.5	\$6.5	\$6.5	\$6.5	\$6.5
	Inside Charge Fee	\$ per ticket	\$6.7	\$6.7	\$6.7	\$6.7	\$6.7	\$6.7	\$6.7	\$6.7	\$6.7	\$6.7	\$6.7	\$6.7	\$6.7	\$6.7	\$6.7
	Profit Margin	%	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Merchandise Sales	% of Patrons Purchasing	%	6	6	6	6	6	6	6	6	6	6	6	6	6	6	6
	Average Spending	\$ per person	\$175	\$175	\$175	\$125	\$175	\$65	\$125	\$125	\$65	\$65	\$65	\$65	\$125	\$125	\$125
	Profit Margin	% of turnover	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10
Internal Bars	% of Patrons Spending	%	12	12	12	12	12	12	12	12	12	12	12	12	12	12	12
	Average Spending	\$ per person	\$30	\$30	\$30	\$30	\$30	\$30	\$30	\$30	\$30	\$30	\$30	\$30	\$30	\$30	\$30
	Profit Margin	% of turnover	15	15	15	15	15	15	15	15	15	15	15	15	15	15	15

Assumptions / Parameters		Unit	Mega Performance Venue	Great Theatre 1	Concert Hall Chamber Music Hall (Concert Hall)	Concert Hall Chamber Music Hall (Chamber Music Hall)	Xiqu Centre (Main Theatre)	Xiqu Centre (Small Theatre)	Medium-Sized Theatre 1	Medium-Sized Theatre 2 and Blackbox Theatre 1 (Medium-Sized Theatre 2)	Medium-Sized Theatre 2 and Blackbox Theatre 1 (Blackbox Theatre 1)	Blackbox Theatre 2 and Blackbox Theatre 3 (Blackbox Theatre 2)	Blackbox Theatre 2 and Blackbox Theatre 3 (Blackbox Theatre 3)	Blackbox Theatre 4	Great Theatre 2 Medium-Sized Theatre 3 (Great Theatre 2)	Great Theatre 2 Medium-Sized Theatre 3 (Medium-Sized Theatre 3)	Medium-Sized Theatre 4	
Rentals	Cafes / Restaurants (smaller than 500 sq.m.)	\$ per sq.m. per annum	\$4,000	\$4,000	\$4,000	\$4,000	\$4,000	\$4,000	\$4,000	\$4,000	\$4,000	\$4,000	\$4,000	\$4,000	\$4,000	\$4,000	\$4,000	
	Cafes / Restaurants (500 sq.m. or above)	\$ per sq.m. per annum	\$4,000	\$4,000	\$4,000	\$4,000	\$4,000	\$4,000	\$4,000	\$4,000	\$4,000	\$4,000	\$4,000	\$4,000	\$4,000	\$4,000	\$4,000	
	Retail Shops	\$ per sq.m. per annum	\$4,000	\$4,000	\$4,000	\$4,000	\$4,000	\$4,000	\$4,000	\$4,000	\$4,000	\$4,000	\$4,000	\$4,000	\$4,000	\$4,000	\$4,000	
	VVIP Facilities	\$ per sq.m. per annum	\$6,000	\$6,000	\$6,000	\$6,000	\$6,000	\$6,000	\$6,000	\$6,000	\$6,000	\$6,000	\$6,000	\$6,000	\$6,000	\$6,000	\$6,000	
	Resident Company Space	\$ per sq.m. per annum	\$2,000	\$2,000	\$2,000	\$2,000	\$2,000	\$2,000	\$2,000	\$2,000	\$2,000	\$2,000	\$2,000	\$2,000	\$2,000	\$2,000	\$2,000	
	Advertising Space	\$ per annum	\$7,800,000	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Sponsorship	Sponsorship as % of Earned / Venue Income	%	6	12	12	12	12	12	12	12	12	12	12	12	12	12	12	
Staff Costs	Level 1 Staff	\$ per annum	\$1,200,000	\$1,200,000	\$1,200,000	\$1,200,000	\$1,200,000	\$1,200,000	\$1,200,000	\$1,200,000	\$1,200,000	\$1,200,000	\$1,200,000	\$1,200,000	\$1,200,000	\$1,200,000	\$1,200,000	
	Level 2 Staff	\$ per annum	\$800,000	\$800,000	\$800,000	\$800,000	\$800,000	\$800,000	\$800,000	\$800,000	\$800,000	\$800,000	\$800,000	\$800,000	\$800,000	\$800,000	\$800,000	
	Level 3 Staff	\$ per annum	\$450,000	\$450,000	\$450,000	\$450,000	\$450,000	\$450,000	\$450,000	\$450,000	\$450,000	\$450,000	\$450,000	\$450,000	\$450,000	\$450,000	\$450,000	
	Level 4 Staff	\$ per annum	\$200,000	\$200,000	\$200,000	\$200,000	\$200,000	\$200,000	\$200,000	\$200,000	\$200,000	\$200,000	\$200,000	\$200,000	\$200,000	\$200,000	\$200,000	
	Level 5 Staff	\$ per annum	\$150,000	\$150,000	\$150,000	\$150,000	\$150,000	\$150,000	\$150,000	\$150,000	\$150,000	\$150,000	\$150,000	\$150,000	\$150,000	\$150,000	\$150,000	
	Level 6 Staff	\$ per annum	\$125,000	\$125,000	\$125,000	\$125,000	\$125,000	\$125,000	\$125,000	\$125,000	\$125,000	\$125,000	\$125,000	\$125,000	\$125,000	\$125,000	\$125,000	
Staffing Schedule	Level 1 Staff	no. of staff	1	1	1	1	1	0	0	0	0	0	0	0	1	1	0	
	Level 2 Staff	no. of staff	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	
	Level 3 Staff	no. of staff	5	5	7	5	5	3	4	3	3	2	8	3	3	3	3	
	Level 4 Staff	no. of staff	5	10	10	10	10	5	6	4	4	2	10	5	10	10	5	
	Level 5 Staff	no. of staff	10	10	10	10	10	5	6	4	4	3	10	5	10	10	5	
	Level 6 Staff	no. of staff	10	10	10	10	10	5	6	0	0	0	10	5	10	10	5	
	Total No. of Staff		32	37	39	37	37	19	23	12	8	40	19	19	19	19	19	
Overheads	Maintenance and Operation of Electrical Equipment and Provision, Maintenance and Operation of Stage Lighting Services	\$ per sq.m. GFA	\$328	\$468	\$468	\$468	\$468	\$468	\$468	\$421	\$421	\$328	\$328	\$328	\$468	\$468	\$468	
	Building Maintenance, Planned Maintenance and Minor Improvement Works	\$ per sq.m. GFA	\$56	\$70	\$70	\$70	\$70	\$70	\$70	\$70	\$70	\$70	\$70	\$70	\$70	\$70	\$70	
	Provision of Technical Sound Services, Maintenance and Operation of Electrical, Mechanical, Electronic, Telecommunication Equipment and Systems	\$ per sq.m. GFA	\$73	\$104	\$104	\$104	\$104	\$104	\$104	\$94	\$94	\$73	\$73	\$73	\$104	\$104	\$104	
	Other Operating Costs (Stores, Equipment, Professional Services, Materials, Supplies, Temp Staff etc.)	\$ per sq.m. GFA	\$255	\$364	\$364	\$364	\$364	\$364	\$364	\$328	\$328	\$255	\$255	\$255	\$364	\$364	\$364	
	Cleaning and Security Costs	\$ per sq.m. GFA	\$208	\$260	\$260	\$260	\$260	\$260	\$260	\$260	\$260	\$260	\$260	\$260	\$260	\$260	\$260	
	Electricity	\$ per sq.m. GFA	\$281	\$312	\$312	\$312	\$312	\$312	\$312	\$303	\$303	\$281	\$281	\$281	\$312	\$312	\$312	
	Water	\$ per seat per annum	\$36	\$36	\$36	\$36	\$36	\$36	\$36	\$36	\$36	\$36	\$36	\$36	\$36	\$36	\$36	
	Admin Overheads	% of Staff Costs	12	12	12	12	12	12	12	12	12	12	12	12	12	12	12	
	Marketing Costs	% of Total Hire Income	2	5	7	10	7	10	10	10	10	10	10	10	10	7	10	10
	Programming Costs	Venue's Own Programmes: Budget as % of Ticket Sales	0	90	120	140	90	140	90	90	110	110	110	110	110	140	140	

Note: All dollar figures quoted above are stated at 2006 prices.

