

Briefing Paper re: Shareholder Issues

The contractual provisions in relation to the matters which require shareholders' approval are contained in the Shareholders' Agreement ("the Agreement") between the two Government-owned companies which hold shares in Hongkong International Theme Parks Limited ("HKITP"), Walt Disney Holdings (Hong Kong) Limited, (the Disney Company which will hold shares in HKITP ("Disney")), and HKITP itself, and are reflected in the Articles of Association of HKITP.

2. The Agreement provides that certain matters require the prior approval of the Original Shareholders (i.e. the Government Shareholders and Disney, but excluding third parties who may acquire shares at a later stage). The necessary approvals are the written approvals of the Original Shareholders, or the passing of a HKITP Board resolution approving the matter where all the Directors appointed by the Original Shareholders voted in favour of such approval.

3. The matters requiring Original Shareholders' approval fall into two categories :

- General Corporate Matters; and
- General Project Matters.

4. The General Corporate Matters are matters which are usually reserved to shareholders in joint ventures and include, each in respect of HKITP and any subsidiaries which it may have :

- (i) changing the authorised or issued share capital or the Memorandum or Articles of Association;
- (ii) creating any charge over its undertaking or assets or making any loan or advance, other than in certain limited situations;
- (iii) selling any material part of its undertaking or assets; and
- (iv) declaring any dividend or changing HKITP's trading name, financial year or registered office.

5. The General Project Matters are matters which relate more specifically to the Project and include :

- (i) the approval of the Development Budget and each annual Operations Budget on the terms provided in the Agreement; and
- (ii) HKITP exercising its rights under the Option Deed and Right of First Refusal Deed in respect of the Phase 2 and 3 Sites.

6. The Government's right to participate in the approval process will end if the number of Shares in HKITP held by the Government and its Affiliates (excluding the D Shares to be issued in respect of the land grant) is reduced to less than 570 million. (*N.B.:* As Disney have covenanted to maintain a shareholding of 1.9 billion shares in HKITP for the life of the Project, it is not appropriate to include an equivalent provision in relation to them.)

Tourism Commission
Economic Services Bureau
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