

**For discussion on
26 February 2018**

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 2017 (“FY17”)¹.

OVERVIEW OF FY17 BUSINESS PERFORMANCE

2. With renewed growth in Hong Kong’s inbound tourism in 2017, HKDL continued to make efforts throughout FY17 in enhancing its attractiveness and competitiveness through the launch of new attractions and offerings, including the “Iron Man Experience” ride and the “Disney Explorers Lodge” resort hotel. Coupled with a series of seasonal events and targeted marketing and sales strategies, HKDL has continued to contribute to promoting Hong Kong as a premier destination for visitors from various markets.

3. In tandem with the overall visitor growth of nearly 2% from October 2016 to September 2017, HKDL achieved about 3% year-on-year rise in total park attendance to over 6.2 million in FY17. Cumulative attendance since its opening in 2005 exceeded 70 million as at the end of FY17. Local, Mainland and international visitors respectively accounted for 41%, 34% and 25% of the total attendance for the year. The international market continued to expand with a year-on-year increase of about 5% in attendance, reaching the highest annual level since 2005 as a result of effective marketing and sales initiatives. Local attendance also rose by about 6% year-on-year to the second highest level ever as driven by new guest offerings and seasonal events in the year.

¹ The Fiscal Year of HKDL is generally a 52-week or 53-week period from October of the previous year to September of the year, with the Saturday closest to 30 September as the last day of the Fiscal Year. FY17 is a 52-week year.

4. The upward trend in per capita visitor spending at the park continued for the eighth consecutive year, achieving a record high. HKDL's total revenues in FY17 went up by 8% year-on-year to \$5,118 million, reflecting the pickup in hotel room nights sold, park attendance and in-park guest spending. Earnings before interest, taxes, depreciation and amortisation ("EBITDA") was \$914 million, representing a year-on-year increase of 28%, which was again the eighth consecutive year with a positive EBITDA, and the highest rate of increase since FY13. After deducting interest, taxes, depreciation and amortisation, FY17 saw a net loss of \$345 million, attributable to, amongst others, the increased depreciation arising from the new assets launched in the year and the retirement of certain assets for taking forward the expansion and development plan of HKDL.

SERVICE PERFORMANCE

5. HKDL continued to strengthen its appeal to guests from all over the world and locals through sustained efforts to enrich its attractions and entertainment offerings and to organise seasonal events. In January 2017, the first "Marvel"-themed ride among all Disney parks, "Iron Man Experience" featuring an exciting story based in Hong Kong, was officially launched. It has been very well received by guests, particularly among young adults, and became the most popular attraction of HKDL in FY17. Thereafter throughout FY17, HKDL continued to leverage on the "Marvel" franchise to broaden the resort's appeal to guests of all ages and genders and from different markets, including rolling out "Marvel Super Hero Summer" with some other popular super heroes, as well as the "Marvel 10K Weekend" in September 2017 with record-breaking 10 000 participants from around the world.

6. Furthermore, the new 750-room resort hotel with the theme of exploration, "Disney Explorers Lodge", officially commenced operation in end-April 2017, which has reinforced HKDL's position as a resort destination, attracted more guests from different markets and lengthened visitors' stay at the resort. In addition, different seasonal events took place throughout the year to draw more first time and repeat visitors, such as "A Sparkling Christmas" in 2016, as well as Chinese New Year celebrations, "Disney Friends Springtime Carnival" and "Disney Halloween Time" in 2017. The presence of new offerings throughout the year, together with suitable marketing and sales efforts, helped drive the business of HKDL and draw visitors from all over the world amidst keen competition in the region.

7. HKDL has been able to maintain its high-quality services. According to its feedback surveys, 94% of theme park visitors and 91% of hotel guests rated their overall experience as “excellent”, “very good” or “good”. Also, HKDL received 113 awards from local and international associations and publications in FY17 in recognition of its design, marketing excellence, guest service and commitment to community and the environment, etc., bringing the total number of awards received to 654 since its opening.

