

立法會
Legislative Council

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the Administration)

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Panel on Development and Panel on Home Affairs

**Joint Subcommittee to monitor the implementation of
the West Kowloon Cultural District Project**

**Minutes of meeting held on
Monday, 3 May 2021, at 4:30 pm
in Conference Room 2B of the Legislative Council Complex**

Members present : Hon LAU Kwok-fan, MH (Chairman)
Hon Abraham SHEK Lai-him, GBS, JP
Hon Frankie YICK Chi-ming, SBS, JP
Hon YIU Si-wing, BBS
Hon MA Fung-kwok, GBS, JP
Hon Holden CHOW Ho-ding
Hon Kenneth LAU Ip-keung, BBS, MH, JP
Dr Hon CHENG Chung-tai
Hon Vincent CHENG Wing-shun, MH, JP

Member attending : Hon YUNG Hoi-yan, JP

**Public officers
attending** : Agenda items III and IV

Mrs Cherry TSE LING Kit-ching, JP
Permanent Secretary for Home Affairs

Ms YING Fun-fong, JP
Project Manager (Home Affairs Bureau)

Ms Kinnie WONG Kit-yee
Deputy Secretary for Home Affairs (2)

Attendance by invitation : Agenda items III and IV

Mrs Betty FUNG, JP
Acting Chief Executive Officer
West Kowloon Cultural District Authority

Agenda item III

The Hon Henry TANG Ying-yen, GBM, GBS, JP
Chairman of the Board
West Kowloon Cultural District Authority

Ms Kitty FUNG
Chief Financial Officer
West Kowloon Cultural District Authority

Mr Kenneth WONG
General Manager, Commercial
West Kowloon Cultural District Authority

Agenda item IV

Ms Suhanya RAFFEL
Museum Director, M+
West Kowloon Cultural District Authority

Mr Jeremy STOWE
Chief Projects Officer
West Kowloon Cultural District Authority

Clerk in attendance: Ms Connie HO
Chief Council Secretary (1)2

Staff in attendance : Mr Keith WONG
Senior Council Secretary (1)2

Ms Christina SHIU
Legislative Assistant (1)2

I Information paper(s) issued since the last meeting

Members noted that no information paper had been issued since the last meeting on 1 March 2021.

II Application for late membership

(LC Paper No. CB(1)772/20-21(01) — Letter dated 9 April 2021 from Hon YIU Si-wing)

2. The Chairman invited members to consider Mr YIU Si-wing's application for late membership of the Joint Subcommittee. As members present were generally supportive of Mr YIU's application, the Chairman said that Mr YIU's application for late membership was accepted by the Joint Subcommittee.

III Update on the financial situation of the West Kowloon Cultural District

(LC Paper No. CB(1)826/20-21(01) — West Kowloon Cultural District Authority's paper on update on the financial situation of the West Kowloon Cultural District project

LC Paper No. CB(1)826/20-21(02) — Paper on the financial situation of the West Kowloon Cultural District project prepared by the Legislative Council Secretariat (Updated background brief))

3. The Joint Subcommittee deliberated (index of proceedings attached at **Annex**).

IV Update on the development of M+

(LC Paper No. CB(1)826/20-21(03) — West Kowloon Cultural District Authority's paper on update on the development of M+

LC Paper No. CB(1)826/20-21(04) — Paper on the development of M+ prepared by the Legislative Council Secretariat (Updated background brief))

Relevant papers

(LC Paper No. CB(1)760/20-21(01) — Letter dated 26 March 2021 from Hon Vincent CHENG Wing-shun on issues relating to M+'s collections and curation

LC Paper No. CB(1)801/20-21(01) — Letter dated 14 April 2021 from Hon YUNG Hoi-han attaching her letter dated 24 March 2021 addressed to the Chairman of the Board, West Kowloon Cultural District Authority on issues relating to M+

