

Panel on Economic Development

Proposed Expansion of Hong Kong Disneyland

This note sets out the supplementary information requested by Hon Emily Lau and Hon Fred Li on the captioned subject.

Financial information of Hong Kong Disneyland (HKD)

2. Government and The Walt Disney Company (TWDC) are both bound by the confidentiality provision under the agreement regarding the HKD project not to disclose commercial information, including the financial information requested by Hon Lau in respect of the period from the park's opening to 2007-08.

3. Notwithstanding the above, Government and TWDC have agreed to publish an annual business review starting with the operation year of 2008-09, that would disclose the following items::

Business indicators (for both the current and the immediately prior financial year, unless otherwise specified)

- *Attractions and guest offerings opened/launched in the relevant financial year*
- *Guest satisfaction for overall theme park and hotel experience*
- *Total annual park attendance*
- *Increase/(decrease) in park attendance (indicate as a % change)*
- *Increase/(decrease) in per capita park guest spending (indicate as a % change)*
- *Hotel occupancy (indicate as a %)*
- *Increase/(decrease) in available hotel room nights (indicate as a % change)*
- *Increase/(decrease) in per hotel room guest spending (indicate as a % change)*
- *Percentage of visitors by place of origin (Local/China/International)*
- *Number of full-time and part-time staff employed during the financial year*

Aggregate financial indicators (for both the current and the immediately prior financial year) in HK\$ millions

- *Revenues*
- *Costs and expenses*
- *Earnings before Interest, Tax, Depreciation and Amortisation (EBITDA)*
- *Depreciation and amortisation*
- *Net finance costs*
- *Net profit/(loss)*
- *Non-current assets*
- *Current assets*
- *Non-current liabilities*
- *Current liabilities*
- *Net Assets/Liabilities*
- *Cash provided (used) by*
 - *Operating activities*
 - *Investing activities*

- *Financing activities*
- *Net increase/(decrease) in cash*

In the disclosure in respect of the operation year of 2008-09, the 2007-08 figures will also be shown for comparison and reference.

Government loan

4. Without the expansion, it would be increasingly difficult for HKD to sustain its appeal, hampering the park's operating and financial results. In the broader context, the expected economic benefits and employment opportunities that an expanded HKD is expected to bring to Hong Kong would also not be realized. We believe that the conversion of the Government loan to equity, in exchange for TWDC's injection of new capital for the expansion of HKD and to help deleverage HKITP, will contribute significantly to the park's development and operation.

5. The Government loan was provided to the joint-venture. It is not guaranteed by TWDC or any other Disney entity.

Rate of return on Government's investment

6. The return on Government's investment under "Case 1A" and "Case 1B" is projected on the basis of the park's financial figures (including expense, revenue, depreciation, etc.) as projected by TWDC. "Case 2" was developed by the Government Economist for the purpose of economic assessment, and is based on projected figures on attendance, additional spending brought by HKD visitors etc. As the projected financial figures for "Case 2" are not available, we cannot assess the return on Government's investment under this case. It should be noted though that under "Case 2", the HKD expansion would still generate employment opportunities, and over a 40-year operation period, the HKD project would bring net economic benefits of \$64.7 billion at an annual real economic rate of return of 13.7%.

Tourism Commission
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