

**For discussion on
2 July 2024**

Legislative Council Panel on Economic Development

Update on Hong Kong Disneyland Resort

PURPOSE

This paper updates Members on the operation of the Hong Kong Disneyland Resort (“HKDL”) in Fiscal Year 2023 (“FY23”), covering the period from early October 2022 to end September 2023¹.

OVERVIEW OF FY23 BUSINESS PERFORMANCE

2. HKDL continued to face a challenging operating environment in the first five months of FY23 (i.e. October 2022 to February 2023) due to the coronavirus disease 2019 epidemic (“the epidemic”) and related anti-epidemic measures². As normal cross-boundary travel started to resume in February 2023, Hong Kong’s tourism industry began to recover at full speed, bringing a steady return of inbound visitors to HKDL alongside the initial phase of inbound tourism recovery. Through maintaining discussions with trade partners and early planning amid the epidemic, HKDL was able to swiftly reconnect with different source markets, in particular the Greater Bay Area (“GBA”), other parts of the Mainland, as well as Southeast Asian markets which showed faster and stronger rebound. HKDL had thus successfully reignited tourists’ enthusiasm to revisit HKDL and experience its offerings after the epidemic. Against this backdrop and as a result of dedicated efforts to drive local visitations (also see paragraph 5 below), HKDL’s performance in FY23 had been strong, viz –

¹ The fiscal year of HKDL is generally a 52-week or 53-week period with the Saturday closest to 30 September as the last day of the fiscal year. FY23 was a 52-week year, covering the period from 2 October 2022 to 30 September 2023.

² Although at the beginning of FY23 the compulsory quarantine requirement for inbound persons from overseas places or Taiwan was already lifted (lifted as from 26 September 2022), various restrictions impeding meaningful resumption of inbound travel, such as testing requirements and mask-wearing requirements, were still in place and local visitations remained the key driver to HKDL’s business during the first five months of FY23.

- (a) theme park attendance of 6.4 million, representing a 87% year-on-year increase in total attendance as well as a record-high annual local attendance (over 4.1 million) since its opening in 2005. In particular, despite the theme park operated for 76 days (21%) fewer than FY19, HKDL's non-local attendance recovery has outpaced Hong Kong's total visitor arrival recovery³;
- (b) hotel occupancy increased by 23 percentage points year-on-year to 47%, and at 77% if calculated based on room availability⁴;
- (c) per capita guest spending grew significantly year-on-year by 54% to a record-high;
- (d) with strong visitations and record-high per capita guest spending, improved hotel business, rampant recovery of retail outpost operation, as well as no mandatory park closure for the theme park during FY23⁵, HKDL's total revenue in FY23 soared by 156% year-on-year to more than HK\$5.7 billion, which outweighed the 55% growth in operating expenses;
- (e) earnings before interest, taxes, depreciation and amortisation (i.e. EBITDA) improved by HK\$1,785 million year-on-year from negative HK\$861 million to positive HK\$924 million, the first time turning positive since FY20 when the epidemic started. After deducting depreciation, amortisation and net finance cost from EBITDA, the net loss was HK\$356 million, which was much improved by 83% year-on-year; and
- (f) as regards the liquidity situation, while HK\$1.8 billion of the revolver facility funded by a subsidiary of The Walt Disney Company ("TWDC") was drawn as at the beginning of FY23, a total repayment of \$1.2 billion (66%) of the drawn balance was made in FY23.

³ HKDL's non-local attendance for FY23 was around 2.3 million and FY19 was around 3.8 million, whereas Hong Kong's total visitor arrival for FY23 was around 23.7 million and FY19 was around 65.2 million.

⁴ During the epidemic, Disney Hollywood Hotel ("DHH"), being one out of the three hotels of HKDL, suspended its operation and underwent phased rehabilitation. With its resumption of operation since mid-July 2023, DHH has still been operating at 50% of maximum capacity as its rehabilitation continues.

⁵ The theme park was opened for 288 days during FY23, vis-à-vis 190 days or FY22 with some 3.5 months of mandatory park closure.

According to a Hong Kong Tourism Board (“HKTB”)’s visitor profile survey for 2023, HKDL moved up a notch to third place as the most visited place among overnight visitors. It can thus be seen that albeit the earlier part of FY23 was still very much affected by the epidemic, FY23 was a strong year of recovery to HKDL.

ECONOMIC BENEFITS BROUGHT BY HKDL

3. According to survey statistics from HKTB and operational data of HKDL –

- (a) the additional spending in Hong Kong by all HKDL’s visitors (i.e. over and above what would have been spent in the absence of HKDL) was HK\$11.5 billion⁶ in FY23;
- (b) taking into account both the direct and indirect value-added generated from the additional spending, HKDL brought about HK\$7.1 billion of value-added to Hong Kong in FY23, equivalent to around 0.25% of Hong Kong’s Gross Domestic Product (“GDP”); and
- (c) HKDL supported 14 000 jobs (in terms of man-years)⁷.

