

Press release

LCQ9: Financial arrangements of Hong Kong Disneyland

Wednesday, December 19, 2007

Following is a question by the Hon Wong Ting-kwong and a written reply by the Secretary for Financial Services and the Treasury, Professor K C Chan, in the Legislative Council today (December 19):

Question:

It has been reported that the Government is negotiating with The Walt Disney Company (Walt Disney) of the United States on the injection of funds into their joint venture, the Hong Kong Disneyland (the park), for its expansion, and the Government is conducting a financial consultancy study in this respect. It has also been reported that Walt Disney has decided that the repayment period for the bank loan of about \$2.3 billion, which was obtained when the park was developed, should be shortened from 15 years to one year, so as to reduce the interest expenses. In this connection, will the Government inform this Council:

- (a) of the latest progress of the above negotiation on the injection of funds;
- (b) of the scope of the above financial consultancy study, and when the recommendations of the study can be submitted to the relevant authorities;
- (c) of the party responsible for the early repayment of the above loan, and whether the arrangement for the early repayment of the loan will affect the shareholding ratio between the Government and Walt Disney; and
- (d) when the Government has to apply to this Council for funds for injection into the park and the early repayment of the above loan, what justifications the Government will put forth to seek this Council's approval of such funding proposals?

Reply:

Madam President,

(a) In order to meet the future operational and development needs of Hong Kong Disneyland, Government and the Walt Disney Company of the United States have begun to examine relevant financial options. Government will carefully consider various financial proposals and conduct feasibility studies. At present, the two parties are still in the initial stages of negotiation and have yet to reach any agreement.

(b) The financial adviser appointed by Government will assess different financial proposals and make recommendations. It will advise and assist Government in the process of negotiation so as to protect Government interests. The financial adviser will submit reports to Government in accordance with the progress of negotiations and the terms of the consultancy contract.

(c) and (d) The Hongkong International Theme Parks Limited, which is jointly owned by Government and the Walt Disney Company, will be responsible for the repayment of the commercial bank loan relating to Hong Kong Disneyland. As Government and the Walt Disney Company are still in discussion regarding financial arrangements, it is premature to comment on whether the shareholding ratio between the two parties in the Hongkong International Theme Parks Limited may be affected. In studying the long-term financial arrangement, Government will consider various factors, such as the economic benefit for Hong Kong, the appeal of new attractions in the park to local residents and inbound visitors, and the ways to improve the management, transparency and viability of Hong Kong Disneyland. We will report to this Council at the appropriate time the details of the negotiations.

Ends