

Briefing Paper **Hong Kong Disneyland**

This paper describes the agreement reached between the Government and The Walt Disney Company (WD) for the development at Penny's Bay on Lantau Island of a world-class international theme park and resort, to be known as Hong Kong Disneyland (HKD). The agreement is subject to the approval of the Executive Council, the Legislative Council and the WD Board. The paper sets out the following :

- (a) economic benefits for Hong Kong ;
- (b) sums required for public works to form and service the land in Penny's Bay, to be funded from the Capital Works Reserve Fund;
- (c) sums required for investment in the project company, to be funded from the Capital Investment Fund; and
- (d) additional staff required by the Government departments concerned who will be responsible for handling the project in all its aspects.

2. This paper serves as a general background to the individual PWSC, FC and ESC submissions which we will put to the relevant Committees/Sub-Committees of the Legislative Council shortly. Drafts of these papers and other information have been included in attached annexes as follows :

- Annex A - Public Works Sub-Committee Paper
- Annex B - Finance Committee Paper
- Annex C - Establishment Sub-Committee Paper
- Annex D - Hong Kong Disneyland Project Description
and Site Map

Development of Hong Kong Disneyland

3. The Government and WD have agreed, subject to the approval of the Executive Council, the Legislative Council and the WD Board, to proceed with Phase I of HKD. It will include a Disney theme park, Hong Kong Disneyland, which will combine attractions, shows and cutting-edge technology from Disney theme parks around the world to create a unique mix of new and traditional Disney entertainment experiences. Upon completion of Phase I, the project will also include three to four Disney-themed resort hotels with up to 2,100 hotel rooms to be constructed adjacent to the theme park. In addition, Phase I of the project will include a 28,000 square metre retail, dining and entertainment complex as part of the overall Hong Kong Disneyland experience. The agreement also anticipates a Phase II project, which would include a second Disney theme park, additional hotels and an expansion of the retail, dining and entertainment complex. Phase I of Hong Kong Disneyland (excluding land premium) will cost a total of \$14.1 billion to develop. There is a project description and site map in Annex D.

Economic Assessment and Benefits

4. The Government's decision to support the project is based on our assessment of the likely economic benefits to Hong Kong, which would derive from :

- (a) additional tourists visiting Hong Kong;
- (b) additional spending by existing tourists;
- (c) additional spending by local residents; and
- (d) additional employment.

5. The Government Economist has considered the economic benefits which would be derived if the forecast of performance and financial projections for Phase I (known as "Base Case") is achieved. The main findings are :

	<u>Base Case</u>
Net economic benefit in present value over 40 years	\$148 billion
Economic rate of return in real terms	25%
Benefit/cost ratio	8.1 / 1
Additional employment created directly and indirectly	
- on opening (around 2005)	18,400
- on build out (around 2020)	35,800

The above figures are based on Phase I from opening to full build out. They do not include the potential benefits which might arise from extending to Phase II with the second park and related facilities. While much economic benefit will be generated from the on-site activities, an also significant part of the overall economic benefits will come from the wider spin-offs, including those business activities in support of the theme park and associated facilities and the additional tourist spending induced elsewhere in Hong Kong.

6. Economic assessment of this nature is subject to a range of uncertainties. The level of economic benefits depends on key business drivers such as attendance, induced tourist visitors to Hong Kong, and overall visitor spending. The economic benefits would be higher if these business drivers turn out to be better than expected. While performance as per the Base Case is taken for the main assessment, a number of alternative scenarios are also examined to cover the downside uncertainties. It is reckoned that even in the most conservative scenario examined, the net economic benefits of the Phase I project would still be considerable, at a cumulative value of \$80 billion with an economic rate of return of 17% in real terms and a benefit/cost ratio of 4.9/1.

Other Benefits

7. In addition to the substantial quantified economic benefits as assessed above, the theme park and its associated facilities are also expected to bring about significant non-quantifiable benefits. Some of these benefits are as follows :

- (a) quality standards - given WD's reputation for creativity, operational excellence and delivering high levels of guest satisfaction, the operation of HKD will set a new standard for the service sector in Hong Kong.
- (b) technological innovation - given WD's reputation for technological innovation, the operation of HKD will showcase the best of cutting-edge technology in its attractions and shows.
- (c) quality of life - HKD will enrich the quality of life for Hong Kong people in general by providing quality family entertainment and quality entertainment and recreational facilities.
- (d) image - HKD will no doubt enhance the international image of Hong Kong as a vibrant, cosmopolitan city, and specifically enhance the status of Hong Kong as a key tourist destination in Asia and the world. HKD's marketing and sales efforts, in combination with those of Hong Kong in general, will help make international tourists aware of the multiple reasons to travel to Hong Kong.
- (e) training - WD's commitment to employee training and development, especially in the area of guest service, will provide an added resource and leadership presence to Hong Kong's expanding service sector. The "Disney University" offers a wide variety of career development programmes for its employees (known as "cast members") at all levels of the organisation.
- (f) environmental sensitivity - WD's commitment to environmental sensitivity in its theme parks around the world will help set a new standard for Hong Kong. The company will bring its experience in environmental awareness and education to this project, including environmentally friendly operating practices such as recycling, energy conservation, and waste and water management.

Development of Penny's Bay on Lantau Island

8. The Government has been preparing possible alternative development scenarios for North-East Lantau Island. At the same time,

WD had been exploring the possibility of developing a theme park in Hong Kong and searching for a site that could meet their requirement. In late 1998, both parties began serious discussions and jointly determined Penny's Bay was the most appropriate location for a Disney theme park in Hong Kong.

9. At its meeting on 9 July 1999, the Town Planning Board (TPB) agreed that the development thrust of North-East Lantau should in the future be for tourism and recreational purposes. Subsequently TPB gazetted amendments to the Outline Zoning Plan (OZP) for the area on 13 August. Seven objections have been received. They did not challenge the planning intention for tourism/recreational related purposes but mainly raised concerns on the implications for existing uses and aspects of implementation. The appropriate departments are addressing these. Consideration of the objections by the TPB in accordance with the Town Planning Ordinance is now in progress.

10. We now propose to proceed with detailed planning and implementation of that part of the North-East Lantau development relating to Penny's Bay. Our goal is to create a high quality, visually appealing tourist destination. This will involve reclamation of about 280 hectares plus associated infrastructure, including water supply, drainage and sewage services, a rail link and road works to provide access. There will also be a public pier (in due course, two piers), a public transport interchange, two police posts and a fire station. A special feature of the development will be a large lake to the northwest of the theme park itself, which will serve as a water recreation centre for the public and as a source for irrigation water. We gazetted the Penny's Bay reclamation under the Foreshore and Sea-bed (Reclamations) Ordinance on 15 and 22 October. In addition, the roads throughout the area will be extensively landscaped and there will be a wide utilities strip alongside so as to avoid the need to repeatedly dig up the carriageway. Various existing or planned facilities, e.g. the CLP power station and the utility service area, will also be screened by a combination of artificial bunds (called "berms") and trees.

11. The Government understands the need to pursue projects which enhance economic development as well as exemplify environmental sensitivity. The Government and Disney both believe that environmental protection is a priority and will fully assess HKD's impact through Environmental Impact Assessments (EIAs). The EIA project profile will be published in early November.

12. The Government has also agreed to take special measures to ensure that the HKD site will be pleasing and undisturbed from undesirable visual intrusion and incompatible land uses in surrounding areas. This protection will be achieved by a combination of planning controls (via OZP preparation), inclusion of appropriate conditions in future land disposals, lease controls and by executing a Deed of Covenant which will limit the height of future buildings in the area.

Financing of Hong Kong Disneyland

13. Recognising the substantial economic contribution that a Disney theme park could bring to Hong Kong, Government started formal negotiations with WD in February 1999. At an early stage, the two parties discussed the possibility of bringing in third party investors from the outset. However, in view of the scale and complexity of the project and the need for close liaison during the development stage, we came to the conclusion that a Government-Disney partnership was the best way forward. The Government and WD have agreed to set up a joint venture company (to be known as Hong Kong International Theme Parks Limited, "HKITP") for the purpose of developing and operating HKD. The Government has agreed to the following :

- (a) equity contribution – the Government will make an initial equity contribution of \$3.25 billion (or 57% of the outstanding one-dollar shares). WD will contribute \$2.45 billion (or 43% of the outstanding shares). We envisage that third party investors may be interested in investing in HKITP in the future. This will offer opportunities for the Government and WD to sell down some of their shares. After the first year of operation, the Government will be free to hold or sell down its shares over the life of the project as it wishes. However, WD will commit to retain at all times a minimum investment of 1.9 billion shares.
- (b) government loan – the Government will make a loan available to HKITP of \$5.6 billion (rising to \$6.1 billion on park opening with inclusion of capitalised interest) at interest rates ranging from Prime minus 1.75% to Prime. The loan must be completely repaid with interest within 25 years.
- (c) land premium – the land premium for Phase I is \$4 billion, representing the estimated pro rata cost for the reclamation and land formation. HKITP will settle the premium by

issuing \$4 billion worth of subordinated shares to the Government. These shares attract no dividends in themselves, but are convertible to ordinary shares in the company at a progressive rate depending on performance above base case.

