# *立法會*
# *Legislative Council*

LC Paper No. FC152/17-18
(These minutes have been seen by the Administration)

Ref : FC/1/1(14)

**Finance Committee of the Legislative Council**

**Minutes of the 28th meeting**
**held at Conference Room 1 of the Legislative Council Complex**
**on Friday, 21 April 2017, at 2:31 pm**

**Members present:**

Hon CHAN Kin-por, BBS, JP (Chairman)
Hon Michael TIEN Puk-sun, BBS, JP (Deputy Chairman)
Hon James TO Kun-sun
Hon LEUNG Yiu-chung
Hon Abraham SHEK Lai-him, GBS, JP
Hon Tommy CHEUNG Yu-yan, GBS, JP
Prof Hon Joseph LEE Kok-long, SBS, JP
Hon WONG Ting-kwong, SBS, JP
Hon Starry LEE Wai-king, SBS, JP
Hon CHAN Hak-kan, BBS, JP
Dr Hon Priscilla LEUNG Mei-fun, SBS, JP
Hon WONG Kwok-kin, SBS, JP
Hon Mrs Regina IP LAU Suk-yee, GBS, JP
Hon LEUNG Kwok-hung
Hon Claudia MO
Hon Steven HO Chun-yin, BBS
Hon Frankie YICK Chi-ming, JP
Hon WU Chi-wai, MH
Hon YIU Si-wing, BBS
Hon Charles Peter MOK, JP
Hon CHAN Chi-chuen
Hon CHAN Han-pan, JP
Hon LEUNG Che-cheung, BBS, MH, JP
Hon Kenneth LEUNG
Hon Alice MAK Mei-kuen, BBS, JP

Dr Hon KWOK Ka-ki
Hon KWOK Wai-keung
Hon Dennis KWOK Wing-hang
Hon Christopher CHEUNG Wah-fung, SBS, JP
Dr Hon Fernando CHEUNG Chiu-hung
Dr Hon Helena WONG Pik-wan
Dr Hon Elizabeth QUAT, JP
Hon Martin LIAO Cheung-kong, SBS, JP
Hon POON Siu-ping, BBS, MH
Dr Hon CHIANG Lai-wan, JP
Ir Dr Hon LO Wai-kwok, SBS, MH, JP
Hon Alvin YEUNG
Hon Andrew WAN Siu-kin
Hon CHU Hoi-dick
Hon LAM Cheuk-ting
Hon Holden CHOW Ho-ding
Hon SHIU Ka-fai
Hon SHIU Ka-chun
Hon Wilson OR Chong-shing, MH
Dr Hon Pierre CHAN
Hon CHAN Chun-ying
Hon CHEUNG Kwok-kwan, JP
Hon HUI Chi-fung
Hon LUK Chung-hung
Hon LAU Kwok-fan, MH
Hon KWONG Chun-yu
Hon Jeremy TAM Man-ho
Hon Nathan LAW Kwun-chung
Dr Hon YIU Chung-yim
Dr Hon LAU Siu-lai

**Members absent:**

Hon Jeffrey LAM Kin-fung, GBS, JP
Hon Paul TSE Wai-chun, JP
Hon MA Fung-kwok, SBS, JP
Hon IP Kin-yuen
Hon CHUNG Kwok-pan
Hon Jimmy NG Wing-ka, JP
Dr Hon Junius HO Kwan-yiu, JP
Hon HO Kai-ming
Hon YUNG Hoi-yan
Hon Tanya CHAN

Hon Kenneth LAU Ip-keung, MH, JP
Dr Hon CHENG Chung-tai

[According to the Judgment of the Court of First Instance of the High Court on 14 July 2017, LEUNG Kwok-hung, Nathan LAW Kwun-chung, YIU Chung-yim and LAU Siu-lai have been disqualified from assuming the office of a member of the Legislative Council, and have vacated the same since 12 October 2016, and are not entitled to act as a member of the Legislative Council.]