Taking the past 18 years of operation together, the total value-added generated by HKDL amounted to HK\$129.6 billion, equivalent to 0.28% of Hong Kong’s GDP for the same period. A total of 290 700 jobs (in terms of man-years) were also created over these years for frontline workers and the travel industry. More details of HKDL’s importance in engaging and nurturing talents in Hong Kong are set out in paragraph 9 below.

HKDL OPERATION IN FY23

4. At the start of FY23, HKDL continued to attach much importance to safeguarding the health of its guests and staff, adhering to the then prevailing regulations and guidelines on a host of anti-epidemic and social distancing measures

⁶ All value figures in this paragraph are at 2021 prices.

⁷ This estimate is based on the additional spending in Hong Kong by HKDL’s visitors in FY23 and by making reference to the historical relations between value-added and the number of persons engaged in the tourism-related sectors. In practice, HKDL employed an average of 4 970 full-time and 2 050 part-time staff members in FY23 as mentioned in paragraph 9 of this paper.

at its theme park and hotels, and contribute to the community's concerted efforts in preventing the spread of the epidemic. HKDL adjusted its day-to-day operation with due regard to the relaxations of anti-epidemic measures. Its operation resumed to full normalcy with the lifting of the mandatory mask-wearing requirements with effect from 1 March 2023.

5. Amid the subsiding epidemic situation and gradual resumption of normal cross-boundary travel, HKDL's effective and flexible business strategies had not only consolidated local attendance, but also seized the business opportunities in attracting non-local guests upon the return of inbound tourism since mid-FY23. Apart from adjusting its theme park operation to open six or seven days a week from June 2023 to meet guest demand, HKDL also introduced more new premium products leveraging popular franchises, immersive offerings, elevated guest experiences, seasonal and festive events couple with exciting food and beverage packages, as well as cross-sectoral storytelling collaborations. To name but a few, the festive Christmas celebration in FY23 brought about the second-highest daily attendance in HKDL's history in December 2022; DHH was re-opened by phases starting from summer 2023 after renovation; a series of Disney's 100th anniversary celebratory offerings were rolled out during the year; and outreaching to youth audiences was extended to GBA market by promotion of youth programmes including Disney Grad Days Programme and organising the first HKDL Youth Seminar in Macau in May 2023.

6. HKDL also supported the Government's "Happy Hong Kong" campaign by supporting the "We Did It!" Award Scheme organised by the Committee on Home-School Co-operation with donation of complimentary tickets and joining the Harbour Chill Carnival in July 2023 to bring part of the musical "Follow Your Dreams" to the harbour stage.

7. In addition, HKDL's targeted marketing and continuous trade engagement efforts during FY23 had contributed to the early return of tourists worldwide. For instance, HKDL proactively reconnected with business partners in key source markets, held a large-scale Mainland China Trade Summit onsite, hosted familiarisation tours for media, online key opinion leaders, Mainland and overseas Hong Kong Economic and Trade Offices and the Office of the Government of the Hong Kong Special Administrative Region in the Mainland, and maintained close liaison and collaboration with HKTG in various industry promotion campaigns.

8. HKDL continued to maintain high-quality services in FY23. According to its guest satisfaction survey, 94% of park visitors and 92% of hotel guests rated their overall experience as "excellent", "very good" or "good". At the

same time, HKDL's design, marketing excellence, employment relationship, and commitment to the community and the environment continued to be well recognised by receiving various awards including multiple awards on customer acquisition, use of celebrities/influencers, public relations events, integrated marketing and more by Marketing Interactive, "Employer of the Year Award" and "Employee Engagement Award" by JobsDB, the Social Capital Builder Award by the Home and Youth Affairs Bureau, etc., bringing the total number of awards received from local and international associations and publications to 898 since its opening in 2005.

9. Meanwhile, HKDL continues to be one of the largest employers of entertainment and performance talents in Hong Kong, employing around 4 970 full-time and 2 050 part-time staff on average during FY23. In addition to preserving jobs during the difficult business environment under the epidemic, HKDL also spared no efforts in recruitment to meet the increasing workforce needs associated with HKDL's expanded offerings. For example, HKDL organised the "Disney Open House for Dream Makers" event in February 2023 as an in-park job expo where some 3 000 prospective job applicants and participants were offered first-hand insights on the theme park and hotels' daily operation. Other ongoing recruitment efforts also continued to contribute to talent nurturing, such as collaboration with the Hong Kong Academy for Performing Arts for students and graduates from the Academy to be performers and back-stage professionals, as well as partnership with local tertiary institutions and the Vocational Training Council to employ professionals from a wide range of disciplines such as hospitality, engineering, creativity and design, etc. Moreover, HKDL continued to develop its highly-skilled and quality labour force by providing approximately 340 000 hours of professional and technical training covering aspects of theme park operation, safety, etc., workshops on diversity, equity and inclusion, as well as leadership training programmes during the year. HKDL's concerted efforts led to recognition under The Randstad Employer Brand Research 2023 as one of the top 20 most attractive companies to work for in Hong Kong in 2023.

