

Panel on Economic Development
Follow-up to the special meeting on 4 July 2009

Proposed expansion of Hong Kong Disneyland

This note sets out the supplementary information requested by the Panel on Economic Development on 8 July 2009.

Land-take of the proposed three new themed areas

2. Theme park operation typically requires significant back-of-house support area. In the case of Hong Kong Disneyland (HKD), the Phase I site covers 125.4 hectares (ha), of which 72 ha are deployed for theme park, retail, dining and entertainment uses, and the rest of the site is for hotel and car park uses. Of the 72 ha, the “theme park area”, i.e. area for rides, attractions, retail and dining, accounts for 22.4 ha, while backstage, offices, storage spaces, landscape berms, undeveloped areas etc. account for the rest.

3. The proposed three new themed areas will take up a new site area of about 5.1 ha, which is about 23% of the existing “theme park area”, bringing the “theme park area” to 27.5 ha. With the inclusion of the three new themed areas, HKD’s “theme park area” would be about 80% of that of Disneyland in Anaheim, California.

Performance benchmark for conversion of subordinated shares to ordinary shares

4. The “Base Case” refers to a set of long-term projections of HKD’s financial and operating performance prepared by The Walt Disney Company (TWDC) in 1999. In accordance with the financial arrangements approved by the Finance Committee in 1999, the \$4 billion subordinated shares received by Government, which represented the land premium of the Phase 1 site, could be converted to ordinary shares progressively during the life of the HKD project, to the extent that the park’s operating performance exceeded the then projected “Base Case”.

5. Under the in-principle agreement reached between Government and TWDC recently, the above mechanism governing the progressive conversion of subordinated shares will remain unchanged. However, the performance benchmarks for share conversion will be revised to reflect TWDC’s current projections under “Case 1A”. If the park’s future business performance exceeds such projections, Government will be able to convert the subordinated shares thus reaping the upside potential.

Provision of information on HKD's performance to Panel on Economic Development

6. As set out in CB(1)2206/08-09(02), Government and TWDC have agreed to have HKD publish an annual business review, starting with the operation year of 2008-09, which would contain 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.

7. Moreover, Government and the management company will brief the Panel on Economic Development annually on the park's performance.

Tourism Commission
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