**Public officers attending:**

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| Ms Elizabeth TSE Man-yee, JP | Permanent Secretary for Financial Services and the Treasury (Treasury) |
| Ms Carol YUEN, JP | Deputy Secretary for Financial Services and the Treasury (Treasury) 1 |
| Mr Alfred ZHI Jian-hong | Principal Executive Officer (General), Financial Services and the Treasury Bureau (The Treasury Branch) |
| Mr Gregory SO Kam-leung, GBS, JP | Secretary for Commerce and Economic Development |
| Mr Philip YUNG, JP | Permanent Secretary for Commerce and Economic Development (Commerce, Industry and Tourism) |
| Miss Cathy CHU, JP | Commissioner for Tourism |
| Mr Aaron LIU | Deputy Commissioner for Tourism |
| Mr Eddie LEE | Assistant Commissioner for Tourism (1) |
| Mr George TSOI | Assistant Commissioner for Tourism (4) |
| Miss Cheryl CHOW | Principal Assistant Secretary for Development (Planning and Lands) 2 |
| Mr Adolph LEUNG, JP | Principal Economist (2), Economic Analysis and Business Facilitation Unit |
| Mr Samuel LAU | Executive Vice President and Managing Director, Hong Kong Disneyland Resort |
| Miss Linda CHOY | Vice President, Public Affairs, Hong Kong Disneyland Resort |

**Clerk in attendance:**

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| Ms Anita SIT | Assistant Secretary General 1 |

**Staff in attendance:**

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| Mr Derek LO | Chief Council Secretary (1)5 |
| Ms Ada LAU | Senior Council Secretary(1)7 |
| Mr Raymond SZETO | Council Secretary (1)5 |
| Mr Frankie WOO | Senior Legislative Assistant (1)3 |
| Ms Michelle NIEN | Legislative Assistant (1)5 |

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Action

**Item No. 1 — FCR(2017-18)4**
**RECOMMENDATION OF THE ESTABLISHMENT SUBCOMMITTEE MADE ON 1 MARCH 2017**

**EC(2016-17)22**
**HEAD 170 — SOCIAL WELFARE DEPARTMENT**
**Subhead 000 — Operational expenses**

The Chairman reminded members of the requirements under Rule 83A and Rule 84 of the Rules of Procedure.

2. The Chairman said that this item invited the Finance Committee ("FC") to approve the recommendation made by the Establishment Subcommittee at its meeting on 1 March 2017, i.e. the recommendation set out in the paper EC(2016-17)22. No member requested separate voting for the recommendation at the FC meeting.

3. The Chairman put the item to vote. The Chairman was of the view that the item was supported by a majority of the members voting and declared that the item was approved.

**Item No. 2 — FCR(2017-18)6**
**RECOMMENDATION OF THE PUBLIC WORKS SUBCOMMITTEE MADE ON 16 MARCH 2017**

**PWSC(2016-17)40**
**HEAD 711 — HOUSING**
**Social Welfare and Community Building— Community centres and halls**
**186GK — Ancillary facilities block at Tseung Kwan O Area 65C2**

4. The Chairman said that this item invited FC to approve the recommendation made by the Public Works Subcommittee at its meeting on 16 March 2017, i.e. the recommendation set out in the paper

PWSC(2016-17)40. No member requested separate voting for the recommendation at the FC meeting.

5. The Chairman declared that he was an independent non-executive director of The Bank of East Asia.

6. The Chairman put the item to vote. The Chairman was of the view that the item was supported by a majority of the members voting and declared that the item was approved.

**Item No. 3 — FCR(2017-18)1**
**CAPITAL INVESTMENT FUND**
**HEAD 973 — TOURISM**
**New Subhead — "Equity in Hongkong International Theme Parks Limited for the Expansion and Development Plan at Phase 1 site of the Hong Kong Disneyland Resort"**

7. The Chairman said that this item invited FC to approve a commitment to inject $5,450 million as equity from the Capital Investment Fund to the Hongkong International Theme Parks Limited ("HKITP") to support an expansion and development plan ("the Plan") at the Phase 1 site of the Hong Kong Disneyland Resort ("HKDL"). The Commerce and Economic Development Bureau consulted the Panel on Economic Development on the proposal on 28 November and 13 December 2016 and 27 February 2017. The deliberation on the item by FC at its two meetings on 1 April 2017 had taken four hours. Supplementary information papers provided by the Administration at the request of members (LC Paper Nos. FC103/16-17(01) and FC104/16-17) were circulated to members on 20 April 2017 for information.

8. The Chairman reminded members that questions raised at FC meetings must be directly relevant to the contents of the agenda papers. Members should also avoid repeating their own arguments or those of other members. Wider questions of policy should be raised at meetings of the Legislative Council ("LegCo") or Panels.