10. The annual business review prepared by Hong Kong Disneyland Management Limited for FY23 is at [Annex](#).

CORPORATE SOCIAL RESPONSIBILITY

11. HKDL has always been committed to serving the community of Hong Kong. Despite various constraints under the epidemic in almost half of the year, HKDL continued to work with non-governmental organisations in FY23 to give out more than 100 000 complimentary park tickets for underserved community members.

In FY23, HKDL delivered a total of around 6 000 hours of volunteer services through, among others, the Disney Mobile Movie Theatres established in collaboration with TWDC, Hong Kong Children's Hospital and United Christian Hospital featuring a range of Disney+ content to bring happiness to young patients. Collaborating with the Arts with the Disabled Association Hong Kong, HKDL continued to support arts accessibility, integrating theatrical interpretation (with performers using sign language with body movements) into popular shows. HKDL also continued its longstanding support of Make-A-Wish Hong Kong to fulfill the wishes of children with critical illnesses.

12. HKDL also endeavoured to nurture talents and invest in youth development. The Disney Imaginations Hong Kong Design Competition 2023 was launched in the year with scope of participation extended to GBA cities in the Mainland after the epidemic, empowering students to showcase their creativity and talents. Winning teams would be eligible for six-to-eight-week internship experience in HKDL and a visit to another Disney theme park. HKDL also introduced the new Disney Dream Makers Arts Development Programme in September 2023 in collaboration with the community with a view to providing financial support and mentoring to young artists with disabilities. Other examples of HKDL's proactive participation in youth-related programmes include but not limited to hosting and facilitating hospitality training for some 100 young leaders under the Hong Kong Young Ambassador Scheme co-organised by the Tourism Commission and the Hong Kong Federation of Youth Groups, as well as rolling out a dedicated youth training initiative under the Sports Legacy Scheme for ethnic minorities.

13. Fostering a greener and more sustainable environment for all is also HKDL's commitment to the city. At the moment, the largest solar energy generation system in Hong Kong is installed at HKDL, with a capacity of 3 050 kW comprised of over 7 500 monocrystalline solar panels positioned mainly on the rooftops of over 40 buildings. On 2 June 2023, HKDL announced Hong Kong's first-ever car park solar canopy project, with 200kW solar canopy to be installed at HKDL's Team Disney office car park and will generate over 200 000 kWh of electricity annually. Featuring more than 400 panels, it is expected to provide shelter for 80 parking spaces.

LOOKING AHEAD IN FY24 AND BEYOND

14. Thanks to the recovering inbound tourism throughout 2023, HKDL's FY24 commenced with continuously strong business momentum. The world's first

ever and largest “Frozen”-themed land, “World of Frozen” was officially launched in November 2023, successfully arousing online and offline attention worldwide, thereby driving park attendance and guest spending to the next level. In December 2023, HKDL also received its 100 millionth guest, marking an important milestone for HKDL and demonstrating the deep-rooted position of HKDL in Hong Kong. With business momentum built before and intensified after the opening of “World of Frozen”, coupled with diversified offerings and experiences such as the in-park New Year’s Eve Countdown held for the first time in front of the Castle of Magical Dreams, HKDL’s business performance of FY24 including park attendance, occupied room nights of the three hotels, merchandise, food and beverage, etc. have so far been all impressive, contributing to a notable growth in its revenue. While relevant information will be disclosed vide the next annual business review cycle for FY24, the Government and HKDL are confident about HKDL’s business, as well as its long term development potential.

15. Looking ahead, HKDL will continue to roll out new offerings and enhance guest experience, leveraging its successful and wide-range of characters. Recent examples include the fan festival “Duffy and Friends Play Days”, the “Marvel Season of Super Heroes” including the all-new daytime show “Find Your Super Power: Battle for Stark Expo” and nighttime drone show “Find Your Super Power: Battle in the Sky”, as well as newly-designed “Mickey and Friends”-themed guest rooms and Marvel Super Heroes-themed guest rooms in Disney’s Hollywood Hotel. In particular, with the successful launch of the new “World of Frozen” in bringing immersive experience to guests, preparation has begun for the remaining “Re-imagined” and “Marvel-themed area” projects under its multi-year expansion and development plan for rolling out at opportune junctures to enhance its appeal to guests in the region, ensure business synergy and consolidate HKDL’s position as an iconic and landmark tourist attraction in Hong Kong. HKDL will also continue to work closely with the tourism trade and partners including HKTG to achieve economy of scale on various fronts such as promotion and strategic development in the GBA.