M+	Phase 1	Phase 2	Phases 1 and 2 Combined	Local / International References
1 Physical Parameters				
A free standing structure with iconic architecture. M+ should meet international standards on climate controls and security. A collecting institution, with appropriate storage facilities, conservation laboratories and staffing, and can manage artefact collections representing the full range of materials. Temporary exhibition galleries large enough for M+ to accept most major travelling shows from important museums around the world and to store exhibits to be put on display.				
(a) <u>On-site floor area</u>				
On-site Gross Floor Area (GFA)	43,365 sq.m.	18,585 sq.m.	61,950 sq.m.	
<u>Including:</u>				
Net Exhibition Area	16,000 sq.m.	10,000 sq.m.	26,000 sq.m.	
(b) <u>Off-site floor area</u>				
Off-site Storage and Conservation Laboratory (GFA)	16,800 sq.m.	- sq.m.	16,800 sq.m.	
Total floor area (on-site and off-site)	60,165 sq. m.	18,585 sq. m.	78,750 sq. m.	Centre Pompidou, Paris - 112,523 sq. m. MOMA, New York - 73,420 sq. m. Tate Modern - 43,000 sq. m.
2 Key Development Assumptions				
(a) Construction is to take place during	Phase 1	Phase 2		
(b) Design and construction	5 years (including 1 year for an architectural design competition by invitation)	3 years		
(c) Target opening	2015	2031		
3 Total Capital Costs (\$Million in 2008 Net Present Value (NPV))				
(a) Design, planning and construction costs	2,215 \$Million in 2008 NPV	346 \$Million in 2008 NPV	2,561 \$Million in 2008 NPV	
<u>Base cost estimate = Construction floor area X unit construction cost \$ (at 2006 prices) per CFA X (1 + on-cost %) X (1 + risk premium %)</u>				
(a) On-site				
(i) Construction floor area (CFA) (assumed GFA: CFA = 1:1.3)	56,375 sq. m.	24,161 sq. m.	80,535 sq. m.	
(ii) Unit construction cost	24,200 \$ (at 2006 prices)	22,200 \$ (at 2006 prices)	- \$ (at 2006 prices)	Range of comparables - HK\$14,300 (Jewish Museum, Berlin) to HK\$41,100 (MOMA, New York) equivalent per sq. m. CFA.
(iii) On-costs (i.e. professional fees + contract management costs)	20.1 % (i.e. 11.1% professional fees + 9% contract management costs)	20.1 % (i.e. 11.1% professional fees + 9% contract management costs)	- %	
(iv) Risk premium assessed	29.2 % (This is arrived at based on a more sophisticated estimate of contingencies than the simple/standard approach of adding a fixed percentage to the base cost estimate)	23.0 %	- %	Standard approach - a fixed percentage of 15%
(b) Off-site				
(i) CFA (assumed GFA:CFA = 1:1.2)	20,160 sq. m.	- sq. m.	20,160 sq. m.	
(ii) Unit construction cost	15,000 \$ (at 2006 prices)	- \$ (at 2006 prices)	- \$ (at 2006 prices)	
(iii) On-costs (i.e. professional fees + contract management costs)	20.1 % (i.e. 11.1% professional fees + 9% contract management costs)	- %	- %	
(iv) Risk premium assessed	29.2 %	- %	- %	
(b) Other capital costs	1,630 \$Million in 2008 NPV	87 \$Million in 2008 NPV	1,717 \$Million in 2008 NPV	
<u>Breakdown:</u>				
(i) Collection	1,214 \$Million in 2008 NPV (M+ needs to build up sizable and impressive collections commensurating with M+'s status and attributes. The total collection cost covers an initial collection of \$1 Billion (at 2006 prices) upon commissioning of the Phase 1 M+ and an annual collection budget of \$20 Million (at 2006 prices) thereafter.	-	1,214 \$Million in 2008 NPV	Very difficult to make comparisons and initial collections need to be built up over long periods. Donations, exhibit loans, partnership arrangements are important as well. Range of comparables on annual acquisition - HK\$11 million (MOMA, San Francisco) to HK\$ 774 million (The Metropolitan Museum of Art, New York) equivalent.
(ii) Exhibition Development	352 \$Million in 2008 NPV	87 \$Million in 2008 NPV	439 \$Million in 2008 NPV	
(iii) Conservation Laboratory Equipment	41 \$Million in 2008 NPV	- \$Million in 2008 NPV	41 \$Million in 2008 NPV	
(iv) Library set-up	24 \$Million in 2008 NPV	- \$Million in 2008 NPV	24 \$Million in 2008 NPV	
(c) Major Repair and Renovation Costs - once every 20 years	421 \$Million in 2008 NPV	50 \$Million in 2008 NPV	471 \$Million in 2008 NPV	
(d) Total Capital Costs	4,266 \$Million in 2008 NPV	483 \$Million in 2008 NPV	4,749 \$Million in 2008 NPV	

M+	Phase 1	Phase 2	Phases 1 and 2 Combined	Local / International References
4 Total Operating Deficit over the 50-year Project Period to 2059 (\$Million in 2008 NPV)	5,292 \$Million in 2008 NPV	625 \$Million in 2008 NPV	5,917 \$Million in 2008 NPV	
	(The operating deficits of arts and cultural facilities of the WKCD (including that for the M+) over the 50-year project period to 2059 will be fully covered by the estimated rental income generated from retail/dining/entertainment facilities, with an estimated safety margin of about 10%.)			
5 Key Operating Assumptions				
(a) Initial Broad Groupings will be Design, Moving Image, Popular Culture and Visual Art (cover Ink Art). M+ will build a world-class collection relating to each of the four broad groupings. M+ will offer a range of local, regional and international exhibitions and a full range of quality public and educational programmes as per international museum practice. All exhibitions and programmes will be to international standards.				
(b) Operator	Not for Profit Operator	-	Not for Profit Operator	
(c) Attendance	1,200,000 visitors	-	2,000,000 visitors	Range of comparables - 0.8 million (MOMA, San Francisco) to 6.4 million (Tate Gallery (Tate Modern, Tate Britain, Tate Liverpool and Tate St Ives)).
(d) Number of Blockbuster Exhibitions	4 per year	-	7 per year	
(e) Average Admission Fee from Visitors	27.5 \$ per visitor (at 2006 prices)	-	30 \$ per visitor (at 2006 prices)	HK Museum of Art / HK Heritage Museum - \$10 (with premium for blockbuster shows \$10 - \$30) Centre Pompidou - HK\$103 equivalent Guggenheim, New York - HK\$137 equivalent
	(The assumption about ticket prices which includes concessions and blockbusters has been compiled with regard to the recommendations of the Museums Advisory Group (MAG) of the Consultative Committee on the operational requirements of the M+, and admission charges of existing Government museums in Hong Kong. Specifically, MAG required M+ to be affordable to the general public in Hong Kong.)			
(f) Full time equivalent (FTE) employees	320 number	-	336 number	Lower than staffing requirements at international comparable museums: New York MOMA (GFA 73,420 sq. m.) - 590 full-time staff; Centre Pompidou (GFA 112,523 sq. m.) - 918 permanent staff. Range of comparables - 95 (The Solomon R. Guggenheim Museum in New York, Guggenheim Hermitage Museum in Las Vegas and Peggy Guggenheim Collection in Venice) to 1,783 (The Metropolitan Museum of Art, New York) full time staff.
	(employment of temporary staff is covered in annual operating budget)			
6 Snapshot of the Annual Operating Result at Year 10 after commencement of operation (i.e. 2024) when cost and revenues have settled down into their long term trend				
(a) Operational Revenue	67 \$Million (at 2006 prices)	-	105 \$Million (at 2006 prices)	
(b) Operational Expenditure & Adjustments	370 \$Million (at 2006 prices)	-	488 \$Million (at 2006 prices)	Range of comparables on annual operating costs - HK\$ 249 million (MOMA, San Francisco) to HK\$2,132 million (The Metropolitan Museum of Art, New York) equivalent.
(c) Annual Operational Surplus / (Deficit)	<u>(303)</u> \$Million (at 2006 prices)	-	<u>(383)</u> \$Million (at 2006 prices)	
	(The assumption about ticket prices which includes concessions and blockbusters has been compiled with regard to the recommendations of the Museums Advisory Group (MAG) of the Consultative Committee on the operational requirements of the M+, and admission charges of existing Government museums in Hong Kong. Specifically, MAG required M+ to be affordable to the general public in Hong Kong.)			
Indicative Operational Cost Recovery Rate	<u>18%</u>	-	<u>22%</u>	For the 4 comparable LCSD museums (i.e. Museum of Art, Museum of History, Heritage Museum and Science Museum, with an aggregate total GFA 80,530 sq. m.), their total revenue collected and total operating cost (excl. depreciation and collection) incurred in 2006-07 were HK\$16,301,205 and HK\$329,206,459 respectively, and the cost recovery rate was 5%. Cost recovery rates for comparable overseas museums: Centre Pompidou - 27%; Tate Galleries - 54%; New York MOMA - 57%; Guggenheim Museums - 66%.

Note: All numbers are rounded to 0 decimal places for presentational ease. The table totals presented therefore may not add up due to rounding.

