

HONG KONG DISNEYLAND ANNUAL BUSINESS REVIEW FOR THE FISCAL YEAR 2021

KEY HIGHLIGHTS

1. Hong Kong Disneyland Resort (“HKDL”) remains committed to maintaining its pivotal role in the community and in fostering the development of Hong Kong as a top tourist destination in Asia. Since park opening in 2005, total cumulative attendance has reached more than 88 million.
2. In fiscal 2021¹, inbound tourism into Hong Kong was essentially brought to a halt due to travel restrictions imposed under the coronavirus disease 2019 (“COVID-19”) pandemic. The travel industry remained hard-hit as a result, placing tourist attractions including HKDL in a challenging business and operating environment.
3. A series of anti-epidemic measures imposed by health authorities of the Government of the Hong Kong Special Administrative Region (“HKSARG”) had implications on the operation of HKDL in fiscal 2021. They included the compulsory closure of the theme park for about two and a half months, capacity limits and other social distancing measures implemented across HKDL’s theme park, restaurants and all other applicable scheduled premises. HKDL continuously adjusted its operation to comply with the evolving regulations while prioritising the health and safety of its guests and staff.
4. Despite ongoing challenges related to COVID-19 pandemic, HKDL endeavoured to drive local visitation by introducing a solid pipeline of new guest offerings and products. The resort also celebrated its 15th Anniversary, with the opening of the reimagined “Castle of Magical Dreams” marking a major milestone and attracting positive media coverage locally and beyond. The Castle symbolises the transformation of the resort and has been positioned as the centrepiece of all HKDL’s key products and marketing campaigns. “Follow Your Dreams”, a brand new daytime show in front of the magnificent Castle was also launched in June 2021. With HKDL’s numerous products, offers and targeted communications, both Magic Access (annual pass) membership and local attendance reached historic highs in fiscal 2021.
5. HKDL could not have operated successfully without its committed team of more than 6 000 full-time and part-time staff. Despite operational challenges, HKDL continued to preserve jobs for its staff in fiscal 2021, and through

¹ With a year-end date on the Saturday closest to, if not on, 30 September, the fiscal year consists of 52 weeks with the exception that approximately every six years, the fiscal year comprises a 53-week period. Fiscal 2021 was a 52-week year ending on 2 October 2021; fiscal 2020 was a 53-week year ending on 3 October 2020.

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their dedication, the resort stayed resilient and agile while achieving exceptional guest satisfaction. HKDL also heavily invested in its staff's health and safety, with extensive support on COVID-19 testing, medical consultation and vaccination. By the end of fiscal 2021, some 93% of HKDL's full-time staff had received two doses of the vaccine. Additionally, a proactive approach was taken to continuously equip staff with updated information on COVID-19 and relevant measures.

6. In fiscal 2021, despite the adverse business and operating conditions, HKDL's attendance rebounded to 2.8 million, up 64% versus prior year. The resort hotels' utilisation rate² was 77%, as compared to 34% in the prior year. Revenue for the year grew by 19% year-on-year to HK\$1.7 billion. Earnings before interest, taxes, depreciation and amortisation ("EBITDA") improved by 34% to negative HK\$970 million, and net loss was HK\$2.4 billion. To ensure adequate liquidity for continued operation, HKDL drew upon the revolver facility funded by The Walt Disney Company ("TWDC"), and will continue to closely monitor its operational liquidity as the resort addresses the challenges ahead.
7. HKDL remains optimistic about its future business and long-term potential. With its strong brand, dedicated staff and array of new guest offerings, HKDL is well-positioned to benefit from future improving market conditions and recovery of inbound tourism, as well as the opportunities brought by the tourism development in the Greater Bay Area. A new nighttime spectacular with the transformed Castle backdrop as well as other new offerings in future are targeted to enhance guest affinity and boost visitation. HKDL is committed to assessing its business continuously and prudently, including impacts caused by the prolonged pandemic, and reviewing its strategies as well as future expansion and development plans.

BUSINESS OVERVIEW

8. HKDL consists of a Disney-branded theme park, themed resort hotels and associated complex and infrastructure on Lantau Island in Hong Kong. HKDL is owned by Hongkong International Theme Parks Limited ("HKITP"), a joint venture between HKSARG and TWDC. HKDL is managed by a separate subsidiary wholly owned by TWDC, Hong Kong Disneyland Management Limited. At the end of fiscal 2021, HKSARG

² Hotel utilisation is calculated based on adjusted available capacity which excludes room inventory temporarily removed from service having regard to, amongst others, HKSARG's health and safety measures and social distancing guidelines.