16. HKDL would also continue with its efforts in promoting integration of culture, entertainment, sports and tourism sectors. With the success of the in-park live orchestra performance “A Magical Nighttime Symphony” held in collaboration with the Hong Kong Philharmonic Orchestra in December 2021 and the six “Disney Live in Concerts!” held in November and December 2022, HKDL brought to guests another four “Disney Christmas Live in Concerts!” in December 2023 and the “Disney Classic Live in Concert Presents Lang Lang” in January 2024. In cooperation again with Hong Kong Ballet, the “StellaLou’s Wonderful Wishes Ballet” performances were also rolled out in April and May 2024. The Hong Kong

Disneyland 10K Weekend 2024 will also be held in November 2024, with whole new experience of running through the new “World of Frozen” for the first time.

17. In terms of the liquidity situation, while the revolver facility funded by a subsidiary of TWDC was upsized in November 2022 from HK\$2.1 billion to HK\$2.7 billion to provide a sufficient buffer for HKDL’s operation until end-2028, it has not been withdrawn since October 2022 and has in fact been fully repaid in end-December 2023. HKDL will continue to carefully manage its operating costs and liquidity situation so as to ensure its smooth operation amid the continuous tourism recovery and increasing business momentum.

ADVICE SOUGHT

18. Members are invited to note the above update on HKDL’s operation.

**Tourism Commission
Culture, Sports and Tourism Bureau
June 2024**

KEY HIGHLIGHTS

1. Hong Kong Disneyland Resort (“HKDL”) remains committed to fostering the development of Hong Kong as a top tourist destination in Asia and continuing its pivotal role in the community. By the end of fiscal 2023¹, HKDL had achieved a total cumulative attendance of over 98 million since the theme park opened in 2005.
2. Inbound tourism into Hong Kong especially from international markets remained restricted in the first five months of fiscal 2023. Subsequently, upon the full resumption of normal travel with the Mainland, tourists had begun returning to Hong Kong from February 2023. The lifting of the mandatory mask-wearing requirement in March 2023 (i.e. towards the end of the first half of fiscal 2023) signified the end of anti-pandemic measures imposed on HKDL. Prior to that, HKDL operated with capacity limits and other social distancing measures for its scheduled premises at various times.
3. Despite challenges that prolonged into fiscal 2023, HKDL’s optimised business strategy not only drove improved performance through pandemic restrictions, but also enabled the resort to swiftly recover upon the return of inbound tourism. HKDL’s experiential offerings, and swiftly activated marketing, publicity and sales partnerships in key source markets aimed to reignite visit intent for the resort and for Hong Kong generally. According to a Hong Kong Tourism Board’s visitor profile survey for calendar year 2023, HKDL moved up a notch to third place as the most visited place among overnight visitors.
4. HKDL’s fiscal 2023 results continued to recover to pre-pandemic levels on various fronts notwithstanding the headwinds above. With Hong Kong lifting all pandemic restrictions in March 2023, HKDL’s non-local attendance recovery has outpaced Hong Kong’s total visitor arrival recovery². Driven by HKDL’s strong recovery momentum, the theme park recorded attendance of 6.4 million in fiscal 2023, compared with 6.5 million in fiscal 2019. In the meantime, HKDL’s local guest affinity remained solid, with fiscal 2023 recording another year of historic high local attendance despite border/boundary reopening.

¹ With a year-end date on the Saturday closest to, if not on, 30 September, the fiscal year consists of 52 weeks with the exception that approximately every six years, the fiscal year comprises a 53-week period. Fiscal 2023 and 2022 were both a 52-week year ending on 30 September 2023 and 1 October 2022, respectively.

² HKDL’s non-local attendance for fiscal 2023 was 2.2 million and fiscal 2019 was 3.8 million, whereas Hong Kong’s total visitor arrival for fiscal 2023 was 23.7 million and fiscal 2019 was 65.2 million.

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5. In fiscal 2023, HKDL’s revenue grew by 156% year-on-year to HK\$5.7 billion. Earnings before interest, taxes, depreciation and amortisation (“EBITDA”) improved by HK\$1,785 million and turned positive to HK\$924 million. Attendance grew 87% year-on-year, and per capita spending grew by 54%. At HKDL hotels, utilisation for the year was 77%³ and overall occupancy increased by 23 percentage points to 47%. During fiscal 2023, HKDL did not draw on the revolver facility funded by a subsidiary of The Walt Disney Company (together with one or more of its subsidiaries, “Disney”) and repaid 66% of the drawn balance⁴.
6. HKDL remains optimistic about its future business and long-term potential. As Hong Kong’s iconic tourism landmark, with the support of the Disney brand, HKDL has emerged as one of the city’s key driving forces for tourism recovery. The recovery momentum is expected to sustain with the opening of the world’s first and largest *Frozen*-themed land, World of Frozen, in November 2023. Together with the reimaged “Castle of Magical Dreams”, the Castle’s daytime show “Follow Your Dreams” and the “Momentous” nighttime spectacular launched during the pandemic, HKDL has debuted a strong line-up of experiential offerings to captivate guests worldwide. Spurred by the growing middle class in nearby markets and closer regional cooperation within GBA, HKDL is well-positioned to be one of Hong Kong’s signature offerings empowering future tourism growth.

