

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

**Meeting on 27 April 2020**

**Updated background brief on  
the Art, Commerce and Exhibitions Development Package  
of the West Kowloon Cultural District**

**Purpose**

This paper provides background information on the Art, Commerce and Exhibitions ("ACE") development package of the West Kowloon Cultural District ("WKCD"), and summarizes the major views and concerns of members of the Joint Subcommittee to Monitor the Implementation of the West Kowloon Cultural District Project ("the Joint Subcommittee") on the subject.

**Background**

2. To provide the West Kowloon Cultural District Authority ("WKCD Authority") with the financial capability to operate various WKCD facilities sustainably and continue to develop the remaining planned facilities, the then Chief Executive announced in his 2017 Policy Address the enhanced financial arrangement ("EFA") for the WKCD project.<sup>1</sup>

3. Under EFA, the Government has granted the development rights of the hotel/office/residential ("HOR") portion of WKCD (involving 366 620 square metres ("sq m") gross floor area ("GFA")) to WKCD Authority at nominal premium with upfront payments to be paid to the Government. Among this HOR GFA, a U-shaped site of 81 066 sq m GFA of hotel and office uses together with embedded retail/dining/entertainment ("RDE") facilities

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<sup>1</sup> Details of EFA are set out in the Legislative Council Brief (File Ref: [SF\(37\) to HABCS CR 7/1/27/1](#)) issued by the Home Affairs Bureau on 19 January 2017.

will be granted to WKCDA at nominal premium without the need for WKCDA to pay an upfront payment to the Government for joint development with the Exhibition Centre ("EC"), which is now being taken forward under the ACE development package. The location of ACE is shown in **Appendix I**.

4. In February 2018, the Administration and WKCDA briefed the Joint Subcommittee on the following development strategies for ACE:<sup>2</sup>

- (a) *procurement model*: WKCDA will develop ACE under the Build-Operate-Transfer ("BOT") model whereby private sector investors/partners will be invited to tender for the right to construct and operate the facilities in the package during the BOT period;
- (b) *components of the package*: (i) the proposed EC will be a medium-sized, multi-purpose venue for exhibition, convention and performance purposes; and (ii) the hotel and rental offices and the embedded RDE facilities will be packaged as part of the BOT development to capture the synergy in design, construction and management;
- (c) *implementation strategy*: WKCDA engaged a project consultant in July 2017 to advise on the implementation strategy and plan for the ACE development package;
- (d) *public engagement*: WKCDA will commence a new stage of public and stakeholder engagement to update the general public on the planning of ACE and solicit views on the proposed EC; and
- (e) *market engagement and tendering*: market engagement exercise will be carried out to generate market interest in the project and to gather feedback from potential domestic and international market participants. Potential market participants include exhibition centre/convention centre and performance venue operators, developers, hotel owners and investors. In the tendering process that follows, tenderers will compete on, among other technical requirements, their offer of share with WKCDA the income generated from the operation of the BOT development package.

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<sup>2</sup> Source: [LC Paper No. CB\(1\)559/17-18\(01\)](#)

5. In June and November 2019, WKCDA updated the Joint Subcommittee on the latest progress of the ACE development package. According to WKCDA, a prequalification process, by way of an expression of interest ("EOI"), was completed in August 2019 with strong interest received. The tendering process would follow, and it was estimated that the tender would be awarded at around the third quarter of 2020 for completion of ACE by around 2025/2026.<sup>3</sup>

6. WKCDA has set up a Public Private Partnership ("PPP") Projects Committee under the Board of WKCDA.<sup>4</sup> The Committee is responsible for overseeing and monitoring the PPP projects (including the BOT projects) from planning, procurement to completion of the capital works as well as the smooth implementation of these projects. WKCDA has also developed a set of Procurement Guidelines for PPP Projects to set out a standardized procurement process for all PPP projects in WKCD.

### **Major views and concerns of members**

7. The major views and concerns expressed by members at meetings of the Joint Subcommittee on the development of the ACE development package are summarized in the ensuing paragraphs.

#### Details of the Build-Operate-Transfer development package

8. Members enquired about the details of the development of ACE under the BOT arrangement, including which party would be responsible for the design of the facilities, the construction period and costs, the income sharing ratio between WKCDA and the private sector partners, use of the income generated from the ACE project by WKCDA, and whether WKCDA would share the income with the Administration after expiry of the BOT contract. Members also asked whether there would be priority or fee reductions/waivers for the local arts and cultural organizations to use the venues and exhibition facilities provided in the ACE project.