Exhibition Centre	Local / International References														
<p>1 Physical Parameters</p> <p>The Exhibition Centre (EC) will provide a mixed-use facility for cultural and commercial exhibitions, meeting international standards for climate control and security. The EC will have four galleries of different sizes, with the larger spaces capable of further subdivision. The EC will be supported by ancillary uses such as multi-purpose lecture theatres and meeting rooms. The EC will offer space for hire for large and small-scale events, as well as banqueting functions. The EC will not be a collecting institution.</p> <table border="0"> <tr> <td>(a) Gross Floor Area (GFA)</td> <td>12,500 sq.m.</td> </tr> <tr> <td>(b) Exhibition Space</td> <td></td> </tr> <tr> <td> Exhibition Space (Gallery 1)</td> <td>2,000 sq.m.</td> </tr> <tr> <td> Exhibition Space (Gallery 2)</td> <td>1,300 sq.m.</td> </tr> <tr> <td> Exhibition Space (Gallery 3)</td> <td>1,000 sq.m.</td> </tr> <tr> <td> Exhibition Space (Gallery 4)</td> <td>500 sq.m.</td> </tr> </table>	(a) Gross Floor Area (GFA)	12,500 sq.m.	(b) Exhibition Space		Exhibition Space (Gallery 1)	2,000 sq.m.	Exhibition Space (Gallery 2)	1,300 sq.m.	Exhibition Space (Gallery 3)	1,000 sq.m.	Exhibition Space (Gallery 4)	500 sq.m.	<p>HK Convention and Exhibition Centre Hall 5A/7A: 2,000 sq.m. HK Central Library Exhibition Gallery: 1,540 sq.m.; HK City Hall Exhibition Hall: 590 sq.m. HK Central Library Exhibition Gallery No. 5: 250 sq.m.</p>		
(a) Gross Floor Area (GFA)	12,500 sq.m.														
(b) Exhibition Space															
Exhibition Space (Gallery 1)	2,000 sq.m.														
Exhibition Space (Gallery 2)	1,300 sq.m.														
Exhibition Space (Gallery 3)	1,000 sq.m.														
Exhibition Space (Gallery 4)	500 sq.m.														
<p>2 Key Development Assumptions</p> <table border="0"> <tr> <td>(a) Construction is to take place during Phase 1</td> <td></td> </tr> <tr> <td>(b) Design and Construction</td> <td>3 years</td> </tr> <tr> <td>(c) Target opening</td> <td>2014</td> </tr> </table>	(a) Construction is to take place during Phase 1		(b) Design and Construction	3 years	(c) Target opening	2014									
(a) Construction is to take place during Phase 1															
(b) Design and Construction	3 years														
(c) Target opening	2014														
<p>3 Total Capital Costs (\$Million in 2008 Net Present Value (NPV))</p> <table border="0"> <tr> <td>(a) Design, planning and construction costs</td> <td>441 \$Million in 2008 NPV</td> </tr> </table> <div style="border: 1px solid black; padding: 5px; margin: 5px 0;"> <p>Base cost estimate = Construction floor area X unit construction cost \$ (at 2006 prices) per CFA X (1 + on-cost %) X (1 + risk premium %)</p> <table border="0"> <tr> <td>(i) CFA (assumed GFA:CFA = 1:1.3)</td> <td>16,250 sq. m.</td> </tr> <tr> <td>(ii) Unit construction cost</td> <td>22,200 \$ (at 2006 prices)</td> </tr> <tr> <td>(iii) On-costs (i.e. professional fees + contract management costs)</td> <td>17.0 % (i.e. 9% professional fees + 8% contract management costs)</td> </tr> <tr> <td>(iv) Risk premium assessed</td> <td>23.0 %</td> </tr> </table> <p>(This is arrived at based on a more sophisticated estimate of contingencies than the simple/standard approach of adding a fixed percentage to the base cost estimate)</p> </div> <table border="0"> <tr> <td>(b) Major Repair and Renovation Costs - once every 20 years</td> <td>94 \$Million in 2008 NPV</td> </tr> <tr> <td>(c) Total Capital Costs</td> <td><u>535 \$Million in 2008 NPV</u></td> </tr> </table>	(a) Design, planning and construction costs	441 \$Million in 2008 NPV	(i) CFA (assumed GFA:CFA = 1:1.3)	16,250 sq. m.	(ii) Unit construction cost	22,200 \$ (at 2006 prices)	(iii) On-costs (i.e. professional fees + contract management costs)	17.0 % (i.e. 9% professional fees + 8% contract management costs)	(iv) Risk premium assessed	23.0 %	(b) Major Repair and Renovation Costs - once every 20 years	94 \$Million in 2008 NPV	(c) Total Capital Costs	<u>535 \$Million in 2008 NPV</u>	<p>Range of comparables - HK\$14,300 (Jewish Museum, Berlin) to HK\$41,100 (MOMA, New York) equivalent per sq. m. CFA.</p> <p>Standard approach - a fixed percentage of 15%</p>
(a) Design, planning and construction costs	441 \$Million in 2008 NPV														
(i) CFA (assumed GFA:CFA = 1:1.3)	16,250 sq. m.														
(ii) Unit construction cost	22,200 \$ (at 2006 prices)														
(iii) On-costs (i.e. professional fees + contract management costs)	17.0 % (i.e. 9% professional fees + 8% contract management costs)														
(iv) Risk premium assessed	23.0 %														
(b) Major Repair and Renovation Costs - once every 20 years	94 \$Million in 2008 NPV														
(c) Total Capital Costs	<u>535 \$Million in 2008 NPV</u>														
<p>4 Total Operating Surplus over the 50-year Project Period to 2059 (\$Million in 2008 NPV)</p> <p style="text-align: right;"><u>281 \$Million in 2008 NPV</u></p> <p>(Revenue generating development, cover operating costs but not expected to cover capital costs)</p>															
<p>5 Key Operating Assumptions</p> <p>(a) The EC will accommodate exhibitions of art, antiquities, and a variety of other themes. The EC is not intended to rely on philanthropic donations. Priority will be given to arts and culture uses, uses by the creative industry and WKCD events. The EC aims to make a small profit.</p> <table border="0"> <tr> <td>(b) Operator</td> <td>Commercial Operator</td> </tr> <tr> <td>(c) Utilisation Rate</td> <td>72% (based on days available for hire)</td> </tr> <tr> <td>(d) Utilisation for Commercial Events</td> <td>70%</td> </tr> <tr> <td>(e) Utilisation for Cultural Events</td> <td>30%</td> </tr> <tr> <td>(f) Attendance</td> <td>1,500,000 visitors</td> </tr> <tr> <td>(g) Full time equivalent (FTE) employees</td> <td>20 number (employment of temporary staff is covered in annual operating budget)</td> </tr> </table>	(b) Operator	Commercial Operator	(c) Utilisation Rate	72% (based on days available for hire)	(d) Utilisation for Commercial Events	70%	(e) Utilisation for Cultural Events	30%	(f) Attendance	1,500,000 visitors	(g) Full time equivalent (FTE) employees	20 number (employment of temporary staff is covered in annual operating budget)	<p>HK Convention and Exhibition Centre 05/06: 58%</p>		
(b) Operator	Commercial Operator														
(c) Utilisation Rate	72% (based on days available for hire)														
(d) Utilisation for Commercial Events	70%														
(e) Utilisation for Cultural Events	30%														
(f) Attendance	1,500,000 visitors														
(g) Full time equivalent (FTE) employees	20 number (employment of temporary staff is covered in annual operating budget)														
<p>6 Snapshot of the Annual Operating Result at Year 10 after commencement of operation (i.e. 2023) when cost and revenues have settled down into their long term trend</p> <table border="0"> <tr> <td>(a) Operational Revenue</td> <td>55 \$Million (2006 prices)</td> </tr> <tr> <td>(b) Operational Expenditure (incl. Tax and operating risk premium)</td> <td>39 \$Million (2006 prices)</td> </tr> <tr> <td>(c) Annual Operational Surplus / (Deficit)</td> <td><u>16 \$Million (2006 prices)</u></td> </tr> <tr> <td>Indicative Operational Cost Recovery Rate</td> <td><u>142%</u></td> </tr> </table>	(a) Operational Revenue	55 \$Million (2006 prices)	(b) Operational Expenditure (incl. Tax and operating risk premium)	39 \$Million (2006 prices)	(c) Annual Operational Surplus / (Deficit)	<u>16 \$Million (2006 prices)</u>	Indicative Operational Cost Recovery Rate	<u>142%</u>							
(a) Operational Revenue	55 \$Million (2006 prices)														
(b) Operational Expenditure (incl. Tax and operating risk premium)	39 \$Million (2006 prices)														
(c) Annual Operational Surplus / (Deficit)	<u>16 \$Million (2006 prices)</u>														
Indicative Operational Cost Recovery Rate	<u>142%</u>														

Note: All numbers are rounded to 0 decimal places for presentational ease. The table totals presented therefore may not add up due to rounding.

Mega Performance Venue	Local / International References
<p>1 Physical Parameters</p> <p>The Mega Performance Venue (MPV) will be designed to international standards and will be a stand-alone facility, i.e. not physically clustered with other venues in the WKCD.</p> <p>(a) Seating Capacity (maximum number of seats) 15,000 seats with flexible seating configuration to allow the venue to be converted into smaller seating capacity</p> <p>(b) Gross Floor Area (GFA) 51,394 sq.m.</p>	<p>HK Coliseum: 12,500</p>
<p>2 Key Development Assumptions</p> <p>(a) Construction is to take place during Phase 1</p> <p>(b) Design and Construction 4 years</p> <p>(c) Target opening 2014</p>	
<p>3 Total Capital Costs (\$Million in 2008 Net Present Value (NPV))</p> <p>(a) Design, planning and construction costs 2,218 \$Million in 2008 NPV</p> <div style="border: 1px solid black; padding: 5px;"> <p><u>Base cost estimate = Construction floor area X unit construction cost \$ (at 2006 prices) per CFA X (1 + on-cost %) X (1 + risk premium %)</u></p> <p>(i) CFA (assumed GFA:CFA = 1:1.3) 66,812 sq. m.</p> <p>(ii) Unit construction cost 26,200 \$ (at 2006 prices)</p> <p>(iii) On-costs (i.e. professional fees + contract management costs) 20.0 % (i.e. 12% professional fees + 8% contract management costs)</p> <p>(iv) Risk premium assessed 23.0 %</p> <p>(This is arrived at based on a more sophisticated estimate of contingencies than the simple/standard approach of adding a fixed percentage to the base cost estimate)</p> </div> <p>(b) Major Repair and Renovation Costs - once every 20 years 488 \$Million in 2008 NPV</p> <p>(c) Total Capital Costs <u>2,706 \$Million in 2008 NPV</u></p>	<p>Range of comparables - \$10,800 to \$41,500 per sq. m. CFA. Specific comparables: Walt Disney Concert Hall - HK\$41,500 equivalent The Sage - HK\$28,000 equivalent</p> <p>Standard approach - a fixed percentage of 15%</p>
<p>4 Total Operating Surplus over the 50-year Project Period to 2059 (\$Million in 2008 NPV)</p> <p><u>1,014 \$Million in 2008 NPV</u> (Revenue generating development, cover operating costs but not expected to cover capital costs)</p>	
<p>5 Key Operating Assumptions</p> <p>(a) The MPV will be reserved for stadium-style mega shows, entertainment events and pop concerts, with occasional non-arts activities. The MPV will be as financially self-sustaining as possible. Besides rental income, the MPV will enjoy additional income from bars, catering, merchandise sales and advertising. The MPV will operate an independent sponsorship/business partnership unit to cultivate income from the corporate sector. The MPV will close for 2 weeks p.a. for maintenance.</p> <p>(b) Operator Commercial Operator</p> <p>(c) Utilisation Rate 90% (based on days available for hire)</p> <p>(d) Utilisation by Hirers 100%</p> <p>(e) Number of Programmes 189 performances per annum</p> <p>(f) Average Attendance Rate 72% (based on seating capacity)</p> <p>(g) Average Ticket Price 300 \$ per performance (at 2006 prices)</p> <p>(h) Full time equivalent (FTE) employees 32 number (employment of temporary staff is covered in annual operating budget)</p>	<p>HK Coliseum 2005/06 - 98%</p> <p>HK Coliseum 2005/06 - 187</p> <p>HK Coliseum 2005/06 - 75%</p> <p>HK Coliseum 2005/06 - \$230</p> <p>HK Coliseum - 49 staff</p>
<p>6 Snapshot of the Annual Operating Result at Year 10 after commencement of operation (i.e. 2023) when cost and revenues have settled down into their long term trend</p> <p>(a) Operational Revenue 171 \$Million (2006 prices)</p> <p>(b) Operational Expenditure (incl. Tax and operating risk premium) 115 \$Million (2006 prices)</p> <p>(c) Annual Operational Surplus / (Deficit) <u>56 \$Million (2006 prices)</u></p> <p>Indicative Operational Cost Recovery Rate <u>149%</u></p>	<p>Cost recovery rates for comparable local PA venues: HK Coliseum - 226%.</p>

