

For discussion on  
10 June 2019

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

**Update on the development of M+**

**PURPOSE**

This paper provides an update on the progress of the hardware and software development in relation to M+.

**DEVELOPMENT OF M+**

2. M+ is the new museum for visual culture in Hong Kong within the West Kowloon Cultural District (WKCD). Its focus is on 20<sup>th</sup> and 21<sup>st</sup> century visual culture, broadly defined, from a Hong Kong perspective, the perspective of now and with a global vision. M+ is working on four fronts with a view to realising its vision and mission: to build a professional team; to build a collection; to build a museum building and to raise awareness through pre-opening programmes.

**CONSTRUCTION PROGRESS OF THE M+ BUILDING**

**Background**

3. This section updates members on the construction development of the M+ project, noting, in particular, the termination of the employment of Hsin Chong Construction Company Limited (HCC) on 17 August 2018 as Main Contractor, and the subsequent appointment of a Management Contractor with effect from 10 September 2018 to complete the construction of the M+ project.

4. The main works contract for M+ was awarded to HCC on 26 September 2015 at the total contract value of

HK\$5.944 billion. The construction contract included five elements, the M+ building, the Conservation and Storage Facility (CSF), a 16-storey retail, dining and entertainment / other arts and cultural facilities building (P39B), an interfacing car park (ICP) (adjacent to the M+ building), some related public infrastructure works (PIW) including a Sewage and Pumping Station (SPS).

5. On 28 September 2016, an Anonymous Analytics article about HCC's parent company, Hsin Chong Group Holdings Limited (HCG) was published online, which triggered the West Kowloon Cultural District Authority (WKCD or the Authority) to appoint external legal and insolvency advisers (EA) to help with the analysis of HCC's financial position.

6. During the months between September 2016 and September 2017, WKCD continued to interact with HCG's top management to keep the Authority abreast of HCC's latest financial position and to push HCC to improve the construction progress which was slipping.

7. On 18 May 2018, HCG defaulted on payments due in respect of their US\$300 million 8.75% senior notes (2018 Notes) on the maturity date. This constituted a cross-default on its US\$150 million 8.5% senior notes due 2019 (2019 Notes) and as HCC was a guarantor of the 2019 Notes, the 2019 Notes became a debt of HCC. In essence it was clear that HCC had become insolvent.

8. On 16 August 2018 at the 74<sup>th</sup> WKCD Board Meeting, the Board noted in particular (i) that work on site had slowed dramatically, with some sub-contractors simply walking off the site in response to HCC's failure to pay them their entitlements for work done, and (ii) the Management's concerns on insolvency of HCC. As a result, and on the advice of Management and the EA, Members of the Board agreed to terminate HCC's employment under the M+ Main Works Contract (termination) with effect from 17 August 2018.

9. On 21 January 2019, HCG announced among other matters, the appointment of joint provisional liquidators (the JPLs) to the Company pursuant to an order granted by the Supreme Court of Bermuda on 18 January 2019. Pursuant to

the Bermuda Court Order, the JPLs are empowered to, among other things, do all things necessary to implement a restructuring proposal including (i) consulting with the Company in respect of, and review, on an ongoing basis, issues relating to the feasibility of a restructuring proposal; (ii) conducting the necessary investigations to satisfy requirements of the Hong Kong Stock Exchange to resume trading of the Company's shares and (iii) seeking investors and financiers for the purpose of investing and/or providing finance to the Company.

### **Appointment of Management Contractor**

10. Following the termination of the employment of HCC on 17 August 2018 by reason of that company's insolvency, the Authority took steps to procure a Management Contractor (MC) in early September 2018 to take over the construction of the M+ project and to see it through to completion.

11. Gammon Construction Limited (GCL) was awarded the Management Contract following a tender process. GCL took over and secured the site on 10 September 2018 and re-commenced construction work on the site on 21 September 2018. During the months after their appointment, GCL secured the employment of 92 HCC staff that were previously working on the M+ project, as part of the staff resource for the MC.