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owned a 52% majority interest in HKITP and TWDC owned the remaining 48%.

9. The theme park includes themed attractions, entertainment and interactive experiences, restaurants, merchandise shops and refreshment stands. Additionally, there are daily daytime and nighttime entertainment offerings. The park is also in the midst of a multi-year expansion and development plan that has been adding a number of new guest offerings based on some of Disney's most popular stories, including the "Castle of Magical Dreams" and its new daytime show, "Follow Your Dreams" launched in fiscal 2021.
10. There are three themed resort hotels at HKDL with a total of 1 750 rooms.

OPERATIONAL HIGHLIGHTS

11. Fostering a healthy and responsible environment for guests and staff has always been a top priority of HKDL. In fiscal 2021, the resort continued to comply with HKSARG's latest requirements and implemented health and safety measures that were stringent and extensive. Operations at HKDL's theme park and hotels were adjusted to ensure compliance while ensuring guest satisfaction. Thanks to the concerted efforts of HKDL's staff, 93% of guests surveyed in the fiscal year were appreciative of the preventive measures taken in the park and 97% felt that their park visits were care-free. HKDL also reacted swiftly when regulatory requirements for social distancing changed, turning increased capacity for restaurants and theme park, as well as other relaxed measures, into revenue opportunities.
12. The resort attached great importance to COVID-19 testing and vaccination for its staff. HKDL established a specimen collection centre on-site to facilitate staff's compliance with the prevailing testing requirements. HKDL also provided support to staff in their COVID-19 vaccination process, including monetary incentives, free medical consultations and pre-vaccination health screenings. The resort also partnered with HKSARG to provide on-site vaccination services for over 1 000 staff. By the end of fiscal 2021, some 93% of HKDL's full-time staff had received two doses of the vaccine. Additionally, HKDL launched its own "Salute to Health Guardians Goodie Bags" appreciation programme for Hospital Authority employees and vaccinated guests, and partnered with the Hong Kong General Chamber of Commerce in its vaccination lucky draw.

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13. Despite the pandemic and additional efforts required to ensure guests' and staffs' health and well-being, HKDL continued to deliver new offerings and entertainment experiences based on some of Disney's most beloved stories and characters. As the pandemic brought inbound tourism to a standstill in fiscal 2021, HKDL focused on driving visitation from across the local market with targeted marketing, sales and publicity campaigns. Key accomplishments included:
- a) *Delivering record-high local visitation through strong HKDL product offerings and promotions:* Local attendance grew by 117% year-on-year, reaching a historic high since the grand opening of the resort in 2005. HKDL launched exciting new merchandise, food and beverage offerings and hosted popular seasonal events, such as Summer's "Pixar Water Play Street Party!" and Halloween's "Let's Get Wicked". Other ticket offers, such as "Celebrate Together" and "Magic 3+1", as well as HKDL's multi-channel sales strategy leveraging online travel agencies also contributed to the strong attendance growth.
 - b) *Strengthening HKDL's local fan base with another year of record-high Magic Access membership:* HKDL's Magic Access membership base expanded by 55% year-on-year to a historic high in fiscal 2021, supported by day ticket upgrades to membership. Members' repeat visits also achieved year-on-year growth. HKDL endeavoured to nurture and broaden its fan base with member-exclusive offerings, collectible merchandise and special events, such as the Frozen-themed concert and Halloween previews.
 - c) *Driving record growth in young adult and student demographics:* Local young adult attendance hit a record high and the number of student Magic Access members grew by 132% as compared with fiscal 2020. To fuel business growth in the absence of inbound tourism, dedicated campaigns were launched, targeting young adults and students, promoting birthday celebrations, romantic occasions and Disney character-inspired dress-up, as well as showcasing an immersive park experience. HKDL also engaged popular local celebrities and key opinion leaders to promote visitation.
 - d) *Promoting hotel stays with unique staycation products to meet pent-up travel demand:* HKDL continued to tap into strong local demand for staycations and leveraged the resort's unique experiences and landscape. New staycation packages and theme park ticket offer bundles included, amongst others, "Hong Kong Residents Chill-Out" and "Hong Kong Residents Magical Staycation". These promotions were featured on

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HKDL's own channels and also with online travel agencies to drive business and enhance brand exposure. HKDL also actively partnered with the Hong Kong Tourism Board on the "Staycation Delights" and "Holiday At Home" campaigns.

