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Clerk to Panel on Economic Development
(Attn.: Ms. Shirley CHAN)
Legislative Council Complex
1 Legislative Council Road
Central, Hong Kong

13 August 2021

Dear Ms. CHAN,

**Panel on Economic Development
Follow-up to the meeting on 24 May 2021**

I refer to your letter of 24 May 2021 regarding a follow-up item arising from the discussion at the above meeting under the agenda item on Update on Hong Kong Disneyland Resort (“HKDL”). Having consulted the management company of HKDL, our response is set out as follows.

The operating costs and expenses of HKDL consist principally of (a) labour costs, (b) operating and support costs, (c) costs of sales, and (d) marketing and sales expenses¹. Amongst these cost items, labour costs constitute the majority of the total operating costs and expenses.

During Fiscal Year 2020 (“FY20”)², although there was a significant reduction in revenue due to two long park closure periods (a total of 217 days), HKDL had little room to manoeuvre its labour costs in view of its efforts to preserve jobs and avoid massive layoffs under the COVID-19 epidemic, as well as the need to maintain the necessary manpower to re-open the theme park swiftly and safely once the Government lifted the closure orders. As for operating and support costs, costs of sales, and marketing and sales expenses, HKDL had made considerable efforts to reduce the variable and controllable components in FY20 in tandem with the adverse business environment under the COVID-19 epidemic. It should also be noted that HKDL incurred quite substantial expenditure in

¹ Details are set out in paragraph 20 of the Annex to the paper provided to the Panel on Economic Development in May 2021 on Update on Hong Kong Disneyland Resort (LC Paper No. CB(4)998/20-21(03)).

² 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. FY20 was a 53-week year, covering the period from 29 September 2019 to 3 October 2020.

implementing the various anti-epidemic measures imposed by the Government which are of relevance to theme park operations.

With a host of aggressive cost containment measures implemented in FY20, including one-day-per-week unpaid leave for all staff, cancellation and scaling down of seasonal and marketing events, etc., HKDL managed to reduce its operating costs and expenses in FY20 to HK\$2,908 million, representing a reduction of 41% or HK\$2,013 million as compared with FY19. This reduction was achieved on top of preserving on average more than 5 300 full-time and 1 800 part-time employment, provision of nearly 140 000 hours of professional and technical training programmes, maintenance of HKDL's corporate social responsibility efforts, and substantial expenses incurred for implementation of stringent health and safety measures during FY20.

The detailed breakdown of HKDL's operating costs and expenses involves HKDL's confidential financial information, which cannot be disclosed according to the agreement between the Government and The Walt Disney Company. That said, HKDL endeavours to continue to carefully manage its operating costs and expenses beyond FY20, so as to weather through the ongoing adverse market conditions under the COVID-19 epidemic. The Government, through the Board of Directors of the joint venture of HKDL and a dedicated team in the Tourism Commission, will continue to keep a close watch on the issue.

Yours sincerely,

A handwritten signature in black ink, appearing to be 'Jason Chan', written in a cursive style.

(Jason CHAN)

for Commissioner for Tourism

c.c.

Hon Christopher CHEUNG Wah-fung (Chairman of the Panel on Economic Development) (Fax: 2886 8730)