

For information

**Legislative Council
Panel on Development and Panel on Home Affairs
Joint Subcommittee to Monitor the Implementation of the
West Kowloon Cultural District Project**

**Follow-up to the Motion on "Update on the financial situation of
and the enhanced financial arrangement for the
West Kowloon Cultural District project"
passed at the meeting on 11 May 2018**

At the meeting of the Joint Subcommittee to Monitor the Implementation of the West Kowloon Cultural District Project (Joint Subcommittee) held on 11 May 2018, a motion was passed to request the West Kowloon Cultural District Authority (WKCD) to submit a breakdown of all the expenses incurred since 2008 with reference to the financial analysis in Enclosures 3 to 11 to the Public Works Subcommittee paper dated 18 June 2008.

WKCD's annual total expenditure; planning, design and construction of facilities expenditure; consolidated profit and loss accounts; and consolidated balance sheets from 2008 to 31 March 2018 are provided at **Annexes 1 to 4**.

As reported to the Joint Subcommittee at previous meetings (LC Paper No. CB(1)560/16-17(01) and LC Paper No. CB(1)559/17-18(01)), the West Kowloon Cultural District (WKCD) project has undergone various unforeseen developments and changes since the upfront endowment was granted in 2008, such as the prolonged planning and public engagement process leading up to the adoption of the "City Park" design concept. These developments and changes have altered the considerations underlying the original financial analysis, making it no longer meaningful for direct comparison with the actual expenses incurred.

**West Kowloon Cultural District Authority
June 2018**

Total expenditure of the WKCD since its establishment in 2008 (in HK\$'000)

Expenditure Items	Total	Forecast									
		2017-18	2016-17	2015-16	2014-15	2013-14	2012-13	2011-12	2010-11	2009-10	2008-09
Planning, design and construction of facilities	7,919,148	3,229,794	2,166,046	1,336,331	650,529	456,864	79,584	-	-	-	-
Collection costs and related costs for M+	778,689	69,899	145,461	162,970	129,224	78,786	192,349	-	-	-	-
Major repair and renovation of the facilities	-	-	-	-	-	-	-	-	-	-	-
Planning of WKCD and project management	2,261,931	490,902	388,082	270,280	234,417	193,112	175,807	194,878	230,353	74,648	9,452
	10,959,768	3,790,595	2,699,589	1,769,581	1,014,170	728,762	447,740	194,878	230,353	74,648	9,452

Note:

The upfront endowment of \$21.6 billion was approved by the Legislative Council in 2008. Including the investment and interest income of \$6.5 billion, the balance of the endowment was \$17.2 billion as at 31 March 2018.

Planning, Design and Construction of facilities expenditure of the WKCDA since its establishment in 2008

(in HK\$'000)

	<u>Total</u>	Forecast									
		<u>2017-18</u>	<u>2016-17</u>	<u>2015-16</u>	<u>2014-15</u>	<u>2013-14</u>	<u>2012-13</u>	<u>2011-12</u>	<u>2010-11</u>	<u>2009-10</u>	<u>2008-09</u>
Temporary Nursery Park	14,775	-	-	11,172	3,603	-	-	-	-	-	-
Xiqu Centre (incl. Tea House)	2,677,780	1,070,148	801,106	410,702	189,306	195,513	11,005	-	-	-	-
Art Park (incl. M+ Pavilion and Freespace)	769,197	455,154	178,933	91,247	24,002	18,384	1,477	-	-	-	-
M+ Building	2,929,697	1,181,270	758,641	566,204	362,278	59,690	1,614	-	-	-	-
Lyric Theatre Complex (incl. a Lyric Theatre, a Medium Theatre and a Studio Theatre)	60,947	20,024	22,013	12,912	5,998	-	-	-	-	-	-
Others <i>(note)</i>	1,466,752	503,198	405,353	244,094	65,342	183,277	65,488	-	-	-	-
	7,919,148	3,229,794	2,166,046	1,336,331	650,529	456,864	79,584	-	-	-	-

Note:

Others include P39B Building, District Cooling System, Transportation, Information and Communication Technology infrastructure, capitalised staff costs, etc.

Consolidated profit and loss accounts of the WKCDA since its establishment in 2008 (in HK\$'000)