8. HKDL remains one of the largest employers of entertainment and performance talents in Hong Kong. In FY17, it employed more than 5 000 full-time as well as 2 000 part-time staff members to cope with the additional demand arising from Halloween, Christmas, Chinese New Year, summer holidays and other special events.

9. The annual business review prepared by the Hong Kong Disneyland Management Limited for FY17 is at [Annex](#).

ECONOMIC BENEFITS

10. As a major destination for family travel, HKDL has been generating substantial economic benefits to Hong Kong. According to survey statistics from the Hong Kong Tourism Board (“HKTB”) and operational data of HKDL, the additional spending of all HKDL visitors in Hong Kong (i.e. over and above what would have been spent assuming without HKDL) was \$15.7 billion² in FY17. Taking into account both the direct and indirect value-added generated from the additional spending, HKDL brought about \$8.3 billion of value-added to Hong Kong in FY17, equivalent to around 0.33% of Hong Kong’s Gross Domestic Product (“GDP”), and created 17 800 jobs (in terms of man-years). Taking the past 12 years of operation together, the total value-added generated by HKDL amounted to as much as \$90.9 billion, equivalent to 0.35% of Hong Kong’s GDP. A total of 232 500 jobs (in terms of man-years) were also created over these years, providing considerable job opportunities for frontline workers and the travel industry.

² All value figures in this paragraph are at 2015 prices.

CORPORATE SOCIAL RESPONSIBILITY

11. In FY17, HKDL participated in numerous community programmes, including sponsoring more than 100 000 underprivileged community members for complimentary park admission and contributing over 8 000 hours of volunteer services through the “Disney VoluntEARS” programme.

12. HKDL employed around 100 individuals with disabilities in FY17, and continued to offer an apprenticeship programme for the disabled. HKDL also took part in the Government’s Talent-Wise Employment Charter and Inclusive Organisations Recognition Scheme to promote an inclusive and disabled-friendly workplace. HKDL will continue with its efforts on this front.

13. To mark the 20th anniversary of the establishment of the Hong Kong Special Administrative Region, HKDL launched the “We Did It!” Award Scheme in collaboration with the Committee on Home-School Co-operation to commend those secondary students who made remarkable contributions in voluntary services during the 2016/17 school year. The scheme offered about 11 000 complimentary park admission tickets to over 5 600 students from 300 schools to encourage them to help those in need and make contributions to the community.

FUTURE DEVELOPMENTS

14. Beyond FY17, new offerings will continue to be provided at HKDL to enhance its distinctiveness and competitiveness. In December 2017, HKDL started the brand new princess-themed offering, namely “Royal Princess Garden”, for meeting Disney princesses and transforming children into princesses with hairstyling, make-up and costumes. To stimulate visitation desire, HKDL has also planned a series of seasonal events and new offerings that make good use of the popularity of Disney films and/or characters in 2018, including “Year of the Dog” Chinese New Year celebrations, “We Love Mickey!” nighttime projection show at Main Street U.S.A., “Disney Friends Springtime Carnival”, the summer event based on the upcoming Disney•Pixar film “The Incredibles 2”, “Disney Halloween Time” and “A Disney Christmas”.

15. In addition, HKDL has been implementing a variety of projects under the expansion and development plan after obtaining the Legislative Council Finance Committee’s funding approval in May 2017. The expansion and development plan will sustain and refresh HKDL’s appeal through the progressive opening of new attractions from 2018 to 2023, with the first project being “Moana:

A Homecoming Celebration” stage show to be launched at the entirely new exotic outdoor venue at Adventureland in May 2018. Other new attractions planned to be coming on stream in the next few years include the transformed ride experience featuring “Marvel” super heroes, namely “Ant-Man” and “Wasp”, scheduled for early 2019; the expanded and transformed Castle scheduled for 2020; a “re-imagined” project scheduled for 2021; as well as two new themed areas based on “Frozen” and “Marvel” scheduled for 2021 and 2023 respectively. In connection with the expansion and development plan, HKDL also held a lucky draw in November 2017 to offer 50 000 complimentary park admission tickets for Hong Kong residents.