LC Paper No. CB(1)847/20-21(01) — West Kowloon Cultural District Authority's response to the letter dated 14 April 2021 from Hon YUNG Hoi-han on issues relating to M+ [LC Paper No. CB(1)801/20-21(01)]

4. The Joint Subcommittee deliberated (index of proceedings attached at **Annex**).

V Any other business

Date of the next meeting and items for discussion

5. Members noted that the next meeting would be held on Monday, 7 June 2021, from 4:30 pm to 6:30 pm to discuss the following items proposed by the Administration:

- (a) Update on the development of the Hong Kong Palace Museum; and

- (b) Update on the development of Zone 2 of the West Kowloon Cultural District.

(Post-meeting note: The agenda for the meeting on 7 June 2021 was circulated to members vide LC Paper No. CB(1)865/20-21 on 4 May 2021.)

6. There being no other business, the meeting ended at 6:30 pm.

Council Business Division 1
Legislative Council Secretariat
11 October 2021

Panel on Development and Panel on Home Affairs

**Proceedings of meeting of the Joint Subcommittee to Monitor
the Implementation of the West Kowloon Cultural District Project
held on Monday, 3 May 2021, at 4:30 pm
in Conference Room 2B of the Legislative Council Complex**

Time marker	Speaker(s)	Subject(s)/Discussion	Action required
Agenda Item I – Information paper(s) issued since the last meeting			
000400-000421	Chairman	No information paper had been issued since the last meeting on 1 March 2021.	
Agenda Item II – Application for late membership			
000422-000515	Chairman	Acceptance of the application of Mr YIU Si-wing for late membership.	
Agenda Item III – Update on the financial situation of the West Kowloon Cultural District			
000516-001818	Chairman West Kowloon Cultural District Authority ("WKCD")	Briefing by WKCD on the update on the financial situation of the West Kowloon Cultural District ("WKCD") project. [LC Paper No. CB(1)826/20-21(01)]	
001819 - 002252	Chairman Mr Abraham SHEK	Mr Abraham SHEK expressed appreciation for WKCD's work in respect of the development of M+. He believed that, with the pragmatic and modern design which integrated the western and eastern culture, M+ would become a landmark museum of visual culture that would attract numerous local and overseas visitors upon its opening.	
002253-002719	Chairman Mr Vincent CHENG WKCD	Mr Vincent CHENG noted that certain activities and live performing arts programmes could be resumed in WKCD commencing from May 2021 as the pandemic situation continued to improve. He urged WKCD to enhance publicity and promotion work in the latter half of 2021 to attract more visitations, and to leverage on the Consumption Voucher Scheme in stimulating visitors' spending. WKCD responded that: (a) live performing arts programmes had been suspended for more than half a year due to the pandemic, including the cancellation of several world-class performances by renowned overseas performers. It would be difficult for WKCD to re-launch such performances in the near future; and	

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		<p>(b) following relaxation of certain infection control measures, the live performing arts programmes to be gradually resumed would mainly feature local artists, and WKCDA would strive to launch more programmes for the audience.</p>	
002720 - 003935	Chairman Mr YIU Si-wing WKCDA	<p>Noting that WKCDA had achieved substantial reduction in operating expenses ("OPEX") and higher than expected investment income in Financial Year ("FY") 2020-2021, Mr YIU Si-wing enquired about:</p> <p>(a) the factors contributed to the increase in income other than investment income and reduction in OPEX;</p> <p>(b) for how long the WKCDA's present cashflow could support the operation of WKCD based on the current level of expenditure and WKCDA's financing plan for meeting the shortfall in funds, including whether it would request for further funding injection from the Government or consider borrowing loans;</p> <p>(c) the revenue expected to be generated from the operation of the Hong Kong Palace Museum ("HKPM") after its opening in mid-2022; and</p> <p>(d) whether there would be enough parking spaces for private cars and coaches in WKCD to cope with the expected surge in the number of tourists upon the opening of M+ and HKPM.</p> <p>WKCDA responded that:</p> <p>(a) WKCDA had recorded higher than expected investment return and rental income from the operation of food and beverage outlets as well as carparks. There would be a new source of income in the next financial year from the rental of commercial floor areas in WKCDA Tower;</p> <p>(b) the remaining balance of the endowment stood at \$7.9 billion at the end of FY 2020-2021. WKCDA would adopt a market-driven approach to unleash the value of its commercial land for Retail, Dining and Entertainment ("RDE") as well as Hotel/Office/Residential ("HOR") developments with a view to generating long-term sustainable income to support the operation of WKCD.</p>	

