

**For discussion on
24 February 2014**

**Legislative Council Panel on Economic Development
Update on Hong Kong Disneyland**

Purpose

This paper updates Members on the operation of the Hong Kong Disneyland (HKDL) during the Fiscal Year (FY)¹ 2013, and briefs Members on the development proposal of a new hotel in HKDL and the related financial arrangements. Members' support is sought for submitting the funding proposal for the new hotel project to the Finance Committee (FC) for approval.

Fiscal Year 2013 Performance

2. The HKDL continued to record steady growth in FY13. Attendance and occupancy were at record high in FY13. Park attendance rose 10% over the previous year to 7.4 million. The guest mix in FY13 was 33% local, 47% Mainland China and 20% international. The increase in local, Mainland China and international attendance stood at 9%, 15% and 2% respectively. The two hotels recorded a combined occupancy rate of 94% in FY13, representing an increase of two percentage points from the previous year.

3. Total revenue in FY13 stood at \$4,896 million, 15% or \$624 million higher than the previous year. Earnings before interest, taxes, depreciation and amortisation (EBITDA) was \$1,113 million, a substantial improvement from \$876 million in FY12. In FY13, the HKDL achieved a net profit of \$242 million, representing an increase of \$133 million from previous year of \$109 million. The business result is attributable to the continuous effort by the HKDL to enrich its attractions and entertainment offerings, the latest being the opening of Mystic Point, as well as the HKDL's strong special events and programmes, and robust marketing and sales strategies.

¹ The fiscal year is from October to September next year and ends on the Saturday closest to 30th September of each year.

4. The annual business review prepared by the Hong Kong Disneyland Management Limited (HKDML) for FY13, summarizing the key initiatives, is at Enclosure 1. It also highlights the HKDL's continuous focus on the corporate social responsibility and the promotion of creative talent and employment in Hong Kong.

5. As an iconic destination for family tourists, the HKDL continued to generate substantial economic benefits to Hong Kong. It has received over 46 million visitors since opening in September 2005. According to survey statistics from the Hong Kong Tourism Board and the operational data of the HKDL, the additional spending of all HKDL visitors in Hong Kong (i.e. over and above what would have been spent assuming without the HKDL) surged by 46% over the previous year to \$20.2 billion² in FY13. Taking into account both the direct and indirect value-added generated from the additional spending, the HKDL brought about \$11.6 billion of value added to Hong Kong in FY13, equivalent to around 0.58% of Hong Kong's GDP, and created 33 200 jobs (in terms of man-years). Taking the first eight years of operation together, the total value added generated by the HKDL amounted to \$50.4 billion or 0.35% of Hong Kong's GDP. A total of 148 900 jobs (in terms of man-years) were also created over these years, providing considerable job opportunities especially for frontline workers and the travel industry.

The New Hotel Proposal

6. Currently, there are two hotels providing a total of 1 000 rooms at HKDL, namely the Hong Kong Disneyland Hotel (DLH) (with 400 rooms) and Disney's Hollywood Hotel (DHH) (with 600 rooms). In the past few years, the two existing hotels have consistently achieved high occupancy rates. Background information on the two existing hotels is at Enclosure 2.

7. The HKDML has conducted extensive research in Hong Kong and other key markets to estimate the demand for a new hotel. Based on market data, the HKDML proposes to develop a 750-room hotel located on the site between the existing DLH and DHH. The target opening date is early 2017. Enclosure 3 shows the location and design drawing of the proposed hotel. The new hotel will have a theme dedicated to the spirit of exploration. It will feature three restaurants, a merchandise shop, as well as an outdoor swimming pool and recreation

² All value figures in paragraph 5 are at 2011 prices.

areas. The HKDML estimates that the project cost of the new hotel will be \$4.263 billion.

Justifications for the New Hotel

Sustained Growth of HKDL

8. It has been a shared vision of both the Hong Kong SAR Government (Government) and The Walt Disney Company and its subsidiaries (TWDC) that the resort should be expanded on an ongoing basis with new attractions, entertainment offerings and hotels to broaden its appeal to a wider tourist segment. Between 2011 and 2013, the addition of three new themed areas – Toy Story Land, Grizzly Gulch and Mystic Point – has enlarged the footprint of the park by about one-fourth and increased the total number of attractions and entertainment offerings to over 100.

9. A stay at a Disney hotel is not only an integral part of a Disney resort experience but also reinforces the positioning of the HKDL as an overnight vacation destination and enhances its appeal to local and overseas visitors for lengthened stays. With the addition of the new hotel, the total lodging capacity in the HKDL will increase from 1 000 rooms to 1 750 rooms, representing an increase of 75% compared with the current provision.