9. WKCDA advised that the successful tenderer would be responsible for the design, construction and operation of facilities under the ACE project according to the technical requirements and specifications set out in the tender document by WKCDA. Tenderers would be required to

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<sup>3</sup> Sources: LC Paper Nos. [CB\(1\)1128/18-19\(03\)](#) and [CB\(1\)149/19-20\(02\)](#)

<sup>4</sup> The terms of reference and membership of the Public Private Partnership Projects Committee are available at: <https://www.westkowloon.hk/en/the-authority/wkcda-committees/public-private-partnership-projects-committee>

indicate the ratio of income from the operation of the BOT development package that they would share with WKCDA, whilst WKCDA would retain the right to cancel the tender if the income sharing offered by tenderers was unreasonably low (i.e. lower than the pre-tender estimate undertaken by an independent valuation). Upon expiry of the BOT contract, the Administration would liaise with WKCDA to set up a mechanism on the sharing of income generated from the ACE project having regard to the funding requirements and financial position of WKCDA at that time. As the ACE project would be operated on a commercial basis, it would be up to the operator to consider providing any concessionary rate to artistic hirers.

10. Noting that WKCDA proposed to include a development phase no longer than five years and an operation phase of at least 30 years in the BOT contract, some members asked whether tenderers were allowed to submit alternative proposals. Other members enquired whether WKCDA would consider a BOT period longer than 35 years so as to make the ACE project more attractive commercially to the tenderers.

11. WKCDA advised that after considering and assessing the EOIs received from interested market participants, it would finalize the terms of the tender document, including the BOT period. WKCDA would set a suitable and reasonable duration of the BOT period with a view to balancing the benefit of early taking back of the assets and the financial viability of the successful tenderer. Meanwhile, tenderers could propose different durations for the development/operation phase for consideration by WKCDA in tender assessment.

12. Some members were concerned about the future role of the Government and WKCDA in monitoring the development of ACE and performance of the private sector partner after granting out the development rights.

13. The Administration advised that the WKCDA Board would monitor the development of the ACE project under the BOT arrangement and a set of performance indicators would be included in the BOT arrangement as the basis for evaluation of the performance of the private sector partner. On the other hand, the Home Affairs Bureau, as a public officer member of the WKCDA Board, would monitor WKCDA's implementation of the WKCD project, including the ACE development package. The BOT contract would also include specific conditions to provide WKCDA with the rights to instruct the private sector partner to take remedies, and to remove or replace the private sector partner if its performance was not up to standard.

### Use of the income generated from the project to cover the operating costs of the Authority

14. Some members were concerned whether WKCDA would have sufficient capacity to meet the operating deficit in the coming years as the ACE development would bring financial returns to WKCDA only after its expected completion in 2025/2026.

15. WKCDA advised that as various facilities in WKCD would come into operation in the coming years, the income from business activities, ticketing and sponsorships could help improve its short-term financial situation. The long-term financial situation of WKCDA would be significantly improved by the cash inflow from the ACE project and HOR developments in WKCD under the BOT arrangement which would come on stream in the coming years.

### Tendering arrangement

16. Members enquired about the tender assessment and selection for the ACE development package including the criteria and their relative weightings. WKCDA indicated that it would adopt a two-staged approach with prequalification to assess the level of interest, competence, expertise and experience of tenderers for the ACE development package. The shortlisted potential private sector partners would then be invited to tender and successful tenderer would be selected through an open and competitive tendering process. WKCDA would assess the tenders based on both technical and financial aspects by using a marking scheme. Assessment on the technical aspect, including both compulsory and optional requirements, would focus on the expertise and competence of the tenderers in operating the hotel, rental offices and exhibition facilities.

### Planning for the development of the Exhibition Centre

17. Some members asked for a breakdown of GFA of the ACE portion by land use (i.e. hotel, rental offices, embedded RDE facilities and EC), and whether WKCDA had conducted a comprehensive planning for the exhibition facilities under the ACE development package to avoid over-supply of such facilities in Hong Kong.

18. WKCDA explained that it would only set out the land use breakdown of the ACE site in broad terms so as to provide the developer with the flexibility in deciding the most appropriate mix of different land uses. The proposed EC with GFA of about 47 000 sq m would serve to

respond to a growing demand for space from expanding convention and exhibition events as well as new events that could not secure slots in existing convention and exhibition venues. Moreover, it aimed to provide a platform to support cultural and creative industries in particular major art-themed events such as art fairs and art exhibitions which had to face keen competition with other hirers for existing exhibition spaces. With a seating capacity of around 10 000 persons in concert mode, column-free and meeting specified acoustic standards, the main hall of EC would also be suitable for staging various types of performances. Making reference to local and overseas experiences, a hotel in ACE would complement EC by helping attract more functions and events, and such integrated development approach would enhance the site development mix.