16. On marketing and sales efforts, HKDL has been broadening the market reach and awareness of the resort in all three key markets (i.e. local, Mainland and international) through various channels. In the coming year, HKDL will continue to work closely with HKTB and the tourism industry on promotions in different source markets, so as to stimulate attendance as well as business of HKDL, and respond to the keen competition in the region and future challenges. In order to keep HKDL international, the Southeast Asia market will be one of the foci of HKDL’s promotions. At the same time, HKDL has been making strenuous efforts in promoting in the Mainland, especially the Southern China region.

ADVICE SOUGHT

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

**Tourism Commission
Commerce and Economic Development Bureau
February 2018**

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KEY HIGHLIGHTS

1. Hong Kong Disneyland (“HKDL”) continues to play a pivotal role in fostering the development of Hong Kong as a top family-friendly tourist destination in Asia.
2. In fiscal 2017¹, HKDL delivered growth in attendance, revenues and earnings before interest, taxes, depreciation and amortisation (“EBITDA”). Results were driven by continuous efforts to broaden the appeal of HKDL through new attractions and entertainment offerings, including the launch of “Iron Man Experience” and Disney Explorers Lodge.
3. The park received 6.2 million guests in fiscal 2017, up 3% from the prior year, and cumulatively more than 70 million guests since the park opened in 2005.
4. Park attendance from international guests increased by 5% to its highest annual level since opening, demonstrating HKDL’s continued strength to attract tourists from across Asia. Local park attendance grew by 6% to its second highest level ever. HKDL also achieved record high per capita spending at the park, marking eight consecutive years of growth.
5. Revenues increased by 8% to its second-highest level of HK\$5.1 billion. EBITDA grew by 28% to HK\$914 million, the third-highest level ever. Increased costs associated with the new “Iron Man Experience” attraction and the new resort hotel Disney Explorers Lodge, as well as depreciation related to the multi-year expansion and development plan of the park, resulted in a net loss of HK\$345 million for the year.
6. In October 2017, HKDL officially commenced construction on a multi-year expansion and development plan of the park which is expected to drive continued growth of HKDL and boost Hong Kong’s appeal to tourists from around the world by launching new attractions and entertainment offerings almost every year from 2018 to 2023. An all-new atmosphere stage show in Adventureland, “Moana: A Homecoming Celebration”, is set to launch in May 2018 as the first completed project under the multi-year expansion and development plan.

¹ Year-end date is on the Saturday closest to, if not on, 30th September. Fiscal 2017 was a 52-week year ended on 30th September 2017.

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BUSINESS OVERVIEW

7. HKDL develops and operates the Disney-branded theme park, themed resort hotels and an 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 The Walt Disney Company (“TWDC”), and is managed by Hong Kong Disneyland Management Limited, which is wholly owned by TWDC. At the end of fiscal 2017, HKSARG owned a 53% majority interest in HKITP, with TWDC owning the remaining 47%.
8. The theme park consists of the following seven themed areas: Adventureland, Fantasyland, Grizzly Gulch, Main Street U.S.A., Mystic Point, Tomorrowland and Toy Story Land. These areas feature themed attractions, entertainment and interactive experiences, restaurants, merchandise shops and refreshment stands. Additionally, there are daily parades and nighttime events.
9. HKDL has three themed resort hotels: the 750-room Disney Explorers Lodge, the 600-room Disney’s Hollywood Hotel and the 400-room Hong Kong Disneyland Hotel.

