

立法會

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Panel on Economic Development Meeting on 2 July 2024

Background brief on Hong Kong Disneyland Resort

Purpose

This paper provides updated background information on the operation of the Hong Kong Disneyland Resort (“HKDL”). It also summarizes the major views and concerns expressed by members of the Panel on Economic Development (“the Panel”) during past discussions on the subject.

Background

2. HKDL is owned by the Hongkong International Theme Parks Limited (“HKITP”)¹, a joint venture between the Government and The Walt Disney Company (“TWDC”), and is managed by the Hong Kong Disneyland Management Limited (“HKDML”), which is wholly owned by TWDC. At the end of the fiscal year 2022 (“FY22”),² the Government of the Hong Kong Special Administrative Region (“HKSARG”) owned a 52% majority interest in HKITP and TWDC owned the remaining 48%.

3. The Panel was last updated on the operation of HKDL in FY22 at its meeting on 22 May 2023. According to the Administration, HKDL continued to face a challenging operating environment due to the coronavirus disease 2019 (“COVID-19”) epidemic. Its business continued to be severely affected by the

¹ The Hongkong International Theme Parks Limited operates under the supervision of a Board of Directors, which comprises five Government directors, four Disney directors and two independent non-executive directors.

² The fiscal year of the Hong Kong Disneyland Resort is generally a 52-week or 53-week period with the Saturday closest to 30 September as the last day of the fiscal year. Fiscal year 2022 (“FY22”) was a 52-week year, covering the period from 3 October 2021 to 1 October 2022.

complete halt of inbound tourism arising from the sustained suspension of quarantine-free cross-boundary/border travel between Hong Kong and the Mainland and places around the world. It had to rely solely on the local market for business.

4. HKDL's park attendance continued to ramp up to 3.4 million in FY22, representing a 22% year-on-year increase in total attendance as well as a record-high annual local attendance since its opening in 2005. With improved visitations and hotel business despite a shorter operating period for the theme park compared with FY21,³ HKDL's total revenue in FY22 went up by 31% year-on-year to HK\$2.2 billion, which outweighed the 16% growth in operating expenses. Details of HKDL's park attendance and hotel occupancy rate since 2005-2006, as well as the revenues and net profit/(loss) of HKITP since 2008-2009 are set out in **Appendices 1 and 2** respectively.

5. According to the operational data of HKDL, considering that there were minimal inbound tourists throughout FY22, the additional spending by all HKDL's visitors (i.e. over and above what would have been spent in the absence of HKDL) was HK\$1.0 billion in FY22. Taking into account both the direct and indirect value-added generated from the additional spending, HKDL brought about HK\$0.7 billion of value-added to Hong Kong in FY22, equivalent to around 0.03% of Hong Kong's Gross Domestic Product ("GDP"). In FY22, HKDL employed on average around 4 700 full-time and 1 400 part-time staff members.

Major views and concerns of Members

6. The major views and concerns expressed by Members at the Panel meeting on 22 May 2023 are summarized in the ensuing paragraphs.

7. The Panel noted that the financial performance of HKDL was less than satisfactory due to the impact of the epidemic in the past few years. In view that HKDL had recorded net profits in only three years since the commencement of its operation in 2005, Members enquired when HKDL would expect to improve its financial performance, including reaching the breakeven point and profit turnaround. The Administration advised that it focused not only on HKDL's financial performance but its contribution to the overall socio-economic benefits as an important tourism infrastructure project. In FY22, HKDL brought about HK\$700 million value-added to Hong Kong's economy, equivalent to 0.03% of the Gross Domestic Product.

³ The theme park was opened for 215 days and 190 days during FY21 and FY22 respectively.

8. Members enquired whether the Administration had a monitoring mechanism on the remunerations of HKDL's management and whether its loss had to do with mismanagement. In response, the Administration said that HKDL was owned by HKITP, a joint venture between HKSARG and TWDC ("joint venture"). HKDL was managed by HKDML, a separate subsidiary wholly owned by TWDC. As a majority shareholder of HKDL, the Government had all along participated in the board of the joint venture to monitor the park operation and participate in decision-making regarding major operational and development matters of the park. The day-to-day operations of HKDL were subject to the requirements and regulation of both the relevant ordinances in Hong Kong and relevant laws and regulations for listed companies in the United States.

9. Questions were also raised about other aspects of HKDL's financial performance and business operation, including possible concessions on collection of the royalty payments by TWDC based on the actual situation of HKDL and the Government's injection of funds in the future. HKDL indicated that TWDC had deferred royalty payments payable in FY22 and would not charge interest accordingly. HKDL currently had no plans to seek additional funding from the Government. According to HKDL, TWDC upsized its revolver facility to HKDL in November 2022 from HK\$2.1 billion to HK\$2.7 billion to ease the financial and cash position of HKDL.