The total capital structure will be as follows:

<u>Source of Funding</u>	<u>Amount (\$ billion)</u>	<u>% of Total</u>
Equity , of which	5.7	40.4%
- Government	3.25	23.0%
- Disney	2.45	17.4%
Debt , of which	8.4	59.6%
- Government	6.1*	43.3%
- Commercial	<u>2.3</u>	<u>16.3%</u>
Total	<u>14.1</u>	<u>100%</u>

Full details of the proposed financial arrangements are in the draft Finance Committee paper at Annex B.

Financial Performance

14. To assess the financial feasibility and economics of HKD, WD developed a set of assumptions and calculated the resulting financial performance - the Base Case. The Base Case takes into account WD's operating experience in its international theme parks and resorts, and the operating environment in Hong Kong. Details of this financial performance are included in the draft Finance Committee paper at Annex B. The Government, with the help of its financial advisors, has examined the Base Case calculations and concluded they form a reasonable basis for proceeding with the project.

Attendance and Spending

15. The Base Case opening year attendance projection of 5.2 million visitors includes approximately 35% (1.8 million) Hong Kong guests and 65% (3.4 million) tourists. Of the total tourist visits, an estimated 1.4 million, or over 25% of the total attendance, are

* Including capitalised interest of \$0.5 billion.

incremental tourists to Hong Kong who would not have otherwise visited the region. With time, the proportion of overseas visitors will rise along with the number of incremental tourists to Hong Kong. At Phase I build out, total attendance is estimated at 10 million, with almost 75% tourists, including approximately 2.9 million incremental visitors. .

16. Overall spending at HKD is estimated at approximately \$9.5 billion at opening year, increasing to nearly \$18.7 billion annually at Phase I build out. This calculation is based on total direct on-site spending by tourists and local residents in the theme park, themed hotels and retail, dining and entertainment complex, as well as off-site spending by existing tourists who extend their stay in Hong Kong, and all off-site spending by incremental tourists (including receipts by local airlines).

Employment

17. During the initial construction period, some 12,000 man years of employment are created by the land reclamation and infrastructure works funded by the government. An additional 6,000 man years of employment are created by the construction of the various elements of HKD.

18. At opening, about 18,400 jobs will be generated directly or indirectly by the project, rising to 35,800 at Phase I build out.

19. Most "cast members" at HKD will work for HKITP. A smaller number (currently estimated to be about 40) of the key management employees will work for the management company which will be a 100% WD-owned subsidiary. Initially the management company employees will be specialists from elsewhere in the WD theme park and resort segment. However, the intention is that the bulk of the positions (currently estimated to be about 35) will be understudied by locally recruited personnel who will take over when they have been trained up to the appropriate standard.

20. Staff training will take place both in the USA and Hong Kong. In the USA, key personnel will receive hands-on experience in existing WD theme parks. In Hong Kong, HKITP and the management company will develop suitable training packages, including the establishment of a "Disney University" in Hong Kong.

Staffing Implications

21. In view of the scale of the project and the intended implementation programme, the bureaux and departments concerned will need to create a total of 49 posts (including four at directorate level). Full details are in the draft ESC paper at Annex C.

Timing

22. Both parties have agreed to set 2005 as the target opening year.

Contractual Arrangements

23. There are altogether five main agreements:

- (a) Management Agreement which sets out the relationships between HKITP and the WD subsidiary which will manage the park. The management fees which WD will earn for agreeing to manage HKD are structured to be a function of overall financial performance.
- (b) Licence Agreement which sets out the arrangements whereby HKITP secures and pays for access to WD intellectual property. The licence fees which WD will earn for licensing its intellectual property to HKD are similar to those arrangements in Tokyo for Tokyo Disneyland and in Paris for Disneyland Paris.
- (c) Shareholders Agreement which sets out the rights and obligations of the shareholders. The two principal shareholders will initially be the Government and WD, both of whom must contribute cash equity.
- (d) Loan Agreement which sets out the terms and conditions of the Government loan to HKITP. The government loan carries with it interest cost obligations and must be repaid within 25 years.
- (e) Master Project Agreement which is the main contractual document setting out the parties' responsibilities and undertakings in respect of design, construction and operation of HKD.

Future Expansion

24. The Government and WD have agreed that HKITP will proceed with a second phase on the site immediately to the east of Phase I assuming that the Phase I project is successful. Accordingly, we are giving HKITP the option, valid for 20 years after park opening and subject to certain conditions, to purchase the Phase II site for \$2.812 billion (equivalent to the construction cost at current prices, to be adjusted in accordance with changes in Composite CPI). . The site for Phase II will be reclaimed mainly by public dumping over a period of 8 years. We have also agreed that HKITP would be given the right of first refusal to buy the site to the east of Phase II when this is eventually available for disposal.

Way Forward

25. The Government and WD have agreed to seek the necessary internal endorsements by the Executive Council and the Legislative Council and The Walt Disney Company Board of Directors in November 1999 with a view to entering into firm contractual arrangements before the end of the year. Subject to approval by the Legislative Council of the individual submissions at Annexes A, B, and C, we will give effect to this agreement.

Tourism Commission
Economic Services Bureau
November 1999

**For Discussion
on 17 November 1999**

PWSC(1999-2000)xx

**ITEM FOR PUBLIC WORKS SUBCOMMITTEE
OF FINANCE COMMITTEE**

HEAD 705 - CIVIL ENGINEERING

Civil Engineering - Land development

New Item - Site formation, construction of associated infrastructures and provision of Government, institution and community facilities for an international theme park on Lantau Island

Members are invited to recommend to Finance Committee to accept in principle the financial implication, estimated at \$13.569 billion, for the site formation, construction of associated infrastructures and provision of Government, institution and community facilities in connection with the development of an international theme park on Lantau Island.

PROBLEM

The Government needs to have Finance Committee's acceptance-in-principle for providing funds to support the development of an international theme park, to be known as Hong Kong Disneyland (HKD), at Penny's Bay on Lantau Island, before it can enter into binding contracts with The Walt Disney Company (WD).

PROPOSAL

2. The Director of Civil Engineering, with the support of the Commissioner for Tourism, Economic Services Bureau, proposes to seek Members' recommendation to Finance Committee the acceptance-in-principle for providing funds at an estimated cost of \$13.569 billion at September 1999 prices for the site formation, construction of associated infrastructures and provision of Government, institution and community (GIC) facilities to support the HKD development.

PROJECT SCOPE AND NATURE

3. The scope of the proposed project includes the following work elements :

- (a) a reclamation of about 280 hectares of land with about 3.5 km of permanent sloping seawalls, to be completed in packages;
- (b) road works comprising :
 - (i) a dual-2 lane /dual-3 lane carriageway of about 4.5 km in length connecting the proposed railway station at Yam O to the theme park;
 - (ii) a 3.5 km long resort road around the proposed theme park; and
 - (iii) a central pedestrian walkway in the middle of the theme park of approximately 800 m.
- (c) an at-grade public transport interchange near the proposed Penny's Bay railway station and a temporary public transport interchange at the proposed railway

- station at Yam O;
- (d) two public piers;
 - (e) landscaping berms, road side buffers, and other landscaping works;
 - (f) a public water recreation centre including a multi-purpose lake of about 12 hectares for water sports and irrigation water supply;
 - (g) a sewerage network to convey sewage to the existing sewage treatment plant at Siu Ho Wan;
 - (h) a stormwater drainage system including a 1.2 km long open channel on the west of the reclamation, and box and pipe culverts in the reclamation;
 - (i) fresh water supply from a service reservoir at Yam O Tuk, and salt water supply from Siu Ho Wan; and
 - (j) essential GIC facilities including two police posts and one fire/ambulance station.

JUSTIFICATION

4. The Government has been preparing possible alternative development scenarios for North-East Lantau Island. It has concluded that it is in Hong Kong's best interest to develop North-East Lantau into an area which focuses on tourism and recreation. This is reflected in the draft Outline Zoning Plan (OZP) covering the area which was gazetted in August this year. At the same time, WD had been exploring the possibility of developing a theme park in Hong Kong and searching for a site that could meet their requirement. They later determined that Penny's Bay was the most appropriate location for a WD theme park in Hong Kong. This gives an excellent

opportunity of realising Government's planning intention for the area.

5. After months' of negotiation, the Government and WD have agreed to proceed with the HKD project Phase I which comprises a world class international theme park, a hotel complex, and a retail, dining and entertainment area. The agreement is subject to the approval of the Executive Council, the Legislative Council and the WD Board. A site plan of the proposed HKD development, and a full description of the economic and other benefits, are set out in the briefing paper previously circulated to Members on 3 November 1999.

6. To give effect to the above agreement, Government will need to provide a fully formed and serviced site on reclaimed land at Penny's Bay for HKD Phase I (occupying 126 ha.), together with the required transport infrastructure and utilities. To ensure that Hong Kong can capture the economic benefit as soon as possible, it would be desirable for the reclamation and the associated works to start as soon as possible so that the theme park construction can take place earlier and that the theme park can be opened ready. Current plan is to open the park in 2005.

