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Panel on Economic Development
Meeting on 25 January 2021

Updated background brief on the developments of Ocean Park

Purpose

This paper provides background information on the developments of the Ocean Park ("OP"), and summarizes the major views and concerns expressed by Members on relevant matters in previous discussions.

Background

2. OP was officially opened to the public in 1977. Its construction was funded by the Hong Kong Jockey Club ("HKJC") while the land was provided by the Government at nominal premium. On 1 July 1987, OP ceased to be a subsidiary of HKJC and became a non-profit-making body, namely the Ocean Park Corporation ("OPC"). OPC is a statutory body incorporated under the Ocean Park Corporation Ordinance (Cap. 388) ("OPCO"). One of its major statutory functions is to manage OP as a public recreational and educational park.

Major developments of OP

The Redevelopment Plans of OP

3. On 27 June 2005 and 28 November 2005, the Panel on Economic Development ("the Panel") (formerly known as the Panel on Economic Services) was briefed on the Redevelopment Plans of OP¹ ("the MRP Project")

¹ The Redevelopment Plans of OP is also referred as the "Master Redevelopment Plan" ("MRP").

and its financial arrangements. Under the MRP Project, OP would be redeveloped into a world-class marine themed attraction, featuring more than 70 attractions to be delivered by phases from 2007 to 2013. The total cost of the MRP Project was estimated at \$5.55 billion.

4. On 16 December 2005, the Finance Committee ("FC") approved the provision by the Government to OPC for half of the project cost in the form of a subordinated loan of \$1,387.5 million under the Loan Fund, and a guarantee of a \$1,387.5 million commercial loan and interest arising therefrom. The other half of the project cost was covered by OPC's commercial loan.

5. The MRP Project was completed in July 2012. The subordinated loan was fully drawn by 2007-2008. OPC obtained a commercial loan to refinance all its outstanding commercial loans for the MRP Project on 31 March 2016 and relieved Government's obligations as the guarantor for OPC's commercial loan on the same day.

The Tai Shue Wan Development of OP

6. On 25 March 2013, the Panel discussed the OP's proposal to redevelop the Tai Shue Wan area into a new integrated theme zone with the main focus on an all-weather indoor-cum-outdoor waterpark ("the TSW Project"). The TSW Project was scheduled for completion in the second half of 2017. The total cost of the TSW Project was estimated to be \$2,290 million.

7. On 24 May 2013, FC approved a commitment of \$2,290 million to provide a subordinated loan to OPC for a period of 20 years at a floating interest rate for OPC to proceed with the TSW Project. The loan was granted with a major condition that OPC should seek to refinance all its outstanding Government loans (including the Government loans for the MRP Project and the TSW Project) in 2021, upon full repayment of its commercial loans under the MRP Project, so that the Government's overall financial exposure to OPC could be minimized as far as possible.

8. As advised by the Administration in November 2015, OPC had revised and enhanced the design of the waterpark taking into account local views. The expected completion date of the TSW Project was thus adjusted to the second half of 2018 and the budget was revised to \$2,900 million. The Administration further advised in May 2020 that the TSW Project had faced various challenges during the construction phase, such as the discovery of unforeseeable geological conditions at various locations within the site. These, together with the complicated topography and geographical setting of the project site of the waterpark, had contributed to cost overruns and delay.

Based on the latest estimation, the waterpark would be completed before the end of 2020. The amount spent on this project as at early 2020 was \$3,860 million.

Latest discussions

The Panel

9. Due to intense competition in the region and changes in the business environment in recent years, OP is in urgent need of financial support from the Government to sustain its operation. The Administration briefed the Panel on the Strategic Repositioning Plan ("SRP") of OPC and the related financial proposals for supporting and revitalizing OP ("the Proposals") in January 2020. The Proposals comprised the provision of a one-off endowment of \$10.64 billion to OPC, as well as deferring the commencement date of repayment and waiving the interest of the Government loans for the MRP Project and the TSW Project.

10. Panel members expressed divergent views on SRP and the Proposals. While some members considered that the Government had the responsibility to provide support to OP to sustain its competitiveness, some members queried the financial viability of SRP and the Proposals given the competition from theme parks in the region, OPC's financial situation and declining visitor arrivals. These members were worried that allocation of public funds to OP would make the Government fall into a "bottomless pit" financially if OPC could not make a profit in future. They called on the Administration to explore other options and strengthen OP's role as a public education and conservation infrastructure instead of a tourism attraction.