### **Latest development**

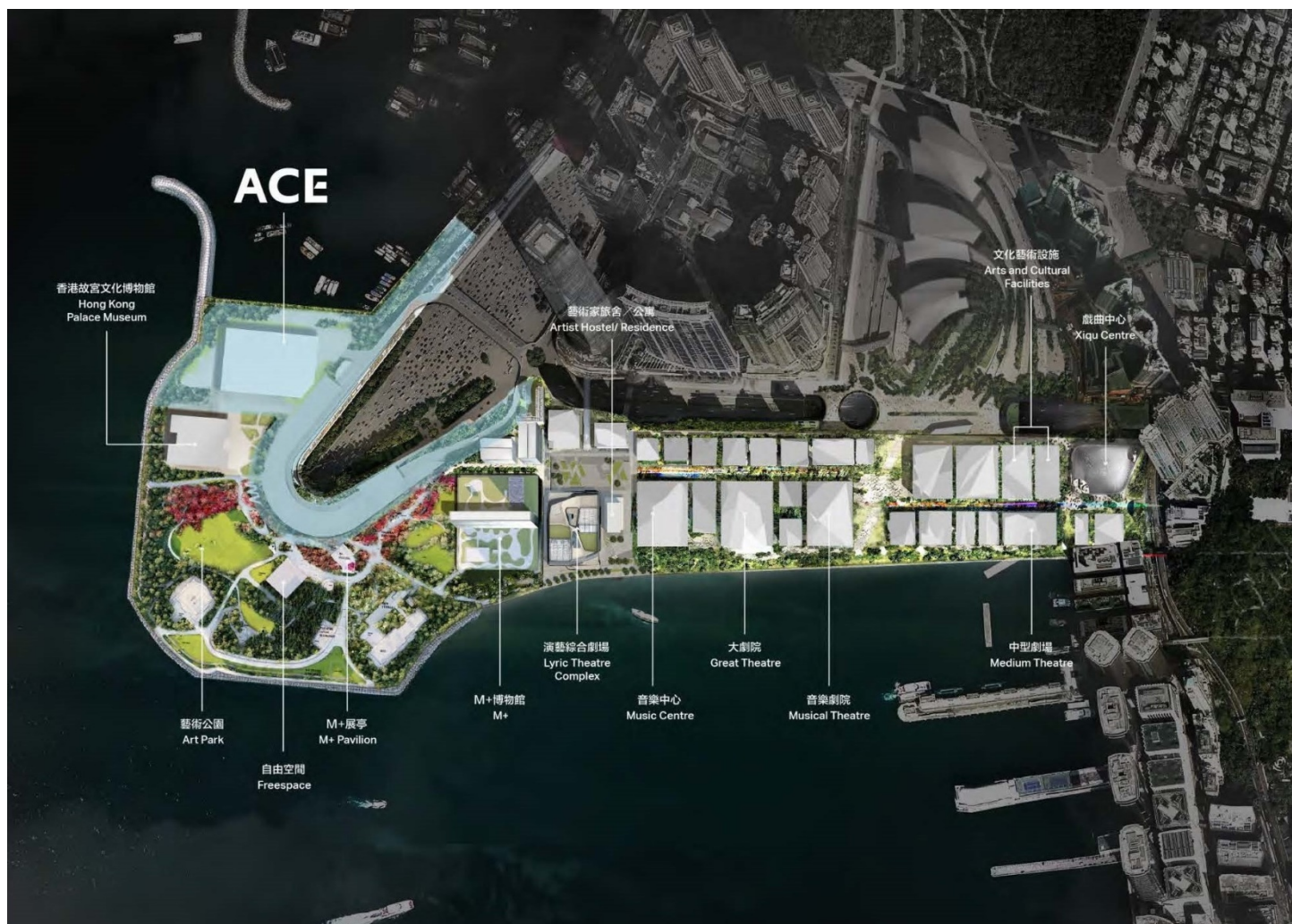
19. At the meeting of the Joint Subcommittee to be held on 27 April 2020, the Administration and WKCDA will update members on the latest development of the ACE development package.

### **Relevant papers**

20. A list of the relevant papers on the Legislative Council website is in **Appendix II**.

Council Business Division 1  
Legislative Council Secretariat  
20 April 2020

ACE 和西九文化區主要文化藝術設施的位置  
Location of ACE and Major Arts and Cultural Facilities in the West Kowloon Cultural District



資料來源: [立法會 CB\(1\)1128/18-19\(03\)號文件的附件 C](#)

Source: [Annex C to LC Paper No. CB\(1\)1128/18-19\(03\)](#)

**Art, Commerce and Exhibitions Development Package  
of the West Kowloon Cultural District**

**List of relevant papers**

<b>Committee</b>	<b>Date of meeting</b>	<b>Paper</b>
Joint Subcommittee to Monitor the Implementation of the West Kowloon Cultural District Project	21.2.2017 Item II	<a href="#">Agenda</a> <a href="#">Minutes</a>  <a href="#">Response of the Administration/WKCDA to members' concerns raised at the meeting</a>
	9.2.2018 Item II	<a href="#">Agenda</a> <a href="#">Minutes</a>
	11.5.2018 Item II	<a href="#">Agenda</a> <a href="#">Minutes</a>
	11.6.2018 Item IV	<a href="#">Agenda</a> <a href="#">Minutes</a>
	6.11.2018 Item III	<a href="#">Agenda</a> <a href="#">Minutes</a>
	10.6.2019 Item IV	<a href="#">Agenda</a> <a href="#">Minutes</a>
	25.11.2019 Item IV	<a href="#">Agenda</a>