FINANCIAL IMPLICATIONS

7. We estimate the total cost of the project, subject to detailed design, to be \$13.569 billion at September 1999 prices made up as follows:

	\$ billion
(a) Land formation	8.680
(i) Engineering cost	7.960
(ii) public transport interchanges	0.720
(b) Construction of associated infrastructures & GIC facilities	4.889
(i) road works	1.520
(ii) public transport interchanges	0.790

(iii)	public piers	0.090	
(iv)	landscaping berms	0.160	
(v)	water recreation centre	0.080	
(vi)	sewerage network	0.180	
(vii)	stormwater drainage system	0.900	
(viii)	fresh and salt water supply systems	0.400	
(ix)	provision of GIC facilities	0.380	
(x)	contingencies	0.389	

	Total		13.569 (at September 1999 prices)

8. We will phase the expenditure over a period of about 10 years starting from 2000-2001. The detailed design for various components of the project has still to be undertaken. In addition, because of the high standard of landscaping and the general aesthetic quality of the area that the Government will maintain, the maintenance cost are likely to be higher than normally expected. We will work out the details in the course of detailed design.

PUBLIC CONSULTATION

9. We briefed the Islands and the Tsuen Wan Provisional District Boards (PDBs) on 4 and 5 August 1999 respectively on the proposed changes of land use to tourism and recreation for North-East Lantau and the need for gazetting of the Penny's Bay Reclamation under the Foreshore and Sea-bed (Reclamations) Ordinance. Members of the PDBs were generally supportive of the proposed theme park development. We gazetted the proposed amendments to the Outline Zoning Plan for North-East Lantau were gazetted on 13 August 1999. We also briefed the Advisory Council of the Environment on 27 September 1999 on the review of the construction

impacts due to changes in reclamation limits and sequence for the theme park development. The Council noted the results of the review.

10. Subsequent to the changes in land use proposed under the North-East Lantau Outline Zoning Plan, we published a gazette notice under the Foreshore and Sea-bed (Reclamations) Ordinance on 15 October 1999 for the reclamation at Penny's Bay for implementing the tourism/recreation development concept in North-East Lantau.

ENVIRONMENTAL IMPLICATIONS

11. The HKD development is a designated project under Schedule 2 of the Environmental Impact Assessment Ordinance (EIAO). We will prepare a Schedule 2 Environmental Impact Assessment (EIA) for the HKD development which includes the impact assessment for the construction and operation of the proposed theme park and associated facilities to meet the requirements of the EIAO. An application for approval of the EIA study will be submitted to the Director of Environmental Protection under the EIAO.

12. We will use marine sand and public fill as fill material for the reclamation and will maximise the accommodation of inert construction and demolition materials in the reclamation.

LAND ACQUISITION

13. We will resume private lots required for the project under the Roads Ordinance, the Railways Ordinance and the Lands Resumption Ordinance as appropriate.

Economic Services Bureau
November 1999

First Draft

**For discussion
on 26 November 1999**

FCR(99-00)XX

ITEM FOR FINANCE COMMITTEE

CAPITAL INVESTMENT FUND

New item “International theme park in North Lantau”

Members are invited to approve a commitment to inject \$3,250 million as equity, to provide \$5,619 million as a loan from the Capital Investment Fund to Hong Kong International Theme Parks Limited and to approve an investment of \$4,000 million in subordinated equity by the Capital Investment Fund representing Phase I land formation costs to allow the company to proceed with the development and operation of Hong Kong Disneyland.

PROBLEM

The Government has reached agreement with The Walt Disney Company (WD), subject to the approval of the Executive Council, the Legislative Council and the WD Board, to develop a world class international theme park which will operate under the name of Hong Kong Disneyland (HKD). The commercial terms of the agreement provide for the Government to participate as an equity investor in the company which will develop and operate HKD, Hong Kong International Theme Parks Limited (HKITP), to provide a loan to HKITP and to inject the cost of reclaiming the land for Phase I of HKD as subordinated equity in HKITP.

PROPOSAL

2. The Commissioner for Tourism, with the support of the

Secretary for Economic Services, recommends that Members approve a commitment of \$3,250 million as equity and \$5,619 million as loan from the Capital Investment Fund, and an investment of \$4,000 million in subordinated equity by the Capital Investment Fund representing Phase I land formation costs.

JUSTIFICATION

Background

3. WD has been exploring the possibility of developing a theme park in Hong Kong for some years, but until recently was unable to find a suitable site which could meet the Company's requirements in terms of avoiding visual intrusion and incompatible adjacent land uses. Meanwhile, the Government had been preparing possible alternative development scenarios for Northeast Lantau and concluded that it would be better to switch the planning intention from the originally intended port development land uses to recreation and tourism-led ones. In late 1998, both parties realised that Penny's Bay at Northeast Lantau would make an appropriate location for a Disney theme park if agreement could be reached on financial and other terms.

4. Recognising the substantial economic contribution that a Disney theme park could bring to Hong Kong, Government started formal negotiations with WD in February 1999. At an early stage, the two parties discussed the possibility of bringing in third party investors from the outset. However, in view of the scale and complexity of the project and the need for close liaison during the development stage, we came to the conclusion that a Government-Disney partnership was the best way forward. On 31 October 1999, the two parties reached agreement on the development of a Disney theme park at Penny's Bay on Lantau Island. We briefed the Legislative Council on the key aspects of our agreement with WD at special joint-panel briefings on 3 and 5 November 1999.

Financing

5. The estimated total project cost to HKITP of developing HKD Phase I is \$14.1 billion (in money of the day prices). This is in addition to the cost of reclaiming the land for Phase I of the project, which is estimated at \$4 billion. Therefore the commercial aspects of the negotiations centred around how to fund the \$18.1 billion, the financial prospects of the proposed theme park, and the rates of return for WD and the Government.

6. WD's forecast of the financial performance of HKD (the "Base Case") showed that the project could cover the cash cost of building and operating the theme park and related facilities, but could not cover the cost of the land. Given the very substantial economic and other benefits that HKD would bring to Hong Kong, the Government agreed not to demand cash up front for the land premium, subject to certain conditions, the main ones being :

- (a) the full premium would be paid in subordinated shares which would convert to ordinary shares progressively during the life of the project to the extent that operating performance exceeded the Base Case. In this way the Government would capture its fair share of the project's upside potential;
- (b) WD would agree to take a significant initial equity stake and retain most of it for the life of the project. In this way the Government would ensure WD's sustained commitment to the project;
- (c) the Government would hold a majority stake initially to protect its interest, but with the ability to sell down subsequently to third party investors.

7. In order to ensure that HKD will remain attractive as a commercial venture to existing and potential third party investors, the subordinated shares will need to be converted in a gradual manner. This will ensure that the benefits of the ordinary shares held by other investors will not be diluted substantially within a short period of time. Moreover, to allow for fluctuation in business in the early years of HKD, both sides also agreed that conversion will only begin after five years of theme park operation. The permitted conversion ceiling will thereafter rise by 5% per annum cumulatively thus rendering full conversion of the subordinated shares possible 25 years after opening. In order to prevent excessive equity dilution in any one year there is an annual cap of 10% on conversion.

8. The land premium for the Phase I site has been set at \$4 billion, being the pro rata cost of that portion of the land reclamation and site formation taken up by the first phase of HKD. This sum will be spent from the Capital Works Reserve Fund, but, as the shares issued by HKITP in payment will be credited to the Capital Investment Fund, we need approval for the investment.

9. The Government and WD agreed that the cost of constructing HKD, at \$14.1 billion should be financed by a mixture of debt and equity at a commercially prudent ratio of approximately 60:40. This translates to \$5.7 billion in equity and \$8.4 billion in debt.

10. Initially WD will put up \$2.45 billion in equity for one-dollar shares and hold a 43% stake in HKITP. It will later be allowed to sell down but not below the level of 1.9 billion shares. The Government will initially put up \$3.25 billion in equity for one-dollar shares in HKITP and hold a 57% stake. The Government can sell down its stake (and also any subordinated shares that convert to ordinary shares - see paragraphs 6 and 7 above) after the first year of operation without any requirement for a minimum holding.

11. The debt of \$8.4 billion will be raised by a commercial loan of \$2.3 billion and a Government loan of \$6.1 billion, the latter repayable over 25 years. (Both loan figures include capitalised interest estimated at \$0.7 billion.) The reason for raising just over a quarter of the debt from the open market is that in the early years the project cash flows can only prudently cover loan servicing of that amount. Repayment of the Government loan will begin 10 years after HKD opens when the commercial loan has been paid off.

12. To help the project in its early years, the Government loan will carry interest on a sliding scale as follows :

6.75%	(Prime - 1.75%)	from drawdown to the first 8 years after park opening
7.625%	(Prime - 0.875%)	for the next 8 years
8.5%	(Prime)	for the next 9 years

13. Detailed terms of the Government's equity injection and the conversion of the subordinated shares are provided for in a Shareholders' Agreement between the Government and the wholly-owned WD subsidiary which will hold its shares in HKITP, while those of the Government loan are provided for in the Loan Agreement to be made between the same parties.

