

LCQ1: Site reserved for second phase development of Hong Kong Disneyland

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Following is a question by the Hon Tony Tse and a reply by the Secretary for Commerce and Economic Development, Mr Edward Yau, in the Legislative Council today (June 13):

Question:

In December 1999, the Government signed an agreement with The Walt Disney Company for a joint venture to develop the Hong Kong Disneyland (HKDL). The Government reserved a 60-hectare site immediately to the east of HKDL for the second phase development of HKDL (Phase 2 site). Under the relevant Option Deed, the Hongkong International Theme Parks Limited (HKITP), which develops and operates HKDL, was given an option with a validity period of 20 years to buy the Phase 2 site. However, given the slow pace of HKDL's expansion in recent years, Phase 2 site has all along been left vacant. In this connection, will the Government inform this Council:

(1) whether it knows the respective estimated and actual attendances of HKDL in each year from 2005, in which HKDL commenced operation, to 2017, and the estimated attendance in each year from 2018 to 2030, as well as the basis for the estimation;

(2) whether it has studied ways to better utilise the vacant Phase 2 site before HKITP exercises the aforesaid option; if so, of the details and outcome, and whether it will let the site by way of short-term tenancies; if it has not studied, whether it will expeditiously conduct such a study; and

(3) given that the aforesaid option, which will expire in 2020, is subject to two five-year extensions by HKITP according to the provisions in the Option Deed, of the details of the relevant provisions (including the years for using the site once the option is exercised, restrictions on uses, as well as the method and criteria for calculating the land premium); whether the Government will discuss with HKITP the early cancellation of the option, with a view to better utilising the site for other uses as early as possible?

Reply:

President,

Thanks the Hon Tony Tse for the question.

In 1999, the Government and the Walt Disney Company (TWDC) reached an agreement to develop the Phase 1 of Hong Kong Disneyland Resort (HKDL) at a reclaimed site of about 126 hectares at Penny's Bay, Lantau Island. Since its opening in September 2005, HKDL has been in operation for nearly 13 years. It is a major component of the tourism infrastructure in Hong Kong and one of the most popular tourist attractions for both local and non-local visitors. It also helps consolidate our position as an international premier tourist destination.

In its first 12 years of operation, HKDL received over 70 million guests. Their additional spending in Hong Kong was around \$166.2 billion, which generated total value-added of \$90.9 billion for Hong Kong's economy, equivalent to 0.35 per cent of Hong Kong's gross domestic product. HKDL also created a total of 232 500 jobs for Hong Kong's economy over the same period, providing considerable job opportunities for frontline workers and Hong Kong's tourism industry.

Over the years, HKDL has been strengthening its appeal to visitors through sustained efforts to enrich its attractions and entertainment offerings. Apart from the new ride Iron Man Experience and the new hotel Disney Explorers Lodge launched last year, HKDL has been actively taking forward its expansion and development plan since the second half of last year and various newly built attractions would be launched progressively from this year to 2023.

My reply to the three parts of the question is as follows:

(1) As mentioned above, HKDL received over 70 million guests in its first 12 years of operation, which exceeded the Government's relevant estimation for the same operating period made in 2009 when considering HKDL's expansion with three new themed areas, i.e. 59 million. HKDL's actual annual attendance from its opening to fiscal year 2017 is at Annex. In gist, HKDL's attendance had been increasing during the first nine years after its opening, reached the highest in 2014, dropped in 2015 and 2016, and picked up in 2017.

Looking ahead, taking into account the relevant attendance data of HKDL's operation and after its expansion in the past, it is estimated that HKDL's attendance, with the progressive launch of new attractions under the expansion and development

plan and the overall improvement in the tourism industry, would regain growth momentum. We estimate that HKDL's attendance would be around 9.1 million to 9.3 million in fiscal year 2030.

(2) & (3) When the development of HKDL was finalised in 1999, the Government, considering the future expansion and development of the resort, agreed to reserve a reclaimed site of around 60 hectares to the east of HKDL for its possible Phase 2 development (the Phase 2 site).

According to the Option Deed signed in 2000 between the Government and the Hongkong International Theme Parks Limited (i.e. the joint venture with the Government and TWDC as shareholders, "the joint venture"), the joint venture has an Option to purchase the Phase 2 site for taking forward HKDL's further development. Such option is valid for 20 years until 2020 and may, in accordance with the Option Deed, be extended twice, each for five years. During the validity period of the Option, if the joint venture purchases the Phase 2 site in accordance with the Option Deed, the land premium, as per the Deed, would base on the amount of \$2.812 billion at 1999 prices which would be adjusted for inflation between 1999 and the time of purchase in line with the Composite Consumer Price Index. Considering that the Phase 2 development is one of the proposals for HKDL's overall development in future, the Government and TWDC as shareholders of the joint venture would review the development situation as appropriate. Currently, we have no intention to change the original arrangements.

The Government understands the concerns of this Council and the general public about better utilisation of land. Thus, the Government explores and considers from time to time whether the Phase 2 site can be put to compatible use(s) that would better utilise the site and, at the same time, benefit the tourism industry or the community.

Before the joint venture exercises the Option, the Phase 2 site can currently be used for various short-term uses as listed in the Deed of Restrictive Covenant, including recreational, sports and cultural facilities, etc. When considering these short-term uses, we also need to take into account whether such uses are compatible with the use and atmosphere of HKDL. In fact, the Phase 2 site was used for hosting some short-term activities in the past, such as sports activities and group events. Recently, we have also received some proposals, and are exploring and discussing with the relevant parties. When there is progress and at an appropriate juncture, we

would finalise them and make announcement. We will continue to actively pursue the better utilisation of the Phase 2 site to further exploiting the recreation, entertainment and tourism positioning in the vicinity of HKDL. This would be conducive to HKDL's on-going development, Hong Kong's tourism industry and overall economy.

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