

**立法會**  
*Legislative Council*

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**Panel on Economic Development**  
**Meeting on 24 May 2021**

**Updated background brief on Hong Kong Disneyland**

**Purpose**

This paper provides background information on the development of the Hong Kong Disneyland ("HKDL"), and summarizes the major views and concerns expressed by members of the Panel on Economic Development ("the Panel") on the subject in the past.

**Background**

2. HKDL is owned by the Hongkong International Theme Parks Limited ("HKITP")<sup>1</sup>, 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 fiscal 2020, the Government owned a 52% majority interest in HKITP, with TWDC owning the remaining 48%.

3. HKDL has three themed hotels: the 750-room Disney Explorers Lodge<sup>2</sup>, the 600-room Disney's Hollywood Hotel and the 400-room Hong Kong Disneyland Hotel.

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<sup>1</sup> HKITP operates under the supervision of a Board of Directors, which comprises five Government directors, four Disney directors and two independent non-executive directors.

<sup>2</sup> Disney Explorers Lodge commenced operation on 30 April 2017.

Operating and financial performance

4. The accumulated number of visitors received by HKDL and the combined occupancy rate of the hotels in HKDL are set out below –

<b>Year*</b>	<b>Actual number of attendance (in million)</b>	<b>Combined hotel occupancy rate</b>
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%

5. As regards financial performance in 2018-2019, HKDL's total revenue was largely on par with prior year at \$6,047 million. Earnings before interest, taxes, depreciation and amortization ("EBITDA") were \$1,126 million, which was 17% below prior year. In 2018-2019, HKDL recorded a net loss of \$105 million. The revenues and net profit/(loss) of HKITP since 2008-2009 are set out below –

<b>Year*</b>	<b>Revenues (in \$million)</b>	<b>Net profit / (Loss) (in \$million)</b>
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)

\* Each year of operation of HKDL starts in October of the previous year and ends in September of the year.

### Economic benefits and staffing establishment

6. According to the survey statistics from the Hong Kong Tourism Board and the operational data of HKDL, the additional spending of all HKDL visitors in Hong Kong was \$15.7 billion in 2018-2019. HKDL brought about \$8.8 billion of value-added to Hong Kong in 2018-2019, equivalent to around 0.32% of Hong Kong's Gross Domestic Product.

7. In 2018-2019, HKDL employed more than 5 500 full-time staff members, as well as 2 400 part-time ones to cope with the additional demand arising from various festive seasons and other special events.

### Expansion and development plan at the Phase 1 site of HKDL

8. The Government announced on 22 November 2016 that it had reached an in-principle agreement with TWDC in respect of an expansion and development plan at the Phase 1 site of HKDL ("the Plan"). The Plan aimed to sustain and refresh HKDL's appeal through the launch of at least one new attraction almost every year from 2018 to 2023. The Plan was estimated to cost \$10.9 billion, originally proposed to be shared between the two shareholders according to the shareholding ratio, i.e. \$5.8 billion and \$5.1 billion to be injected by the Government and TWDC respectively.

9. The Panel was consulted on the Plan at the meeting on 28 November 2016. Members in general acknowledged the need to further enhance HKDL's appeal and competitiveness. The Panel, however, expressed grave concern over a range of issues concerning the financial arrangements of the Plan. Members also urged the Administration to take the opportunity to rectify the unfair terms it had entered with TWDC, in particular those concerning the payment of royalties and management fees.

10. The Panel passed three motions urging the Administration to set up a fund for the development of tourism with local features while promoting the Plan, defer the Plan until the Government had negotiated with TWDC to improve the unfair terms and conditions in the agreement, request HKDML to publish more information and data before submitting a funding application for the Plan, and request TWDC to relax height restrictions of developments in the vicinity of HKDL.

11. In the light of the concerns raised by the Panel, the Government and TWDC subsequently agreed that the project cost would be funded on a 50:50 basis, i.e. \$5.45 billion each. TWDC, having regard to the views of the Panel, agreed to waive HKDL's variable management fees payable by HKITP for 2017-2018 and 2018-2019, as part of the arrangement details for taking forward the Plan. TWDC also agreed to explore relaxing the development restrictions

in the vicinity of HKDL. The funding proposal was approved by the Finance Committee on 2 May 2017. In October 2017, HKDL officially commenced construction on the Plan.

### **Deliberations at the Panel meeting**

12. The Panel was last briefed on the operation of HKDL in 2018-2019 at the meeting on 22 June 2020. Members noted that during the first nine months of Fiscal Year 19 ("FY19") (from October 2018 to June 2019), HKDL achieved business growth with the launch of new attractions and targeted marketing and sales strategies. However, the downturn of the tourism industry caused by the social incidents in Hong Kong in the second half of 2019 brought severe impact on HKDL's business performance in the last quarter of FY19 (from July to September 2019).

### Financial situation and operation of HKDL

13. In view of the fact that HKDL's business performance in FY20 would no doubt be seriously affected by the outbreak of Coronavirus Disease 2019 ("COVID-19") since early 2020, members called on HKDL to devise measures to effectively manage costs and generate revenue at opportune junctures, and at the same time to avoid staff layoff as far as possible. Members also suggested HKDL offer free admission to the local elderly guests so that more families could enjoy vacation at HKDL.