14. The following summarises the financing of the project.

Funding Sources	Amount (\$ billion)	% to Total
Equity , of which	5.7	40.4%
- Government	3.25	23%
- Disney	2.45	17.4%
Debt , of which	8.4	59.6%
- Government	6.1*	43.3%
- Commercial	2.3*	16.3%
Total	14.1	100%

* including capitalised interest

Project Evaluation

15. The success of the project lies in its ability to attract adequate patronage both from within and outside Hong Kong. The Base Case projection represents the best estimate that WD can make at this time. We have examined the Base Case calculations with the help of our financial advisers and concluded they form a reasonable basis for proceeding with the project. The Base Case assumes an initial annual attendance of some five million gradually increasing to some 10 million upon Phase I build-out. This compares with the annual attendance of the Disney theme parks around the world, which ranges from some eight million to 17 million. The Base Case also assumes a market penetration rate (i.e. expected attendance over the total number of eligible visitors in the respective category) ranging from 17-23% for the local residents market and 27% for the visitor market (including both existing and induced visitors). The increase in total theme park attendance from five million to 10 million upon Phase I build-out, and the increase in overseas visitor attendance for the theme park over the same period, are not considered particularly ambitious given that it is spread over a period of some 15 years. According to the World Tourism Organisation, visitor arrivals to Hong Kong are forecast to increase substantially over the next 20 years.

16. In financial terms, we expect to achieve a reasonable return on our investment. The project's forecast internal rate of return compares favourably with those of other major infrastructure projects in which we have invested, such as the airport and railways, and, as noted above, the project has considerable upside potential.

Control Mechanism

17. As the largest shareholder in HKD, we need to safeguard Government's interest in this project. Apart from the various project agreements entered into, Government will have a majority on the Board of Directors of HKITP. Two non-executive independent Directors mutually agreed by both Government and WD will also be appointed to the Board. While the day-to-day operation of the theme park will be managed by the management company (a 100% WD-owned subsidiary), the Board will exercise a supervisory role.

FINANCIAL IMPLICATIONS

18. Subject to Members' approval, Government proposes to inject \$3.25 billion in annual tranches pro rata with WD in accordance with the cashflow needs of HKITP.

19. The forecast cash flow for loan drawdown and equity injection is as follows :

	<u>Loan</u> \$ million	<u>Equity</u> \$ million
1999 - 2000	-	145
2000 - 2001	624	120
2001 - 2002	403	329
2002 - 2003	1,373	794
2003 - 2004	2,779	1,607
2004 - 2005	<u>440</u>	<u>254</u>
	5,619	3,250

Tourism Commission
Economic Services Bureau
November 1999

FIRST DRAFT

For discussion
on 10 November 1999

EC (1999 - 2000)XX

**ITEM FOR ESTABLISHMENT
SUBCOMMITTEE
OF FINANCE COMMITTEE**

**HEAD 145- GOVERNMENT SECRETARIAT
ECONOMIC SERVICES BUREAU**

HEAD 43 - CIVIL ENGINEERING DEPARTMENT

HEAD 82 - BUILDINGS DEPARTMENT

Subhead 001 Salaries

Members are invited to recommend to Finance Committee :

- (a) the creation of the following supernumerary directorate posts -

Economic Services Bureau

1 Administrative Officer Staff Grade C
(D2) (\$116,650 - \$123,850)
from 1 December 1999 to 31 March 2005

Civil Engineering Department

1 Principal Government Engineer
(D3) (\$127,900 - \$135,550)
from 1 December 1999 to 31 March 2005

1 Chief Engineer
(D1) (\$98,250 - \$104,250)
from 1 December 1999 to 31 March 2005

Buildings Department

1 Chief Structural Engineer
(D1) (\$98,250 - \$104,250)
from 1 April 2001 to 31 March 2002; and

- (b) the redeployment of the following permanent directorate post

Civil Engineering Department
1 Chief Engineer
(D1) (\$98,250 - \$104,250)
from 1 December 1999

PROBLEM

The Government needs additional manpower resources to take forward the development of a world class international theme park, to be known as Hong Kong Disneyland (HKD), at Penny's Bay on Lantau Island.

PROPOSAL

2. We propose to -

- (a) create one supernumerary post of Administrative Officer Staff Grade C (AOSGC) (D2) from 1 December 1999 to 31 March 2005 to head a new International Theme Parks Division in the Tourism Commission of the Economic Services Bureau (ESB);
- (b) create one supernumerary post of Principal Government Engineer (PGE) (D3) from 1 December 1999 to 31 March 2005 to head a new Special Duties Office in the Civil Engineering Department (CED) to take up the overall management of all works projects at Northeast Lantau, including the development of HKD;
- (c) create one supernumerary post of Chief Engineer (CE) (D1) from 1 December 1999 to 31 March 2005 to support the head of the new Special Duties Office in CED;
- (d) redeploy one post of CE (D1) from the Port Branch to support the head of the new Special Duties Office in CED; and
- (e) create one supernumerary post of Chief Structural Engineer (CSE) (D1) from 1 April 2001 to 31 March 2002 in the Buildings Department (BD) to lead a team of professional officers responsible for the evaluation and approval of new concepts and principles on structural designs and overseeing building works in compliance with the Buildings Ordinance and Regulations.

JUSTIFICATION

The HKD Project

3. The Government and The Walt Disney Company (WD) have agreed to proceed with Phase I of the HKD project. The agreement is subject to approval by the Executive Council, the Legislative Council and the WD Board. HKD will comprise a world class international theme park, a resort hotel complex and a retail, dining and entertainment area. According to the base case projection (the Base Case) prepared by WD, HKD is expected to attract some five million visitors in the opening year, rising to 10 million by Phase I build out. The Government, with the help of financial advisers,

has examined the calculations in the Base Case and concluded it is a reasonable basis for the project to proceed. The agreement also anticipates a Phase II project, which would include a second theme park, additional hotels and an expansion of the retail, dining and entertainment complex.

4. The Government Economist has considered the economic benefits of the project if the Base Case is achieved. His conclusion is that the development of Phase I of HKD will bring about a net economic benefit in present value over 40 years of \$148 billion and create 18,400 additional jobs directly and indirectly in the year of opening, rising to 35,800 at Phase I build out. While much economic benefit will be generated from the on-site activities, an also significant part of the overall economic benefits will come from the wider spin-offs, including those business activities in support of the theme park and associated facilities and the additional tourist spending induced elsewhere in Hong Kong.

5. In order to capture the fullest benefit of the project as soon as possible, the Government and WD have agreed to set 2005 as the target opening date. This is an extremely tight timetable given the large-scale infrastructural works involved. These include reclamation of about 280 hectares of land, extensive road works, water supply, drainage and sewage services, a large water recreation centre, a public pier, a public transport interchange, two police posts and a fire station. The full cost of the Government works is about \$13.6 billion. Details will be set out in a separate submission which we will put to the Public Works Subcommittee for approval on 17 November 1999.

6. The Government and WD have also agreed to set up a joint venture company, to be known as Hong Kong International Theme Parks Limited (HKITP), to develop and operate HKD. The Government will initially be a majority shareholder and will provide a loan to help fund the project. There is therefore a need for the Government to closely monitor the performance of HKITP. Details of Government's financial undertaking in the project will be set out in a separate submission for consideration by the Finance Committee of this Council on 26 November 1999.

7. To ensure the project is implemented expeditiously, the Financial Secretary will chair a Project Steering Committee (PSC) to identify and address all potential problems.

8. In view of the scale and complexity of the project, the bureau and departments concerned will need additional manpower resources.

Economic Services Bureau

9. The Commissioner for Tourism in ESB has been leading the negotiations with WD and he will continue to spearhead the implementation of HKD. During the negotiation stage, we created a supernumerary AOSGC post under delegated authority on 1 October 1999 for six months to support the Commissioner.

10. For the implementation stage, we propose to create a small team in the Tourism Commission, to be headed by an AOSGC designated as Assistant Commissioner for Tourism (3). The team will coordinate, monitor and oversee the

work of various parts of the Government in implementing the project. This involves no less than twenty bureaux and departments. The team will also service PSC and its sub-committees, liaise with senior management of WD in developing and running HKD, liaise with the Finance Bureau to implement the Government's financial undertakings and safeguard Government's investment, and so on. We therefore need an officer with strong leadership and negotiation skills to coordinate among departments, proven administrative experience to be aware of complications, and strategic planning capabilities to ensure timely completion of the project.

11. In addition to the supernumerary AOSGC post for the WD negotiations, the Commissioner for Tourism is now underpinned by two permanent AOSGCs and one AOSGC on loan from the central reserve. The three officers support the Commissioner in the formulation of tourism policy and strategy, as well as the implementation of a large number of other tourism-related projects and initiatives. They are already at their full capacity and cannot take on additional responsibilities.