9. The Chairman declared that he was an independent non-executive director of The Bank of East Asia.

Funding and financial arrangements for the Plan

10. Mr WU Chi-wai enquired about the depreciation method to be adopted for the proposed new assets under the Plan, and whether the fluctuating amounts of depreciation between 2010 and 2012 were attributed to non-adoption of the straight-line method for calculating the amounts of depreciation. He further requested the following information from the Administration: (i) regarding the proposed new assets under the Plan, set out their service periods, depreciation patterns, depreciation rates and the projected growth in revenue required to cover the amounts of depreciation by type; and (ii) how the service periods, depreciation patterns and depreciation rates of the existing assets compared to (i) by type.

11. The Executive Vice President and Managing Director, HKDL ("EVP & MD of HKDL") responded that:

(a) given the variation in deprecation rates and depreciation periods of different assets (e.g. rides and shows), coupled with the fact that new attractions were launched by HKDL from time to time, the depreciation rates of new attractions might vary, and as a result, their annual amounts of depreciation might also vary; and

(b) the depreciation periods of the proposed new assets would be determined according to the types of assets, ranging between 5 and 40 years.

[*Post-meeting note:* The Chinese and English versions of the supplementary information provided by the Administration were issued to members vide LC Paper No. FC116/16-17(01) on 27 and 28 April 2017 respectively.]

12. Dr CHIANG Lai-wan expressed concern about the financial losses suffered by HKDL. She asked whether further capital injection from the Government to HKDL would be necessary in case HKDL underperformed with lower-than-projected attendance and business growth after the implementation of the Plan and losses were incurred as a result.

13. Mr Nathan LAW requested the Administration to provide justifications as to why it considered the Plan the best option.

14. The Secretary for Commerce and Economic Development ("SCED") pointed out that HKITP's earnings before interest, tax, depreciation and amortization ("EBITDA") had turned from negative to positive for seven fiscal years from fiscal year 2010 ("FY10") onwards (totalling about $5.5 billion), with net profits in three consecutive years from FY12 to FY14 (totalling about $700 million). The Government estimated that the additional capital injection for the Plan would have an internal return of over 5% in real terms. The Plan would also create quite a number of employment opportunities in Hong Kong. The Commissioner for Tourism ("C for T") added that if the current injection proposal could not be approved, the financial performance of HKITP would be affected.

15. Ms Claudia MO pointed out that given the increasingly intense competition among various theme parks in the region, the proposed Plan might not be able to effectively enhance HKDL's attendance and drive its business growth. She enquired whether the Administration had considered not injecting capital into HKDL, so that the uncompetitive HKDL might be gradually phased out. She also asked whether the Administration could ensure that HKDL would not run into financial problems within 15 to 20 years after the injection.

16. SCED pointed out that in recent years, our neighbouring region had seen an active development of tourism with an increase in tourism facilities. To enable HKDL to continue strengthening its appeal to visitors from all over the world and local visitors amidst intensifying competition in the region, thereby promoting the development of tourism in Hong Kong, the Government considered it necessary to roll out new attractions in HKDL. EVP & MD of HKDL added that the experience of HKDL's operation had demonstrated that new entertainment offerings and attractions were effective in driving the attendance and business of HKDL.

17. Mr CHAN Chi-chuen cited a media report that the amount of injection currently proposed by the Administration, which had been reduced by about $300 million from the original, was the result of the Chief Executive's lobbying efforts. He asked the Administration whether the report was true. He also enquired whether the Administration had explored other options for financing the project, such as drawing reference from the financing proposal approved for redeveloping the Ocean Park.

18. SCED replied that:

(a) the present proposal of sharing the project cost on a 50:50 basis was an arrangement that the Government had successfully secured from The Walt Disney Company ("TWDC") and was eventually consented by both parties; and

(b) the Government had looked into various ways to fund the Plan. Having regard to the common vision of the two shareholders to limit the near and medium-term debt service requirements of HKITP, both the Government and TWDC considered it most appropriate to fund the Plan through cash equity injection, which would be more conducive to the long-term financial situation of HKITP.

The agreement between the Administration and The Walt Disney Company

19. Expressing concern about the terms of the agreement signed between the Government and TWDC (such as having to pay TWDC management fees and royalties), Dr LAU Siu-lai and Dr KWOK Ka-ki considered that these terms were unfair to the Government. Dr LAU suggested that the Government should, by drawing reference from the French government, reduce its shares in the joint venture and stop being the majority shareholder of HKITP, so as to force TWDC to alter the existing management fee structure, thereby reducing the relevant expenditure. She anticipated that the reduction in expenditure could reach $440 million. Dr KWOK criticized the Government for its lack of new ideas in promoting tourism in Hong Kong. He asked whether the Administration would consider introducing theme parks of other brands or other tourism facilities to make tourism in Hong Kong more diversified.

