For discussion on
28 October 2013

Legislative Council Panel on Economic Development
Update on Development of the Hong Kong Disneyland

Purpose

This paper updates Members on the latest development of the Hong Kong Disneyland (HKDL).

Latest development of the Hong Kong Disneyland

2. In recent years, HKDL has delivered consistent improvement in terms of attendance and financial performance. It also recorded its first year of net profit in 2012.

3. Since its opening in 2005, HKDL has endeavoured to enhance guest experience through the introduction of new attractions and entertainment offerings. In 2009, the Government and The Walt Disney Company reached agreement to launch a series of expansion projects at HKDL. Three new themed areas – ‘Toy Story Land’, ‘Grizzly Gulch’ and ‘Mystic Point’ – came into operation between 2011 and 2013. They have enlarged the area of the existing theme park by about 23 per cent and added more than 30 new attractions, entertainment and interactive experiences, bringing the total number of attractions in HKDL to over 100.

Further Expansion

4. To further enhance HKDL’s appeal in the light of local and regional competition, HKDL has been taking steps to consider plans to further expand the park and enhance entertainment offerings. HKDL’s goal is to continue to attract guests from different market segments (with particular focus on the young adults segment) and increase their length of stay inside the park.

5. On 8 October 2013, HKDL announced that a new themed area based on Iron Man, the Stark Expo\(^1\), would be introduced for opening in late 2016. This expansion project will be fully funded by HKDL’s operating surplus. We believe that the Stark Expo, together with other new offerings, will continue to enhance HKDL’s attractiveness and competitiveness in the years to come.

\(^1\) “Stark Expo” is a working title
6. An update on the development of HKDL, including the latest expansion, as prepared by the Hong Kong Disneyland Management Limited is attached at Annex.

Advice sought

7. Members are invited to note the update on the development of HKDL.

Tourism Commission  
Commerce, Industry and Tourism Branch  
Commerce and Economic Development Bureau  
October 2013
Legislative Council Panel on Economic Development
Update on Development of the Hong Kong Disneyland

Purpose

This paper updates Members on the development of Hong Kong Disneyland (HKDL).

Overview

2. The year 2013 is an exciting one for HKDL. Riding on the good results of the 2012 financial year\(^1\), we continued to register healthy growth HKDL’s performance. At the annual business update presented to Members in February 2013, HKDL reported for the first time since the resort’s opening in 2005 a net profit of HK$109 million for the financial year 2012. The strong result is attributed to record revenues driven by timely expansion, strong sales and marketing strategies, and effective cost management.

3. In May 2013, we completed our expansion of the three new themed areas with the opening of Mystic Point. Together with the opening of Toy Story Land and Grizzly Gulch in 2011 and 2012 respectively, the new themed areas have been the key drivers for our business growth and increasing popularity. Our guest survey results reflect very positive guest feedback to the rides at the three new themed areas. The opening of these new, popular themed areas has greatly increased the interest of potential guests in Hong Kong and key cities in Mainland China.

4. On 8 October 2013, Chairman of Walt Disney Parks and Resorts, Tom Staggs, announced in Hong Kong the launch of Disney’s first Marvel themed area among all Disney theme parks in the world. It is planned that the new themed area will be open at HKDL in late 2016. The new themed area Stark Expo\(^2\) is part of the strategy to continue to expand the HKDL and enhance guest experience undertaken. The strategy is an important testimony to the commitment by the two shareholders, The Walt Disney Company (TWDC) and the Government, in growing the HKDL for its continued success.

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\(^1\) The fiscal year is from October to September and ends on the Saturday closest to 30\(^{th}\) September of each year.

\(^2\) “Stark Expo” is a working title.
The birth of the current expansion idea

Location

5. In considering the expansion plan, we have taken a strategic approach to:

(a) maximize land use inside the park;
(b) increase the park’s capacity;
(c) facilitate a more even guest distribution within the area of the park to ensure a high quality guest experience; and
(d) enhance the park’s appeal and competitiveness.

Since the latest round of expansion has already occupied sites mainly in the southern part of the Park, to achieve the aforementioned objectives, the management company considered that the next phase of expansion should focus on the northern part of the Park. This will enable better guest flow and crowd management. The current site is identified as it met these operating criteria. It has also taken into account the fact that the Marvel theme can complement that of Tomorrowland.

The choice of Iron Man

6. With the identification of the site, the management team worked with Walt Disney Parks & Resorts to create the right attraction. The attraction must have high capacity and should be able to further strengthen the park’s appeal. At the end of a lengthy creative process, Iron Man was selected. Over the last 70 years, Marvel has continued to be one of the most prominent character-based entertainment brands. TWDC purchased Marvel Entertainment in 2009.

7. Tony Stark, the Invincible Iron Man, first appeared in the Tales of Suspense comic series in March 1963. Since then, the story of this self-made superhero has captured the hearts of readers and viewers from around the world. The popularity of Iron Man can be reflected by the extraordinary box office results of the latest movie, Iron Man 3, in 2013. Globally, the movie was the 5th highest-grossing film of all time and the 16th movie ever to join the billion dollar box office club. In Hong Kong, it yielded US$13.6 million (HK$106 million), the 3rd highest-grossing film of all time.

8. Our survey of Hong Kong and selected target market cities shows that The Avengers and Iron Man have high appeal to all ages and genders, especially amongst males and young adults aged 18-29. The popularity of Iron Man also means that the newly introduced themed area will broaden to the park’s appeal to guests from all walks of life, in particular amongst young adults and male guests. Since HKDL is the first Disney Park in the
world to feature Iron Man, this will further enhance its competitiveness in the region.

**The Iron Man Story in Hong Kong**

9. The journey starts at Stark Expo, which is brought to Hong Kong by Tony Stark. What makes the attraction even more appealing is that the story of the ride will be set right here, in Hong Kong. Stark Expo will provide guests with an immersive experience in the world of Tony Stark.

10. The centerpiece of the area Stark Expo is an immersive ride in an Iron Man vehicle designed by Tony Stark himself, powered by the same technology behind the Iron Man armor. The high capacity motion-based simulator flight experience will immerse guests in a 3-D Iron Man ride set against the city scenes of Hong Kong. Guests will “fly” over the beautiful Hong Kong skyline, and join Iron Man as he battles the forces of evil, which challenge him in the city of Hong Kong.

11. As they enter the area, guests will see firsthand the progression of Stark’s Iron Man suits of armor and many other Stark innovations. In addition to the display of Stark’s inventions, they will also have the opportunity to meet and greet the superhero. There will also be a merchandise area selling Marvel heroes’ items.

**Way forward**

12. We are excited about the expansion plans and the HKDL’s future possibilities. The new, high capacity expansion will induce visitations, both first-time and repeated, to the park and further broaden its guest appeal. It is part of the dynamic program, both in terms of attractions and entertainment offerings, to be presented by the HKDL in the next few years.

13. We are pleased to see the momentum of growth continue to bring benefits to the project and the entire Hong Kong tourism industry. HKDL’s planned expansion underscores the shareholders’ commitment to and confidence in the continued growth of the HKDL in the future. We are continuing to enrich guest experience through new attractions, entertainment offerings and with the magical touches that our team creates and brings to the Park. It is our goal to stay focused on building the HKDL to be the premier vacation and entertainment Resort destination in the Region.

14. Following the close of our financial year in end-September 2013, we are in the process of auditing our final results. We will brief Members of the results in early 2014.
Advice Sought

15. Members are invited to note the update on HKDL’s development.

Hong Kong Disneyland Management Limited
October 2013