Encls 1 - 3 12. The duty list of the proposed AOSGC and the existing and proposed organisational chart of the Tourism Commission are at Enclosures 1 - 3 respectively.

Civil Engineering Department

13. During the negotiation stage, we created two supernumerary directorate posts, one PGE and one CE, under delegated authority on 2 October 1999 and 2 August 1999 respectively for six months to support the Director of Civil Engineering (DCE) to provide professional analysis and advice on the proposed projects during the negotiation stage.

14. In the implementation stage, given the extensive infrastructural works involved, we intend to set up a dedicated unit within CED, to be known as the Special Duties Office (SDO). The SDO will have two sub-divisions (one on coordination and one on works) and be responsible for the overall delivery, coordination and monitoring of all infrastructural and associated works at the HKD site and other related developments at or in the vicinity of Northeast Lantau. The overall expenditure by the Government on these projects is estimated to be about \$13.6 billion over the next ten years. The SDO will need to select, appoint, supervise and monitor the Government's consultants and employ contractors, liaise closely with various Government departments, utility companies, the rail operator and HKITP to ensure a smooth interface and timely delivery of all works.

15. We propose to create a PGE(D3), to be designated as the Deputy Director (Special Duties (DD(SD))), to head the SDO. The DD(SD) will oversee the implementation of the project and must liaise closely with senior management of WD to ensure a proper interface and coordination on all issues relating to the two sides' large-scale works. The DD(SD) will be supported by two divisions each headed by a CE(D1). We further propose to create a new CE(D1) post, to be designated as the Chief Engineer/Special Duties (Coordination) (CE/SD(C)), to head a new Special Duties (Coordination) Division to assist the DD(SD) in the liaison, coordination, expenditure and programme control, and monitoring duties.

16. Staff required for the other division, Special Duties (Works) Division, will be

redeployed from the existing Port Development Division in CED. This Division will plan and implement the projects associated with the HKD development, with regard to the planning, design and construction work. The Port Development Division was originally intended to plan and implement port-related projects in the port development programme. Because of the slow down of the demand for port facilities, we propose that this Division be redeployed to this new SDO to underpin DD(SD), with the CE (D1) post retitled as the Chief Engineer/Special Duties (Works) (CE/SD(W)). Upon redeployment, the duties regarding implementation of remaining port projects will be taken up by the other divisions of Port Branch of CED.

17. DCE has considered further redeployment of staff from the existing establishment, but found that all staff are fully committed and no further redeployment is feasible.

18. The existing and proposed organisational charts of CED and the duty lists of the PGE and CE posts are at Enclosures 4 - 8 respectively.

Encls 4 - 8

Buildings Department

19. As the HKD project will involve a large number of complex structural submissions with unconventional designs, we plan to set up a special team in BD to undertake the additional responsibilities on a priority basis to meet the target completion date. We have carefully evaluated the need for additional resources and concluded that a CSE will only be needed for a short period of time when the workload of BD in relation to the HKD project will be at its peak. We therefore propose the creation of a CSE post for one year from 1 April 2001 to 31 March 2002.

20. The proposed CSE, to be designated as Chief Structural Engineer (International Theme Parks) (CSE/ITP), will be directly responsible to the Assistant Director of Buildings (Structural Engineering). He will lead the special team in evaluating and making recommendations on the acceptance of new concepts and principles on structural design parameters, processing submissions and applications made under the Buildings Ordinance, and vetting some 900 submissions on a priority basis for compliance with the building regulations. In addition, he will need to monitor the construction works and liaise with other Government departments as well as professionals appointed by HKD. The CSE will be the Building Authority's delegated signatory on structural submissions, and be the key person in a wide range of discussions with the Registered Structural Engineer, consultants and relevant parties on key structural issues. This officer must therefore be a highly experienced professional engineer well-versed in engineering principles, government policies and practices as well as having the imagination and flair to deal with unconventional and leading-edge engineering issues.

21. New design concepts and principles need extensive research and evaluation. These efforts cannot be absorbed by existing resources. Current resources in the department are also barely sufficient to meet the expected workload and extra resources are required to provide the standard of service required. Redeployment of existing staff or re-prioritising existing services will adversely affect the quality of services being

provided.

Encls 9 - 11 22. The existing and proposed organisational charts of BD and the duty list of the CSE post are at Enclosures 9 - 11 respectively.

Additional Non-directorate Posts

23. Given the complexity and multi-disciplinary nature of the project, we also need to create a number of non-directorate posts in ESB, CED and BD to support the proposed directorate posts and in other departments concerned to support senior officials so as to ensure timely completion of Government's undertakings. Members are invited to note that we plan to create a total of 45 non-directorate posts in ESB, CED, BD, Electrical and Mechanical Services Department, Fire Services Department, Highways Department, Lands Department and Planning Department over the next few years to implement the project. We will make provision for these posts in the Annual Estimates and create them in accordance with the normal procedures through the Departmental Establishment Committee mechanism.

FINANCIAL IMPLICATIONS

24. The total notional annual salary cost of the proposed posts at MID-POINT is -

New Posts	\$	No. of posts
PGE	1,580,400	1
CE	1,213,200	1
AOSGC	1,443,000	1
CSE	1,213,200	<u>1</u>
Additional cost	5,449,800	<u><u>4</u></u>

The full annual average staff cost of the proposal, including salaries and staff on-costs, is \$9,119,904.

25. In addition, the proposal will necessitate the creation of 45 non-directorate posts at a notional annual mid-point salary cost of \$24,366,240 and a full annual average staff cost of \$40,571,208.

26. We have not included provision in the 1999 - 2000 Estimates to meet the cost of the proposal which is estimated at \$1,371,200 for the remainder of the financial year. If Members approve this proposal, we will provide supplementary provision required in 1999 - 2000 under delegated authority. Provisions required in subsequent years will be included in the Annual Estimates in the normal way.

BACKGROUND INFORMATION

27. On 2 November 1999, the Chief Executive announced that the Government and WD have agreed to proceed with the development of a Disney project in Hong Kong, comprising an international theme park, a resort hotel complex and a retail, dining and entertainment area. Members have been briefed on the key aspects of the project and the agreement at the various briefing sessions on 2, 3 and 5 November.

28. Upon creation of the proposed supernumerary directorate posts in ESB and CED, the three existing supernumerary directorate posts in ESB and CED created under delegated authority to assist with the negotiations will be deleted.

Civil Service Bureau Comments

29. The Administration has considered carefully other alternatives including re-deployment bearing in mind the need for greater efficiency and effectiveness under the present economic climate. Having regard to the reasons put forward, we consider the proposal justified. The Civil Service Bureau considers the grading, ranking and duration of the proposed posts appropriate, having regard to the level and scope of responsibilities involved.

ADVICE OF THE STANDING COMMITTEE ON DIRECTORATE SALARIES AND CONDITIONS OF SERVICE

30. As the four directorate posts are proposed on a supernumerary basis, we shall report their creation, if approved, to the Standing Committee on Directorate Salaries and Conditions of Services in accordance with the agreed procedure.

Tourism Commission
Economic Services Bureau
November 1999

Enclosure 1 to EC (1999-2000)

Job Description

Post : Assistant Commissioner for Tourism (3)

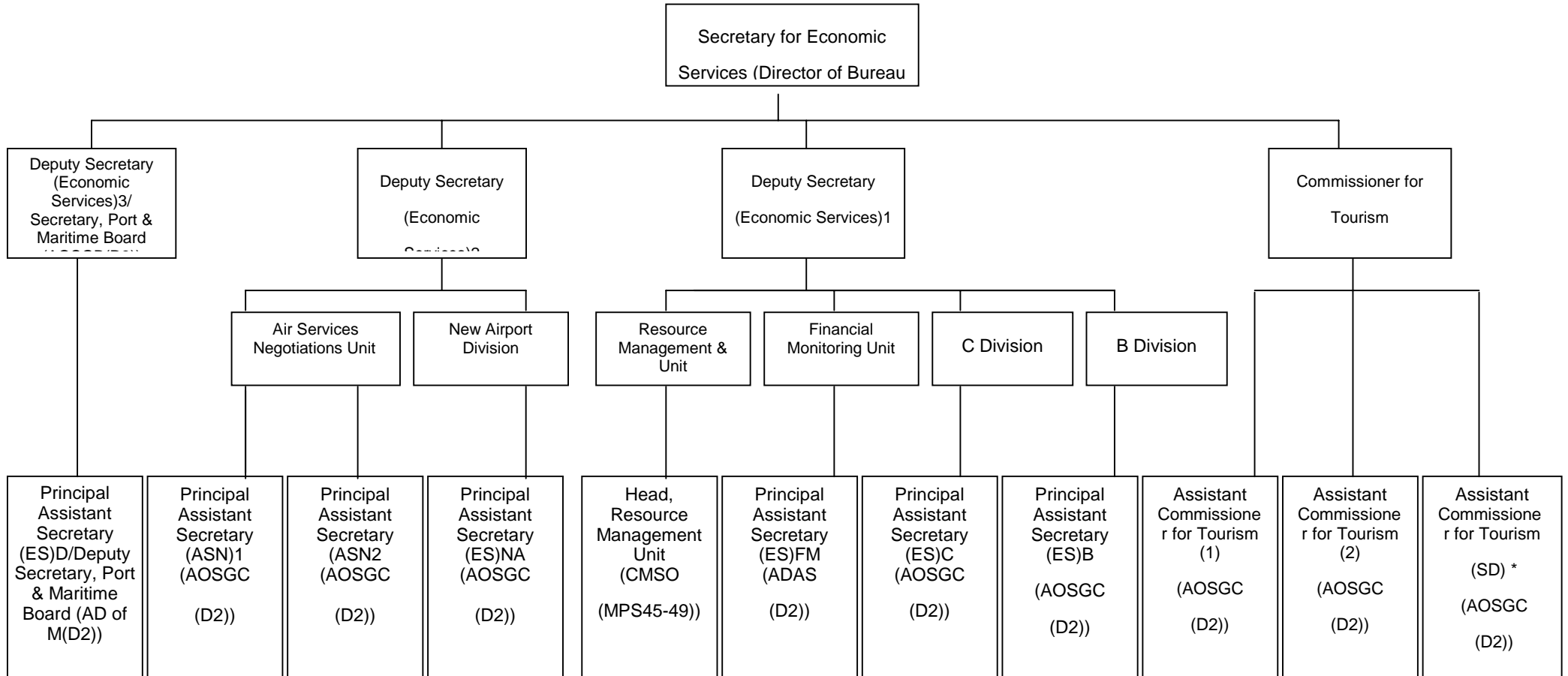
Rank : Administrative Officer Staff Grade C (D2)