OPERATIONAL HIGHLIGHTS

10. During fiscal 2017, HKDL introduced new guest offerings to create excitement and boost visitation interest among guests from Hong Kong, Mainland China, Southeast Asia and other international markets. HKDL launched entertainment experiences based on some of Disney’s most beloved franchises and characters, and extended its market reach to existing and new consumer segments with enhanced marketing and sales strategies:
 - a) *Marvel momentum throughout the year*: Launched in January 2017, “Iron Man Experience”, the first Marvel-themed ride in any Disney park, broadened HKDL’s appeal to guests of all ages and genders and became the park’s most popular attraction in fiscal 2017, according to guest surveys. The presence of the Marvel franchise at HKDL expanded with the launch of the seasonal event “Marvel Super Hero Summer”, featuring fan-favourite characters such as Captain America, Thor, Spider-Man and Star-Lord for the first time together in Hong Kong to greet guests. The Marvel experience further extended to September

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2017 with characters cheering on a record-breaking 10 000 enrollees during the Marvel 10K Weekend running event. The event drew individual participants from the local market, Mainland China, Australia, Japan, Taiwan and Thailand, in addition to business groups.

- b) *A new milestone with Disney Explorers Lodge:* Launched in April 2017, the immersive Disney experience at the new hotel, Disney Explorers Lodge, has strengthened HKDL's position as a resort destination and attracted out-of-town guests visiting Hong Kong as well as local guests looking for a "staycation" experience. More than 90% of Disney Explorers Lodge guests surveyed indicated they had an enjoyable experience.
- c) *Sustained excitement leveraging Disney's intellectual property:* Introduced StellaLou, the newest friend of Duffy the Disney Bear, to further enrich the offerings of the popular "Duffy and Friends" franchise. "Duffy and Friends" merchandise is the second best-selling collection at HKDL after Mickey and Minnie assortments. In addition, HKDL leveraged Disney characters for limited-time celebrations, including Disney Villains at the "Disney Halloween Time" seasonal event and more than 100 characters at the "Disney Friends Springtime Carnival".
- d) *Multi-direction market outreach:* Collaborated with approximately 100 wholesalers and travel agents and organised 10 trade fairs in targeted Southeast Asia markets to drive sales, and offer travel packages featuring "Iron Man Experience" and Disney Explorers Lodge. Staged more than 20 road shows and mall events in eight key Guangdong markets in Mainland China, including Guangzhou University City, to further boost brand affinity. Partnered with the Hong Kong Tourism Board ("HKTB") to roll out a series of "Iron Man Experience" promotions in overseas markets. Through HKTB's "Matching Fund for Overseas Tourism Promotion by Tourist Attractions" scheme, HKDL hosted events with trade partners and local attractions in Mainland China, Australia, Indonesia, Japan, Malaysia, the Philippines, Taiwan and Thailand to drive visitation. Promotion initiatives were also extended to new market channels including cruises, ferries, airlines and trains.

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- e) *Intensive trade engagement*: Rolled out more than 70 trade briefings with the participation of more than 3 600 trade partners covering Mainland China and international markets such as India, Indonesia, South Korea and the Philippines. During the fiscal year, HKDL hosted special previews of “Iron Man Experience” and a special encounter with Iron Man for about 300 trade leaders, wholesalers, travel agents and tour guides.
 - f) *E-commerce and digital sales initiatives*: Created a new ticket sales platform at www.hongkongdisneyland.com that enhances product communication and has successfully boosted online sales. In addition, launched a newly developed paperless park ticket and digital fulfilment system to enhance the guest experience. The official HKDL Tmall and WeChat flagship stores continue to be very popular and drive robust sales in Mainland China. Since HKDL introduced its first official mobile app in mid-2016, new features have been added to keep guests connected with real-time information and one-stop services including character-greeting and stage show schedules, estimated waiting time for rides and special content for Magic Access (annual pass) members.
 - g) *Strong meetings, incentives, conventions and exhibitions sector (“MICE”) product development*: Hosted HKDL’s largest corporate park buyout event during Halloween with more than 25 000 participants in a single day. With additional room capacity provided by Disney Explorers Lodge, HKDL has an even greater opportunity to provide one-stop, tailor-made MICE events, with services that include hotel accommodation, use of the conference centre and meeting rooms, park visits and entertainment experiences.
11. In its 12th year of operations, HKDL remains committed to Hong Kong and the community it serves. In fiscal 2017, HKDL welcomed more than 100 000 underprivileged community members to visit the park by offering complimentary tickets through the Community Involvement Programme. In celebration of the multi-year expansion and development plan, HKDL launched a lucky draw of 50 000 complimentary tickets for Hong Kong residents. Other community highlights in fiscal 2017 include:
- a) *Encouraging volunteerism*: Fully supported the Committee on Home-School Co-operation through the “We Did It!” Award. This campaign aims to recognise Hong Kong’s secondary students who made remarkable contributions in volunteering. More than 5 600 students from 300 schools were commended with the award which was one of

