

## **Press Releases**

### **Government announces expansion plan for Hong Kong Disneyland**

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The Government and The Walt Disney Company (TWDC) have reached an agreement in principle on an expansion of Hong Kong Disneyland (HKD). It is a win-win package that will enhance the theme park's appeal while serving the overall interests of Hong Kong.

Announcing the agreement on the expansion plan and related financial arrangements today (June 30), the Secretary for Commerce and Economic Development, Mrs Rita Lau, said, "I am pleased that the two shareholders of HKD, after much challenging negotiation in the past six to seven months, have come to an agreement on a package deal that will benefit both HKD and Hong Kong."

Mrs Lau also pointed out that the expansion project would bring about some 3,700 jobs in terms of man-years in the coming five years. The expanded HKD will give rise to total net economic benefits in present value (at 2008 prices) ranging from \$64.7 billion to \$117.3 billion up to 2044-45 under different scenarios.

The park expansion will be completed in phases over five years. The expanded park will have three new themed areas, namely "Grizzly Trail", "Mystic Point" and "Toy Story Land" (working titles). There will be more than 30 new attractions, including "thrill" rides targeted at the young adult segment, bringing the total number of attractions in HKD to over 100.

TWDC has given assurance that "Grizzly Trail" and "Mystic Point" will be exclusive amongst Disney theme parks worldwide and "Toy Story Land" will be exclusive within the Asian region, for five years from their respective opening.

On the financing arrangement, TWDC will contribute all the necessary new capital (estimated to be about \$3.5 billion) for the construction of the new themed areas as well as for sustaining the park's operation during the construction years. It will also convert the entire outstanding balance (projected to be \$2.76 billion) of its loan to the joint venture to equity.

The Government will not inject any new capital into the expansion plan. Mrs Lau said: "The Government has already made significant contribution towards the development and operation of HKD thus far. However, as a contribution to deleverage the joint venture, the Government is prepared to convert a substantial part of its loan to equity, retaining a balance of not less than \$1 billion. The loan-to-equity conversion is subject to approval by the Finance Committee of the Legislative Council.

"According to current projections, the Government will continue to be a majority shareholder of HKD after the capital realignment, retaining 52% shareholding," she said.

The Government and TWDC have also agreed on some changes to the existing arrangements relating to HKD's operation, and on enhancing the transparency of the theme park's operation.

The formula for calculating the management fee will be revised to link to the park's performance. Both sides have also agreed to put in place a mechanism whereby at times of adversity the joint venture can defer payment of royalties to TWDC and payment of interest and principal of the retained Government loan.

"In response to the strong demand of the general public and Legislative Council members, we have impressed upon TWDC the need to make appropriate disclosure on the operation of HKD. TWDC has now agreed to disclose annually, starting from 2008-09, main operating and financial results of the park, including attendance and key indicators of the park's financial performance," Mrs Lau said.

In conclusion, Mrs Lau said, "HKD is a key component of Hong Kong's tourism landscape and enhancing its appeal through an expansion is crucial to the park's long-term development, as well as the competitiveness of Hong Kong as a premier destination.

"All along, the Government has been striving to reach a deal that would make HKD more attractive whilst serving the overall interests of Hong Kong. I believe we have got a good deal. The agreement also signifies the commitment of the Government and TWDC to take HKD to the next stage of development."

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