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		<p>WKCD would also solicit commercial sponsorships and donations after the pandemic in order to generate more income;</p> <p>(c) as the outlook of the tourism industry remained uncertain amid the pandemic, it was difficult to project the number of visitors for M+ and HKPM upon their openings at this stage. WKCD had adopted a conservative approach in estimating the revenue generated from the two museums; and</p> <p>(d) WKCD was planning to provide an additional six to seven new pick-up/drop-off spaces for coaches in WKCD. WKCD also planned to construct new parking areas for coaches in Zone 2B of WKCD in the long run, and would further consult the local travel industry regarding the traffic arrangements to facilitate tourists in visiting WKCD.</p>	
003936 - 004926	Chairman WKCD Administration	<p>The Chairman noted with concern that while WKCD had achieved substantial reduction in OPEX and higher than expected investment return, it would still face a significant operating deficit in the coming years. He enquired whether and when WKCD would seek additional funding from the Government to support its operation, and when the Authority would be able to achieve a break-even position.</p> <p>WKCD responded that its operating expenses would continue to increase with the opening of M+, HKPM and the Lyric Theatre Complex in the coming years. In view that a majority of the income-generating projects such as HOR and Art, Commerce and Exhibitions ("ACE") developments in WKCD would not be realized in the near future, there had been a prolonged mismatch in the timing of cashflow and thereby resulting in deterioration in the operating deficit.</p> <p>The Administration responded that:</p> <p>(a) there were a number of unforeseen factors and developments after the upfront endowment of \$21.6 billion was granted to the Authority in 2008, for example, (i) the deferred possession of the WKCD site being occupied for the development of the Hong Kong Section of the Guangzhou-Shenzhen-Hong Kong Express Rail Link ("XRL") project that had resulted in a substantial delay in</p>	

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		<p>those income-generating HOR and RDE developments; (ii) adopting the design of Integrated Basement in 2013-2014 which resulted in higher construction cost; and (iii) the increase in plot ratio of the WKCD site approved by the Town Planning Board in 2014 which had entailed substantial extra costs for the development of the additional 15% gross floor area within the site;</p> <p>(b) under the Enhanced Financial Arrangement ("EFA") for WKCD announced in 2017, it was projected that WKCD might have shortfall in cashflow in the years between 2022 to 2024, and WKCD needed to explore various financing options by leveraging its development right of the entire HOR portion of WKCD, before the HOR developments could provide WKCD with a steady source of recurrent income, to support the operation of its arts and cultural facilities; and</p> <p>(c) under the WKCD Ordinance (Cap. 601) ("WKCDAO"), WKCD might, with the approval of the Financial Secretary ("FS"), borrow from the Government, or otherwise raise moneys in the market. WKCDAO also provided that the Legislative Council's authorization was required for FS to grant on behalf of the Government guarantee for WKCD to borrow.</p> <p>In response to the Chairman's enquiry on whether WKCD would consider providing free or discounted admission for M+ and HKPM for local residents by making reference to the practices of overseas museums, WKCD responded that it would consider offering a lower admission fee for M+ to local residents as far as possible. However, given that the entire collection of HKPM was on loan from the Palace Museum for display on a long-term basis, it might be unconvincing from the Mainland tourists' perspective should they be charged a higher admission for subsidizing local residents' admission. In formulating the admission proposals for the two museums, WKCD would strike a balance between enhancing admission income and the tourists' perception in respect of the admission charges.</p>	
004927-005854	Chairman Dr CHENG Chung-tai WKCD	Dr CHENG Chung-tai pointed out that the level of reception of M+ by local residents might not be as high as expected. This coupled with the fact that overseas tourists might not be able to visit M+ due to travel	