Note: All numbers are rounded to 0 decimal places for presentational ease. The table totals presented therefore may not add up due to rounding.

Great Theatre 1	Local / International References
<p>1 Physical Parameters</p> <p>The theatre will be designed to international standards and will be a stand-alone facility, i.e. not physically clustered with other venues in the WKCD.</p> <p>(a) Seating Capacity (maximum number of seats) 2,200 seats</p> <p>(b) Gross Floor Area (GFA) 20,720 sq.m.</p>	<p>HK Cultural Centre Grand Theatre: 1,734; HK Academy for Performing Arts Lyric Theatre: 1,181</p>
<p>2 Key Development Assumptions</p> <p>(a) Construction is to take place during Phase 1</p> <p>(b) Design and Construction 4 years</p> <p>(c) Target opening 2014</p>	
<p>3 Total Capital Costs (\$Million in 2008 Net Present Value (NPV))</p> <p>(a) Design, planning and construction costs 996 \$Million in 2008 NPV</p> <div style="border: 1px solid black; padding: 5px;"> <p><u>Base cost estimate = Construction floor area X unit construction cost \$ (at 2006 prices) per CFA X (1 + on-cost %) X (1 + risk premium %)</u></p> <p>(i) CFA (assumed GFA:CFA = 1:1.3) 26,936 sq. m.</p> <p>(ii) Unit construction cost 29,200 \$ (at 2006 prices)</p> <p>(iii) On-costs (i.e. professional fees + contract management costs) 20.0 % (i.e. 12% professional fees + 8% contract management costs)</p> <p>(iv) Risk premium assessed 23.0 %</p> <p>(This is arrived at based on a more sophisticated estimate of contingencies than the simple/standard approach of adding a fixed percentage to the base cost estimate)</p> </div> <p>(b) Major Repair and Renovation Costs - once every 20 years 224 \$Million in 2008 NPV</p> <p>(c) Total Capital Costs <u>1,220 \$Million in 2008 NPV</u></p>	<p>Range of comparables - \$10,800 to \$41,500 per sq. m. CFA. Specific comparables: Walt Disney Concert Hall - HK\$41,500 equivalent The Sage - HK\$28,000 equivalent</p> <p>Standard approach - a fixed percentage of 15%</p>
<p>4 Total Operating Deficit over the 50-year Project Period to 2059 (\$Million in 2008 NPV)</p> <p><u>(5) \$Million in 2008 NPV</u></p> <p>(Revenue generating development, but insufficient to cover operating costs)</p>	
<p>5 Key Operating Assumptions</p> <p>(a) The theatre will be primarily for long-run commercial productions, with occasional other cultural/entertainment uses. The Theatre will be available for occasional non-arts hires. The theatre will be as financially self-sustaining as possible. The theatre will have a programming/enterprising budget for presenting venue's own programmes. Besides rental income, the theatre will enjoy additional income from bars, catering and merchandise sales. The theatre will operate an independent sponsorship/business partnership unit to cultivate income from the corporate sector. The theatre will close for 2 weeks p.a. for maintenance.</p> <p>(b) Operator Commercial Operator</p> <p>(c) Utilisation Rate 90% (based on days available for hire)</p> <p>(d) Utilisation by Hirers 90%</p> <p>(e) Number of Programmes 304 performances per annum</p> <p>(f) Average Attendance Rate 72% (based on seating capacity)</p> <p>(g) Average Ticket Price 350 \$ per performance (at 2006 prices)</p> <p>(h) Full time equivalent (FTE) employees 37 number (employment of temporary staff is covered in annual operating budget)</p>	<p>HK Cultural Centre Grand Theatre 2005/06: 100%</p> <p>Musicals at LCSD venues 2005/06: 25 performances HK Cultural Centre 3 venues 2005/06: 882 performances (average 294)</p> <p>Musicals at LCSD venues 2005/06: 2,379 people</p> <p>Musicals at LCSD venues 2005/06: \$334</p> <p>HK Cultural Centre: 125 staff HK Academy for Performing Arts venues: 23 permanent staff in total</p>
<p>6 Snapshot of the Annual Operating Result at Year 10 after commencement of operation (i.e. 2023) when cost and revenues have settled down into their long term trend</p> <p>(a) Operational Revenue 71 \$Million (2006 prices)</p> <p>(b) Operational Expenditure (incl. Tax and operating risk premium) 70 \$Million (2006 prices)</p> <p>(c) Annual Operational Surplus / (Deficit) <u>1 \$Million (2006 prices)</u></p> <p>Indicative Operational Cost Recovery Rate <u>101%</u></p>	<p>Cost recovery rates for comparable local PA venues: HK Cultural Centre - 61%; City Hall - 56%. Cost recovery rates for comparable overseas PA venues: Singapore Esplanade - 38%; South Bank Centre - 43%; Kimmel Centre - 93%.</p>

Note: All numbers are rounded to 0 decimal places for presentational ease. The table totals presented therefore may not add up due to rounding.

Concert Hall and Chamber Music Hall			Local / International References
		Concert Hall	Chamber Music Hall
1 Physical Parameters	<p>A Concert Hall and a Chamber Music Hall co-located in a free standing structure with iconic architecture. The two venues will share both facilities and staff. The Concert Hall will be designed to a standard commensurate with major international concert venues, with facilities and acoustic adjustment reflecting this. The Concert Hall will be equipped for recording and for broadcast of the performances staged in the venue. The Chamber Music Hall will be designed to a standard commensurate with international Chamber Music venues, with facilities and acoustic adjustment reflecting this. The Chamber Music Hall will also be equipped for recording and for broadcast live performance.</p>		
(a) Seating Capacity (maximum number of seats)	2,000 seats	800 seats	
(b) Gross Floor Area (GFA)	23,520 sq.m. (combined total)		
<p>HK Cultural Centre Concert Hall: 2,019; HK City Hall Concert Hall: 1,448</p>			
2 Key Development Assumptions			
(a) Construction is to take place during Phase 1			
(b) Design and Construction	5 years (including 1 year for an architectural design competition by competition)		
(c) Target opening	2015		
3 Total Capital Costs (\$Million in 2008 Net Present Value (NPV))			
(a) Design, planning and construction costs	1,177 \$Million in 2008 NPV (combined total)		
<p><u>Base cost estimate = Construction floor area X unit construction cost \$ (at 2006 prices) per CFA X (1 + on-cost %) X (1 + risk premium %)</u></p>			
(i) CFA (assumed GFA:CFA = 1:1.3)	30,576 sq. m.		
(ii) Unit construction cost	29,200 \$ (at 2006 prices)		
(iii) On-costs (i.e. professional fees + contract management costs)	23.6 % (i.e. 14.6% professional fees + 9% contract management costs)		
(iv) Risk premium assessed	29.2 % (This is arrived at based on a more sophisticated estimate of contingencies than the simple/standard approach of adding a fixed percentage to the base cost estimate)		
(b) Major Repair and Renovation Costs - once every 20 years	244 \$Million in 2008 NPV (combined total)		
(c) Total Capital Costs	<u>1,421 \$Million in 2008 NPV (combined total)</u>		
<p>Range of comparables - \$10,800 to \$41,500 per sq. m. CFA. Specific comparables: Walt Disney Concert Hall - HK\$41,500 equivalent The Sage - HK\$28,000 equivalent</p> <p>Standard approach - a fixed percentage of 15%</p>			
4 Total Operating Deficit over the 50-year Project Period to 2059 (\$Million in 2008 NPV)	<u>(307) \$Million in 2008 NPV (combined total)</u> (Revenue generating development, but insufficient to cover operating costs)		
5 Key Operating Assumptions			
<p>(a) The Concert Hall will be used for Western and Chinese orchestral music, and may accommodate occasional non-arts events. Besides rental income, the Concert Hall will enjoy additional income from bars, catering and merchandise sales. The Chamber Music Hall will be used for Western Chamber music, recitals and other small ensembles performances for Western and Chinese music. There will be a strong strand of education usage. The Chamber Music Hall will be operated by the Concert Hall's management. The venues will have a programming/enterprenuring budget for presenting venue's own programmes including education and ancillary programs. In combination with the Concert Hall, the Chamber Music Hall will operate an independent sponsorship/business partnership unit to cultivate income from the corporate sector. The venues will be as financially self-sustaining as possible. The venues will close for 2 weeks p.a. for maintenance.</p>			
(b) Operator	Not for Profit Operator		
(c) Utilisation Rate	82% (based on days available for hire)	82% (based on days available for hire)	
(d) Utilisation by Hirers	80%	70%	
(e) Number of Programmes	296 performances per annum		
(f) Average Attendance Rate	67% (based on seating capacity)		
(g) Average Ticket Price	300 \$ per performance (at 2006 prices)	125 \$ per performance (at 2006 prices)	
(h) Full time equivalent (FTE) employees	39 number (combined total) (employment of temporary staff is covered in annual operating budget)		
<p>HK Cultural Centre Concert Hall 2005/06: 100%; HK City Hall Concert Hall: 99%</p> <p>HK Cultural Centre 3 venues 2005/06: 882 performances (average 294)</p> <p>Music performances at LCSD venues 2005/06: 668 people</p> <p>LCSD music performances at HK Cultural Centre 2005/06: \$297</p> <p>Music performances at LCSD venues 2005/06: \$139</p> <p>HK Academy for Performing Arts venues: 23 permanent staff in total</p>			
6 Snapshot of the Annual Operating Result at Year 10 after commencement of operation (i.e. 2024) when cost and revenues have settled down into their long term trend			
(a) Operational Revenue	75 \$Million (2006 prices) (combined total)		
(b) Operational Expenditure (incl. Tax and operating risk premium)	90 \$Million (2006 prices) (combined total)		
(c) Annual Operational Surplus / (Deficit)	<u>(15) \$Million (2006 prices) (combined total)</u>		
Indicative Operational Cost Recovery Rate	<u>83% (combined total)</u>		
<p>Cost recovery rates for comparable local PA venues: HK Cultural Centre - 61%; City Hall - 56%. Cost recovery rates for comparable overseas PA venues: Singapore Esplanade - 38%; South Bank Centre - 43%; Kimmel Centre - 93%.</p>			