BUSINESS OVERVIEW

7. HKDL consists of a Disney-branded theme park, themed hotels and associated complex and infrastructure on Lantau Island in Hong Kong. HKDL is owned by Hongkong International Theme Parks Limited (“HKITP”), a joint venture between the Government of the Hong Kong Special Administrative Region (“HKSARG”) and Disney. HKDL is managed by a separate subsidiary wholly owned by The Walt Disney Company, Hong Kong Disneyland Management Limited. At the end of fiscal 2023, HKSARG owned a 52% majority interest in HKITP and Disney owned the remaining 48%.

³ Hotel utilisation is calculated based on adjusted available capacity, which excludes room inventory temporarily removed from service having regard to a number of factors, such as the temporary closure of hotel rooms for planned renovation and management’s best estimates of the market situation and operational needs.

⁴ HKDL fully repaid the revolver facility in December 2023.

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8. The theme park includes themed attractions, entertainment and interactive experiences, restaurants, merchandise shops and refreshment stands. Additionally, there are daily daytime and nighttime entertainment as well as seasonal offerings. The theme park is also in the midst of a multi-year expansion and development plan that has been adding a number of new guest offerings based on some of Disney's most popular stories, such as the new *Frozen*-themed land, World of Frozen.
9. There are three themed hotels at HKDL with a total of 1 750 rooms.

OPERATIONAL HIGHLIGHTS

10. In the first half of fiscal 2023, HKDL focused significant efforts to ramp up its readiness ahead of Hong Kong's border/boundary reopening. With encouraging inbound recovery and local attendance staying strong, the second half of fiscal 2023 was dedicated to expediting HKDL's business rebound with more new premium products, expanding its reach to source markets and ramping up operating capacity, amid the recovering overall economy and labour market challenges. Key accomplishments include:
 - a) *Achieving strong rebound of theme park attendance:* Fiscal 2023's total attendance grew by 87% from the prior year, reaching 6.4 million. Despite the theme park operating for 76 days (21%) fewer than fiscal 2019, attendance nearly returned to the same level. With HKDL's successful efforts to nurture local guest affinity, local attendance (over 4.1 million) achieved another historic high, which included all-time high attendance from both young adult and student attendance under Disney youth programmes. This was particularly remarkable considering the resumption of normal travel and the official forecast of economic growth being softer than expected. While the pace of Hong Kong's flights resumption remained a constraint, the attendance recovery from Thailand, the Philippines and Singapore had been particularly encouraging.
 - b) *Promoting experiential offerings:* Research into post-pandemic tourist behaviour showed that travellers increasingly look for sophisticated and experiential offerings. HKDL's captivating and diverse experiences have well-positioned the resort to respond to this trend. One-of-a-kind experiences such as the reimagined "Castle of Magical Dreams", the "Momentous" nighttime spectacular, and the award-winning Halloween show, "Let's Get Wicked", etc., were well-received by guests. New

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immersive products leveraging popular franchises grew Disney fandom, such as the Duffy and Friends Playhouse, the “Marvel Season of Super Heroes” and character’s anniversary celebrations. Together with the debut of Walt Disney and Mickey Mouse Statue, “Dream Makers”, in October 2023 and World of Frozen in November 2023, HKDL’s immersive offerings will further solidify its position as one of Hong Kong’s iconic tourism landmarks and a key driver of tourism recovery.

- c) *Ramping up operational capacity to meet demand:* With a positive business rebound following the resumption of normal travel, the theme park adjusted its operation to open six or seven days a week from June 2023 to meet guest demand. Disney’s Hollywood Hotel reopened in July 2023 with a refreshed lobby and two restaurants amid phased refurbishment. Disney Explorers Lodge also resumed 7-day operation in April 2023.
- d) *Proactively reaching out to source markets to drive inbound tourism:* HKDL’s marketing efforts, which helped keep inbound markets warm under the pandemic, paved the way for the “Reignite the Magic” campaign that was swiftly launched upon resuming normal travel. HKDL rolled out targeted communication through an extensive range of channels for the GBA, Southeast Asia and beyond. This spanned across media, broadcasting programmes, digital platforms and a physical presence in key cities. HKDL also launched a series of publicity activities to drive exposure for the first guests returning to the resort, including Mickey Mouse welcoming high speed rail passengers at the Hong Kong West Kowloon Station in January 2023, a surprise welcome moment for 200 Thai guests at the Hong Kong International Airport in March 2023, and joining the Hong Kong Tourism Board’s activations across different boundary crossing facilities with the Mainland.
- e) *Reconnecting with partners to fuel business growth:* HKDL swiftly reconnected with trade partners ahead of border/boundary reopening. HKDL’s flagship Mainland China Travel Trade Summit returned in March 2023 and was well-attended by key travel agencies and online travel platforms. HKDL’s sales presence in key Mainland and overseas cities was also rebuilt to boost market awareness of the resort’s latest products. Going beyond the conventional approach, HKDL and a leading online travel service provider held the resort’s first-ever onsite live-stream. The live-stream reached millions of viewers in Mainland China