- e) *Celebrating HKDL's 15th Anniversary and the opening of the "Castle of Magical Dreams"*: The anniversary celebration created historic opportunities to engage with guests and strengthen the resort's unique positioning. Together with the "Celebrate Your Magical Dreams" campaign, which gave away 15 000 park tickets and 150 hotel stays, anniversary-themed merchandise and food and beverage products continuously created brand exposure and revenue opportunities. Signifying the resort's transformation, the "Castle of Magical Dreams" opened in November 2020 has become HKDL's landmark icon, with 95% of guests considering the Castle appealing according to the in-park survey. HKDL has continued to reinforce the Castle as the unique backdrop for celebrations and occasions with social media exposure as well as marketing and publicity initiatives. The "Follow Your Dreams" daytime show, a first-of-its-kind live outdoor musical party staged at the Castle, sustained the celebrations and enriched HKDL's entertainment experience.
- f) *Creating synergy with TWDC to strengthen brand exposure*: Throughout the year, the resort collaborated with TWDC on co-marketing efforts in prominent shopping malls across the city to drive exposure amongst locals, with the Castle and 15th Anniversary celebration as the main theme. Not only did it open new channels for merchandise sales outside of the resort, it was a new and fully leveraged model of partnership for HKDL.
- g) *Exploring innovative ways to deliver guest experience during pandemic*: HKDL remained agile and delivered immersive resort experiences despite operational constraints, including socially distanced character greetings and virtual queues at HKDL's hotels. To capitalise on the growth of online sales, HKDL actively tapped into e-commerce opportunities. The multiple seasonal ticket and hotel promotions on the resort's website contributed to online sales growth. An online merchandise pre-order platform was also established to drive sales during park closure and strengthen the pre-arrival guest experience.
- h) *Exploring revenue and partnership opportunities for present business needs and beyond*: HKDL developed new and enhanced products for weddings as

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well as youth education programmes tailored for HKSARG’s “Life-wide Learning” promotion that would be popular both now and when the pandemic subsides. HKDL also actively participated in the HKSARG’s “Consumption Voucher Scheme” and “Green Lifestyle Local Tour Incentive Scheme” to work with industry partners in seizing revenue opportunities.

- i) *Preparing to welcome inbound tourists back in fiscal 2022:* HKDL is cautiously optimistic on the outlook for a gradual resumption of inbound tourism. The Castle and its daytime show, which are yet to be experienced in person by guests outside of Hong Kong, as well as the resort’s new nighttime spectacular, will be key drivers for visitation when quarantine-free cross-boundary/border travel resumes. Meanwhile, HKDL has continued to engage with audiences in the Greater Bay Area and other regional markets to maintain high brand awareness. Research on post-pandemic travelling behaviour and joint efforts with the Hong Kong Tourism Board are also ongoing to ensure that the resort is well-positioned to capture opportunities arising from tourism recovery.
14. HKDL remains innovative, agile and flexible in serving the community in need. With social distancing measures in place, the resort found creative ways to continue delivering more than 1 000 hours of skills and services for the community. HKDL also collaborated with a number of non-governmental organisations to give out park tickets for families in need and nearly 40 000 complimentary tickets were offered in fiscal 2021. Key highlights included:
- a) *Championing diversity, equity and inclusion with the power of storytelling:* In April 2021, Disney VoluntEARS produced a video series with Hong Kong Federation of Handicapped Youth featuring beloved Disney characters to promote active and healthy living through multiple social platforms. HKDL invited nearly 500 people, including children with hearing difficulties, design students and local families, to a preview of the Castle of Magical Dreams before its opening in November 2020. The resort resumed its signature programme “Community’s Got Talent” in May 2021 to provide a platform for various organisations to show their talent to guests in the park. In collaboration with the True Colors Symphony, the largest inclusive orchestra in Hong Kong, the resort created the first ever special reinterpretation of Disney’s classic “A Whole New World” with more than 20 musicians from various backgrounds, ages and abilities.
 - b) *Offering comfort, happiness and inspiration to kids and families in need:* HKDL explored innovative ways to fulfil children’s wishes and create special Disney journeys for child patients. Disney VoluntEARS partnered

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with Josephine, a Wish Kid from Make-A-Wish Hong Kong, to design and produce a limited-edition jewelry set. The resort also produced a dedicated digital version of the “Follow Your Dreams” show for exclusive screening at Hong Kong Children’s Hospital, relieving stress and anxiety of young patients and their families.