20. C for T and the Assistant Commissioner for Tourism (1) responded that:

(a) to attract Disneyland to establish its presence in Paris, the French government had injected a large amount of resources into Disneyland Paris, including the provision of cash grants and loans, as well as selling the land at farmland prices for the construction of the theme park;

(b) in the initial period of operation, the business of Disneyland Paris was not satisfactory owing to cultural differences, and in recent years, the terrorism issue had led to operational difficulties in Disneyland Paris;

(c) since Disneyland Paris was persistently faced with financial difficulties, TWDC had provided it with different kinds of financial assistance; and

(d) HKDL was one of the Administration's initiatives for promoting diversified tourism. Other initiatives for promoting diversified tourism included developing travel products with local characteristics and hosting mega events.

21. In response to Dr LAU Siu-lai's suggestion of reducing the shareholding, SCED advised that:

(a) the agreement between the Government and TWDC was reached in 1999 when Hong Kong's economy was hard hit by the Asia financial crisis, subsequent to the Government's active pursuit of introducing Disneyland to Hong Kong to boost the economy;

(b) HKDL had created quite a number of employment opportunities in Hong Kong and played a positive role in boosting local economy;

(c) the Government would review with TWDC the mode of cooperation between the two parties and the financing arrangements from time to time;

(d) in respect of the Plan, both the Government and TWDC considered it most appropriate to fund the project cost of the Plan through cash equity injection on a 50:50 basis; and

(e) the Government did not rule out the possibility of introducing third-party investors where appropriate in the future.

22. Mr Michael TIEN saw no urgency in funding the Plan. He urged the Administration to, prior to submitting the funding application for the Plan, negotiate with TWDC and strive to revise the unfair agreement terms which "had forfeited the rights of Hong Kong people and brought humiliation to them", so as to protect public funds and the overall interest of Hong Kong.

23. Mr LEUNG Yiu-chung asked whether the Administration agreed that the agreement signed with TWDC "had forfeited the rights of Hong Kong people and brought humiliation to them". He also requested the Administration to explain whether the funding for the Plan had to be approved in the near future, and what impacts would be caused in case the funding application was voted down.

24. SCED reiterated that the terms of agreement between the Government and TWDC on HKDL were reached in 1999 when Hong Kong was experiencing an economic downturn. He said that apart from yielding investment return, the Plan would also create employment opportunities and enhance the tourism supporting facilities in Hong Kong, and bring promising benefits to the overall Hong Kong economy. If the funding application was not approved, the competitiveness of HKDL and Hong Kong's tourism industry would be undermined.

The operating and financial conditions of the Hong Kong Disneyland Resort

25. Mr LUK Chung-hung asked whether locals talented in design and creative work would be engaged when the Plan was implemented, and whether HKDL would roll out measures beneficial to Hong Kong's tourism sector, especially frontline workers.

26. SCED replied that the arrangement of free admission to HKDL for tourist guides had been extended to 2021. EVP & MD of HKDL remarked that over 90% of the project cost for the Plan would be spent on local operations or construction works/materials by third-party companies not related to TWDC, with expanded use of local design and creative services as far as possible during the process. Regarding the enquiries about the Phase 2 development proposal for HKDL, SCED said that further consideration would be made, depending on the operating conditions after the completion of the Phase 1 Expansion Plan.

27. Ms Claudia MO asked the Administration to provide information on the profit and loss situation of HKDL in the past for members' reference. She proposed procuring 1% of HKITP's shares from the Government under the name of LegCo, so that Members of LegCo could monitor the operation of HKDL direct. She also asked the Administration whether the proposal was feasible.

28. Dr Fernando CHEUNG asked the Administration to provide information on the profit and loss situation of HKDL during its past 11 years of operation, as well as details of the management fees and royalties receivable by TWDC in the past 11 years. Dr CHEUNG expressed grave concern that the Government was still required to pay handsome management fees and royalties to TWDC despite HKDL's operating loss.

29. SCED pointed out that, in its past 11 years of operation, HKDL received over 64 million visitors, and the additional spending brought about by these visitors totalled $153.4 billion, thereby generating around $83.6 billion of total value-added at 2014 prices (equivalent to 0.37% of Hong Kong's Gross Domestic Product). HKDL broke even in FY12, which was seven years after its commissioning. Since FY09, the Government reported HKDL's operation to LegCo on a yearly basis. As the amounts of royalties and management fees were HKDL's confidential financial information, according to the agreement between the Government and TWDC, the information could not be disclosed.