	Total	Forecast									
		2017-18	2016-17	2015-16	2014-15	2013-14	2012-13	2011-12	2010-11	2009-10	2008-09
Income											
Investment income	4,586,278	345,170	425,253	683,572	581,958	626,943	632,112	633,444	571,438	86,388	-
Bank interest income	1,791,219	115,267	132,549	136,373	249,179	249,452	285,960	227,757	178,803	143,081	72,798
Net exchange gains/(losses)	108,958	67,521	(6,012)	(34,138)	(1,234)	(66,316)	72,028	72,511	4,598	-	-
Other income	47,050	11,673	5,186	7,034	6,764	11,393	4,920	78	1	1	-
	6,533,505	539,631	556,976	792,841	836,667	821,472	995,020	933,790	754,840	229,470	72,798
Operating Expenses											
Staff costs	907,497	209,219	167,729	129,413	108,192	83,790	67,169	71,866	42,616	20,254	7,249
Programmes and research	226,891	63,360	39,101	31,738	25,856	25,799	31,152	9,885	-	-	-
Facilities management	75,863	13,571	13,615	15,043	9,161	15,847	7,665	961	-	-	-
Collections management	68,736	21,141	19,932	14,686	12,977	-	-	-	-	-	-
Office accommodation	125,142	10,909	24,849	22,548	21,989	18,209	13,615	13,023	-	-	-
Information and communication technology	45,700	12,649	16,257	11,651	5,143	-	-	-	-	-	-
Consultancy fees	446,729	25,201	18,468	29,937	24,361	48,549	40,741	72,460	146,385	40,627	-
Marketing and communications	70,682	27,269	28,765	14,648	-	-	-	-	-	-	-
Others	302,932	51,513	36,689	31,548	36,567	45,313	31,628	18,948	36,483	12,268	1,975
	2,270,172	434,832	365,405	301,212	244,246	237,507	191,970	187,143	225,484	73,149	9,224
Profit before depreciation and amortisation	4,263,333	104,799	191,571	491,629	592,421	583,965	803,050	746,647	529,356	156,321	63,574
Depreciation and amortisation	88,436	29,875	19,223	14,287	7,648	7,045	5,302	3,996	769	253	38
Profit for the year	4,174,897	74,924	172,348	477,342	584,773	576,920	797,748	742,651	528,587	156,068	63,536
Other comprehensive (expenses)/income	(418)	(657)	(436)	150	404	121	-	-	-	-	-
Total comprehensive income	4,174,479	74,267	171,912	477,492	585,177	577,041	797,748	742,651	528,587	156,068	63,536

Consolidated balance sheet of the WKCD since its establishment in 2008 (in HK\$'000)

	Forecast									
	2017-18	2016-17	2015-16	2014-15	2013-14	2012-13	2011-12	2010-11	2009-10	2008-09
Non-current assets										
Property, plant and equipment	7,830,364	4,592,727	2,433,252	1,129,018	480,900	67,256	9,041	5,536	1,436	190
Museum collection	53,011	34,647	518,670	370,359	256,616	187,860	-	-	-	-
Intangible assets	95,655	38,167	8,389	6,852	6,437	4,627	234	-	-	-
Placements with the Exchange Fund	10,300,000	12,182,369	11,808,429	7,917,275	14,539,548	11,900,956	11,287,598	10,657,826	6,586,388	-
Other investments, time deposit and interest receivable	-	107,338	263,332	54,681	10,109	818,800	413,212	-	-	-
	18,279,030	16,955,248	15,032,072	9,478,185	15,293,610	12,979,499	11,710,085	10,663,362	6,587,824	190
Current assets										
Placements with the Exchange Fund	2,278,678	-	4,072,424	7,215,645	-	-	-	-	-	-
Other investments and interest receivable	153,964	178,915	69,079	95,261	101,562	600,766	99,636	107,940	43,471	72,776
Forward foreign exchange contracts	55	1,593	11,892	7,640	50,189	-	-	-	-	-
Other receivables, prepayments and deposits	304,283	295,794	150,636	25,872	21,772	19,731	13,169	4,147	-	18
Cash and bank balances	5,275,762	8,587,322	6,831,531	8,525,605	9,093,199	10,349,204	11,319,430	11,607,756	15,199,036	21,598,490
	8,012,742	9,063,624	11,135,562	15,870,023	9,266,722	10,969,701	11,432,235	11,719,843	15,242,507	21,671,284
Current liabilities										
Forward foreign exchange contracts	6,589	1,883	58,775	6,650	-	-	-	-	-	-
Amount due to M+ Collections Trust	552,757	604,292	-	-	-	-	-	-	-	-
Other current liabilities	1,124,058	915,553	572,177	283,709	90,476	56,813	45,539	32,027	10,114	7,926
	1,683,404	1,521,728	630,952	290,359	90,476	56,813	45,539	32,027	10,114	7,926
Net current assets	6,329,338	7,541,896	10,504,610	15,579,664	9,176,246	10,912,888	11,386,696	11,687,816	15,232,393	21,663,358
Non-current liabilities										
Deferred income	34,949	-	-	-	-	-	-	-	-	-
Accrued contract gratuity	12,940	10,932	8,382	7,041	4,225	3,797	5,939	2,987	588	12
Other non-current liabilities	-	-	-	-	-	-	-	-	25	-
	47,889	10,932	8,382	7,041	4,225	3,797	5,939	2,987	613	12
Net assets	24,560,479	24,486,212	25,528,300	25,050,808	24,465,631	23,888,590	23,090,842	22,348,191	21,819,604	21,663,536
Equity										
Capital - Endowment from the Government of HKSAR	21,600,000	21,600,000	21,600,000	21,600,000	21,600,000	21,600,000	21,600,000	21,600,000	21,600,000	21,600,000
Distribution reserve to M+ Collections Trust	(1,214,000)	(1,214,000)	-	-	-	-	-	-	-	-
Retained profits and other reserves	4,174,479	4,100,212	3,928,300	3,450,808	2,865,631	2,288,590	1,490,842	748,191	219,604	63,536
	24,560,479	24,486,212	25,528,300	25,050,808	24,465,631	23,888,590	23,090,842	22,348,191	21,819,604	21,663,536