Note: All numbers are rounded to 0 decimal places for presentational ease. The table totals presented therefore may not add up due to rounding

Xiqu Centre			Local / International References
<p style="text-align: center;">Main Theatre Small Theatre</p> <p>1 Physical Parameters</p> <p>A Main Theatre, a Small Theatre and a Tea House co-located in a free standing structure with iconic architecture. Ancillary facilities which emphasise its distinctive cultural identity will be provided. The venues will share both facilities and staff.</p> <p>(a) Seating Capacity (maximum number of seats) 1,400 seats 400 seats</p> <p>(b) Gross Floor Area (GFA) 20,937 sq.m. (combined total)</p>			<p>HK City Hall Concert Hall: 1,448; HK Cultural Centre Grand Theatre: 1,734; Ko Shan Theatre: 1,031 HK City Hall Theatre: 463</p>
<p>2 Key Development Assumptions</p> <p>(a) Construction is to take place during Phase 1</p> <p>(b) Design and Construction 5 years (including 1 year for an architectural design competition by competition)</p> <p>(c) Target opening 2015</p>			
<p>3 Total Capital Costs (\$Million in 2008 Net Present Value (NPV))</p> <p>(a) Design, planning and construction costs 972 \$Million in 2008 NPV (combined total)</p> <div style="border: 1px solid black; padding: 5px;"> <p><u>Base cost estimate = Construction floor area X unit construction cost \$ (at 2006 prices) per CFA X (1 + on-cost %) X (1 + risk premium %)</u></p> <p>(i) CFA (assumed GFA:CFA = 1:1.3) 27,218 sq. m.</p> <p>(ii) Unit construction cost 27,200 \$ (at 2006 prices)</p> <p>(iii) On-costs (i.e. professional fees + contract management costs) 23.1 % (i.e. 14.1% professional fees + 9% contract management costs)</p> <p>(iv) Risk premium assessed 29.2 % (This is arrived at based on a more sophisticated estimate of contingencies than the simple/standard approach of adding a fixed percentage to the base cost estimate)</p> </div> <p>(b) Major Repair and Renovation Costs - once every 20 years 202 \$Million in 2008 NPV (combined total)</p> <p>(c) Total Capital Costs <u>1,174 \$Million in 2008 NPV (combined total)</u></p>			<p>Range of comparables - \$10,800 to \$41,500 per sq. m. CFA. Specific comparables: Walt Disney Concert Hall - HK\$41,500 equivalent The Sage - HK\$28,000 equivalent</p> <p>Standard approach - a fixed percentage of 15%</p>
<p>4 Total Operating Deficit over the 50-year Project Period to 2059 (\$Million in 2008 NPV)</p> <p style="text-align: center;"><u>(213) \$Million in 2008 NPV (combined total)</u> (Revenue generating development, but insufficient to cover operating costs)</p>			
<p>5 Key Operating Assumptions</p> <p>(a) The Main Theatre will be used for traditional, professional productions, instrumental performances, and occasionally other uses. The Small Theatre will be used for emerging artists, student productions and training purposes, and occasionally for children's Cantonese opera. The Xiqu Centre will be as financially self-sustaining as possible. Besides rental income, the Xiqu Centre will enjoy additional income from bars, catering and merchandise sales. The Xiqu Centre will have a programming/enterprenuring budget for presenting venue's own programmes including education and ancillary programs. The Xiqu Centre will operate an independent sponsorship/business partnership unit to cultivate income from the corporate sector. The Xiqu Centre will close for 2 weeks p.a. for maintenance.</p> <p>(b) Operator Commercial Operator</p> <p>(c) Utilisation Rate 90% (based on days available for hire) 90% (based on days available for hire)</p> <p>(d) Utilisation by Hirers 90% 75%</p> <p>(e) Number of Programmes 325 performances per annum 325 performances per annum</p> <p>(f) Average Attendance Rate 72% (based on seating capacity) 67% (based on seating capacity)</p> <p>(g) Average Ticket Price 200 \$ per performance (at 2006 prices) 100 \$ per performance (at 2006 prices)</p> <p>(h) Full time equivalent (FTE) employees 37 number (combined total) (employment of temporary staff is covered in annual operating budget)</p>			<p>HK City Hall Concert Hall: 99%; HK Cultural Centre Grand Theatre 2005/06: 100%</p> <p>Ko Shan Theatre 2005/06: 356</p> <p>Ko Shan Theatre: 57%</p> <p>Cantonese Operas at LCSD venues 2005/06: \$128 Cantonese Operatic Songs at LCSD venues 2005/06: \$100 Other Chinese Operas at LCSD venues 2005/06: \$153</p> <p>HK Cultural Centre: 125 staff HK Academy for Performing Arts venues: 23 permanent staff in total</p>
<p>6 Snapshot of the Annual Operating Result at Year 10 after commencement of operation (i.e. 2024) when cost and revenues have settled down into their long term trend</p> <p>Operational Revenue 50 \$Million (2006 prices) (combined total)</p> <p>Operational Expenditure & Adjustments 60 \$Million (2006 prices) (combined total)</p> <p>Annual Adjusted Operational Surplus / (Deficit) <u>(11) \$Million (2006 prices) (combined total)</u></p> <p>Indicative Operational Cost Recovery Rate <u>82% (combined total)</u></p>			<p>Cost recovery rates for comparable local PA venues: HK Cultural Centre - 61%; City Hall - 56%. Cost recovery rates for comparable overseas PA venues: Singapore Esplanade - 38%; South Bank Centre - 43%; Kimmel Centre - 93%.</p>

Note: All numbers are rounded to 0 decimal places for presentational ease. The table totals presented therefore may not add up due to rounding.

