
Transition of the Observation Wheel Site

Development Bureau

10 October 2017

Purpose

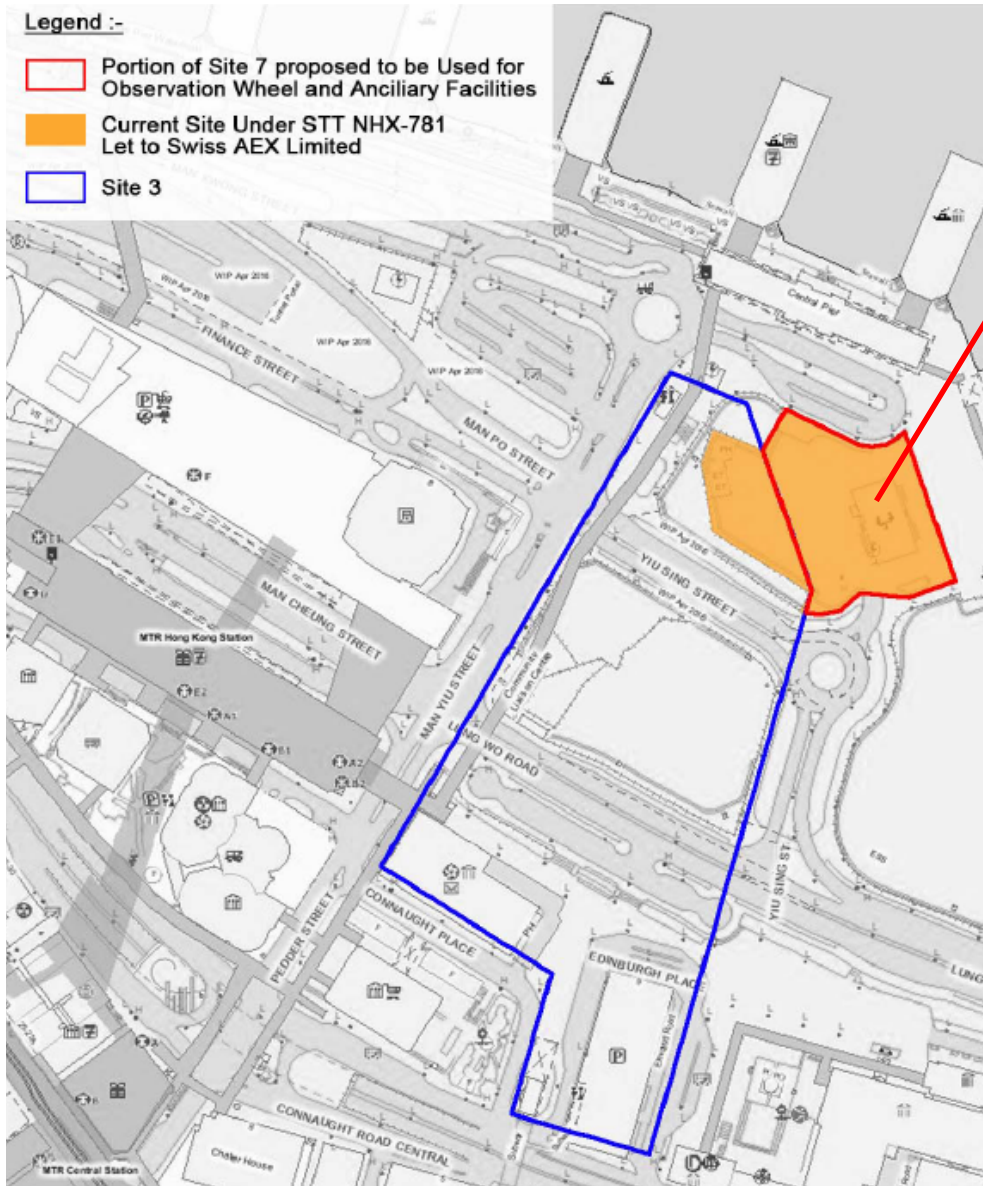
- This is to report the progress of transition of the observation wheel site



Background

- An open tender was invited in October 2012 and tender awarded to the outgoing tenant (Swiss AEX Holding Limited)
 - The three-year Short-term Tenancy (STT) commenced in June 2013
 - The Hong Kong Observation Wheel opened in December 2014
 - In September 2015, the Task Force and the Central & Western District Council supported extending the previous STT for one year until June 2017
 - In May and June 2016, the Task Force and the Central & Western District supported the short-term land use to be continued for another three years
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A Reduced Site



- The portion of the original site within Site 7 would still be available for operating an observation wheel with ancillary facilities for three years
- To let out the reduced site through open tender for three years until 2020.

Reasons for Open Tender

- Normal practice for a revenue tender with commercial operation
 - Motion passed by the Central and Western District Council
 - An open and fair exercise which encourages competition
 - Maximize public interest and enjoyment
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The Open Tender Exercise

- An open tender was invited on 11 November 2016 for a three-year STT
 - Same as previous tender exercise, two envelope approach adopted with a technical to rental ratio of 40:60
 - Tender closed on 30 December 2016 and two tenders were received
 - After tender assessment, *The Entertainment Corporation Limited* (the incoming tenant) was awarded with the new STT and the tender result was announced on 23 May 2017
 - The winning tender attained higher technical and rental scores
 - The outgoing tenant was informed on the same date to terminate the previous STT by 28 August 2017
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Transitional Arrangements

- The new tenancy allowed the incoming tenant to use the existing wheel
 - However, such a transaction is not mandatory since sale and purchase of the wheel is a commercial decision
 - Liaison maintained with both the outgoing and incoming tenants
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Way Forward

- The two tenants reached an agreement in September 2017 on the sale and purchase of the wheel, its foundation and ancillary facilities. Relevant due diligence process is ongoing with a view to transfer the assets and commence the new STT in early November
 - The Government is coordinating tenants and relevant departments to facilitate the transition and consideration of applications for relevant permit and licence
 - Harbour Unit to establish a standing committee to monitor compliance of tender conditions including services, ticket price and public engagement plan
 - The incoming tenant would be invited to brief Members on their operation after commencement of new STT
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Long-term Development

- Site 7 was recommended under the Urban Design Study to be developed into waterfront promenade
 - Infrastructure works in Site 7 expect to be completed in 2020
 - Future land use and detailed design of Site 7 to be deliberated
 - Need for a permanent observation wheel and the details could be further discussed
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Thank You

