

立法會
Legislative Council

LC Paper No. FC153/17-18

(These minutes have been
seen by the Administration)

Ref : FC/1/1(14)

Finance Committee of the Legislative Council

Minutes of the 29th meeting
held at Conference Room 1 of the Legislative Council Complex
on Friday, 21 April 2017, at 4:41 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 Jeffrey LAM Kin-fung, GBS, 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 Paul TSE Wai-chun, 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 Alice MAK Mei-kuen, BBS, JP
Hon KWOK Wai-keung
Hon Christopher CHEUNG Wah-fung, SBS, JP
Dr Hon Fernando CHEUNG Chiu-hung
Dr Hon Helena WONG Pik-wan
Hon IP Kin-yuen
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 Andrew WAN Siu-kin
Hon CHU Hoi-dick
Dr Hon Junius HO Kwan-yiu, JP
Hon HO Kai-ming
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
Dr Hon CHENG Chung-tai
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 MA Fung-kwok, SBS, JP
Hon Kenneth LEUNG
Dr Hon KWOK Ka-ki
Hon Dennis KWOK Wing-hang
Hon CHUNG Kwok-pan
Hon Alvin YEUNG

Hon Jimmy NG Wing-ka, JP
Hon YUNG Hoi-yan
Hon Tanya CHAN
Hon Kenneth LAU Ip-keung, MH, JP

[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:

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:

Ms Anita SIT

Assistant Secretary General 1

Staff in attendance:

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

Action

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"

The Finance Committee ("FC") continued with the deliberation on item FCR(2017-18)1.

2. Mrs Regina IP declared that she held a small amount of shares of The Walt Disney Company ("TWDC"). As direct pecuniary interests were involved, she would not vote on the funding proposal.

Motion for the adjournment of further proceedings of the Finance Committee

3. Members continued to speak on the motion for the adjournment of further proceedings moved without notice by Mr CHU Hoi-dick under paragraph 39 of the Finance Committee Procedure ("FCP").

4. Dr YIU Chung-yim, Mr HUI Chi-fung, Mr CHAN Chi-chuen, Mrs Regina IP, Mr Nathan LAW, Mr KWONG Chun-yu, Prof Joseph LEE and Mr James TO spoke in support of the motion for the adjournment of further proceedings of FC. They generally hoped that the Government could reopen discussion with TWDC, with a view to striving for better agreement terms for Hong Kong, including the method for calculating management fees and royalties and the use of the 60-hectare site reserved for the Phase 2 expansion of the Hong Kong Disneyland Resort ("HKDL").

Dr YIU Chung-yim requested the Administration to, during the adjournment, assess the actual benefits that could be brought to the Government subsequent to TWDC's agreement in-principle to relax the height restrictions on the government lands in the vicinity of HKDL. He also requested the Administration to consider the proposal he made earlier, i.e. 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.

5. Mrs Regina IP said that she intended to propose a motion under paragraph 21 of FCP and paragraph 5(b) of the Resolution on the Capital Investment Fund (Cap. 2B) to impose a condition on the funding proposal for the expansion and development plan at the Phase 1 site of HKDL ("the Plan"), i.e. in the event of HKDL incurring operating loss, the present funding proposal would be the last occasion on which the current-term FC expressed support for the Government's proposal to inject capital into HKDL. As she had not given insufficient notice for the moving of the proposed motion, she supported the motion that further proceedings of FC be then adjourned. The Chairman pointed out that as the notice period for proposing this type of motions must not be shorter than two clear days, he would not deal with the motion proposed by Mrs Regina IP at the meeting.

6. Mr CHU Hoi-dick spoke in reply in respect of his motion. The Chairman put to vote the motion for the adjournment of further proceedings of FC. At the request of members, the Chairman ordered a division. The Chairman declared that the motion was negatived. The votes of individual members were set out in the **Annex**.

