

Legislative Council Finance Committee

Expansion and Development Plan of Hong Kong Disneyland Resort

*The Government's response to the follow-up actions raised
at the Finance Committee meeting on 1 April 2017*

PURPOSE

This paper sets out the Government's response to the follow-up actions raised at the Finance Committee meeting on 1 April 2017.

THE GOVERNMENT'S RESPONSE

(a) *The fees charged by The Walt Disney Company ("TWDC") on similar works projects of the Hong Kong Disneyland Resort ("HKDL") and the percentage of such fees out of the total project cost*

2. According to the management company of HKDL, for HKDL's expansion/development projects, fees paid to the Walt Disney Parks & Resorts teams based in the United States cover items such as select creative, design and technology efforts along with construction planning, and are billed to the relevant projects at cost without mark-up. HKDL's past projects such as the latest third hotel development and the expansion with three new themed areas have seen such fees at an average of 10% of the total project costs, with all these fees billed on the same cost recovery basis without mark-up. Based on current design direction for the expansion and development plan of HKDL, the total amount of the above-mentioned fees will represent less than 10% of the total project cost.

(b) *The coverage of the Government land in the vicinity of HKDL that TWDC has agreed in-principle to relax the height restrictions and the corresponding height restrictions; and*

(c) *The details of the Development Bureau's proposed developments at Kau Yi Chau and the request of government official from the Development Bureau to attend the Finance Committee meetings*

3. The Deed of Restrictive Covenant ("DRC") has been registered at the Land Registry since January 2000 for public inspection (Memorial No.: IS278911). We have made available a copy of DRC to Members alongside this response through the Legislative Council Secretariat.

4. The relaxations to the height restrictions under DRC as agreed in-principle by TWDC include the areas outside the Visual Buffer Zone around Kau Yi Chau to the east and south of Peng Chau which have yet to be reclaimed, as well as the Government land and those areas which have yet to be reclaimed around Sunny Bay. The Government and TWDC have not reached agreement on the details and arrangements for the relaxations, and further discussion is needed.

5. As regards the potential development around Kau Yi Chau, it will take into account the on-going Hong Kong 2030+ study to update the territorial development strategy (which is currently undergoing public engagement) and the strategy for the development and conservation of Lantau to be announced later this year, including the outcome of the relevant consultation and studies. The future development projects, if pursued, will still be subject to detailed planning and engineering studies as well as the applicable statutory procedures. A representative of the Development Bureau will attend the Finance Committee meetings to take questions that Members may have about these development projects.

(d) Information on the short-term activities held at site planned for the Phase 2 development of HKDL

6. With the completion of the works for the site planned for the Phase 2 development of HKDL, the site could be put to short-term use since end-2009. The following table shows the activities that were held at the site in the past –

Year	Event	Organiser
2010	Hong Kong Cross Country Championships 2010	Hong Kong Amateur Athletic Association
2010/2011	Hong Kong Scout 100 th Anniversary Jamboree	Scout Association of Hong Kong
2011	Hong Kong Cross Country Championships 2011	Hong Kong Amateur Athletic Association
2012	Hong Kong Cross Country Championships 2012	Hong Kong Amateur Athletic Association
2016/2017	Hong Kong Scout 105 th Anniversary Jamboree	Scout Association of Hong Kong

(e) The net income of HKDL in the past and in the future as well as TWDC's income under different assumptions of royalties and management fees

7. From fiscal year 2009 onwards, HKDL discloses its key operating and financial results (including its total revenues, earnings before interest, tax, depreciation and amortisation (“EBITDA”) as well as net income) on an annual

basis, and we brief the Legislative Council Panel on Economic Development on HKDL's business performance every year. According to the agreement between the Government and TWDC, the royalties charged by TWDC are at 5% to 10% of HKDL's revenues, depending on the source of revenues (e.g. merchandise, food and beverage, admission, etc.), and the formula for calculating the base management fee paid by HKDL is 6.5% of its EBITDA, while that for calculating the variable management fee is 0% to 8% of EBITDA. As the exact and projected amount of royalties and management fees would involve HKDL's confidential financial information, according to the agreement between the Government and TWDC, we are unable to disclose the amount of royalties and management fees calculated under different assumptions and the respective financial results.

Tourism Commission
Commerce and Economic Development Bureau
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