- c) *Keeping up volunteering spirit during the pandemic:* HKDL is one of the city’s leaders in volunteerism. From coastal cleanups and face-to-face storytelling, to supporting local dog shelters and much more, the resort gradually shifted volunteering services from online back to a mixed mode under the pandemic. In light of increasing demand for food assistance, the new meal box donation programme of “Disney Meal Box Express” was introduced in June 2021, with over 12 000 healthy and freshly-cooked meal boxes provided for local families. HKDL also continued to expand its surplus food donation programme with the Foodlink Foundation to help local residents. Over the last 16 years, Disney VoluntEARS served a total of 111 000 volunteer hours in the community and over 100 storytelling sessions were offered.
- d) *Caring for the environment:* HKDL has delivered over 1 400 tonnes of food waste to HKSARG’s organic resources recovery centre in Siu Ho Wan since the centre opened in July 2019. In fiscal 2021, HKDL expanded its solar power installation to a total of 5 200 solar panels, continuing its position as the largest solar panel site in Hong Kong since 2019.
- e) *Nurturing theme park and tourism expertise:* HKDL continued working with the Li Ka Shing School of Professional and Continuing Education of Hong Kong Metropolitan University to offer a two-year full-time Higher Diploma Programme in Resort and Theme Park Management and an eight-month part-time Professional Diploma in Resort and Theme Park Services. A total of 28 students, including three staff from the resort, joined the programmes.
15. On average, HKDL employed around 5 000 full-time and over 1 200 part-time staff during fiscal 2021, remaining one of Hong Kong’s largest employers in the tourism and family entertainment industry. HKDL is committed to developing a highly-skilled, quality labour force and provided nearly 124 000 hours of professional and technical training during the year. Numerous learning programmes were organised to develop guest-centric and skilled staff as well as inclusive, innovative and strategic leaders. A two-day Inclusion Spotlight event was held in September 2021 to nurture a sense of belonging with a dynamic line-up of learning activities.

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16. HKDL continued to generate exceptional guest satisfaction ratings. In fiscal 2021, 94% of theme park guests surveyed and 87% of hotel guests surveyed reported that their overall experience was “excellent”, “very good” or “good”.
17. HKDL received various awards during fiscal 2021 in recognition of its design and marketing excellence, guest service, employment relationship and the resort’s commitment to the community and environment. The publicity campaign of the resort’s 15th Anniversary celebration clinched “PR Team of the Year – Gold Award” and “Best Use of Content – Bronze Award” from Marketing-Interactive. Disney Explorers Lodge was recognised as the “Best Family Hotel” in Hong Kong Parents’ Choice Awards 2020 by Champimom. On environmental protection, HKDL won the “Gold Award of Commercial Sector in the Waste Electrical and Electronic Equipment Recycle Campaign 2020” from ALBA, IWS and WEEE PARK as well as the “Excellence Award on Renewable Energy” from CLP Smart Energy Award. The resort received the Community Investment and Inclusion Fund’s “Social Capital Builder Logo Award” for its community efforts. HKDL was also named one of the “Most Attractive Employers 2021” among university students in Hong Kong by Universum.

KEY BUSINESS DRIVERS AND FINANCIAL HIGHLIGHTS

18. In fiscal 2021, HKDL’s theme park operated for 215 days³ as compared to 154 days in the prior year, and the resort hotels continued to operate at an adjusted operating level. Despite the COVID-19 preventive measures, including social distancing and capacity control, revenue for the year increased by HK\$273 million, or 19%, to HK\$1,716 million. Coupled with cost mitigation efforts, EBITDA improved by HK\$495 million, or 34%, to negative HK\$970 million for fiscal 2021.
19. Park attendance for fiscal 2021 increased by 64% year-on-year to 2.8 million, mainly as a result of the dedicated efforts to drive local visitations and a higher number of theme park operating days. Average hotel occupancy for the year was up six percentage points to 21%. After adjusting for the available capacity, the resort’s hotel utilisation rate² was 77% for fiscal 2021 compared to 34% in the prior year. With a guest mix in the absence of inbound tourism, there were declines in per capita spending and per room guest spending by 24% and 11% respectively.

³ The fiscal 2021 operating days have taken into account compulsory park closure under COVID-19, and 5-day operation weeks of theme park in fiscal 2021 (temporarily closing on Tuesdays and Thursdays, except otherwise announced).