Responsible to : Commissioner for Tourism

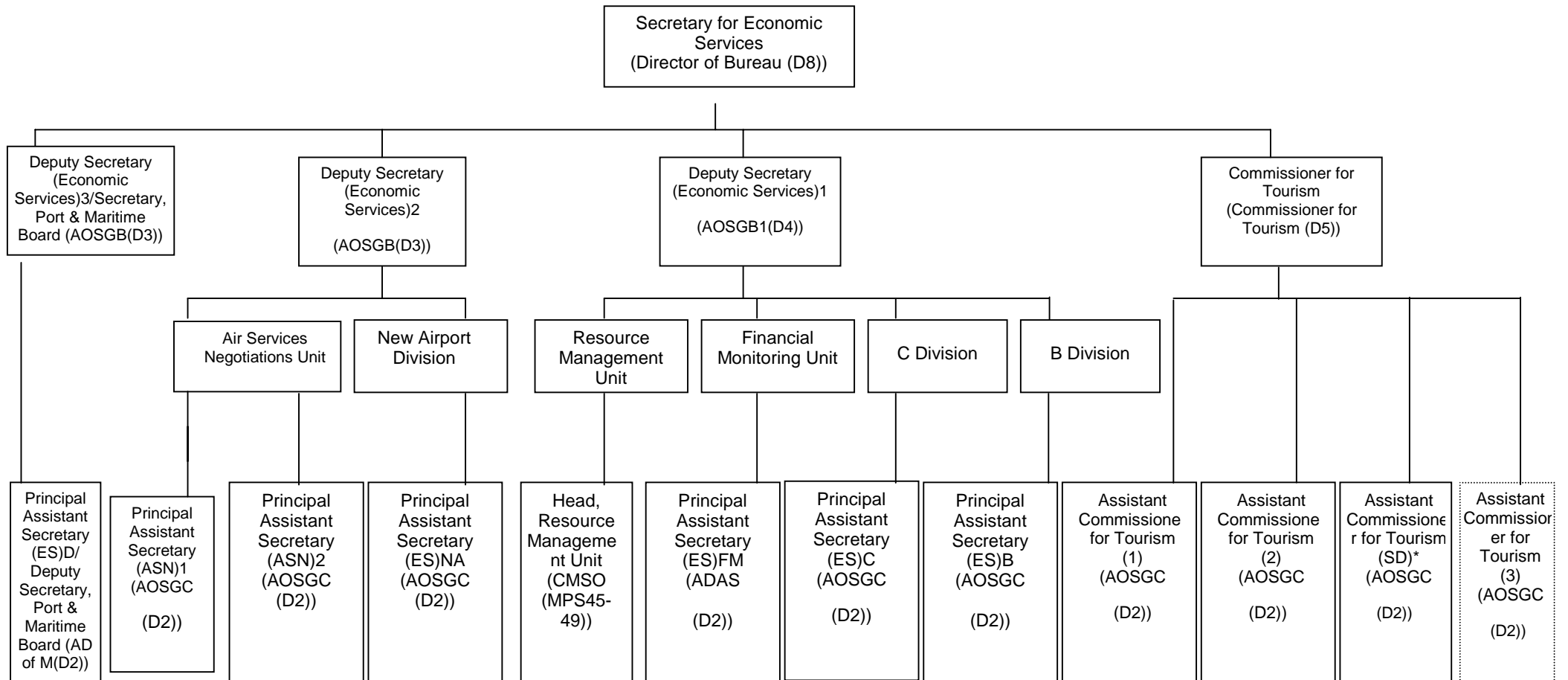
Duties and Responsibilities -

1. To lead a special unit, the International Theme Parks Division, within the Tourism Commission of the Economic Services Bureau to oversee and monitor the implementation of the Hong Kong Disneyland project.
2. To liaise closely with bureaux/departments to ensure timely completion of all Government's undertakings specified in the various legal documents signed with Disney.
3. To service a high-powered steering committee for the project to be chaired by the Financial Secretary, and other sub-committees.
4. To liaise closely with senior management of Disney to put in place the necessary institutional arrangements for the joint venture between the Government and Disney.
5. To ensure that Disney performs its undertakings as specified in the various legal documents so as to safeguard Government's investment in the project.
6. To prepare papers and briefs for the Chief Executive, Chief Secretary for Administration, Financial Secretary and other senior officials to report progress, highlight problem areas and recommend appropriate actions.

EXISTING ORGANIZATION CHART OF ECONOMIC SERVICES BUREAU



REVISED ORGANIZATION CHART OF ECONOMIC SERVICES BUREAU



New Post

Enclosure 4 to EC (1999-2000)

Job Description

Post : Deputy Director (Special Duties)

Rank : Principal Government Engineer (D3)

Responsible to : Director of Civil Engineering

Duties and Responsibilities -

1. To supervise the work of the Special Duties Office which comprises the Special Duties (Coordination) Division and the Special Duties (Works) Division.
2. To maintain close liaison with senior directorate officers in Government and with senior managers in MTRC, theme park developer and their consultants, and public utility companies on all matters affecting the developments at Northeast Lantau, keeping them apprised of related problems and of progress in their resolution.
3. To establish and implement administrative procedures to expedite both temporary and permanent works to meet the target completion dates.
4. To ensure that government standards and procedures, as well as environmental and statutory requirements are complied with.
5. To oversee the preparation of development programmes, financial estimates and forecasts, and monitor expenditure on Northeast Lantau development projects undertaken by the department and other agencies.
6. To vet consultancy agreements and provide guidance to consultants and project teams during investigation, design and construction stages.
7. To monitor the progress of implementation of projects undertaken by the department and carry out the duties as the employer's representative in respect of construction contracts.
8. To manage human resources in the Special Duties Office to meet changing needs.
9. To attend steering groups and committee meetings.

10. To oversee the preparation of engineering conditions/technical schedules for private development.

Enclosure 5 to EC (1999-2000)

Job Description

Post : Chief Engineer/Special Duties (Coordination)

Rank : Chief Engineer (D1)

Responsible to : Deputy Director (Special Duties)

Duties and Responsibilities -

1. To plan and supervise the work of the Special Duties (Coordination) Division.
2. To assist the Deputy Director (Special Duties) to maintain close liaison with all government departments and external parties involved in the developments at Northeast Lantau.
3. To intervene in problem areas and escalate issues which require the Deputy Director's involvement.
4. To monitor the progress of the works, providing guidance and initiating corrective actions where necessary to ensure timely completion of the projects.
5. To prepare financial estimates and forecasts, obtain funding approvals, monitor and control expenditure on projects undertaken by the department and other agencies.
6. To attend committee meetings within his sphere of activities.
7. To prepare engineering conditions/technical schedules for private development.