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and beyond within four hours. In line with promotions such as HKSARG's "Happy HK campaign", "Night vibes HK campaign" and others, as well as resuming the annual mega run event HKDL "10K Weekend 2023" in March 2023, the resort proactively contributed to city-wide initiatives to fuel recovery.

- f) *Elevating guest experiences with leveraged partnerships and innovation:* To provide additional convenience to guests, HKDL integrated product purchase functionalities into its mobile app as well as the official WeChat mini programme, including in particular popular Disney Premier Access products. Additionally, a new strategic partnership was forged in the year to broaden payment options for guests. HKDL also continued efforts to build a new festive tradition with the "Disney Live in Concert!" series in collaboration with local performing art talents. Six concerts were held in November and December 2022 ranging from classical and jazz music to songs from Disney movies. Continuing to elevate its cultural tourism offerings, HKDL worked with Hong Kong Ballet to curate a seasonal exclusive show "StellaLou's Wonderful Wishes Ballet" in April 2023 – a first for the resort and was well-received by guests. Synergy with Disney also continued, leveraging Disney's 100th anniversary celebration and Disney+ promotions.
- g) *Sustained Frozen publicity to build anticipation and visitation momentum:* The opening of World of Frozen, the world's first and largest *Frozen* themed land, in November 2023 in HKDL represents a key milestone for the resort. Inspired by the Walt Disney Animation Studios' films, *Frozen* and *Frozen 2*, which are among the biggest animated films of all times, guests are transported to the cinematic and living land – Arendelle. With *Frozen* being one of Disney's most popular franchises, especially in Asia, HKDL placed World of Frozen as the centerpiece in marketing and publicity campaigns. Extensive traditional and social media exposures were driven as the campaigns unfolded at prominent locations in Bangkok, Singapore, Tokyo, Seoul, Shenzhen, Guangzhou and others. Rounds of previews for targeted audiences were also held to reinforce publicity, including key opinion leaders, media, celebrities, fans and other stakeholders.
11. During the pandemic, while local guests stood by HKDL with strong affinity and support, the resort also stood solidly by the Hong Kong community and served those in need. During the year, HKDL remained steadfast in its corporate social responsibility efforts with large-scale community service

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programmes resuming in fiscal 2023 as social distancing and other measures were removed. Additionally, more than 100 000 complimentary theme park tickets were offered to people in need in fiscal 2023. Over the last 18 years, HKDL has contributed nearly 120 000 Disney VoluntEARS hours, delivering happiness, support and comfort to the community. HKDL's community efforts continued in three focus areas: World of Belonging, World of Hope, and World in Balance:

World of Belonging

- a) *Embracing inclusivity and arts accessibility:* Collaborating with the Arts with the Disabled Association Hong Kong, HKDL continued to support arts accessibility, integrating theatrical interpretation (with performers using sign language with body movements) into popular shows such as “Let’s Get Wicked” and “House of De Vil-lains”. The in-park theatre show “Mickey’s Wondrous Book” featured theatrical interpretation bi-monthly in the year. HKDL also introduced the Disney Dream Makers Arts Development Programme in September 2023, collaborating with Arts with the Disabled Association Hong Kong to provide financial support and mentoring to young artists with disabilities.
- b) *Supporting innovation:* HKDL hosted the “Disney Imaginations Hong Kong Design Competition 2023”, inviting participants from tertiary educational institutions to showcase their creative talent. The scope of participation is planned to expand to GBA Mainland cities in future.
- c) *Championing sports development:* HKDL's unwavering support for Hong Kong's sports development continued in fiscal 2023. Collaborating with the Sports Legacy Scheme of the Sports Federation & Olympic Committee of Hong Kong, China, HKDL rolled out a dedicated children and youth sports training initiative, reaching ethnic minorities and others. By providing training opportunities, the initiative not only aimed to discover young talent and foster a vibrant sports culture in the community, but also to support aspiring athletes' future career development.