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Key revenue drivers for the fiscal year were as follows:

	2021	2020
Park operating days	215	154
Park attendance (in millions)	2.8	1.7
Hotel occupancy	21%	15%
Hotel utilisation	77%	34%

Year-on-year change for key revenue drivers	Percentage change	
	2021	2020
Park attendance	64%	(73%)
Per capita spending	(24%)	(18%)
Available room nights	(2%)	2%
Per room guest spending	(11%)	22%

Origin of visitors as a percentage of total attendance	2021	2020
	Local	100%
Mainland China	0%	8%
Other markets	0%	17%

Key financial results for the fiscal year were as follows:

	2021	2020	Variance
(in HK\$ millions)			
Revenue	1,716	1,443	273
Costs and expenses	(2,686)	(2,908)	222
Earnings before interest, taxes, depreciation and amortisation	(970)	(1,465)	495
Depreciation and amortisation	(1,371)	(1,211)	(160)
Net finance (cost) / income	(9)	14	(23)
NET LOSS	(2,350)	(2,662)	312
Current assets	745	1,148	(403)
Non-current assets	19,705	20,288	(583)
Current liabilities	(1,685)	(1,650)	(35)
Non-current liabilities	(3,159)	(2,162)	(997)
SHAREHOLDERS' EQUITY	15,606	17,624	(2,018)

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Revenue

20. HKDL generates revenue predominantly from the sale of admission tickets to the theme park, room nights at the hotels as well as merchandise, food and beverage at both the theme park and hotels. For fiscal 2021, total revenue increased by 19%, or HK\$273 million, to HK\$1,716 million primarily due to a higher number of theme park operating days in fiscal 2021 compared to the prior year.

Costs and expenses

21. Costs and expenses consist principally of labour, operating and support costs, costs of sales, and marketing and sales expenses. For fiscal 2021, total costs and expenses decreased by 8%, or HK\$222 million, to HK\$2,686 million, reflecting significant cost containment efforts which included unpaid leave, reduced marketing spending and cancellation of certain seasonal events. The decrease was partially offset by higher operating expenses from a higher number of theme park operating days and costs associated with the anti-epidemic measures, such as the setup of on-site specimen collection centre for staff's COVID-19 testing.

Depreciation and amortisation

22. Depreciation and amortisation increased by 13%, or HK\$160 million, to HK\$1,371 million, which was attributable to, amongst others, the launch of “Castle of Magical Dreams” and the new daytime show “Follow Your Dreams”.

Net finance cost

23. Net finance cost consists of interest expense, net of interest income. The change from a net finance income of HK\$14 million in fiscal 2020 to a net finance cost of HK\$9 million in fiscal 2021 was a result of the interest cost on the revolver facility drawn during the year.

Net loss

24. Net loss improved by HK\$312 million, from HK\$2,662 million in fiscal 2020 to HK\$2,350 million in fiscal 2021, mainly due to the significant cost containment, coupled with the benefit of increased number of theme park operating days.

Current assets

25. Current assets consist of cash and cash equivalents, trade and other receivables and inventories. The decrease of 35%, or HK\$403 million, to HK\$745 million in fiscal 2021 was mainly attributable to a net decrease in cash and cash equivalents (See “FINANCIAL LIQUIDITY” section below

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for details) and lower inventories.

Non-current assets

26. Non-current assets include property, plant and equipment, leased land and projects in progress. Non-current assets decreased by 3%, or HK\$583 million, to HK\$19,705 million, reflecting the current-year depreciation being partly offset by the spending on the multi-year expansion and development plan.

Current liabilities

27. Current liabilities consist of trade and other payables, deferred revenue and short-term borrowings. The increase of 2%, or HK\$35 million, to HK\$1,685 million was mainly due to higher deferred revenue related to advance theme park ticket sales during the year.

Non-current liabilities

28. Non-current liabilities include long-term borrowings and retirement plan liabilities. The balance primarily represents unsecured long-term loans from HKSARG and TWDC. The increase of 46%, or HK\$997 million, to HK\$3,159 million was mainly due to the drawdown of the revolver facility during the year and higher retirement plan liabilities.

FINANCIAL LIQUIDITY

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

(in HK\$ millions)	2021	2020	Variance
Cash (used) / generated by:			
Operating activities	(727)	(1,650)	923
Investing activities	(890)	(1,632)	742
Financing activities	1,273	1,395	(122)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(344)	(1,887)	1,543

29. Cash and cash equivalents decreased by HK\$344 million, from HK\$969 million at the end of fiscal 2020 to HK\$625 million at the end of fiscal 2021. The decrease was primarily attributable to spending on capital projects during fiscal 2021 and net cash used in operating activities, partially offset by the drawdown of the revolver facility and equity contributions from shareholders for the multi-year expansion and development plan.

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30. TWDC funded a revolver facility of HK\$2.1 billion to HKDL in 2017. HKDL started drawing upon this revolver facility in fiscal 2021 to support working capital and operational needs, and will continue to closely monitor its liquidity.

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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.