14. The Administration advised that since the tourism downturn from the second half of 2019, HKDL had implemented swiftly prudent cost management measures, such as renegotiation of vendor contracts, reduced and reallocated market resources, as well as encouraging clearance of paid leave and participation in the one-day-per-week unpaid leave arrangement by all staff. On HKDL's measures to increase park attendance when there were nearly no visitor arrivals in Hong Kong, HKDL advised that it would focus on local residents at the initial stage of park re-opening. Promotional offers on dining and hotel stays would be provided to local residents with a view to attracting families which were unable to travel abroad during the summer. To prepare itself for enticing tourists from other markets to visit HKDL, HKDL had been paying close attention to the vicinity markets and the development of travel bubbles, as well as leveraging on the opportunities brought by the Plan.

15. Concern over the impact of the reduction in HKDL's income on the progress of the Plan was also expressed. The Administration advised that under the prolonged COVID-19 pandemic, theme park temporary closure and uncertain market situation, it was inevitable that the remaining projects under the Plan would be affected, but confirming and concluding the impact at this

stage appeared to be premature when the pandemic was still developing. The actual time of opening of the new attractions under the Plan would depend on, amongst other factors, progress of works and market situation so as to ensure their conduciveness and synergy with HKDL's business. Amidst the challenging market situation, HKDL should still be able to manage its operation with existing financial resources in the years ahead. HKDL recorded positive EBITDA in the past ten years consecutively, contributing to HKDL's financial resilience. In case of short-term liquidity needs, HKDL might utilize the funds under the revolving credit facility of up to HK\$2,100 million as provided by TWDC.

#### Utilization of the vacant site reserved for the Phase 2 development of HKDL

16. The Panel had all along been concerned about the utilization of the vacant site reserved for the Phase 2 development of HKDL ("the Phase 2 site"). Members noted that according to the Option Deed signed in 2000 between the Government and HKITP, the latter had an option to buy the Phase 2 site for taking forward the Phase 2 development of HKDL. Such option was valid for 20 years until 2020 and might be extended twice, each for five years. At the meeting in June 2020, members urged the Administration to release the Phase 2 site for other uses if HKDL was not going to take down the Phase 2 site for further development.

17. On 23 September 2020, the Government announced that it would not extend the option for HKITP to purchase the Phase 2 site, having taken into account the current economic conditions and worldwide tourism downturn. The option would expire after 24 September 2020. The Government considered it prudent for HKITP to focus on the development and expansion of the existing resort in the coming few years, rather than geographic expansion into the Phase 2 site.

18. The Government also advised that although the Phase 2 site was no longer reserved for expansion of HKDL, its future development still had to comply with the land use and development requirements under the relevant outline zoning plan and the Deed of Restrictive Covenant ("the DRC"). According to the North-East Lantau Outline Zoning Plan, the land concerned was planned for theme park, resort hotel and the related uses. According to the DRC, the development of the land concerned must be low-rise and could not be used for residential purpose. The Phase 2 site was currently being used as a temporary quarantine facility. The Government would review the long term planning of the land concerned in an open-minded manner. If necessary, the Government would amend the statutory planning as well as discuss with TWDC to amend the land use and building height under the DRC so as to make better use of the land.

### **Council questions**

19. At the Council meetings of 28 March, 13 June, 4 July 2018, 20 November 2019, 18 March, 28 October and 2 December 2020, Hon WU Chi-wai, Hon Tony TSE, Hon Andrew WAN, Hon Holden CHOW and Hon Alice MAK raised questions relating to the depreciation and amortization of HKDL, the use of the Phase 2 site, and the impact of social events on HKDL. Hyperlinks to the Council questions and the Administration's responses are provided in the **Appendix**.

### **Latest development**

20. The Administration will update the Panel on the operations of HKDL for FY20 at the meeting on 24 May 2021.

### **Relevant papers**

21. A list of relevant papers available on the Legislative Council Website (<http://www.legco.gov.hk>) is in the **Appendix**.

Council Business Division 4  
Legislative Council Secretariat  
18 May 2021

## List of relevant papers

Issued by	Meeting date/ Issue date	Paper
Panel on Economic Development	22 June 2020 (Item III)	<a href="#">Administration's paper</a> <a href="#">Administration's follow-up paper</a> <a href="#">Letter from Hon WU Chi-wai dated 23 June 2020 (Chinese version only)</a>  <a href="#">Administration's response to Hon WU Chi-wai's letter</a> <a href="#">Background brief</a> <a href="#">Minutes</a>
Council Meeting	28 March 2018	<a href="#">Council question on "Depreciation and amortization costs for the Hong Kong Disneyland Resort" raised by Hon WU Chi-wai</a>
	13 June 2018	<a href="#">Council question on "Site reserved for the second phase development of the Hong Kong Disneyland" raised by Hon Tony TSE</a>
	4 July 2018	<a href="#">Council question on "Use of a site reserved for Phase 2 development for the Hong Kong Disneyland" raised by Hon Andrew WAN</a>
	20 November 2019	<a href="#">Council question on "Impacts of social disturbances on the economy and people's livelihood" raised by Hon Holden CHOW</a>
	18 March 2020	<a href="#">Council question on "Issues relating to the novel coronavirus epidemic" raised by Hon WU Chi-wai</a>

<b>Issued by</b>	<b>Meeting date/ Issue date</b>	<b>Paper</b>
	28 October 2020	<a href="#"><u>Council question on "A site originally reserved for the Hong Kong Disneyland" raised by Hon Andrew WAN</u></a>
	2 December 2020	<a href="#"><u>Council question on "Supply of land and housing" raised by Hon Alice MAK</u></a>