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the accredited events celebrating the 20th anniversary of the establishment of the Hong Kong Special Administrative Region. In addition, HKDL further expanded the “Give a Day, Get a Disney Day” programme in partnership with the Agency for Volunteers Services, launching the new “Intergenerational Volunteering” initiative with the slogan “V-together” in support of family volunteering. “Give a Day, Get a Disney Day” generated an annual record of more than 3.2 million hours of volunteer services in 2017, and cumulatively more than 11 million hours of service since the programme began in 2010. The Disney VoluntEARS team contributed an additional 8 000 hours of skills and services in fiscal 2017.

- b) *Empowering young minds to craft creative solutions for community issues:* Organised “#SaveFoodGoViral Boot Camp”, a 48-hour social media campaign competition in partnership with Foodlink and the Hong Kong Federation of Youth Groups Jockey Club Media 21. Leveraging Disney’s funding, training and talent resources, the competition tasked 40 students with creating social media campaigns to promote food conservation. The seventh annual Disney ImagiNations Competition was held for students to apply Disney’s design principles to meet challenges. In collaboration with the Hong Kong Federation of Youth Groups, HKDL continued to offer the Disney Friends for Change Youth Grant and funded 35 youth-led creative projects to encourage community service. The program has served 18 000 beneficiaries since its launch in 2013.
- c) *Serving disadvantaged and hospitalised children:* Funded the two-year “All the Way with You - Cleft Lip and Palate Patients & Family Support Service” using proceeds from the Marvel 10K Weekend. HKDL has partnered with Foodlink since 2013 and offered more than 80 000 meals prepared by HKDL chefs using surplus ingredients to families in the community. HKDL launched a new program, “Play N Able”, through a partnership with non-profit Playright Children’s Play Association to help kids with special education needs. HKDL has also continued to support the Hospital Play programme to help sick children at Princess Margaret Hospital. In addition, HKDL assisted in redesigning and painting a children’s ward at the Pamela Youde Nethersole Eastern Hospital through the Disney VoluntEARS programme.

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- d) *Nurturing theme park and tourism expertise:* Hired 600 new staff for the new Disney Explorers Lodge through partnerships with various recruitment channels, including the Employees Retraining Board's "First-Hire-Then-Train" programme to develop talent. Continued to offer the first-of-its-kind two-year full-time Higher Diploma Programme in Resort and Theme Park Management by partnering with the Li Ka Shing Institute of Professional and Continuing Education of the Open University of Hong Kong. In addition, HKDL continued to sponsor local students through 32 scholarships and offered over 250 internships for students from the Hong Kong Academy for Performing Arts, Vocational Training Centre and local higher education institutions.
- e) *Championing diversity and inclusion:* For 11 consecutive years, HKDL has partnered with the Labour Department, the Social Welfare Department, the Hong Kong Council of Social Service and 40 non-government organisations to offer its annual apprenticeship programme for people with disabilities. HKDL employed around 100 people with disabilities during fiscal 2017. HKDL also participated in the Government's Talent-Wise Employment Charter and Inclusive Organisations Recognition Scheme, which champions an inclusive, disabled-friendly workplace.
12. On average, HKDL employed more than 5 000 full-time and 2 000 part-time staff during the year, making it one of Hong Kong's largest employers in the tourism and family entertainment industry. HKDL is committed to developing a highly skilled and quality labour force, and provided them more than 400 000 hours of professional and technical training during fiscal 2017.
13. HKDL continues to generate exceptional guest satisfaction ratings. In fiscal 2017, 94% of theme park guests and 91% of hotel guests reported that their overall experience was "excellent", "very good" or "good".
14. HKDL received 113 awards during fiscal 2017 in recognition of its design, marketing excellence, guest service and commitment to the community and the environment. These include a number of corporate citizenship awards from local government and community partners. HKDL received the Gold Award for "Excellence in Print Advertising" for "*Star Wars: Tomorrowland Takeover*" at the Marketing Excellence Awards 2016. In addition, HKDL was honoured with the "Asia Best Employer Brand Award" for the fifth consecutive year and the "Employer of Choice Award" from JobMarket for the fourth consecutive year. HKDL also received the "Best