Intensifying Competition in the Region

10. The Asia Pacific region has seen a rapid proliferation of leisure choices growing in number, scale and diversity. New or expanded theme parks are found in neighbouring markets such as Mainland China, Singapore, South Korea, Japan, etc. The vigorously changing competitive landscape among different tourist destinations in the region has underlined the importance for the HKDL to continue developing novel and distinctive elements.

11. The proposed third hotel will be positioned between the existing two hotels and will add to the variety of hotel offerings at the HKDL. It will broaden the HKDL's appeal to different guest segments, increase hotel penetration of its theme park guests and encourage repeat visitations. This will in turn provide further stimulus to the resort's operating and financial performance.

Increase Hotel Room Supply in Hong Kong

12. From a territory-wide perspective, the proposed new hotel will provide much-needed additional hotel room supply to cater for the strong growth in visitor arrivals and demand for hotel accommodation. As land is already available and has been earmarked for hotel development purpose, the lead time for planning and construction can be reduced, thus enabling a timely additional supply of hotel rooms.

Present Capital Structure of the Hongkong International Theme Parks Limited

13. The HKDL is owned by the Hongkong International Theme Parks Limited (HKITP), in which the Government holds a majority shareholding of 52% against TWDC's 48%. At the end of FY13, the HKITP had an ordinary share capital of \$16.4 billion, a loan from the Government with a principal of \$1.909 billion, as well as a subordinated share capital of \$4 billion held by the Government.

Financial Arrangements for the New Hotel

Considerations

14. Both shareholders of the HKITP share the common vision that ongoing expansion of the HKDL is critical to the continued success of the resort as the premier destination in the Asia Pacific region. In considering the financial arrangements for the new hotel, one of the primary objectives is to achieve a financing solution that will limit near and medium-term debt service requirements of the joint venture so that it could reinvest as much of its operating cash as practicable in the further development of the Phase 1 site.

15. Within the Phase 1 site, the theme park has several land parcels available for further expansions, as shown at Enclosure 4. Developing these land parcels would help to broaden HKDL's appeal and substantially increase the theme park's annual capacity to over 10 million. In determining the scale and nature of an expansion project, the joint venture will take into account a wide range of factors, such as the preferences of target customer segments, the popularity of specific Disney franchises, balance and distribution of guests among different areas of the park, etc. The current plan anticipates that expansion projects will be carried out in phases over the next decade and will include attractions that target both the family and young adult market

segments. These expansions will further enrich the number and variety of attractions and entertainment offerings at the HKDL and boost park attendance and revenues. The first of these expansions will be a new themed area based on Marvel's Iron Man franchise, which is to be opened by late 2016. In the light of positive feedback on and contribution to park attendance driven by the recent expansions (i.e. Mystic Point, Grizzly Gulch, Toy Story Land), both shareholders fully agree that additional attractions should optimally utilize the remaining land parcels, and build on the key elements of success of the recent expansions through, for example the adoption of creative storylines, innovative technology, or unique elements to expand the appeal of the park as far as possible. Given the strengthened business momentum and assuming that growth continues, the HKDML expects that sufficient operating cash could be generated so that future expansion of the theme park on the Phase 1 site would be self-funded by the HKITP.

Funding Proposal

16. The HKDML estimates that the new hotel development will cost \$4.263 billion. A breakdown of the cost estimates is at Enclosure 5.

17. Having regard to the considerations in paragraphs 14-15 above, the Government and TWDC have reached an agreement on the financial arrangements set out in the ensuing paragraphs, the gist of such is summarised in the table below:-

(in HK\$bn)	HKSARG	TWDC	HKITP
Cash equity injection		1.700 (A)	
Conversion of existing Government loan to equity	1.700 (Note)		
New shareholder loans	0.8085(B)	1.1545(C)	
Contribution by operating cash			0.600 (D)
Total Cash contribution	0.8085	2.8545	0.600
Estimated Project Cost = (A) + (B) + (C) + (D) = \$4.263 billion			

(Note: The proposed conversion of the existing Government loan is intended to maintain the Government's majority shareholding in the joint venture. It is not part of the funding for the project cost.)

18. The HKITP will contribute \$600 million for the new hotel development, as generated by the operating cash of the resort. TWDC will contribute \$1.7 billion as cash equity and provide up to \$1.1545 billion as a new term loan to the HKITP.