Economic benefits and financial viability of the Plan

7. Mr Abraham SHEK expressed support for the Plan as it was conducive to the development of Hong Kong's economy and tourism industry. He requested the Administration to elaborate on the justifications for supporting the Plan. He was of the view that an increase in the number of inbound visitors was attributed to the introduction of the Individual Visit Scheme by the Mainland authorities, not so much to the expansion of HKDL. He then asked the Executive Vice President and Managing Director, HKDL ("EVP & MD of HKDL") whether other Disney resorts had implemented similar expansion plans in the past. In particular, he asked EVP & MD of HKDL whether he regarded the terms of agreement between the Government and TWDC fair and impartial, and in particular, whether he considered it fair and impartial to stipulate in the agreement that management fees and royalties were still payable to TWDC

even in times of losses being incurred by HKDL. He called on the Administration to take the opportunity to initiate negotiation with TWDC so as to strive for an agreement that was fairer for Hong Kong.

8. Mr HUI Chi-fung considered that, instead of injecting capital into HKDL, the Government should give full play to the edges of local tourism and promote the development of local cultural and creative industries to boost the tourism industry of Hong Kong. He asked whether the Administration had estimated how non-approval of the proposed capital injection would impact on the overall economy of Hong Kong, such as its actual impact on the number of visitors, employment and overall development of the tourism industry up to year 2025. Mr James TO objected to the funding proposal and raised questions similar to those raised by Mr HUI Chi-fung.

9. Dr Fernando CHEUNG pointed out that HKDL made net profits in only three years out of the past 12 years of operation, during which the financial loss amounted to \$600 million, but TWDC had pocketed almost \$3 billion in the form of management fees and royalties. He questioned whether the Government should continue to inject capital into HKDL. He considered it necessary to revise the method for calculating management fees and royalties so that TWDC would directly bear the risk of loss.

10. Mr SHIU Ka-fai expressed support for the Plan. He pointed out that HKDL was not purely an investment project. As a tourism landmark of Hong Kong, HKDL could attract tourists to visit Hong Kong and stimulate consumer spending. The retail industry had grown by 13 times from 2003 to 2013. He considered it necessary to increase other tourist facilities in HKDL and Hong Kong so as to promote the development of the tourism industry and the overall economy of Hong Kong. Mr SHIU also requested the Chairman to expeditiously end the filibuster.

11. The Secretary for Commerce and Economic Development ("SCED") advised that:

- (a) the agreement between the Government and TWDC in respect of HKDL was reached in 1999 when Hong Kong's economy was hard hit by the Asia financial crisis;
- (b) under the agreement reached at that time, TWDC would initially provide cash equity of \$2.45 billion to the Hongkong International Theme Parks Limited ("HKITP");

- (c) in the past 11 years of HKDL's operation, the Government had provided a new loan of about \$800 million for the development of HKDL. During the same period, TWDC had injected a total of some \$8.2 billion in HKITP by way of equity and loan, which was more than ten times the financial commitment made by the Government during that period;
- (d) the capital injection (including equity and loans) made by TWDC in HKITP, which was estimated to be in the region of \$10.7 billion by the end of Fiscal Year 2017 ("FY17"), was much higher than the sum of royalties and management fees that TWDC had received in the past;
- (e) the Government's return on its previous investments broke even in 2012;
- (f) the Government estimated that the additional capital injection for the Plan would have an internal rate of return of over 5% in real terms, and the Government's return on its additional investment would break even in 2025;
- (g) according to the attendance projections made under two different situations provided by TWDC to the Administration, the overall net economic benefits that could be generated by the Plan over a 20-year operation period were estimated at \$17.7 billion and \$18.7 billion respectively; in comparison, the overall net economic benefits that could be generated by the Plan over a 40-year operation period were estimated at \$38.5 billion and \$41.6 billion respectively; and
- (h) the Administration estimated that the Plan being proposed 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. It was also estimated that the total number of jobs created in Hong Kong's overall economy stemming from the additional spending of the incremental HKDL visitors in Hong Kong would reach 4 700 and 5 600 in FY25, and would reach 7 200 and 7 900 in FY30.

