香港添馬
添美道二號
政府總部西翼二十二樓

TOURISM COMMISSION
旅遊事務署

Government Secretariat
22/F, West Wing
Central Government Offices
2 Tim Mei Avenue
Tamar, Hong Kong

本函檔號 Our Ref. :
來函檔號 Your Ref. :

電話號碼 Tel. No.: 2810 2911
傳真號碼 Fax No.: 2121 8791

28 May 2020

Clerk to the Finance Committee
Legislative Council Secretariat
Legislative Council Complex
1 Legislative Council Road
Central
Hong Kong
(Attn: Ms Anita Sit)

Dear Ms Sit,

Thank you for your email of 27 May 2020 attaching a letter from Hon Tanya Chan with questions on our earlier letter (vide Finance Committee ("FC") information paper FC188/19-20(01)). Regarding the questions raised by Hon Tanya Chan, please find our reply as follows -

Commercial Loans

We are not in the position to disclose the interest rates of the commercial loans as they are matters under commercial agreements between the Ocean Park Corporation ("OPC") and the commercial lender. As set out in our FC information paper FC188/19-20(01), the three commercial loans would be due within Financial Year ("FY") 2020-21. The OPC has not defaulted in any repayment in the past. The total expenditure of the OPC for repayment of principal, interest and other financial costs amounted to $1,454 million. In the current funding application submitted by the Government, the $3,090 million for the repayment of commercial loans and related financing costs includes $3,070 million to repay commercial loans which are due soon, related interest of $9.194 million, and financing costs for interest rate swap contracts of $11.33 million.

In FY 2015/16, the OPC obtained from the lending bank the Master Redevelopment Plans (“MRP”) – Refinanced Commercial Loan to repay the two MRP – Commercial Loans, taking into consideration that upon refinancing, a single commercial lender would replace the syndicate of over 20 commercial banks, thereby saving administrative costs. In addition, under such arrangement, the OPC would no longer need to pledge all other assets of the Park as collateral and so it can redeploy its current assets more flexibly. Apart from the above, in giving consent to the OPC for this loan arrangement, another consideration of the Government was that it would also be relieved of its obligations as the guarantor for the OPC’s commercial loan thereby reducing its financial exposure to the OPC.

As set out in the FC information paper FC188/19-20(01), pursuant to the requirements under the loan agreements of the MRP – Refinanced Commercial Loan, the OPC has to deposit a designated sum (i.e. not less than the sum of the repayment amount and interest of the upcoming instalment) in the designated account of the lending bank. In addition, all the other bank accounts (i.e. OPC’s saving, current, and foreign currency accounts, etc.) maintained with the lending bank are pledged as floating charge.

When the OPC arranged the $1 billion Commercial Revolving Credit Facility in October last year, its financial condition was not ideal. Also, the OPC was preparing for the implementation of the Strategic Repositioning Plan (“SRP”). As it would take time for the Government and the Legislative Council (“LegCo”) to consider and give relevant approval, the OPC arranged this credit facility for contingency. In fact, the OPC only needed to drawdown on this credit facility after the temporary closure of the Park since 26 January 2020 due to the pandemic.

We have already given an account of this Commercial Revolving Credit Facility[1] in paragraph 6 of the paper (CB(4)254/19-20(01)) of the LegCo Panel on Economic Development (“the ED Panel Paper”). Based on the projection back then and as pointed out in paragraph 25 of the ED Panel Paper, the OPC was already in talks with the commercial lender about refinancing the commercial loans. If the one-off endowment for the implementation of the SRP was approved, the OPC was confident that the repayment of its commercial loans could be deferred with better loan conditions until it has sufficient financial resources.

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[1] Paragraph 6 of the ED Panel Paper pointed out that although the OPC has already obtained a revolving credit facility of $1 billion in the private market, if it is unable to obtain any additional financial resources, it is envisaged the OPC would deplete its cash balance within this year.

Tai Shue Wan Development Project

As mentioned in our FC information paper FC188/19-20(02), based on the latest projection, the Tai Shue Wan Development Project ("TSW Project") will be completed before the end of 2020. The amount spent on this project as at early 2020 is $3.86 billion. The total expenditure for this project can only be ascertained upon completion of the construction works. For matters related to the cost overrun, please refer to the aforementioned information paper. In addition, as the OPC is still negotiating with its contractors on issues such as the final account of the project and the compensation for prolongation of works, we are not in the position to disclose the reserve amount at this juncture to avoid compromising OPC's ability to negotiate.

Government Loans

As of June 2020, the loan balance (i.e. the sum of principal and capitalised interest) of the Government loan for the MRP ("MRP Government loan") and the Government Loan for the TSW Project ("TSW Government loan") is estimated to be $2,616 million and $2,560 million respectively. In addition, as set out clearly in paragraph 6 of the ED Panel Paper, by end of FY 2020-21, the loan balance of these two Government Loans would be $2,749 million and $2,685 million respectively. Repayment for these two loans shall commence in FY 2021-22 with a repayment period of 10 years for the MRP Government loan and a repayment period of 12 years for the TSW Government loan. For the repayment scheduled approved by the FC, please refer to FC papers FCR(2005-06)35 and FCR(2013-14)11.

Rethink

As mentioned in the FC paper FCR(2020-21)15, we propose that the arrangements for the MRP Government loan and the TSW Government loan should be reviewed in the rethink exercise. As such, it would not be possible to ascertain the way forward of these two Government loans. At the same time, at this juncture we are in no position to predict the outcome of the rethink process and so we cannot estimate the financial arrangements for the OPC after the rethink process, including whether additional funding would be required for OPC's operation.

Depending on the outcome of the rethink process, we would seek the approval of the FC on the eventual financial arrangements including additional resources if necessary. We have also set out in FC information paper FCRI(2020-21)5 that the legal framework of Ocean Park would be reviewed in the rethink process and would be adjusted if necessary, including its restrictions on financing and scope of business. Only upon completion of such review would we be able to ascertain whether the Ocean Park Corporation Ordinance has to be amended and the amendment details if needed.

Yours sincerely,

Lai

(Anson Lai)
for Commissioner for Tourism