World of Hope

- d) *Healing through magic and stories:* Central to HKDL's mission is to bring hope and joy to the community, including during challenging times. HKDL's efforts, in collaboration with local hospitals, brought hope and happiness to young patients through timeless Disney stories. This included the Disney Mobile Movie Theatres, established in collaboration

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with Disney at the Hong Kong Children's Hospital and United Christian Hospital, which featured a range of Disney+ content.

- e) *Making dreams come true*: HKDL continued its longstanding support of Make-A-Wish Hong Kong to fulfill the dreams of children with critical illnesses. A highlight was HKDL's World Wish Day celebration in April 2023 for wish kids, their families and healthcare professionals, all supported by Disney VoluntEARS.

World in Balance

- f) *Caring for the environment*: Boasting the city's single largest solar panel site, HKDL's environmental commitment deepened in fiscal 2023. HKDL announced in the year the installation of a car park solar canopy at its Team Disney office car park, which will be Hong Kong's first such project when it is completed. In fiscal 2023, plastic shopping bags were removed in merchandise locations across HKDL, with a new line of reusable bags introduced. In addition, HKDL has delivered more than 2 300 tonnes of food waste to HKSARG's organic resources recovery centre in Siu Ho Wan since its opening in July 2019.
12. On average, HKDL employed approximately 4 970 full-time and 2 050 part-time staff during fiscal 2023, remaining one of Hong Kong's largest employers in the tourism and family entertainment industry. With increasing workforce needs to meet HKDL's expanded offerings, proactive recruitment continued year-round. Recruitment efforts included the "Disney Open House for Dream Makers" event in February 2023, where prospective job applicants were offered first-hand insights on HKDL's daily operation. As a unique in-park career development and job recruitment expo, the event was extensively covered by the media and successfully engaged around 3 000 participants. Around 300 cast members were hired during the event. Moreover, HKDL provided approximately 340 000 hours of professional and technical training to staff in fiscal 2023, including learning resources on supporting the return of non-local guests and the resort's new offerings.
 13. HKDL continued to generate exceptional guest satisfaction ratings. In fiscal 2023, 94% of theme park guests surveyed and 92% of hotel guests surveyed responded that their overall experience was "excellent", "very good" or "good".
 14. HKDL received various awards during fiscal 2023 in recognition of its

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design and marketing excellence, employment relationship, as well as commitment to the community and the environment. HKDL's publicity campaign for "Momentous" was recognized by Marketing Interactive, with multiple awards on customer acquisition, use of celebrities/influencers, public relations events, integrated marketing and more. HKDL was also recognized in fiscal 2023 by clinching the "Employer of the Year Award" and "Employee Engagement Award" by JobsDB, as well as the "Best Family-friendly Employment Policy Award" by CTgoodjobs. In recognition of HKDL's community services, the Home and Youth Affairs Bureau presented the Social Capital Builder Award to the resort. Additionally, HKDL received three awards from the Hong Kong Awards for Environmental Excellence, including a Gold Award in the "Public & Community Services Sector" category, as well as a Silver Award and a Bronze Award in the "Hotels & Recreational Clubs Sector" category.

KEY BUSINESS DRIVERS AND FINANCIAL HIGHLIGHTS

15. With the lifting of all anti-epidemic measures in Hong Kong towards the middle of the fiscal year, HKDL experienced strong recovery momentum with inbound visitation, while maintaining solid local attendance. Attendance for fiscal 2023 increased by 87% year-on-year to 6.4 million. Hotel utilisation for the year was 77%, reflecting the adjusted room availability due to the planned renovation of Disney's Hollywood Hotel and others. Overall hotel occupancy increased by 23 percentage points to 47%. Benefitting from expanded guest offerings and effective pricing strategies, per capita guest spending increased by 54% year-on-year.
16. In fiscal 2023, HKDL's theme park operated for 288 days⁵ as compared to 190 days⁶ in the prior year. Revenue grew by HK\$3,494 million, or 156%, to HK\$5,737 million. EBITDA improved by HK\$1,785 million, or 207%, to HK\$924 million. Net loss narrowed by 83% to HK\$356 million for the year.

⁵ The fiscal 2023 operating days have taken into account 5-day operation weeks of theme park for the majority of the year (temporarily closing on Tuesdays and Thursdays, except otherwise announced).

⁶ The fiscal 2022 operating days have taken into account compulsory theme park closure under the pandemic, and 5-day operation weeks of theme park in fiscal 2022 (temporarily closing on Tuesdays and Thursdays, except otherwise announced).