12. EVP & MD of HKDL and the Commissioner for Tourism ("C for T") added that:

- (a) HKDL had all along been strengthening its appeal to guests from all over the world, the Mainland and locals through progressively enriching its attractions and entertainment offerings;
- (b) like HKDL, other Disney resorts had been continuously introducing new attractions and entertainment offerings to attract new and return visitors; and
- (c) if the capital injection in question was not approved, the appeal and competitiveness of HKDL would be compromised to the detriment of its business development in the long run.

13. Mr SHIU Ka-fai asked how HKITP could ensure that the themes currently well-received by guests (such as "Frozen") would remain popular and attractive to visitors after completion of the Plan. EVP & MD of HKDL responded that in drawing up the Plan, HKITP had given careful consideration to, among others, films to be released by TWDC, the persistence of popularity and the appeal to different groups of visitors, in order to attract the global fans of these themes to specifically pay visits to HKDL.

14. Dr Fernando CHEUNG asked whether the Administration had explored other options for financing this project, such as securing loans or issuing bonds to raise funds. SCED said that in the view of the Government and TWDC, meeting the project costs by cash equity injection could reduce the liabilities of HKITP, which would be more beneficial to the long-term financial position of HKITP.

15. Ir Dr LO Wai-kwok enquired about the respective proportions of payments made to TWDC and the local construction industry for works-related services and expenses in the cost of \$10.9 billion required by the Plan. He requested the Administration to give a detailed explanation based on a breakdown of the cost estimates.

16. In reply, EVP & MD of HKDL said 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. The remaining funds would be spent mainly on services provided by TWDC-related companies to be calculated on the principle of cost recovery.

17. Mr YIU Si-wing considered that the appeal and competitiveness of HKDL would be undermined if its expansion could not be taken forward, especially as Shanghai Disney Resort had commenced operation and Tokyo Disney Resort had clearly stated its plan for an expansion. He agreed that the Administration should continue to hold negotiations with TWDC after this capital injection, in order to fight for more favourable terms for Hong Kong. He asked the Administration what measures had been put in place to ensure that over 90% of the project cost for the Plan could genuinely be spent on the local construction industry, such as for procuring related technologies and materials. SCED said that the management of HKITP would ensure proper use of the resources. The HKITP Board would also monitor the business and operation of HKDL.

18. Mr LAM Cheuk-ting, Mr SHIU Ka-chun and Ms Claudia MO refuted the remarks made by SCED about the pro-democracy members "raising objection for the sake of objection" and obstructing the economic development of Hong Kong. They said that members asked questions in the hope that the Government could further negotiate with TWDC on issues of concern to members, in order to fight for more favourable proposals and terms for Hong Kong.

19. Dr YIU Chung-yim was dissatisfied with the Administration for not providing members with analyses of statistics relating to the project, such as discounted cash flow analysis. He said that according to his analysis, cost recovery could not be achieved in nine years for the capital to be injected under the current proposal, while the internal rate of return projected by the Government as well as its forecast of the increase in attendance to HKDL were overly optimistic. Besides, the Government did not take into consideration such factors as a decline in spending by visitors.

20. SCED responded that the Government attached great importance to the questions raised by members and would provide information and answer questions by all means to allay members' concerns. He was concerned that some members had openly stated their intention to filibuster and hoped that members could handle this funding proposal with a positive attitude.

Operation and financial position of the Hong Kong Disneyland Resort

21. Mr LEUNG Kwok-hung expressed dissatisfaction about HKDL's operation, including a decline in attendance, its decision to develop a third hotel and a rather low occupancy rate of its hotels.

22. Ms Claudia MO enquired about the percentage of HKDL's net profits in TWDC's overall net profits generated by its park and resort projects. She saw no urgency in approving the funding proposal for the Plan, and enquired whether the Administration would consider shelving the funding proposal and leaving it to the new-term Government for further follow-up.