30. Mr Kenneth LEUNG expressed concern about the social issues brought by HKDL. He asked if HKITP had taken any measures to alleviate impact of the particles and chemical substances of its nightly fireworks display on the environment and health of the nearby residents. EVP & MD of HKDL replied that the fireworks performance of HKDL complied with the environmental requirements of Hong Kong. HKITP had, wherever possible, used environmentally friendly fireworks and launching technology. It also monitored the daily wind speed and wind direction and made corresponding adjustment to contain its impact on the environment.

31. Mr LEUNG Kwok-hung asked about the economic benefits that could be brought by the Plan to Hong Kong. In reply, SCED said that according to the Administration's estimation, the Plan would create about 3 500 jobs during the construction period, and another 600 jobs in HKDL during the operation period after the completion of the Plan.

32. Mr Jeremy TAM criticized HKDL for failing to make early announcements and promotion on seasonal events and programmes on special festivals and popular themes and introduced corresponding products to enhance visitors' experience and stimulate attendance and consumption. EVP & MD of HKDL said that HKDL had made continuous efforts to explore and introduce special thematic events, programmes and products to enhance HKDL's attraction to a wide spectrum of visitors and maintain its competitiveness. He pointed out that the tourism market in Hong Kong was a "short-haul market", which was different from other countries such as the United States, and HKDL would usually announce details of seasonal events nearer the time of the events.

Development restrictions of government lands in the vicinity of Phase 1 site of the Hong Kong Disneyland Resort

33. Mr Alvin YEUNG and Mr Andrew WAN asked about the details of TWDC's possible agreement in-principle with the relaxation of height restrictions on government lands in the vicinity of HKDL, particularly the coverage of the lands in respect of which height restrictions could be relaxed.

34. Dr YIU Chung-yim asked whether the Administration would consider discussing with TWDC the possibility of lowering the requirement for relaxing height restrictions on lands in Phase 1 site of HKDL in exchange for the Administration's rights to use the 60 hectares of land reserved for the Phase 2 expansion plan of HKDL.

35. SCED said that TWDC understood that long-term development in Hong Kong would provide a driving force for HKDL's business growth. TWDC also agreed in-principle to relax the height restrictions on the government lands in the vicinity of HKDL. The Government and TWDC had not reached agreement on the details and arrangements for the relaxation, and further discussion was needed. He stressed that relaxing the height restrictions on the government lands in the vicinity of HKDL was not part of the Plan nor was it a prerequisite for the development of the East Lantau Metropolis and the Sunny Bay reclamation plan. The Principal Assistant Secretary for Development (Planning and Lands) 2 supplemented that a relaxation of the height restrictions aimed to give the Government greater flexibility in handling the issues of building layout, ventilation, etc. during the planning stage in future.

36. Mr CHU Hoi-dick pointed out that the Deed of Restrictive Covenant ("DRC") covered a land area of 5 000 hectares, which included some private lots, as well as government lands and those areas which had yet to be reclaimed around Sunny Bay. He learnt that while an area of about 60 to 80 hectares at the Sunny Bay reclamation site would mainly be used for recreational and tourism-related developments, DRC did not permit the development of other internationally branded theme parks on these sites. He asked the Administration why it had not disclosed the aforesaid development restrictions to the LegCo Panel on Development, and whether the Government had, prior to signing DRC with TWDC, consulted the affected owners. Mr LEUNG Kwok-hung also expressed concern that the private development rights that other owners were entitled to might have been affected without their knowledge.

37. SCED said that the Government briefed LegCo on the contents of DRC in 1999 and DRC had been registered at the Land Registry since January 2000 for public inspection. He said that the rights enjoyed by private land owners before the coming into effect of DRC would not be affected.

Land use of the site reserved for Phase 2 expansion of the Hong Kong Disneyland Resort

38. Dr KWOK Ka-ki expressed grave concern about the use of sites reserved for Phase 2 expansion plan of HKDL. He considered that leaving a site of 60 hectares idle for a prolonged period was a waste of precious land resources. He asked whether the site could be used for temporary housing or other purposes. Mr Nathan LAW shared the same concern about the use of that 60-hectare site.

39. SCED said that the Government would, under the contract that had been signed, make good use of the site concerned. In 2009, the Government invited the public to submit proposals on the short-term uses of the Phase 2 site, and the Government would be happy to consider proposed uses of the site which were in line with the approved uses under DRC, so as to make good use of the site. Since the end of 2009, the site could be put to short-term uses and had been leased to community organizations to stage various events.