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	Administration	<p>restrictions, Dr CHENG enquired about the projected number of visitors for M+ upon its opening under the worst scenario. He was concerned that the low admission rate of M+ would further worsen the financial situation of WKCDA, and that the WKCD project might encounter financial crisis in the future as in the case of the Ocean Park ("OP").</p> <p>WKCDA responded that:</p> <p>(a) the WKCD project and OP had different business models. The crux of the financial issue faced by the WKCD project was the prolonged mismatch between revenue and expenditure. The recurrent income generated from HOR and ACE developments in WKCD could significantly improve the financial situation of WKCDA in the long run; and</p> <p>(b) upon its opening in the end of 2021, M+ would become a new landmark museum of visual culture in Hong Kong. WKCDA was confident that local residents would have great interest in visiting M+.</p> <p>The Administration supplemented that making reference to the high occupancy rate and rental level of commercial buildings in the nearby Tsim Sha Tsui district, it was expected that the HOR and ACE developments in WKCD that were located in prime waterfront area with good infrastructure could bring satisfactory recurrent rental income for WKCDA in the long run.</p>	
005855-010237	Chairman Mr Kenneth LAU WKCDA	<p>Noting that the Build, Operate and Transfer ("BOT") tender for the Artist Square Towers ("AST") in Zone 3B of WKCD would be invited in the second half of 2021 and the project was targeted for completion in 2024, Mr Kenneth LAU enquired about WKCDA's projection of the market response towards the tender exercise.</p> <p>WKCDA responded that:</p> <p>(a) located in Zone 3B of WKCD, AST would enjoy a stunning harbour view which made it an attractive project for potential tenderers. However, the Authority was mindful that there was an abundant supply of commercial office space at the nearby Tsim Sha Tsui area at present and there would also be other commercial development projects (e.g. the topside commercial development at XRL</p>	

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		<p>West Kowloon Station) near WKCD in the near future;</p> <p>(b) WKCDA would be prudent in taking forward the BOT tender exercise for the AST project, and would decide the timing of the tender exercise upon the completion of a market assessment in connection with the project; and</p> <p>(c) WKCDA conducted the tender exercise for ACE development in August 2020 and received only one qualified tender. As the response was not as positive as expected, WKCDA decided to withdraw the tender exercise, and was now reviewing and assessing various options before deciding on the best way forward. The AST project and the ACE development would be the two major top side developments to be implemented in the near future.</p>	
010238-011026	Chairman Mr MA Fung-kwok WKCDA	<p>Noting that WKCDA had achieved substantial reduction in OPEX and higher than expected investment income for 2020-2021 financial year, Mr MA Fung-kwok enquired about the actual increase in investment return as compared to the budget and the measures put in place by WKCDA in respect of cost saving.</p> <p>WKCDA responded that:</p> <p>(a) the actual investment return for 2020-2021 financial year was around \$90 million more than that estimated (one percentage point higher than estimated) in the budget; and</p> <p>(b) the operating cost of M+ was originally included in the budget for 2020-2021 financial year. As the opening of M+ had been postponed to the end of 2021, the relevant cost was therefore not reflected in operating expenditure for the 2020-2021 financial year. In addition, the headcount freeze and various cost containment measures for WKCDA also contributed to the substantial reduction in OPEX.</p>	
011027-011341	Chairman Mr YIU Si-wing WKCDA	Mr YIU Si-wing agreed that WKCDA should be prudent in deciding the timing for conducting the tender exercise for the AST development with a view to maximizing the financial return of the project.	