Medium-sized Theatre 1	Local / International References
<p>1 Physical Parameters</p> <p>The theatre will be integrated with commercial developments in WKCD and have a fly-tower and orchestra pit.</p> <p>(a) Seating Capacity (maximum number of seats) 800 seats</p> <p>(b) Gross Floor Area (GFA) 9,450 sq.m.</p>	Kwai Tsing Theatre: 905
<p>2 Key Development Assumptions</p> <p>(a) Construction is to take place during Phase 1</p> <p>(b) Design and Construction 3 years</p> <p>(c) Target opening 2014</p>	
<p>3 Total Capital Costs (\$Million in 2008 Net Present Value (NPV))</p> <p>(a) Design, planning and construction costs 419 \$Million in 2008 NPV</p> <div style="border: 1px solid black; padding: 5px;"> <p><u>Base cost estimate = Construction floor area X unit construction cost \$ (at 2006 prices) per CFA X (1 + on-cost %) X (1 + risk premium %)</u></p> <p>(i) CFA (assumed GFA:CFA = 1:1.3) 12,285 sq. m.</p> <p>(ii) Unit construction cost 27,200 \$ (at 2006 prices)</p> <p>(iii) On-costs (i.e. professional fees + contract management costs) 20.0 % (i.e. 12% professional fees + 8% contract management costs)</p> <p>(iv) Risk premium assessed 23.0 % (This is arrived at based on a more sophisticated estimate of contingencies than the simple/standard approach of adding a fixed percentage to the base cost estimate)</p> </div> <p>(b) Major Repair and Renovation Costs - once every 20 years 96 \$Million in 2008 NPV</p> <p>(c) Total Capital Costs <u>515 \$Million in 2008 NPV</u></p>	<p>Range of comparables - \$10,800 to \$41,500 per sq. m. CFA.</p> <p>Specific comparables: Walt Disney Concert Hall - HK\$41,500 equivalent The Sage - HK\$28,000 equivalent</p> <p>Standard approach - a fixed percentage of 15%</p>
<p>4 Total Operating Deficit over the 50-year Project Period to 2059 (\$Million in 2008 NPV)</p> <p><u>(159) \$Million in 2008 NPV</u> (Revenue generating development, but insufficient to cover operating costs)</p>	
<p>5 Key Operating Assumptions</p> <p>(a) The theatre will be primarily for theatre and dance, with occasional other cultural/entertainment uses, including opera, music, stand-up comedy and all-day round shows for tourists. Besides rental income, the theatre will enjoy additional income from bars, catering and merchandise sales. The theatre will be as financially self-sustaining as possible. The theatre will have a programming/enterprenuring budget for presenting venue's own programmes including education and ancillary programs. The theatre will operate an independent sponsorship/business partnership unit to cultivate income from the corporate sector. The Theatre will close for 2 weeks p.a. for maintenance.</p> <p>(b) Operator Not for Profit Operator</p> <p>(c) Utilisation Rate 82% (based on days available for hire)</p> <p>(d) Utilisation by Hirers 90%</p> <p>(e) Number of Programmes 296 performances per annum</p> <p>(f) Average Attendance Rate 72% (based on seating capacity)</p> <p>(g) Average Ticket Price 150 \$ per performance (at 2006 prices)</p> <p>(h) Full time equivalent (FTE) employees 19 number (employment of temporary staff is covered in annual operating budget)</p>	<p>Kwai Tsing Theatre 2005/06: 93%</p> <p>Kwai Tsing Theatre 2005/06: 280</p> <p>Kwai Tsing Theatre 2005/06: 60%</p> <p>Theatrical Arts Performances at LCSD Venues 2005/06: \$132</p> <p>Kwai Tsing Theatre: 44 staff HK Academy for Performing Arts venues: 23 permanent staff in total</p>
<p>6 Snapshot of the Annual Operating Result at Year 10 after commencement of operation (i.e. 2023) when cost and revenues have settled down into their long term trend</p> <p>Operational Revenue 16 \$Million (2006 prices)</p> <p>Operational Expenditure & Adjustments 24 \$Million (2006 prices)</p> <p>Annual Adjusted Operational Surplus / (Deficit) <u>(8) \$Million (2006 prices)</u></p> <p>Indicative Operational Cost Recovery Rate <u>66%</u></p>	<p>Cost recovery rates for comparable local PA venues: HK Cultural Centre - 61%; City Hall - 56%.</p> <p>Cost recovery rates for comparable overseas PA venues: Singapore Esplanade - 38%; South Bank Centre - 43%; Kimmel Centre - 93%.</p>

Note: All numbers are rounded to 0 decimal places for presentational ease. The table totals presented therefore may not add up due to rounding.

Medium-sized Theatre 2 and Black Box Theatre 1			Local / International References																				
	Medium-sized Theatre 2	Black Box Theatre 1																					
1 Physical Parameters																							
The theatres will be integrated with commercial developments in WKCD. The two venues will share both facilities and staff. The Medium Theatre will have a fly-tower and orchestra pit. The Black Box Theatre will be studio style, with no fly-tower or orchestra pit but will have film screening capability.																							
(a) Seating Capacity (maximum number of seats)	800 seats	250 seats which can be configured end-stage, traverse, thrust or in the round	Kwai Tsing Theatre: 905 HK Cultural Centre Studio Theatre: 534; HK City Hall Theatre: 463																				
(b) Gross Floor Area (GFA)	13,272 sq.m. (combined total)																						
2 Key Development Assumptions																							
(a) Construction is to take place during Phase 1																							
(b) Design and Construction	4 years																						
(c) Target opening	2014																						
3 Total Capital Costs (\$Million in 2008 Net Present Value (NPV))																							
(a) Design, planning and construction costs	573 \$Million in 2008 NPV (combined total)																						
<table border="1"> <tr> <td colspan="4"><u>Base cost estimate = Construction floor area X unit construction cost \$ (at 2006 prices) per CFA X (1 + on-cost %) X (1 + risk premium %)</u></td> </tr> <tr> <td>(i) CFA (assumed GFA:CFA = 1:1.3)</td> <td>17,254 sq. m.</td> <td></td> <td></td> </tr> <tr> <td>(ii) Unit construction cost</td> <td>26,200 \$ (at 2006 prices)</td> <td></td> <td></td> </tr> <tr> <td>(iii) On-costs (i.e. professional fees + contract management costs)</td> <td>20.0 % (i.e. 12% professional fees + 8% contract management costs)</td> <td></td> <td></td> </tr> <tr> <td>(iv) Risk premium assessed</td> <td>23.0 % (This is arrived at based on a more sophisticated estimate of contingencies than the simple/standard approach of adding a fixed percentage to the base cost estimate)</td> <td></td> <td></td> </tr> </table>				<u>Base cost estimate = Construction floor area X unit construction cost \$ (at 2006 prices) per CFA X (1 + on-cost %) X (1 + risk premium %)</u>				(i) CFA (assumed GFA:CFA = 1:1.3)	17,254 sq. m.			(ii) Unit construction cost	26,200 \$ (at 2006 prices)			(iii) On-costs (i.e. professional fees + contract management costs)	20.0 % (i.e. 12% professional fees + 8% contract management costs)			(iv) Risk premium assessed	23.0 % (This is arrived at based on a more sophisticated estimate of contingencies than the simple/standard approach of adding a fixed percentage to the base cost estimate)		
<u>Base cost estimate = Construction floor area X unit construction cost \$ (at 2006 prices) per CFA X (1 + on-cost %) X (1 + risk premium %)</u>																							
(i) CFA (assumed GFA:CFA = 1:1.3)	17,254 sq. m.																						
(ii) Unit construction cost	26,200 \$ (at 2006 prices)																						
(iii) On-costs (i.e. professional fees + contract management costs)	20.0 % (i.e. 12% professional fees + 8% contract management costs)																						
(iv) Risk premium assessed	23.0 % (This is arrived at based on a more sophisticated estimate of contingencies than the simple/standard approach of adding a fixed percentage to the base cost estimate)																						
(b) Major Repair and Renovation Costs - once every 20 years	126 \$Million in 2008 NPV (combined total)		Range of comparables - \$10,800 to \$41,500 per sq. m. CFA. Specific comparables: Walt Disney Concert Hall - HK\$41,500 equivalent The Sage - HK\$28,000 equivalent																				
(c) Total Capital Costs	<u>699 \$Million in 2008 NPV (combined total)</u>		Standard approach - a fixed percentage of 15%																				
4 Total Operating Deficit over the 50-year Project Period to 2059 (\$Million in 2008 NPV)																							
		<u>(213) \$Million in 2008 NPV (combined total)</u> (Revenue generating development, but insufficient to cover operating costs)																					
5 Key Operating Assumptions																							
The Medium Theatre will be primarily for theatre and dance, with occasional other cultural/entertainment uses, including opera, music, stand-up comedy and all-day round shows for tourists. The Black Box Theatre will be for all art forms delivered at small scale. Besides rental income, the theatres will enjoy additional income from bars, catering and merchandise sales. The theatres will be as financially self-sustaining as possible. The theatres will have a programming/enterprising budget for presenting venue's own programmes including education and ancillary programs. The theatres will operate an independent sponsorship/business partnership unit to cultivate income from the corporate sector. The theatres will close for 2 weeks p.a. for maintenance.																							
(b) Operator	Not for Profit Operator																						
(c) Utilisation Rate	82% (based on days available for hire)	82% (based on days available for hire)	Kwai Tsing Theatre 2005/06: 93% HK Cultural Centre Studio Theatre 2005/06: 100%; HK City Hall Theatre 2005/06: 99%																				
(d) Utilisation by Hirers	90%	90%																					
(e) Number of Programmes	296 performances per annum	296 performances per annum	Kwai Tsing Theatre 2005/06: 280 Theatrical arts performances at LCSD Venues 2005/06: 1,382 performances; HK Cultural Centre 3 venues 2005/06: 882 performances (average 294)																				
(f) Average Attendance Rate	72% (based on seating capacity)	72% (based on seating capacity)	Kwai Tsing Theatre 2005/06: 60% Theatrical arts performances at LCSD Venues 2005/06: 256 people																				
(g) Average Ticket Price	150 \$ per performance (at 2006 prices)	100 \$ per performance (at 2006 prices)	Theatrical arts performances at LCSD Venues 2005/06: \$132																				
(h) Full time equivalent (FTE) employees	23 number (combined total) (employment of temporary staff is covered in annual operating budget)		Kwai Tsing Theatre: 44 staff HK Academy for Performing Arts venues: 23 permanent staff in total																				
6 Snapshot of the Annual Operating Result at Year 10 after commencement of operation (i.e. 2023) when cost and revenues have settled down into their long term trend																							
Operational Revenue	20 \$Million (2006 prices) (combined total)																						
Operational Expenditure & Adjustments	31 \$Million (2006 prices) (combined total)																						
Annual Adjusted Operational Surplus / (Deficit)	<u>(11) \$Million (2006 prices) (combined total)</u>																						
Indicative Operational Cost Recovery Rate	<u>64% (combined total)</u>		Cost recovery rates for comparable local PA venues: HK Cultural Centre - 61%; City Hall - 56%. Cost recovery rates for comparable overseas PA venues: Singapore Esplanade - 38%; South Bank Centre - 43%; Kimmel Centre - 93%.																				

Note: All numbers are rounded to 0 decimal places for presentational ease. The table totals presented therefore may not add up due to rounding.