10. Expressing concerns about whether HKDL had sufficient manpower to cope with the increase in visitors, Members urged HKDL to be more proactive in conducting recruitment by attracting more young people to join the company and even considering recruiting from overseas. There was a suggestion that HKDL could consider conducting local recruitment in the Tuen Mun District as it was more convenient to travel from the Tuen Mun District to HKDL upon the opening of the Tuen Mun-Chek Lap Kok Tunnel. The Administration was also urged to introduce measures to facilitate recruitment with a view to alleviating the manpower problem.

11. In response, HKDL advised that it would launch other initiatives to attract talent, work with various universities and vocational training institutions in Hong Kong and consider the suggestion of conducting recruitment in the Tuen Mun District. The Administration responded that Hong Kong was currently facing an overall manpower shortage and it had been proactively exploring solutions.

12. Members considered that HKDL should be more proactive in enhancing its promotion and publicity, such as leveraging its branding impact to attract more local and overseas visitors and actively exploring the Guangong-Macao-Hong Kong Greater Bay Area ("GBA")'s market. There were suggestions that the Administration should consider partnering with HKDL to build a Hong Kong downtown Disney district and leverage HKDL's strengths to support the

development of local arts and cultural industries as well as local textile and garment and fashion industries.

13. In response, HKDL advised that GBA was one of its business priorities while it would continue to launch new attractions, including launching a new themed land, the World of Frozen, in the second half of 2023. HKDL also indicated that it would strengthen cooperation with the cultural sector as appropriate to promote the development of local arts and cultural industries.

Latest development

14. The Administration will update the Panel on the operations of HKDL at the meeting on 2 July 2024.

Relevant papers

15. A list of relevant papers available is in **Appendix 3**.

Council Business Division 4
Legislative Council Secretariat
26 June 2024

**Park attendance and hotel occupancy rate of
Hong Kong Disneyland Resort**

Year*	Actual number of attendance (in million)	Hotel occupancy rate
2005-2006	5.2	N/A
2006-2007	4	N/A
2007-2008	4.5	78%
2008-2009	4.6	70%
2009-2010	5.2	82%
2010-2011	5.9	91%
2011-2012	6.7	92%
2012-2013	7.4	94%
2013-2014	7.5	93%
2014-2015	6.8	79%
2015-2016	6.1	79%
2016-2017	6.2	69%
2017-2018	6.7	75%
2018-2019	6.5	74%
2019-2020	1.7	15%
2020-2021	2.8	21%
2021-2022	3.4	24%

**The fiscal year starts in October and ends in September of the following year.*

Appendix 2

Revenues and net profit/(loss) of Hong Kong Disneyland Resort

Year*	Revenues (in \$million)	Net profit / (Loss) (in \$million)
2008-2009	2,541 (--)	(1,315)
2009-2010	3,013 (+18.6%)	(718)
2010-2011	3,630 (+20.5%)	(237)
2011-2012	4,272 (+17.7%)	109
2012-2013	4,896 (+14.6%)	242
2013-2014	5,466 (+11.6%)	332
2014-2015	5,114 (-6.4%)	(148)
2015-2016	4,750 (-7%)	(171)
2016-2017	5,118 (+8%)	(345)
2017-2018	6,021 (+18%)	(54)
2018-2019	6,047 (+0.6%)	(105)
2019-2020	1,443 (-76%)	(2,662)
2020-2021	1,716 (+19%)	(2,350)
2021-2022	2,243 (+31%)	(2,071)

**The fiscal year starts in October and ends in September of the following year.*

Appendix 3

Relevant papers on Hong Kong Disneyland Resort

Committee	Date of meeting	Paper
Panel on Economic Development	22 June 2020	Agenda Item III: Update on Hong Kong Disneyland Resort Minutes
	24 May 2021	Agenda Item III: Update on Hong Kong Disneyland Resort Minutes Follow-up paper
	28 March 2022	Agenda Item IV: Update on Hong Kong Disneyland Resort Minutes
	22 May 2023	Agenda Item III: Update on Hong Kong Disneyland Resort Minutes Follow-up paper
Special meeting of the Finance Committee	12 April 2022	Replies to initial questions raised by Legislative Council Members in examining the Estimates of Expenditure 2022- 2023 (Reply Serial Nos. CEDB003, 059)
	17 April 2023	Replies to initial questions raised by Legislative Council Members in examining the Estimates of Expenditure 2023- 2024 (Reply Serial Nos. CSTB074, 094, 164)

Council meeting	Paper
28 March 2018	Question 16 : Depreciation and amortisation costs for the Hong Kong Disneyland Resort
13 June 2018	Question 1 : Site reserved for second phase development of Hong Kong Disneyland
4 July 2018	Question 3 : Use of site reserved for phase two development of Hong Kong Disneyland
20 November 2019	Question 12 : Impacts of social disturbances on the economy and people's livelihood
18 March 2020	Question 14 : Issues relating to the novel coronavirus epidemic
28 October 2020	Question 10 : A site originally reserved for the Hong Kong Disneyland
2 December 2020	Question 19 : Supply of land and housing
21 February 2024	Question 2 : Monitoring publicly-funded commercial projects

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