### **Construction Update (Post Termination of HCC)**

12. GCL, together with the Contract Administrator (CA) jointly reviewed the scope of all HCC sub-contracts. GCL, the CA and the Authority moved quickly to novate the contracts of the principal sub-contractors, or trade contractors (T/Cs), from HCC to Blue Poles Limited, a special purpose vehicle subsidiary of the Authority established for the purpose of managing the construction completion of the M+ project. As some T/Cs did not wish to have their contracts novated, these have been replaced with alternative T/Cs. New T/Cs have also been appointed to undertake works where scope gaps were identified. The appointment of alternative and new T/Cs has been undertaken through normal tendering procedures. A summary of the current status of the novation of existing T/Cs

/ procurement of new T/Cs is shown in **Annex**. GCL has targeted to substantially complete the novation of existing T/Cs and the procurement of new T/Cs by early June 2019.

13. As of the end of April 2019 the current resources working on the M+ project is shown in Table A below:

**Table A**

<b>Staff &amp; Labour</b>	<b>Week ending Sept 18</b>	<b>Resources as at end April 2019</b>	<b>Forecast Resources at Peak</b>
MC Staff	120	306	310
Structural Works	220	666	400 (peak has passed)
Façade	15	139	140
Mechanical / Electrical / Plumbing (MEP)	60	550	850
Architectural Builders Works & Finishes (ABWF)	15	290	550
General Labour	130	207	230
<b>Total</b>	<b>560</b>	<b>2,158</b>	<b>2,480 (approx.)</b>

14. As at the end of April 2019 the project is 60%<sup>1</sup> completed and the following key construction activities are noted for the record:

<sup>1</sup> In the Joint Subcommittee paper of 11 September 2018 it was noted that "...60% of the construction of the M+ building had been completed", which referred to the Museum building but not all the elements of the construction contract. In total, the construction contract includes five elements, the M+ building, the Conservation and Storage Facility (CSF), a 16-storey retail, dining and entertainment / other arts and cultural facilities building (P39B), an interfacing car park (ICP) (adjacent to the M+ building), some related public infrastructure works (PIW) including a Sewage and Pumping Station (SPS). To date, 60% of the overall construction contract has now been completed.

(i) **Structure:** The ICP & SPS are fully completed and operational. The Museum tower, podium and CSF structures are completed. The 16-storey RDE tower (P39B) is approaching completion, forecast all structure to be completed in mid-September 2019.

(ii) **Façade:** The Museum tower is approaching completion, and the podium is forecast to complete by mid June 2019. The G/F and B1/F are due for completion at the end of September 2019. For the RDE Tower the glazing façade is due for completion at the end of October 2019.

(iii) **Architectural Builders Works & Finishes (ABWF):** In the basement and the M+ Tower, ABWF works are forecast to complete in November 2019. M+ Podium (Gallery Spaces) are in progress including the raised floors, with final finishes installation to follow water-tightness and building services installation. ABWF on the CSF Tower, is forecast for completion in March 2020.

(iv) **Mechanical / Electrical / Plumbing (MEP)**

- M+ Tower 50% installed, completion forecast Q4 2019
- M+ Basement 75% installed, completion forecast Q4 2019
- M+ Podium 50% installed, completion forecast Q4 2019
- CSF Tower – 75% installed. Air Conditioning forecast to be available to commence drying out the facility for future artwork storage from August 2019.
- RDE Tower (P39B), installed up to 5/F with completion forecast in February 2020.

### **Project Programme, Cost & Legal Update**

15. The MC is working to a target to obtain the Occupation Permit (OP) in Q1 2020 for Practical Completion (PC) in Q2 2020. The Authority expects to open the M+ Museum to the public from nine months to one year after obtaining the OP.

16. It is anticipated that the out-turn cost to complete the M+ project will be higher than the original Contract Sum of HK\$5.944 billion largely because of the delays caused by HCC,

and their termination. At the time of replacing HCC with GCL there were many unresolved claims and variations between HCC and their sub-contractors. The CA is in the process of scrutinising, evaluating and resolving such claims.

17. HCC attempted to serve a Notice of Dispute on the Authority on the 18 August 2018, however that notice was defective, and no dispute arose under the Contract. The JPLs have recently been appointed to HCC and on 9 April 2019, the JPLs issued a fresh notice of dispute. The Authority is working its way through the contractual dispute resolution process, which has three steps, first a decision from the Contract Administrator, second, mediation and third arbitration. The contract provides that no step shall be taken in any reference of a dispute to arbitration until after the PC of the Works, unless with the consent of the parties. The first step in the dispute resolution process has been complied with, the Contract Administrator served his decision on 7 May 2019.