23. EVP & MD of HKDL said that he was unable to provide the information sought by Ms MO in her question. He pointed out that HKDL paid royalties to TWDC mainly to enable HKDL to use the intellectual properties owned by TWDC and access its global information on sales and marketing for developing and operating HKDL. EVP & MD of HKDL said that any delay in the Plan would undermine HKDL's appeal to visitors and lead to possible increase in project cost. SCED added that the Plan could bring economic benefits to Hong Kong and facilitate the development of the tourism industry, so he hoped that members could expeditiously approve the funding proposal.

24. Mr CHU Hoi-dick noted that according to HKITP's Articles of Association, the Government held 3.6 billion "D" shares in HKITP. However, holders of "D" shares enjoyed less power than those of "A" and "B" shares. When the company recorded a certain level of profits, the Government might convert the "D" shares in its holding into "X" shares, which might further be converted into "A" shares. He enquired about the reasons why the Administration had not converted its "D" shares into "A" shares all along.

25. The Assistant Commissioner for Tourism (1) said that given the impressive business performance of HKDL in FY14, the Government had, under a mechanism mutually agreed by the two shareholders, converted its "D" shares (subordinated shares) into ordinary shares in 2015. Its number of "D" shares held also dropped from the original 4 billion to the present 3.6 billion.

26. Mr Jeremy TAM pointed out that HKDL recorded a deficit of \$150 million in FY15, but its annual revenues and annual attendance in that year were already the second and third highest over the years respectively. He also noticed that in FY15, the sum of depreciation and amortization amounted to \$950 million, which was higher than the \$880 million in FY14. He asked the Administration whether the deficit recorded in FY15 was related to a decline in gross profits, and why the sum of depreciation and amortization was greater than the corresponding sum in FY14.

27. Mr WU Chi-wai noted that HKDL computed its sum of depreciation with a straight-line method based on a useful life of 20 years. Upon the expiry of the 20-year period (i.e. 2023), HKDL's financial position would significantly improve. He asked the Administration about its estimation of the economic returns that would be generated by HKDL if HKDL had to operate on existing scale and facilities without any expansion.

28. EVP & MD of HKDL said that the depreciation periods, as determined by types of assets, ranged between 5 and 40 years. HKDL needed to introduce new entertainment offerings and attractions to drive the attendance and business of HKDL, and to maintain its competitiveness in the region.

29. Mr Jeremy TAM enquired about the attendance forecast made by the Government in 1999 when it planned to develop HKDL. In reply, AC(T)4 said that the Government's attendance forecast back then was based on seven different scenarios. For example, under one of the scenarios, the attendance forecast was more than 4 million per annum when HKDL was commissioned.

Phase 1 and Phase 2 sites of the Hong Kong Disneyland Resort

30. Mr Abraham SHEK enquired whether it was possible for the Administration to resume the 60-hectare site reserved for Phase 2 expansion of HKDL and put it to other development uses.

31. Regarding the 60-hectare site which had been left idle for a prolonged period, Mr WU Chi-wai requested the Administration to elaborate on the opportunity cost that had been incurred.

32. SCED replied that as the site had already been reserved for Phase 2 development of HKDL since 1999 when the Government entered into an agreement with HKITP, Phase 1 expansion plan would neither inflate nor deflate its opportunity cost.

33. Regarding the lands in the vicinity of Sunny Bay that were subject to various restrictions under the Deed of Restrictive Covenant, Mr CHU Hoi-dick enquired whether, apart from agreeing to relax the height restrictions, TWDC would also agree to relax the terms that prohibited the development of other theme parks on the lands concerned. EVP & MD of HKDL said that all along, the Government and TWDC had been holding discussions on the uses of the lands in the vicinity of HKDL, but for the time being, no agreement had been reached on the issues concerned.