Enclosure 6 to EC (1999-2000)

Job Description

Post : Chief Engineer/Special Duties (Works)

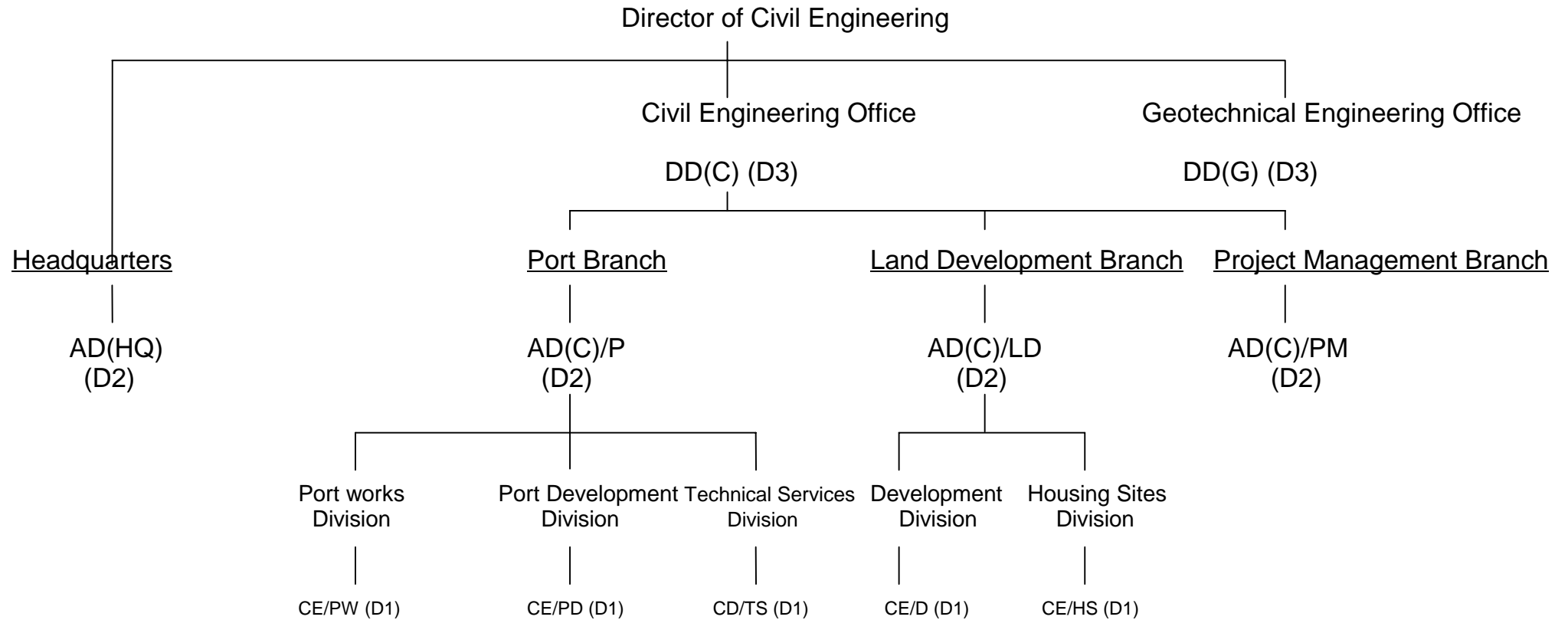
Rank : Chief Engineer (D1)

Responsible to : Deputy Director (Special Duties)

Duties and Responsibilities -

1. To supervise the work of the Special Duties (Works) Division.
2. To programme, investigate and plan projects relating to Northeast Lantau.
3. To obtain statutory approvals and clearance of land required for the works.
4. To prepare consultants' briefs, select and manage consultants, oversee their work and negotiate agreements with them.
5. To liaise with consulting engineers, public utility companies, statutory authorities and other government departments and their agencies on all aspects of the works, and obtain agreement and solve problems in connection with the construction projects.
6. To attend committee meetings within his sphere of activities.
7. To monitor the progress of the works, performance of the consultants, and provide guidance where necessary to ensure timely completion of the projects.

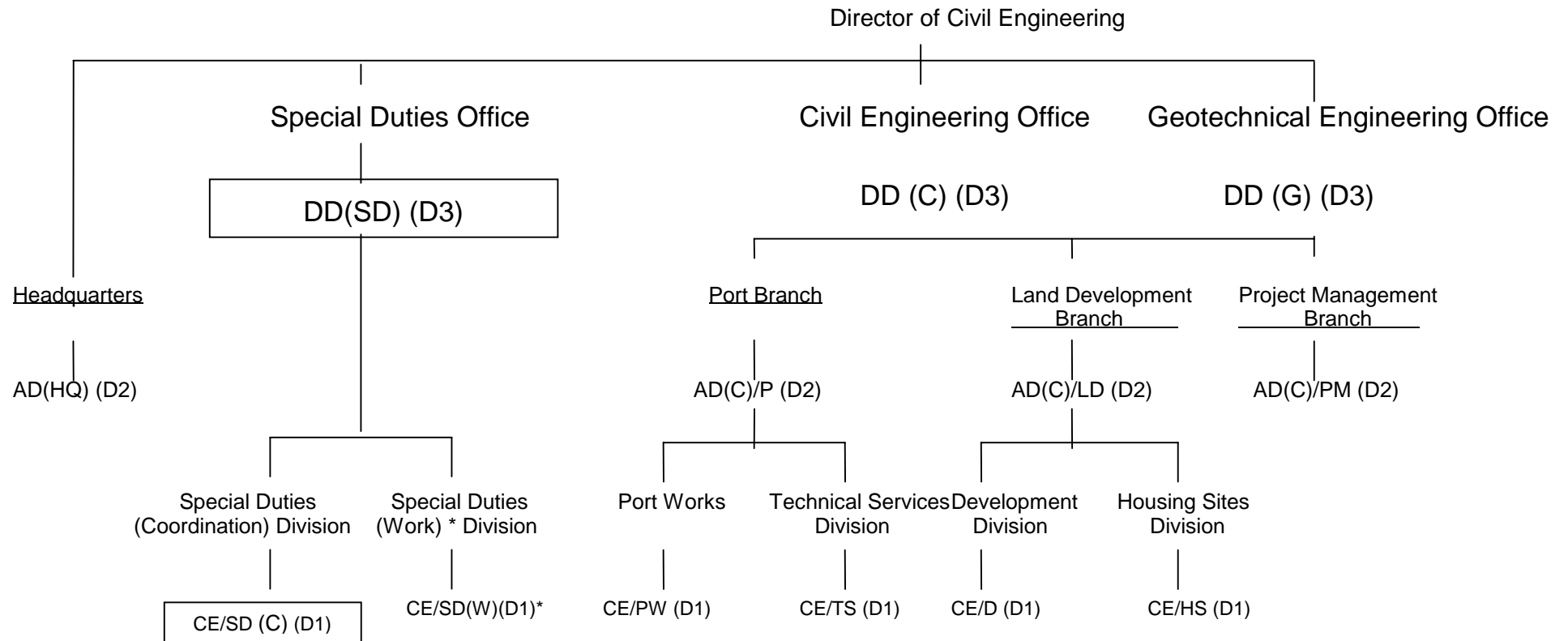
EXISTING ORGANISATION CHART OF CIVIL ENGINEERING DEPARTMENT



Legend

- DD(C) : Deputy Director (Civil) (D3)
- DD(G) : Deputy Director (Geotechnical) (D3)
- AG(HQ) : Assistant Director (Headquarters) (D2)
- AD(C)/LD : Assistant Director (Civil)/Land Development (D2)
- AD(C)/P : Assistant Director (Civil)/Port (D2)
- AD(C)/PM : Assistant Director (Civil)/Project Management (D2)
- CE : Chief Engineer (D1)

PROPOSED ORGANIZATION CHART OF CIVIL ENGINEERING DEPARTMENT



Legend

- DD(C) : Deputy Director (Civil) (D3)
- DD(G) : Deputy Director (Geotechnical) (D3)
- DD(SD) : Deputy Director (special Duties) (D3)
- AG(HQ) : Assistant Director (Headquarters) (D2)
- AD(C)/LD : Assistant Director (Civil)/Land Development (D2)
- AD(C)/P : Assistant Director (Civil)/Port (D2)
- AD(C)/PM : Assistant Director (Civil)/Project Management (D2)
- CE : Chief Engineer (D1)

* Supernumerary posts to be created
Post retitled

Enclosure 9 to EC (1999-2000)