18. Determining the full cost loss and damage to the Authority of HCC's defaults and subsequent termination is currently on-going. Whilst the estimated outturn cost of the project cannot be determined at this stage, the Authority can disclose that costs expended since the termination of HCC are in excess of HK\$400M. The final cost of the project can only be determined after the expiry of the one year defects liability period (DLP), which starts following the practical completion of the project, i.e. approximately Q2 2021. The Authority will report the out turn cost of the project to Members in due course.

19. The Authority has an on-demand performance bond against the performance of HCC on the project and has taken legal action to oblige the Bondsman, American International Group (AIG), to pay the full bonded sum of HK\$297,198,000 to the Authority. That action is still before the Court.

## **PROGRESS OF OTHER ASPECTS OF THE DEVELOPMENT OF M+**

### **Collection and Acquisition**

20. M+, a museum of visual culture, is building a world-class collection to form the “backbone” of the museum, which will be in constant dialogue with the temporary exhibitions, programmes and educational activities in the museum. The three main disciplines that contribute to visual culture are design and architecture, moving image and visual art, with Hong Kong Visual Culture as the fourth area intersecting with the three other disciplines. Each of these disciplinary areas also encompasses many mediums and modes of expression. M+ focuses on the second half of the 20th century to the present in terms of chronology and looks at visual culture from a Hong Kong perspective with a global vision. This clearly defined position of M+ has been put in place, practised and communicated consistently through its public programmes as well as its growing collection.

21. As of the end of April 2019, the M+ Collection and the M+ Sigg Collection include 6,387 works, of which approximately 20% are by Hong Kong makers. M+ has also set up the M+ Collection Archives which contain more than 35,000 items, of which approximately 28% are from Hong Kong.

22. The M+ Collections Trust (the Trust) was established to hold the interest of the M+ Collections for the benefit of the Hong Kong community, with the intention of separating the legal and beneficial ownership of the M+ Collections and protecting the collections from possible inappropriate deaccession in the future. Works acquired that are accessioned into the M+ Collections will be transferred to the Trust on a regular basis. The board of directors of M Plus Collections Limited (Collections Board), which is the corporate trustee of the Trust, meets regularly (twice per year) and has held four meetings since its incorporation. M Plus Museum Limited presents quarterly reports to the Collections Board on the works that have been accessioned and transferred to the Trust, the works in the M+ Collections that are displayed in M+'s temporary exhibitions as well as outgoing loans to other institutions.

## **Supporting Young Artists/Talents**

23. M+ has been acquiring works by many young artists from Hong Kong as well as Mainland China. M+ Sigg Collection, comprising more than 1500 works, positions M+ as the only institution in the world able to narrate the history of contemporary Chinese art from the 1970s to the 2010s. To further strengthen this position, M+ will continue to document the development of contemporary Chinese Art by acquiring works of the most important emerging artists. In early 2017, M+ officially launched the M+ Council for New Art (Council) which is a patronage scheme to allow M+ to support the acquisitions of the works of young artists from the Greater China region of Hong Kong, Mainland China, Taiwan, and beyond. The Council currently has 12 members who contribute in building the foundation of such collection through membership dues as well as their expertise and market knowledge. M+ will continue to explore different initiatives to raise funds to support the works of young artists.

24. M+ has also engaged many young artists in its exhibitions and other public programmes. For example, M+ has collaborated with Ng Ka Chun, a Hong Kong young emerging artist and presented his work *Thing Beyond Things* in the 3rd run of the M+ Rover in 2018. M+ Rover has engaged a total of three young emerging artists from Hong Kong in its first and second run of the project in 2016 and 2017 respectively. Inspired by the Human Library organisation, in which people share stories and experiences through conversation, M+ has presented its own human library at the Art Basel Hong Kong 2019 (which took place from 27 to 31 March 2019) to create dialogue and deepen the understanding between M+ and the public. The “books” in this library are the people who make up the museum and the creative practitioners who have worked with M+ in the past. Four creative practitioners – Tang Kwok Hin, William Lane, Ching Siu Wai and Sara Wong have been engaged to use their imaginative and critical perspectives to guide and connect with participants.