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

34. The meeting ended at 6:41 pm.

Legislative Council Secretariat
23 February 2018

點名表決DIVISION: 1
日期 DATE: 21/04/2017
時間 TIME: 05:15:53 下午 PM

動議 MOTION: 動議委員會現即休會
Motion that further proceedings of the Committee be now adjourned

動議人 MOVED BY:

出席 Present : 54
投票 Vote : 53
贊成 Yes : 22
反對 No : 30
棄權 Abstain : 1
結果 Result : 否決 Negatived

個別表決如下 THE INDIVIDUAL VOTES WERE AS FOLLOWS:

議員	MEMBER	投票	VOTE	議員	MEMBER	投票	VOTE
陳健波	CHAN Kin-por	出席	PRESENT	葉建源	IP Kin-yuen	贊成	YES
涂謹申	James TO	贊成	YES	葛珮帆	Dr Elizabeth QUAT	反對	NO
梁耀忠	LEUNG Yiu-chung	贊成	YES	廖長江	Martin LIAO		
石禮謙	Abraham SHEK	反對	NO	潘兆平	POON Siu-ping	反對	NO
張宇人	Tommy CHEUNG	反對	NO	蔣麗芸	Dr CHIANG Lai-wan	反對	NO
李國麟	Prof Joseph LEE	贊成	YES	盧偉國	Ir Dr LO Wai-kwok	反對	NO
林健鋒	Jeffrey LAM	反對	NO	鍾國斌	CHUNG Kwok-pan		
黃定光	WONG Ting-kwong	反對	NO	楊岳橋	Alvin YEUNG		
李慧琼	Starry LEE	反對	NO	尹兆堅	Andrew WAN	贊成	YES
陳克勤	CHAN Hak-kan	反對	NO	朱凱迪	CHU Hoi-dick	贊成	YES
梁美芬	Dr Priscilla LEUNG	反對	NO	吳永嘉	Jimmy NG		
黃國健	WONG Kwok-kin	反對	NO	何君堯	Dr Junius HO	反對	NO
葉劉淑儀	Mrs Regina IP	贊成	YES	何啟明	HO Kai-ming	反對	NO
謝偉俊	Paul TSE	反對	NO	林卓廷	LAM Cheuk-ting	贊成	YES
梁國雄	LEUNG Kwok-hung	贊成	YES	周浩鼎	Holden CHOW	反對	NO
毛孟靜	Claudia MO	贊成	YES	邵家輝	SHIU Ka-fai	反對	NO
田北辰	Michael TIEN	反對	NO	邵家臻	SHIU Ka-chun		
何俊賢	Steven HO	反對	NO	柯創盛	Wilson OR	反對	NO
易志明	Frankie YICK	反對	NO	容海恩	YUNG Hoi-yan		
胡志偉	WU Chi-wai	贊成	YES	陳沛然	Dr Pierre CHAN	棄權	ABSTAIN
姚思榮	YIU Si-wing	反對	NO	陳振英	CHAN Chun-ying	反對	NO
馬逢國	MA Fung-kwok			陳淑莊	Tanya CHAN		
莫乃光	Charles Peter MOK	贊成	YES	張國鈞	CHEUNG Kwok-kwan	反對	NO
陳志全	CHAN Chi-chuen	贊成	YES	許智峯	HUI Chi-fung	贊成	YES
陳恒鑽	CHAN Han-pan			陸頌雄	LUK Chung-hung	反對	NO
梁志祥	LEUNG Che-cheung	反對	NO	劉國勳	LAU Kwok-fan	反對	NO
梁繼昌	Kenneth LEUNG			劉業強	Kenneth LAU		
麥美娟	Alice MAK	反對	NO	鄭松泰	Dr CHENG Chung-tai	贊成	YES
郭家麒	Dr KWOK Ka-ki			鄺俊宇	KWONG Chun-yu	贊成	YES
郭偉強	KWOK Wai-keung	反對	NO	譚文豪	Jeremy TAM	贊成	YES
郭榮鏗	Dennis KWOK			羅冠聰	Nathan LAW	贊成	YES
張華峰	Christopher CHEUNG	反對	NO	姚松炎	Dr YIU Chung-yim	贊成	YES
張超雄	Dr Fernando CHEUNG	贊成	YES	劉小麗	Dr LAU Siu-lai	贊成	YES
黃碧雲	Dr Helena WONG	贊成	YES				

