

Legislative Council
Panel on Economic Development

*The Government's response to the follow-up actions raised
at the Panel on Economic Development meeting on 26 February 2018*

PURPOSE

This paper sets out the Government's response to the follow-up actions raised at the Panel on Economic Development meeting on 26 February 2018.

THE GOVERNMENT'S RESPONSE

Agenda item III – Hong Kong Tourism Board Work Plan for 2018-2019

(a) *Details of the plan, including the budget and the timetable, in promoting Hong Kong to Mainland and overseas visitors riding on opportunities arising from the commissioning of new transportation infrastructures connecting the Mainland and Hong Kong and the development of the Guangdong-Hong Kong-Macao Bay Area*

2. The commissioning of the Hong Kong-Zhuhai-Macao Bridge and the Hong Kong Section of Guangzhou-Shenzhen-Hong Kong Express Rail Link (“XRL”) will greatly enhance transport connections between Hong Kong, the Greater Bay Area and various cities in the Mainland, presenting new opportunities for Hong Kong to further develop the Mainland market. At the same time, the completion of new infrastructures will also put Hong Kong on the global spotlight and freshen up the tourism image of the city, which will help attract overseas visitors to commence their journey to the Mainland from Hong Kong. Leveraging on the development of these two infrastructure projects, the Hong Kong Tourism Board (“HKTB”) plans to introduce promotions through various channels in the Mainland and overseas markets to attract more visitors. Relevant initiatives include –

- (a) rolling out the “Maiden Ride to Hong Kong” travel packages in Guiyang, Wuhan, Changsha, Xiamen, Nanchang, Fuzhou, Shantou, Guangzhou, Dongguan and Shenzhen to tie in with the commissioning of XRL. National and regional media coverage will also be generated to encourage more Mainland visitors to visit Hong Kong via XRL;

- (b) carrying out marketing and public relations campaigns in overseas markets to generate consumer interest in multi-destination travel from Hong Kong to the Mainland via the Hong Kong-Zhuhai-Macao Bridge and the express rail network;
 - (c) leveraging on the commissioning of XRL to launch joint promotions with cruise lines to offer combined cruise-and-XRL travel products, and stepping up promotions in the central and western regions of the Mainland. Furthermore, to complement the development of the Greater Bay Area and the upcoming commissioning of the Hong Kong-Zhuhai-Macao Bridge, HKTB will step up promotion in the southern part of the Mainland of cruise itineraries departing from Hong Kong; and
 - (d) with the development of the Greater Bay Area, working with online platforms to launch travel products alongside with the mega events held in Hong Kong targeting independent travellers in cities in the Pearl River Delta.
3. The related promotions will be carried out to dovetail with the commissioning of the Hong Kong-Zhuhai-Macao Bridge and XRL. HKTB will work out a detailed timetable for the related promotions upon the confirmation of the commissioning dates of the two infrastructures.
4. HKTB's overall marketing budget for the overseas markets in 2018-19 is \$157.1 million, including the expenditure on the above-mentioned promotion work. In addition, the Government has provided additional funding to HKTB in the 2018-19 Budget, of which about \$10 million will be used for stepping up promotions after the commissioning of the two infrastructures.

Agenda item IV – Update on Hong Kong Disneyland Resort

- (b) *The term of the agreement between the Government and The Walt Disney Company on the payment of royalties and management fees payable by the Hong Kong Disneyland Resort to The Walt Disney Company*

5. According to the agreements between the Government and The Walt Disney Company (“TWDC”) on the Hong Kong Disneyland Resort (“HKDL”) project, the royalties charged by TWDC are at 5% to 10% of revenues, depending on the source of revenues (e.g. merchandise, food and beverage, admission, etc.); and the base management fee payable by HKDL is calculated at 6.5% of EBITDA (i.e. earnings before interest, tax, depreciation and amortisation), while the variable management fee is calculated at 0% to 8% of EBITDA. As the details of

royalties and management fees (including the term of the agreement) involve HKDL's confidential commercial information, according to the agreements between the Government and the Disney's side, the information on this front cannot be disclosed.

(c) *Details of the depreciation of assets in relation to the expansion and development plan of HKDL, including a list of the assets involved, the useful life of such assets and the method used to calculate depreciation*

6. HKDL's policy for depreciation of assets is formulated according to Hong Kong Financial Reporting Standards and Hong Kong's generally accepted accounting principles, and is consistent with that for similar categories of assets and equipment of other theme parks (e.g. Ocean Park) and entertainment businesses. HKDL's depreciation of property, plant and equipment is calculated using the straight-line method which allocates the cost over the estimated useful life after deducting the residual value; and the depreciation period of different asset types of HKDL is shown in the following table –

Type of asset	Depreciation period
Buildings and improvements	3 – 40 years
Furniture, fixture and equipment	3 – 10 years
Machinery and equipment	3 – 40 years
Rides and amusements	8 – 25 years
Shows and parades	5 years

7. Generally speaking, when a new asset of HKDL is completed and commences operation (including various new projects under the expansion and development plan), the additional depreciation arising from such new asset is calculated based on the above depreciation policy. Moreover, taking into account the needs of HKDL's day-to-day operations or development plans, HKDL may need to suitably retire certain existing assets to complement its development, which would make those assets become fully depreciated earlier and thus speed up the relevant depreciation costs. The situations of adding and retiring assets are common to other theme parks' operations. As mentioned above, the way that HKDL handles the depreciation costs concerned is in line with Hong Kong Financial Reporting Standards and Hong Kong's generally accepted accounting principles, and is consistent with the practice of other theme parks.

**Tourism Commission
Commerce and Economic Development Bureau
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