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Theme Attraction in China” from the Travel Trade Gazette China Travel Awards 2017.

MULTI-YEAR EXPANSION AND DEVELOPMENT PLAN

15. In October 2017, HKDL officially commenced construction on the multi-year expansion and development plan of the park, which is estimated to cost HK\$10.9 billion and is being funded by equity contributions made by HKSARG and TWDC on an equal basis.
16. The multi-year expansion and development plan will add a number of new guest offerings based on some of Disney’s most popular franchises, including two new themed areas featuring “Frozen” and Marvel, as well as a transformed castle with two entirely new daytime and nighttime shows. At least one new attraction or entertainment offering will debut almost every year through 2023, starting with the stage show “Moana: A Homecoming Celebration” in May 2018.
17. In addition to broadening the appeal of HKDL as a global tourist destination, this multi-year expansion and development plan is expected to bring direct economic benefits to Hong Kong by providing 3 450 man-years of construction and related jobs in the near-term and an additional 600 resort-based employment positions when the multi-year expansion and development plan is completed.

KEY BUSINESS DRIVERS AND FINANCIAL HIGHLIGHTS

18. For the fiscal year ended 30th September 2017, HKDL generated revenues of HK\$5,118 million, representing an 8% increase from the prior year and also the second-highest level ever. EBITDA reached its third-highest level at HK\$914 million, 28% above the prior year. Cost management efforts, increased occupied room nights at the resort hotels, higher park attendance and increased guest spending at the park contributed to the year-over-year growth.
19. At the park, full-year attendance increased by 3% to 6.2 million due to growth in both local and international origins. Local attendance was at its second-highest level since the park opened in 2005, driven by new guest offerings and seasonal events, as well as the successful Magic Access programme. International attendance set a new record, attributable to

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robust performance from Japan, South Korea, the Philippines and Indonesia. In addition, per capita spending in the park grew for the eighth consecutive year and set a new record.

20. At the resort hotels, available room nights increased by 32% due to the opening of the 750-room Disney Explorers Lodge in April 2017. Occupied room nights increased by 16% reflecting the increase in inventory created by Disney Explorers Lodge. However, with the intensified market competition and the considerable increase in hotel room inventory, hotel occupancy reduced to 69%, 10 percentage points below the prior year.
21. Increased costs associated with the major new offerings launched in fiscal 2017, namely the “Iron Man Experience” attraction and the resort hotel Disney Explorers Lodge, and depreciation related to retiring certain assets for the multi-year expansion and development plan contributed to a net loss of HK\$345 million for the fiscal year.

Key revenue drivers for the fiscal year were as follows:

	2017	2016
Park attendance (in millions)	6.2	6.1
Hotel occupancy (percentage)	69%	79%
Year-on-year change for key revenue drivers	Percentage change	
	2017	2016
Park attendance	3%	(11%)
Per capita spending	4%	4%
Available room nights	32%	(2%)
Per room guest spending	(3%)	(7%)
Origin of visitors as a percentage of total attendance	2017	2016
Local	41%	39%
Mainland China	34%	36%
International	25%	25%

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Key financial results for the fiscal year were as follows:

	2017	2016	Variance
(in HK\$ millions)			
Revenues	5,118	4,750	368
Costs and expenses	4,204	4,035	169
Earnings before interest, taxes, depreciation and amortisation	914	715	199
Depreciation and amortisation	1,242	890	352
Net finance cost / (income)	17	(4)	21
NET LOSS	(345)	(171)	(174)
Current assets	1,448	1,869	(421)
Non-current assets	19,487	18,788	699
Current liabilities	(1,987)	(1,951)	(36)
Non-current liabilities	(2,302)	(1,983)	(319)
SHAREHOLDERS' EQUITY	16,646	16,723	(77)

Revenues

22. HKDL generates revenues predominantly from the sale of admissions to the theme park, room nights at the hotels and merchandise, food and beverage at the theme park and hotels. For fiscal 2017, total revenues increased by 8%, or HK\$368 million, to HK\$5,118 million, reflecting an increase in hotel room nights sold, park attendance and guest spending at the park.

Costs and expenses

23. Costs and expenses consist principally of labour, operating and support costs, costs of sales, and marketing and sales expenses. The increase of 4%, or HK\$169 million, to HK\$4,204 million for fiscal 2017 was attributable to costs in support of new guest offerings, namely “Iron Man Experience” and Disney Explorers Lodge, and cost inflation. This increase was partially offset by efficiency and cost management efforts.

Depreciation and amortisation

24. Depreciation and amortisation increased by 40%, or HK\$352 million, to HK\$1,242 million mainly due to the addition of two major assets during the fiscal year, “Iron Man Experience” and Disney Explorers Lodge, and increased depreciation related to retiring certain assets for the multi-year expansion and development plan.

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Net finance cost

25. Net finance cost consists of interest expense, net of interest income. The increase in net finance costs of HK\$21 million compared with the prior year to HK\$17 million reflected lower interest expense capitalised upon the completion and launch of capital projects such as “Iron Man Experience” and Disney Explorers Lodge.

Net loss

26. HKDL had a net loss of HK\$345 million in fiscal 2017, which is an increase of HK\$174 million compared to the prior year mainly due to higher depreciation expense (see “Depreciation and amortisation” section above for more details), partially offset by increased EBITDA.

Current assets

27. Current assets consist of cash and cash equivalents, trade and other receivables and inventories. The decrease of 23%, or HK\$421 million, to HK\$1,448 million in fiscal 2017 was mainly attributable to a net decrease in cash during the year. (See “FINANCIAL LIQUIDITY” section below for more details)

Non-current assets

28. Non-current assets include property, plant and equipment, leased land and projects in progress. Non-current assets increased by 4%, or HK\$699 million, to HK\$19,487 million mainly due to additional construction in the year on “Iron Man Experience” and Disney Explorers Lodge, partially offset by the depreciation and amortisation charges.

Current liabilities

29. Current liabilities consist of trade and other payables and deferred revenues. The increase in current liabilities of 2%, or HK\$36 million, to HK\$1,987 million was primarily due to higher deferred revenues related to advance theme park ticket sales.

Non-current liabilities

30. Non-current liabilities include long-term borrowings and retirement plan liabilities. The balance primarily represents unsecured long-term loans from HKSARG and TWDC, which are repayable in instalments on dates through fiscal 2025. The increase in non-current liabilities of 16%, or HK\$319 million, to HK\$2,302 million was primarily related to the drawdown of the shareholders’ loans for financing the development of Disney Explorers Lodge.

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FINANCIAL LIQUIDITY

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

	2017	2016	Variance
(in HK\$ millions)			
Cash generated / (used) by:			
Operating activities	922	879	43
Investing activities	(1,866)	(2,913)	1,047
Financing activities	523	2,366	(1,843)
NET (DECREASE)/ INCREASE IN CASH AND CASH EQUIVALENTS	(421)	332	(753)

31. Cash and cash equivalents decreased 27%, or HK\$421 million, to HK\$1,123 million at the end of fiscal 2017. The decrease was primarily attributable to spending on capital projects, mainly Disney Explorers Lodge and “Iron Man Experience” during the year, partially offset by equity contributions from shareholders for the multi-year expansion and development plan and drawdown from shareholders’ loans for financing the development of Disney Explorers Lodge.

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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.