25. The 58<sup>th</sup> Venice Art Biennale 2019 is being held from 11 May to 24 November 2019 in Venice, Italy. M+ collaborates



with the Hong Kong Arts Development Council (HKADC) for the fourth time and co-presents with HKADC the exhibition *Shirley Tse: Stakeholders, Hong Kong* in the Biennale which is one of the most important international arts platforms. This Venice exhibition is a solo presentation of the work by Los Angeles-based Hong Kong artist Shirley Tse. Following the model in 2017 with the aim to offering opportunities for local curators to gain experience in a major international setting, Christina Li, an independent curator based in Hong Kong and Amsterdam has been engaged as the exhibition curator. Two junior positions of Assistant Curator and Curatorial Assistant have also been created specifically for this project providing an invaluable on-the job training opportunity for local young art curators. As part of M+'s commitment to nurture local talents, M+ has recruited a group of 12 exhibition and technical interns to join the M+ team to help stage the Venice exhibition, offering the interns the chance to gain unique insight into the working of the world's oldest and most renowned international art exhibition.

26. M+ also offers unique opportunity for young talents who are interested in developing a career in the museum field through M+ Internship Programme which will recruit ten interns each year. These interns will work closely with M+'s professionals for a period of one year to gain practical and theoretical training in the curatorial and collections management areas.

### **Collaboration with Institutions beyond Hong Kong**

27. M+ continues to engage and cooperate with many overseas institutions/museums as it has done in the past. For example, M+ has launched its new global partnership initiative M+ International to develop and contribute to a global museum culture through collaborations and partnerships with artists and makers, institutions and others in Hong Kong and around the world. This initiative has been launched with the project *The Hidden Pulse*, which took place in Sydney between 29 May and 2 June 2019. The five-day programme is part of Vivid LIVE 2019, an annual contemporary music event organised by the Sydney Opera House (SOH) and is the first-ever moving image programme in the eleven-year history of this event. *The Hidden Pulse* is curated by the Ulanda Blair, Curator, Moving Image,

M+ and Sarah Rees, Curator, Contemporary Art, SOH. M+ will continue to pursue different prospective areas of collaboration and partnership.

28. As a museum dedicated to contemporary visual culture, M+ will collaborate with the Power Station of Art (PSA) in Shanghai to tour selected exhibitions, co-curate large-scale exhibitions, offer preferential loan of each other's collection objects and share archives. Through this collaboration, both M+ and PSA can leverage on their respective strength and promote cultural exchange and artistic development between Hong Kong and Shanghai.

### **Museum Opening**

29. M+ will be one of the largest museums of modern and contemporary visual culture in the world and is highly anticipated by the people of Hong Kong as well as the International community. As one of the activities for the Hong Kong participation in the 58<sup>th</sup> Venice Art Biennale 2019, M+ organised an international launch event and announced that the museum will be operational at the end of 2020 or in early 2021.

### **ADVICE SOUGHT**

30. Members are invited to note the progress on the development of the M+ project.

**West Kowloon Cultural District Authority  
June 2019**

### Deed of Novation and Transfer Summary

	<b>Total Planned</b>	<b>Currently Executed by Blue Poles Limited and Trade Contractors</b>	<b>Currently Executed by Hsin Chong Construction Company Limited</b>
<b>Deed of Novation</b>			
<i>For Hsin Chong Construction's Trade Contractors</i>			
Structural	8	7	6
Mechanical / Electrical / Plumbing (MEP)	3	2	0
Architectural Builders Works & Finishes (ABWF)	6	6	1
Facade	3	3	1
Sundries	42	39	9
<b>Subtotal</b>	<b>62</b>	<b>57</b>	<b>17</b>
<b>Deed of Transfer</b>			
<i>For Hsin Chong Aster and ISP Interior's Trade Contractors</i>			
MEP Trade Contractors	17	16	Not Applicable
Interior Trade Contractors	42	40	Not Applicable
<b>Subtotal</b>	<b>59</b>	<b>56</b>	
<b>Total</b>	<b>121</b>	<b>113</b>	