Black Box Theatre 2 and Black Box Theatre 3			Local / International References
	Black Box Theatre 2	Black Box Theatre 3	
1 Physical Parameters			
The theatres will be integrated with commercial developments in WKCD. The two venues will share both facilities and staff. The theatres will be studio style, with no fly-tower or orchestra pit but will have film screening capability.			
(a) Seating Capacity (maximum number of seats)	250 seats which can be configured end-stage, traverse, thrust or in the round	250 seats which can be configured end-stage, traverse, thrust or in the round	HK Cultural Centre Studio Theatre: 534; HK City Hall Theatre: 463
(b) Gross Floor Area (GFA)	7,273 sq.m. (combined total)		
2 Key Development Assumptions			
(a) Construction is to take place during Phase 1			
(b) Design and Construction	3 years		
(c) Target opening	2014		
3 Total Capital Costs (\$Million in 2008 Net Present Value (NPV))			
(a) Design, planning and construction costs	263 \$Million in 2008 NPV (combined total)		
<div style="border: 1px solid black; padding: 5px;"> <p><u>Base cost estimate = Construction floor area X unit construction cost \$ (at 2006 prices) per CFA X (1 + on-cost %) X (1 + risk premium %)</u></p> <p>(i) CFA (assumed GFA:CFA = 1:1.3) 9,455 sq. m.</p> <p>(ii) Unit construction cost 22,200 \$ (at 2006 prices)</p> <p>(iii) On-costs (i.e. professional fees + contract management costs) 20.0 % (i.e. 12% professional fees + 8% contract management costs)</p> <p>(iv) Risk premium assessed 23.0 % (This is arrived at based on a more sophisticated estimate of contingencies than the simple/standard approach of adding a fixed percentage to the base cost estimate)</p> </div>			
(b) Major Repair and Renovation Costs - once every 20 years	57 \$Million in 2008 NPV (combined total)		Range of comparables - \$10,800 to \$41,500 per sq. m. CFA. Specific comparables: Walt Disney Concert Hall - HK\$41,500 equivalent The Sage - HK\$28,000 equivalent
(c) Total Capital Costs	<u>320</u> \$Million in 2008 NPV (combined total)		Standard approach - a fixed percentage of 15%
4 Total Operating Deficit over the 50-year Project Period to 2059 (\$Million in 2008 NPV)			
	<u>(140)</u> \$Million in 2008 NPV (combined total) (Revenue generating development, but insufficient to cover operating costs)		
5 Key Operating Assumptions			
(a) The theatres will be for all art forms delivered at small scale. Besides rental income, the theatres will enjoy additional income from bars, catering and merchandise sales. The theatres will be as financially self-sustaining as possible. The theatres will have a programming/enterprising budget for presenting venue's own programmes including education and ancillary programs. The theatres will operate an independent sponsorship/business partnership unit to cultivate income from the corporate sector. The theatres will close for 2 weeks p.a. for maintenance.			
(b) Operator	Not for Profit Operator		
(c) Utilisation Rate	82% (based on days available for hire)	82% (based on days available for hire)	HK Cultural Centre Studio Theatre 2005/06: 100%; HK City Hall Theatre 2005/06: 99%
(d) Utilisation by Hirers	90%	90%	
(e) Number of Programmes	296 performances per annum	296 performances per annum	Theatrical arts performances at LCSD Venues 2005/06: 1,382 performances HK Cultural Centre 3 venues 2005/06: 882 performances (average 294)
(f) Average Attendance Rate	72% (based on seating capacity)	72% (based on seating capacity)	Theatrical arts performances at LCSD Venues 2005/06: 256 people
(g) Average Ticket Price	100 \$ per performance (at 2006 prices)	100 \$ per performance (at 2006 prices)	Theatrical arts performances at LCSD Venues 2005/06: \$132
(h) Full time equivalent (FTE) employees	12 number (combined total) (employment of temporary staff is covered in annual operating budget)		Sai Wan Ho Civic Centre: 23 staff
6 Snapshot of the Annual Operating Result at Year 10 after commencement of operation (i.e. 2023) when cost and revenues have settled down into their long term trend			
Operational Revenue	8 \$Million (2006 prices) (combined total)		
Operational Expenditure & Adjustments	15 \$Million (2006 prices) (combined total)		
Annual Adjusted Operational Surplus / (Deficit)	<u>(7)</u> \$Million (2006 prices) (combined total)		
Indicative Operational Cost Recovery Rate	<u>51%</u> (combined total)		Cost recovery rates for comparable local PA venues: HK Cultural Centre - 61%; City Hall - 56%. Cost recovery rates for comparable overseas PA venues: Singapore Esplanade - 38%; South Bank Centre - 43%; Kimmel Centre - 93%.

Note: All numbers are rounded to 0 decimal places for presentational ease. The table totals presented therefore may not add up due to rounding.

Black Box Theatre 4	Local / International References
<p>1 Physical Parameters</p> <p>The theatre will be integrated with commercial developments in WKCD. The theatre will be studio style, with no fly-tower or orchestra pit but will have film screening capability.</p> <p>(a) Seating Capacity (maximum number of seats) 250 seats which can be configured end-stage, traverse, thrust or in the round</p> <p>(b) Gross Floor Area (GFA) 4,424 sq.m.</p>	<p>HK Cultural Centre Studio Theatre: 534; HK City Hall Theatre: 463</p> <p>Sai Wan Ho Civic Centre: 5,000 sq.m. GFA</p>
<p>2 Key Development Assumptions</p> <p>(a) Construction is to take place during Phase 1</p> <p>(b) Design and Construction 3 years</p> <p>(c) Target opening 2014</p>	
<p>3 Total Capital Costs (\$Million in 2008 Net Present Value (NPV))</p> <p>(a) Design, planning and construction costs 160 \$Million in 2008 NPV</p> <div style="border: 1px solid black; padding: 5px;"> <p>Base cost estimate = Construction floor area X unit construction cost \$ (at 2006 prices) per CFA X (1 + on-cost %) X (1 + risk premium %)</p> <p>(i) CFA (assumed GFA:CFA = 1:1.3) 5,751 sq. m.</p> <p>(ii) Unit construction cost 22,200 \$ (at 2006 prices)</p> <p>(iii) On-costs (i.e. professional fees + contract management costs) 20.0 % (i.e. 12% professional fees + 8% contract management costs)</p> <p>(iv) Risk premium assessed 23.0 % (This is arrived at based on a more sophisticated estimate of contingencies than the simple/standard approach of adding a fixed percentage to the base cost estimate)</p> </div> <p>(b) Major Repair and Renovation Costs - once every 20 years 35 \$Million in 2008 NPV</p> <p>(c) Total Capital Costs <u>195 \$Million in 2008 NPV</u></p>	<p>Range of comparables - \$10,800 to \$41,500 per sq. m. CFA.</p> <p>Specific comparables: Walt Disney Concert Hall - HK\$41,500 equivalent The Sage - HK\$28,000 equivalent</p> <p>Standard approach - a fixed percentage of 15%</p>
<p>4 Total Operating Deficit over the 50-year Project Period to 2059 (\$Million in 2008 NPV)</p> <p><u>(104) \$Million in 2008 NPV</u> (Revenue generating development, but insufficient to cover operating costs)</p>	
<p>5 Key Operating Assumptions</p> <p>(a) The theatre will be for all art forms delivered at small scale. Besides rental income, the theatre will enjoy additional income from bars, catering and merchandise sales. The theatres will be as financially self-sustaining as possible. The theatre will have a programming/enterprenuring budget for presenting venue's own programmes including education and ancillary programs. The theatre will operate an independent sponsorship/business partnership unit to cultivate income from the corporate sector. The theatre will close for 2 weeks p.a. for maintenance.</p> <p>(b) Operator Not for Profit Operator</p> <p>(c) Utilisation Rate 82% (based on days available for hire)</p> <p>(d) Utilisation by Hirers 90%</p> <p>(e) Number of Programmes 296 performances per annum</p> <p>(f) Average Attendance Rate 72% (based on seating capacity)</p> <p>(g) Average Ticket Price 100 \$ per performance (at 2006 prices)</p> <p>(h) Full time equivalent (FTE) employees 8 number (employment of temporary staff is covered in annual operating budget)</p>	<p>HK Cultural Centre Studio Theatre 2005/06: 100%; HK City Hall Theatre 2005/06: 99%</p> <p>Theatrical arts performances at LCSD Venues 2005/06: 1,382 performances HK Cultural Centre 3 venues 2005/06: 882 performances (average 294)</p> <p>Theatrical arts performances at LCSD Venues 2005/06: 256 people</p> <p>Theatrical arts performances at LCSD Venues 2005/06: \$132</p> <p>Sai Wan Ho Civic Centre: 23 staff</p>
<p>6 Snapshot of the Annual Operating Result at Year 10 after commencement of operation (i.e. 2023) when cost and revenues have settled down into their long term trend</p> <p>Operational Revenue 4 \$Million (2006 prices)</p> <p>Operational Expenditure & Adjustments 10 \$Million (2006 prices)</p> <p>Annual Adjusted Operational Surplus / (Deficit) <u>(6) \$Million (2006 prices)</u></p> <p>Indicative Operational Cost Recovery Rate <u>41%</u></p>	<p>Cost recovery rates for comparable local PA venues: HK Cultural Centre - 61%; City Hall - 56%.</p> <p>Cost recovery rates for comparable overseas PA venues: Singapore Esplanade - 38%; South Bank Centre - 43%; Kimmel Centre - 93%.</p>

Note: All numbers are rounded to 0 decimal places for presentational ease. The table totals presented therefore may not add up due to rounding