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Key revenue drivers for the fiscal year were as follows:

	2023	2022
Park operating days	288	190
Park attendance (in millions)	6.4	3.4
Hotel occupancy	47%	24%
Hotel utilisation	77%	78%

Year-on-year change for key revenue drivers	Percentage change	
	2023	2022
Park attendance	87%	22%
Per capita guest spending	54%	11%
Available room nights	- %	- %
Per room guest spending	(5%)	7%

Origin of visitors as a percentage of total attendance	2023	2022
	Local	65%
Mainland China	24%	0%
Other markets	11%	0%

Key financial results for the fiscal year were as follows:

	2023	2022	Variance
(in HK\$ millions)			
Revenue	5,737	2,243	3,494
Costs and expenses	(4,813)	(3,104)	(1,709)
Earnings before interest, taxes, depreciation and amortisation	924	(861)	1,785
Depreciation and amortisation	(1,198)	(1,177)	(21)
Net finance cost	(82)	(33)	(49)
NET LOSS	(356)	(2,071)	1,715
Current assets	1,092	972	120
Non-current assets	19,133	19,517	(384)
Current liabilities	(2,503)	(1,749)	(754)
Non-current liabilities	(2,929)	(4,007)	1,078
SHAREHOLDERS' EQUITY	14,793	14,733	60

Revenue

17. HKDL generates revenue predominantly from the sale of theme park admission tickets, room nights at the hotels as well as merchandise, food and

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beverage at both the theme park and hotels. For fiscal 2023, total revenue increased by 156%, or HK\$3,494 million, to HK\$5,737 million primarily due to growth in theme park attendance and occupied hotel room nights, as well as higher guest spending in the theme park.

Costs and expenses

18. Costs and expenses consist principally of labour, operating and support costs, costs of sales, and marketing and sales expenses. For fiscal 2023, total costs and expenses increased by 55%, or HK\$1,709 million, to HK\$4,813 million, driven by having more operating days in the year and higher costs of sales from volume growth.

Depreciation and amortisation

19. Depreciation and amortisation increased by 2%, or HK\$21 million, to HK\$1,198 million, reflecting the full-year impact of new assets including the “Momentous” nighttime spectacular, partially offset by certain assets being fully depreciated during fiscal 2023.

Net finance cost

20. Net finance cost consists of interest expense, net of interest income. The net finance cost increased HK\$49 million to HK\$82 million in fiscal 2023, primarily due to higher interest rates.

Net loss

21. Net loss improved by 83%, or HK\$1,715 million, to HK\$356 million, reflecting growth in revenue partially offset by higher operating costs from increased operating days during the year.

Current assets

22. Current assets consist of cash and cash equivalents, trade and other receivables and inventories. The increase of 12%, or HK\$120 million, to HK\$1,092 million in fiscal 2023 was mainly attributable to a net increase in cash and cash equivalents (See “FINANCIAL LIQUIDITY” section below for details) and higher receivables.

Non-current assets

23. Non-current assets include property, plant and equipment, leased land and projects in progress. Non-current assets decreased by 2%, or HK\$384 million, to HK\$19,133 million, reflecting the current-year depreciation being partly offset by the spending on the multi-year expansion and development plan.

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Current liabilities

24. Current liabilities consist of trade and other payables and deferred revenue. The increase of 43%, or HK\$754 million, to HK\$2,503 million was mainly due to higher payables and higher deferred revenue from advance theme park ticket sales during the year.

Non-current liabilities

25. Non-current liabilities include long-term borrowings and retirement plan liabilities. The balance primarily represents unsecured long-term loans from HKSARG and Disney. The decrease of 27%, or HK\$1,078 million to HK\$2,929 million, was mainly due to repayments of the revolver facility during the year and lower retirement plan liabilities.

FINANCIAL LIQUIDITY

Summary of the changes in cash and cash equivalents was as follows:

(in HK\$ millions)	2023	2022	Variance
Cash generated by / (used in):			
Operating activities	1,548	(805)	2,353
Investing activities	(662)	(1,013)	351
Financing activities	(840)	1,953	(2,793)
NET INCREASE IN			
CASH AND CASH EQUIVALENTS	46	135	(89)

26. Cash and cash equivalents increased by HK\$46 million, from HK\$760 million at the end of fiscal 2022 to HK\$806 million at the end of fiscal 2023. The increase was primarily attributable to net cash generated from operating activities and the equity contributions from shareholders for the multi-year expansion and development plan, partially offset by repayments of the revolver facility and spending on capital projects.

27. In fiscal 2021, HKDL started drawing upon the revolver facility funded by Disney to support working capital and operational needs under the pandemic. This revolver facility has been upsized to HK\$2.7 billion since November 2022. During fiscal 2023, HKDL did not draw on the revolver facility, and repaid 66% of the drawn balance⁷.

⁷ HKDL fully repaid the revolver facility in December 2023.

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DISCLAIMER

This Annual Business Review has been prepared for information purposes only. The information set forth in this Annual Business Review presents a summary of certain operational and financial information relating to HKDL and does not represent the complete financial results of HKDL reflected in the audited financial statements of HKDL.