FC

11. With the outbreak of the Coronavirus Disease 2019, the Administration announced that the original SRP, which was formulated before the pandemic, would no longer be able to cater for the new circumstances as both the theme park and tourism prospect were subject to serious uncertainty. Taking into account the views expressed by the Panel, the Administration submitted a revised funding proposal to FC in May 2020 to sustain OPC for one year while embarking on a rethink exercise to chart the way forward for OP's future. The revised funding proposal was approved by FC on 29 May 2020. The proposal included:

- (a) a new commitment of \$5,425.64 million for providing funding to OPC to support the operation of OP for one year, to repay the

commercial loans of OPC and to settle the costs for completing the TSW Project; and

- (b) amending the terms under Loan Fund for the MRP Project and the TSW Project so that the repayments will commence in September 2021.

12. During the discussions at FC, members expressed grave concern about the financial situation of OPC, as well as the protection for OP's employees and the well-being of animals in OP. According to the Administration, if FC did not support the funding proposal, OPC would deplete its cash in June 2020 and would not be able to repay its loans. Its creditors, including the commercial lender and creditors of current liabilities, by then might embark on the liquidation procedure to wind up OPC. As OPC was a statutory body established under OPCO, it was doubtful whether OPC could follow the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32) in winding-up. Hence, about 2,000 full-time employees of OP might not be able to obtain compensation in accordance with their employment contracts and related ordinances. They might not even be protected by the Protection of Wages on Insolvency Fund. It was also uncertain whether the liquidator appointed by the court could provide appropriate care for the 7,500 animals in OP, among them, over 500 were endangered precious species.

13. The Administration also advised that if the Government shouldered all of OPC's liabilities to avoid the liquidation process when OPC went bust, based on rough estimates, the financial implications on the Government would be over \$10 billion at least including the repayment for the commercial loans and the writing off of the Government loans which together involved a total amount of more than \$8 billion. Moreover, this amount had yet to cover the severance payment for staff, the costs for resettling the animals, compensation for contractors and suppliers, as well as expenses for demolition and reinstatement, etc.

14. On members' concern about the repositioning of OP and its long-term sustainability, the Administration advised that OP would (a) steer away from its prevailing positioning as a theme park, (b) reorient its focus to education and conservation, and (c) explore development into a major resort and leisure destination. Matters relating to operation model, legal framework, use of land and development of Southern District would be examined following the above three major directions during the rethink exercise. The Government would identify solutions and think out of the box such that the development of OP would be more sustainable financially.

Council question

15. At the Council meeting of 29 April 2020, Hon YIU Si-wing raised a question relating to the financial rescue plan for OPC. Hyperlink to the relevant written reply from the Administration is provided in **Appendix I**.

Latest development

16. At the policy briefing on the Chief Executive's 2020 Policy Address of the Panel on 31 December 2020, the Administration advised that it was working on the rethink on the future of OP and proactively formulating the proposal for the rebirth of OP, focusing on leveraging the advantages of OP in education and conservation, capitalising on its natural scenery and waterfront location, and providing diverse entertainment, leisure and tourism experience, so as to transform OP into a resort and leisure destination. In order to revitalise the Jumbo Floating Restaurant, which was a heritage landmark in Hong Kong, the Administration would facilitate the collaboration between OP and non-government organisations for the rebirth of the floating restaurant in the Aberdeen Typhoon Shelter on a non-profit-making basis, so that it would become a distinctive cultural heritage and tourist attraction in the Southern District.

17. At the Panel meeting on 25 January 2021, the Administration will brief the Panel on the proposed way forward of OP.

Relevant papers

18. A list of the relevant papers available on the Legislative Council Website (<http://www.legco.gov.hk>) is in **Appendix I**.

List of relevant papers

Issued by	Meeting Date/ Issue Date	Paper
Panel on Economic Development	20 January 2020 (Item III)	Administration's paper Administration's follow-up paper Motion passed Administration's response to the motion passed Background brief Minutes
Finance Committee	15 May 2020 19 May 2020 22 May 2020 29 May 2020 (FCR(2020-21)15)	Administration's paper Letter from the Administration Administration's paper Administration's follow-up paper Letter from Hon WU Chi-wai Administration's response to Hon WU Chi-wai's letter Letter from Hon Tanya CHAN (1) Administration's response to Hon Tanya CHAN's letter (1) Letter from Hon Tony TSE Administration's response to Hon Tony TSE's letter Email from Hon CHU Hoi-dick (1) Email from Hon CHU Hoi-dick (2) Administration's response to Hon CHU Hoi-dick's letter (2) Letter from Hon Tanya CHAN (2) Administration's response to Hon Tanya CHAN's letter (2)

Issued by	Meeting Date/ Issue Date	Paper
		<u>Minutes (15 May 2020)</u> <u>Minutes (19 May 2020)</u> <u>Minutes (22 May 2020)</u> <u>Minutes (29 May 2020)</u>
Council Meeting	29 April 2020	<u>Council question on "Financial rescue plan for the Ocean Park Corporation" raised by Hon YIU Si-wing</u>