Great Theatre 2 and Medium-sized Theatre 3			Local / International References
	Great Theatre 2	Medium-sized Theatre 3	
1 Physical Parameters			
The cluster of theatres will be designed to international standards and will be a stand-alone facility, i.e. not physically clustered with other venues in the Cultural District. The two venues will share both facilities and staff.			
(a) Seating Capacity (maximum number of seats)	1,900 seats	800 seats	HK Cultural Centre Grand Theatre: 1,734; HK Academy for Performing Arts Lyric Theatre: 1,181 Kwai Tsing Theatre: 905
(b) Gross Floor Area (GFA)	28,455 sq.m. (combined total)		
2 Key Development Assumptions			
(a) Construction is to take place during Phase 1			
(b) Design and Construction	4 years		
(c) Target opening	2026		
3 Total Capital Costs (\$Million in 2008 Net Present Value (NPV))			
(a) Design, planning and construction costs	855 \$Million in 2008 NPV (combined total)		
<div style="border: 1px solid black; padding: 5px;"> <p><u>Base cost estimate = Construction floor area X unit construction cost \$ (at 2006 prices) per CFA X (1 + on-cost %) X (1 + risk premium %).</u></p> <p>(i) CFA (assumed GFA:CFA = 1:1.3) 36,992 sq. m.</p> <p>(ii) Unit construction cost 29,200 \$ (at 2006 prices)</p> <p>(iii) On-costs (i.e. professional fees + contract management costs) 20.0 % (i.e. 12% professional fees + 8% contract management costs)</p> <p>(iv) Risk premium assessed 23.0 % (This is arrived at based on a more sophisticated estimate of contingencies than the simple/standard approach of adding a fixed percentage to the base cost estimate)</p> </div>			
(b) Major Repair and Renovation Costs - once every 20 years	132 \$Million in 2008 NPV (combined total)		Range of comparables - \$10,800 to \$41,500 per sq. m. CFA. Specific comparables: Walt Disney Concert Hall - HK\$41,500 equivalent The Sage - HK\$28,000 equivalent Standard approach - a fixed percentage of 15%
(c) Total Capital Costs	986 \$Million in 2008 NPV (combined total)		
4 Total Operating Deficit over the 50-year Project Period to 2059 (\$Million in 2008 NPV)	(318) \$Million in 2008 NPV (combined total) (Revenue generating development, but insufficient to cover operating costs)		
5 Key Operating Assumptions			
(a) Great Theatre 2 will be used for commercial productions (as an overflow facility complementing Great Theatre 1), but will also accommodate major international and local companies. Great Theatre 2 will be available for occasional non-arts hires. Medium-Sized Theatre 3 will be primarily for theatre and dance, with occasional other cultural/entertainment uses, including opera, music and stand up comedy. The theatres will be as financially self-sustaining as possible. Besides rental income, the theatres will enjoy additional income from bars, catering and merchandise sales. The theatres will have a programming/enterprising budget for presenting venue's own programmes including education and ancillary programs. The theatres will operate an independent sponsorship/business partnership unit to cultivate income from the corporate sector. The theatres will close for 2 weeks p.a. for maintenance.			
(b) Operator	Commercial Operator		
(c) Utilisation Rate	82% (based on days available for hire)	82% (based on days available for hire)	HK Cultural Centre Grand Theatre 2005/06: 100% Kwai Tsing Theatre 2005/06: 93%
(d) Utilisation by Hirers	70%	80%	
(e) Number of Programmes	296 performances per annum	296 performances per annum	Musicals at LCSD venues 2005/06: 25 performances HK Cultural Centre 3 venues 2005/06: 882 performances (average 294) Kwai Tsing Theatre 2005/06: 280
(f) Average Attendance Rate	72% (based on seating capacity)	72% (based on seating capacity)	Musicals at LCSD venues 2005/06: 2,379 people Kwai Tsing Theatre 2005/06: 60%
(g) Average Ticket Price	250 \$ per performance (at 2006 prices)	150 \$ per performance (at 2006 prices)	Musicals at LCSD venues 2005/06: \$334 Theatrical Arts Performances at LCSD Venues 2005/06: \$132
(h) Full time equivalent (FTE) employees	40 number (combined total) (employment of temporary staff is covered in annual operating budget)		HK Cultural Centre: 125 staff; Kwai Tsing Theatre: 44 staff HK Academy for Performing Arts venues: 23 permanent staff in total
6 Snapshot of the Annual Operating Result at Year 10 after commencement of operation (i.e. 2035) when cost and revenues have settled down into their long term trend			
Operational Revenue	81 \$Million (2006 prices) (combined total)		
Operational Expenditure & Adjustments	109 \$Million (2006 prices) (combined total)		
Annual Adjusted Operational Surplus / (Deficit)	(28) \$Million (2006 prices) (combined total)		
Indicative Operational Cost Recovery Rate	74% (combined total)		Cost recovery rates for comparable local PA venues: HK Cultural Centre - 61%; City Hall - 56%. Cost recovery rates for comparable overseas PA venues: Singapore Esplanade - 38%; South Bank Centre - 43%; Kimmel Centre - 93%.

Note: All numbers are rounded to 0 decimal places for presentational ease. The table totals presented therefore may not add up due to rounding.

Medium-sized Theatre 4	Local / International References
<p>1 Physical Parameters</p> <p>The theatre will be integrated with commercial developments in WKCD and have a fly-tower and orchestra pit.</p> <p>(a) Seating Capacity (maximum number of seats) 800 seats</p> <p>(b) Gross Floor Area (GFA) 9,450 sq.m.</p>	Kwai Tsing Theatre: 905
<p>2 Key Development Assumptions</p> <p>(a) Construction is to take place during Phase 1</p> <p>(b) Design and Construction 3 years</p> <p>(c) Target opening 2026</p>	
<p>3 Total Capital Costs (\$Million in 2008 Net Present Value (NPV))</p> <p>(a) Design, planning and construction costs 262 \$Million in 2008 NPV</p> <div style="border: 1px solid black; padding: 5px;"> <p>Base cost estimate = Construction floor area X unit construction cost \$ (at 2006 prices) per CFA X (1 + on-cost %) X (1 + risk premium %)</p> <p>(i) CFA (assumed GFA:CFA = 1:1.3) 12,285 sq. m.</p> <p>(ii) Unit construction cost 27,200 \$ (at 2006 prices)</p> <p>(iii) On-costs (i.e. professional fees + contract management costs) 20.0 % (i.e. 12% professional fees + 8% contract management costs)</p> <p>(iv) Risk premium assessed 23.0 %</p> <p>(This is arrived at based on a more sophisticated estimate of contingencies than the simple/standard approach of adding a fixed percentage to the base cost estimate)</p> </div> <p>(b) Major Repair and Renovation Costs - once every 20 years 41 \$Million in 2008 NPV</p> <p>(c) Total Capital Costs <u>303 \$Million in 2008 NPV</u></p>	<p>Range of comparables - \$10,800 to \$41,500 per sq. m. CFA.</p> <p>Specific comparables: Walt Disney Concert Hall - HK\$41,500 equivalent The Sage - HK\$28,000 equivalent</p> <p>Standard approach - a fixed percentage of 15%</p>
<p>4 Total Operating Deficit over the 50-year Project Period to 2059 (\$Million in 2008 NPV)</p> <p><u>(128) \$Million in 2008 NPV</u> (Revenue generating development, but insufficient to cover operating costs)</p>	
<p>5 Key Operating Assumptions</p> <p>(a) The theatre will be primarily for theatre and dance, with occasional other cultural/entertainment uses, including opera, music, stand-up comedy and all-day round shows for tourists. Besides rental income, the theatre will enjoy additional income from bars, catering and merchandise sales. The theatre will be as financially self-sustaining as possible. The theatre will have a programming/enterprenuring budget for presenting venue's own programmes including education and ancillary programs. The theatre will operate an independent sponsorship/business partnership unit to cultivate income from the corporate sector. The Theatre will close for 2 weeks p.a. for maintenance.</p> <p>(b) Operator Not for Profit Operator</p> <p>(c) Utilisation Rate 82% (based on days available for hire)</p> <p>(d) Utilisation by Hirers 80%</p> <p>(e) Number of Programmes 296 performances per annum</p> <p>(f) Average Attendance Rate 72% (based on seating capacity)</p> <p>(g) Average Ticket Price 150 \$ per performance (at 2006 prices)</p> <p>(h) Full time equivalent (FTE) employees 19 number (employment of temporary staff is covered in annual operating budget)</p>	<p>Kwai Tsing Theatre 2005/06: 93%</p> <p>Kwai Tsing Theatre 2005/06: 280</p> <p>Kwai Tsing Theatre 2005/06: 60%</p> <p>Theatrical Arts Performances at LCSD Venues 2005/06: \$132</p> <p>Kwai Tsing Theatre: 44 staff HK Academy for Performing Arts venues: 23 permanent staff in total</p>
<p>6 Snapshot of the Annual Operating Result at Year 10 after commencement of operation (i.e. 2035) when cost and revenues have settled down into their long term trend</p> <p>Operational Revenue 17 \$Million (2006 prices)</p> <p>Operational Expenditure & Adjustments 29 \$Million (2006 prices)</p> <p>Annual Adjusted Operational Surplus / (Deficit) <u>(12) \$Million (2006 prices)</u></p> <p>Indicative Operational Cost Recovery Rate <u>59%</u></p>	<p>Cost recovery rates for comparable local PA venues: HK Cultural Centre - 61%; City Hall - 56%.</p> <p>Cost recovery rates for comparable overseas PA venues: Singapore Esplanade - 38%; South Bank Centre - 43%; Kimmel Centre - 93%.</p>

Note: All numbers are rounded to 0 decimal places for presentational ease. The table totals presented therefore may not add up due to rounding.