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		<p>He advised that WKCDA should seek support from the Government if there was a shortfall in cashflow.</p> <p>Mr YIU also considered that WKCDA should work together with the local travel industry regarding the coach parking arrangements in WKCD to avoid causing traffic congestion in the West Kowloon area by coaches queuing up for parking spaces in WKCD.</p> <p>WKCDA responded that to cope with the transport demand arising from the increase in tourists' visitations upon the opening of M+, WKCDA had been working with the Transport Department in formulating the relevant traffic arrangements with a view to diverting vehicle flow to WKCD and its nearby areas, and would continue to liaise with the local travel industry regarding the coach parking arrangements in WKCD.</p>	
Agenda Item IV – Update on the development of M+			
011342-013659	Chairman Administration WKCDA	Briefing by the Administration and powerpoint presentation by WKCDA on the update on the development of M+. [LC Paper Nos. CB(1)826/20-21(03) and CB(1)866/20-21(01)]	
013700 - 014532	Chairman Ms YUNG Hoi-yan WKCDA	<p>Referring to her letters to the Board Chairman of WKCDA dated 24 March 2021 and the Chairman of the Joint Subcommittee dated 14 April 2021 (LC Paper No. CB(1)801/20-21(01)) respectively, Ms YUNG Hoi-yan considered that WKCDA should give a detailed account of the acquisition policy of M+ to the public. She also enquired how M+ would handle those artworks in its collections that were alleged of being indecent or containing political messages; and whether such artworks would be included in the opening programmes of M+ or its regular exhibitions.</p> <p>WKCDA responded that the Authority had made official reply to her two letters respectively and supplemented that:</p> <p>(a) in WKCDA's reply letter dated 12 April 2021 to Ms YUNG (Annex to LC Paper No.CB(1)847/20-21(01)), the Authority had elaborated on the acquisition policy of M+ in response to her enquiry;</p> <p>(b) M+ was undertaking a filtering process to filter out artworks that might not be suitable for minors</p>	

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		<p>(i.e. persons aged below 18) to view from the M+ website in order to address public concern in this regard. Led by the Museum Director of M+, this process was conducted according to her professional judgment and having regard to the views from the public;</p> <p>(c) Since there was still half a year to go before the museum opening, M+ had yet to finalize all the details of the opening programmes. While M+ had about 8 000 pieces of artworks in its collections, some artworks were accessioned for research purpose only and would not be displayed in exhibitions; and</p> <p>(d) as mentioned in WKCDA's reply letter to the Chairman of the Joint Subcommittee dated 28 April 2021 (LC Paper No. CB(1)847/20-21(01)), being a public museum in Hong Kong, M+ would abide by the Basic Law, local laws and the Law of the People's Republic of China on Safeguarding National Security in the Hong Kong Special Administrative Region ("the National Security Law"), and would uphold the highest professional standards. In handling its collections and exhibitions, M+ would base on research and uphold the strictest academic principles, and its curatorial work would be conducted in a professional, objective and balanced manner. When selecting the exhibits for the opening programme, M+ curatorial team would fully take into account the relationship of the artworks with the theme and background of the exhibitions, and would strictly comply with the above policies and principles.</p> <p>In response to Ms YUNG's enquiry on how M+ would present its collections of ink artworks, WKCDA advised that about 23% of the M+ Collections were artworks created by local artists, which included ink artworks. Ink art was interpreted as an aesthetic idea within M+. The collection of ink artworks by M+ not only included artworks using ink as the medium, but also artworks in other forms of presentation such as animation.</p>	