Job Description

Post : Chief Structural Engineer/International Theme Park

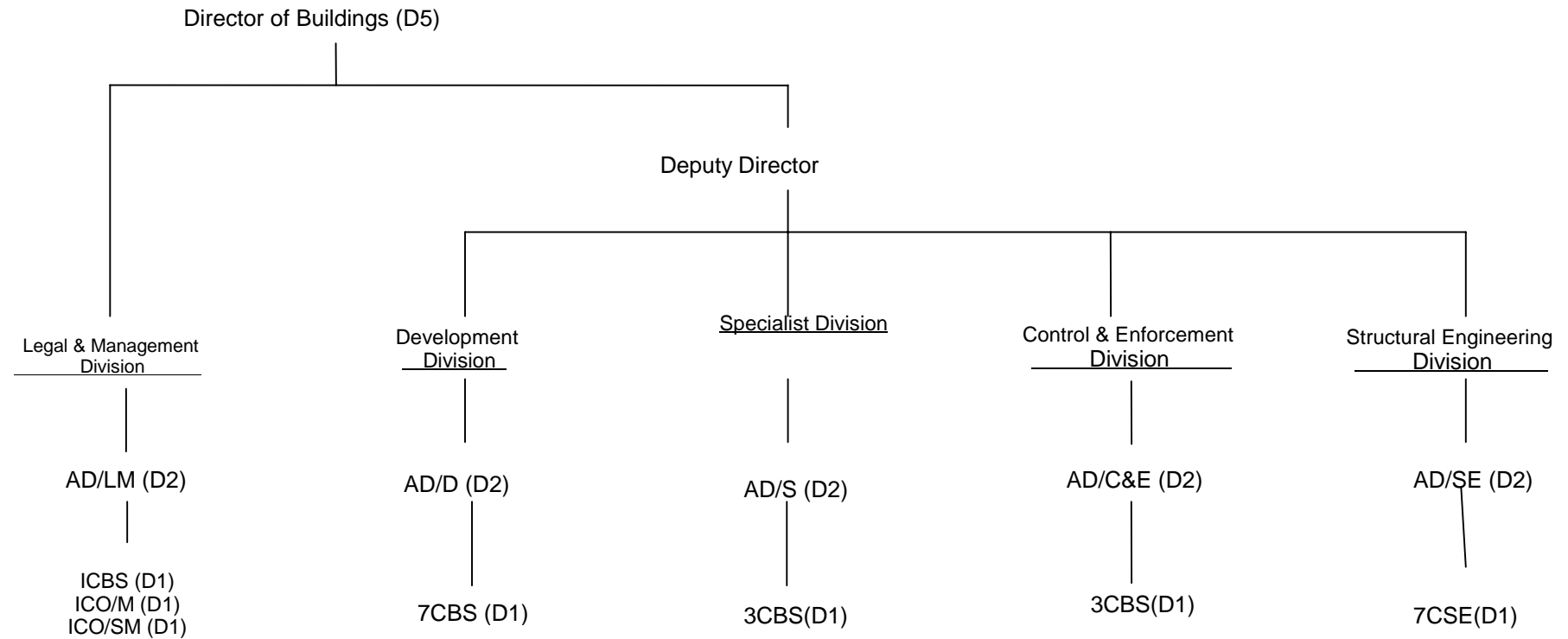
Rank : Chief Structural Engineer (CSE) (D1)

Responsible to : Assistant Director of Buildings (Structural Engineering)

Duties and Responsibilities -

1. To undertake day-to-day administration and management of the structural engineering team to ensure submissions of the Hong Kong Disneyland project are processed efficiently and expeditiously.
2. To hold meetings with Registered Structural Engineers to discuss the application of new engineering design concepts and principles to the project developments; to evaluate and make recommendations on the acceptance of such concepts and principles.
3. To assist Assistant Director/Structural Engineering to formulate policies on the structural engineering aspects of the project.
4. To consider and give approval to structural plans of the project developments submitted by Registered Structural Engineers under the Buildings Ordinance.
5. To closely liaise with concerned government bureaux/departments and public organisations with a view to facilitating the smooth progress of the project's building works.

Existing Organization Chart of the Buildings Department

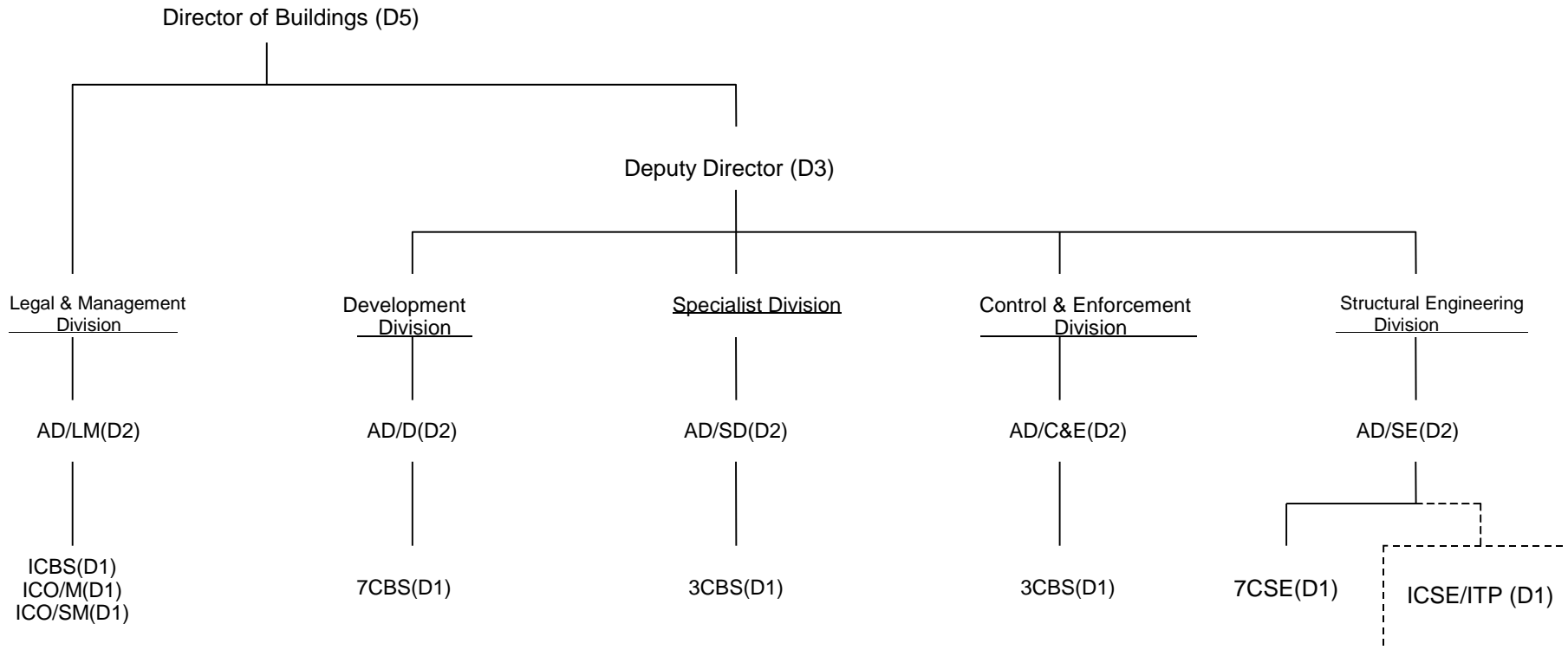


Legend

- AD/D : Assistant Director/Development
- AD/LM : Assistant Director/Legal and Management
- AD/S : Assistant Director/Specialist
- AD/C&E : Assistant Director/Control & Enforcement
- AD/SE : Assistant Director/Structural Engineering

- CSE : Chief Structural Engineer
- CBS : Chief Building Surveyor
- CO/M : Chief Officer/Management
- CO/SM : Chief Officer/Site Monitoring

Proposed Organization Chart of the Buildings Department



Legend

- : Proposed new post
- AD/D : Assistant Director/Development
- AD/LM : Assistant Director/Legal and Management
- AD/S : Assistant Director/Specialist
- AD/C&E : Assistant Director/Control & Enforcement
- AD/SE : Assistant Director/Structural Engineering
- CSE : Chief Structural Engineer
- CBS : Chief Building Surveyor
- CO/M : Chief Officer/Management
- CO/SM : Chief Officer/Site Monitoring
- CO/ITP : Chief Officer/International Theme Park

Hong Kong Disneyland Project Description

At the opening of its first phase, the proposed Hong Kong Disneyland project would consist of (a) a Disney park, (b) a retail, dining and entertainment complex and (c) Disney-themed hotels. It would also include supporting facilities such as automobile and bus parking lots, area development and service yards.

- (a) Disney Park. The theme park would be a “Magic Kingdom” type park, and would:
 - (i) feature themed areas such as “Main Street,” “Adventureland,” “Fantasyland,” “Frontierland” and “Tomorrowland” or similar lands, and would include attractions (for example, rides, shows, and parades), food and beverage locations, shops and service facilities;
 - (ii) have approximately 17 attractions; and
 - (iii) have the capacity to accommodate an annual attendance of 5,000,000 visitors (daily attendance of 27,000 visitors).

The Disney Park would be designed to accommodate expansion.

- (b) RD&E Complex. The RD&E Complex initially would be approximately 18,200 m² net in area and include a mix of:
 - (i) retail – shops selling unique merchandise
 - (ii) dining – restaurants in a range of serving styles (mainly table service, but also including counter service, etc.) serving a variety of food and drink (including alcoholic beverages)
 - (iii) entertainment – For example, motion picture theatres and venues offering live entertainment
 - (iv) area development, street furnishings and entertainment complementing the overall atmosphere of the RD&E Complex

The venues within the RD&E Complex area contemplated to be operated in part by the Company and in part by third-party operators. In RD&E complexes typically found at other Disney locations, each venue has a theme and is carefully chosen from candidates identified world-wide to achieve an entertaining mix and meet the tastes of guests from the local and tourist markets.

The RD&E Complex would be designed to accommodate expansion.

- (c) Hotels. Two or three Disney-themed hotels would be built with an aggregate of approximately 1400 rooms in the moderate to luxury categories, and would include convention facilities.

#04100