Amendments proposed to the Administration's funding proposal

40. Mr CHU Hoi-dick asked the Administration to give its views on the two specified conditions proposed by him, Dr YIU Chung-yim and Mr LEUNG Kwok-hung under paragraph 21 of the Finance Committee Procedure ("FCP") in respect of the funding for the Plan. The two conditions were: (i) the Government was required to discuss with TWDC to revise the basis of calculation of the annual royalties and management fees and to announce the discussion results before the approved funding could be used, so that the calculation basis could be changed from the existing arrangements of linking the royalties and management fees with EBITDA to linking them with earnings after interest, tax, depreciation and amortization; and (ii) the Government was required to reopen discussion with TWDC to revise the option deed signed between the Government and HKITP in order to release the 60-hectare land reserved for Phase 2 development of HKDL for alternative uses, announce the discussion results and consult the public, before the moneys approved for the Phase 1 Plan could be used. SCED did not agree with the two conditions.

Meeting arrangements

41. At 2:42 pm, the Chairman said that he had received more than 20 motions proposed to be moved by members under FCP 37A ("FCP 37A motions") for expressing views on this item. He had ruled that 19 of them were directly relevant to the item. He reminded members that FC would proceed to deal with FCP 37A motions after the close of the questioning session, and called on members to expeditiously raise questions and propose FCP 37A motions on the item.

Motion for the adjournment of further proceedings of the Finance Committee

42. At 4:00 pm, Mr CHU Hoi-dick moved without notice under FCP 39 that further proceedings of FC be then adjourned.

43. The Chairman proposed the question on the motion to adjourn further proceedings of FC. The Chairman directed that each member might speak once on the question for not more than three minutes.

44. Mr CHU Hoi-dick spoke on his motion. In his view, further proceedings of FC should then be adjourned so that members would have more time to consider (i) voting down this funding proposal so as to allow the new-term Government to secure from TWDC proposals and agreement terms that were more beneficial to Hong Kong; (ii) supporting the two motions proposed by him, Dr YIU Chung-yim and Mr LEUNG Kwok-hung under FCP 21 on specifying the terms and conditions for funding the Plan.

45. Ms Claudia MO, Mr LEUNG Yiu-chung, Dr Fernando CHEUNG, Mr WU Chi-wai, Dr KWOK Ka-ki, Mr Jeremy TAM and Mr LEUNG Kwok-hung spoke in support of the motion for the adjournment of further proceedings of FC. They generally expressed dissatisfaction with the unfair agreement terms signed between the Government and TWDC in 1999, particularly the method for calculating royalties and management fees, as well as the use of the 60-hectare land which was reserved for the Phase 2 expansion plan of HKDL but was left idle for a prolonged period. In their view, as the funding proposal for the Plan had no urgency, the Government should take this opportunity to reopen negotiation with TWDC in order to rectify the unfair agreement terms.

46. Mr Michael TIEN spoke against the motion for the adjournment of further proceedings of FC as he considered that it would slow down the meeting progress and affect FC's discussion on other more important funding proposals. He said that he would only consider supporting a motion that sought to adjourn FC's discussion on an agenda item. Mr TIEN further elaborated on his earlier remarks on HKDL's financial situation in the past years, including the expenditures on the payment of management fees and royalties. He pointed out that the total revenues of HKDL from 2010 to 2016 amounted to $31.2 billion. In accordance with HKDL's EBITDA and on the basis of the base management fee rate of 6.5% and the variable management fee rate of 4% (on average), the expenditure on management fees from 2010 to 2016 should amount to $550 million in total. Furthermore, the royalty rate was broadly equivalent to 5% to 10% of revenues, depending on the sources of revenues, such as merchandise, food and beverage and admission fees. On the basis of a median rate of 7.5%, the total expenditure on royalties from 2010 to 2016 should amount to $2.4 billion. In other words, during the period when HKDL recorded a $600 million financial loss, the total amount of management fees and royalties receivable by TWDC reached $3 billion.

47. Mr Abraham SHEK spoke against the motion for the adjournment of further proceedings of FC. Mr SHEK considered that contractual terms should be respected, and that the Government should be given sufficient time to explain to members details of the agreement in respect of the Plan and justifications for supporting the Plan.

48. The meeting ended at 4:31 pm.

Legislative Council Secretariat
23 February 2018