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014533-014957	Chairman Mr Vincent CHENG WKCDA	<p>Mr Vincent CHENG opined that WKCDA should be mindful in selecting artworks from the M+ Collections for the opening programmes to make sure that the artworks displayed would not contravene the National Security Law. He also considered that M+ should step up its efforts on publicity and public education, including enhancing collaboration with schools in organizing more museum tours for students to enhance their knowledge and appreciation of visual arts.</p> <p>WKCDA responded that:</p> <ul style="list-style-type: none"> (a) education was a core part of the work of M+. Over 530 teachers had participated in the educational activities organized by M+, and about 250 docents had been trained up to undertake education work for schools. M+ would continue with its training work for school teachers. It also planned to invite students from among the over 200 schools being collaborated with M+ to join the museum tours in the forthcoming school year; and (b) during the pandemic, M+ organized a series of online education workshops for schools, teachers, students and parents with a view to enhancing their understanding of the artworks of M+ Collections, which was essential to the building of audience base. 	
014958-015720	Chairman WKCDA	<p>The Chairman considered that WKCDA should give a detailed explanation to the public regarding the acquisition of the M+ Sigg Collection. He also enquired about:</p> <ul style="list-style-type: none"> (a) WKCDA's policy in accepting donations of artworks from private collectors and foundations; and (b) how WKCDA would promote contemporary arts and culture to the local community to drive visitations to M+ by members of the public. <p>WKCDA explained that:</p> <ul style="list-style-type: none"> (a) WKCDA had reached a part gift/part purchase agreement with Uli Sigg in 2012. Under the agreement, M+ would receive a donation of more than 1 400 Chinese contemporary artworks from Uli Sigg, and would further acquire 47 works from him for the sum of \$177 million. The valuation of 	

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		<p>the donation was around \$1.3 billion at that time, and had appreciated substantially since then;</p> <p>(b) the part gift/part purchase arrangement was a common international model for museums to acquire collections. The acquisition criteria, including guidelines regarding donations, was documented in the "M+ Acquisition Policy";</p> <p>(c) the M+ Sigg Collection was recognized as the largest, most comprehensive and important collection in the world of Chinese contemporary art from the 1970s through the early 21st century. It also served as a catalyst in attracting other world's leading collectors to make donations to M+; and</p> <p>(d) M+ had been organizing online exhibitions/programmes and online streaming during the pandemic. In addition to the local community, these online programmes could also be viewed by audiences from the Mainland. Over 300 000 audiences had participated in these online initiatives.</p>	
015721-020235	Chairman Ms YUNG Hoi-yan WKCDA	<p>Ms YUNG Hoi-yan considered that the opening of M+ and HKPM would be a new driving force of the development of local culture insight tours, and enquired about the details of the docent training for M+. She also advised that M+ should enhance its efforts in broadening the audience base.</p> <p>Noting that the outturn cost to complete the M+ project would be higher than the original contract sum of HK\$5.944 billion due to the significant delays caused by Hsin Chong Construction Company Limited ("HCC"), Ms YUNG enquired about the final construction cost of the M+ project under the worst scenario.</p> <p>WKCDA responded that:</p> <p>(a) M+ had been working with the local travel industry to explore the possibility of including M+ as one of the spots in local culture insight tours;</p> <p>(b) M+ had already started providing training for docents under the M+ Docent Volunteer Programme. Under the programme, docent trainees would be able to explore the M+</p>	

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		<p>Collections and acquire the knowledge about the exhibits from curators. Docents would be equipped with the necessary knowledge and skills to lead the guided tour in M+ in Cantonese, English or Mandarin, and to interact with visitors of different age groups; and</p> <p>(c) WKCDA terminated the employment of HCC under the M+ project due to its insolvency and inability to pay its sub-contractors and workers in 2018. WKCDA was now working its way through the contractual dispute resolution process with the joint provisional liquidators of HCC, and either party might consider progressing the dispute via arbitration. The final cost of the M+ project could be determined only after the expiry of the one-year defects liability period following the practical completion of the project and upon the completion of the entire dispute resolution process. As such, the Authority was not in a position to provide information about the final cost at this stage to avoid prejudicing its commercial position in the arbitration.</p>	
Agenda Item V – Any other business			
020236-020258	Chairman	Date of the next meeting and items for discussion.	