19. While the Government will not inject new cash equity for the new hotel development project, it will provide the HKITP with a new Government term loan of up to \$808.5 million. The key terms of the loans by the Government and TWDC are identical, as set out in Enclosure 6. To maintain majority shareholding of the Government, we will progressively convert \$1.7 billion from the existing Government loan into equity to match, on a dollar-for-dollar basis, the new cash equity contribution by TWDC. According to the original repayment schedule, the first repayment date and the maturity date of the existing Government loan are September 2016 and September 2030 respectively. Under the proposed conversion, the maturity date of the remaining unconverted Government loan of around \$0.3 billion will be advanced to FY22 while the first repayment of such will be deferred to the end of the drawdown availability period of the new shareholder term loans, estimated to be in late FY18, and subject to the HKITP's cash position at that time.

20. Overall, in terms of cash contribution, the Government will commit to a new loan to the HKITP of up to \$808.5 million while TWDC will commit to a total of \$2.8545 billion (\$1.7 billion equity in cash to the HKITP and a new loan of up to \$1.1545 billion). The Government and TWDC are expected to have similar post-financing term loan balances to the HKITP of slightly over \$1.1 billion. The Government will continue to maintain a majority shareholding in the HKITP after the proposed loan conversion.

21. In addition to the hotel financing arrangements described above, TWDC will renew its revolving credit facility (RCF) to the joint venture to provide short-term liquidity in case of unforeseen circumstances which could seriously affect the cash flow of the joint venture. To account for the growth in the scale of the HKDL's business, the size of the RCF has been increased from \$300 million to \$400 million.

Financial Returns and Economic Impact of the Project

22. The new hotel will enhance the appeal of the HKDL and contribute to the resort's revenue and profitability. Based on current trend, the HKDML projects that all three hotels will achieve healthy

occupancy, as driven by theme park attendance growth and increased hotel penetration of theme park guests. In addition, the new hotel will benefit from leveraging the scale economies of the HKDL's resort-wide infrastructure, management overhead, and brand and marketing awareness. According to the HKDML's estimates, similar to the two existing hotels, the new hotel will be a key revenue driver for the HKDL and provide positive contribution to the overall profitability of the resort.

23. The HKDML estimates that the new hotel will create 600-700 full-time equivalent jobs in the HKDL after the new hotel commences operation.

Background

24. The HKDL was opened in September 2005, and consists of a theme park and two hotels. The site of the HKDL amounts to 125.4 hectares (ha.), of which 72 ha. is allocated for theme park, retail, dining and entertainment uses, while the rest of the site is for hotel and car park uses.

25. To improve the resort's operating and financial performance and facilitate future expansions, the Government and TWDC reached agreement in 2009 on capital realignment and launched three new themed areas in the existing theme park between 2011 and 2013. To further enhance its appeal, the HKDL will unleash a series of new initiatives such as a nighttime parade called "Disney Paint the Night" (to be launched in 2014) and a new themed area based on Marvel's Iron Man franchise (to be opened by late 2016).

Views Sought

26. Members are invited to note and comment on the HKDL's operation, the new hotel proposal and the financial arrangements outlined above. Subject to Members' views, we plan to seek the Finance Committee's approval of the financial arrangements for the proposed new hotel development at its meeting on 2 May 2014.

Tourism Commission

Commerce and Economic Development Bureau

February 2014

**HONG KONG DISNEYLAND
ANNUAL BUSINESS REVIEW
FOR THE FISCAL YEAR 2013**

KEY HIGHLIGHTS

- Hong Kong Disneyland (“HKDL”) once again delivered record attendance, occupancy and guest spending in fiscal 2013¹.
- The resort generated record revenues of HK\$4,896 million, up 15% from prior year, and more than doubled net profit to a record HK\$242 million.
- The successful opening of Mystic Point on 17th May 2013 marked the completion of the 2009 theme park expansion plan, which increased the park’s total size by about one-fourth and brings the total number of attractions and entertainment offerings to more than 100.
- HKDL remains committed to growing its business and establishing its brand as the premier vacation, entertainment and convention resort destination in the region. The resort plans to launch a brand new nighttime spectacular called “Disney Paint the Night” in 2014, a new themed area based on Marvel’s Iron Man franchise in late 2016 and a new 750-room resort-style hotel by early 2017.

BUSINESS OVERVIEW

HKDL develops and operates the Disney-branded theme park, themed 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 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. As at end of 2013, HKSARG owns a 52% majority interest in HKITP, with TWDC owning the remaining 48%.

The theme park consists of the following themed lands and areas: Adventureland, Fantasyland, Grizzly Gulch, Main Street USA, 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 a nighttime fireworks extravaganza.

HKDL has two themed hotels: the 400-room Hong Kong Disneyland Hotel and the 600-room Disney’s Hollywood Hotel.

OPERATIONAL HIGHLIGHTS

- Since its grand opening in 2005, HKDL has focused on being the premier vacation, entertainment and convention resort destination in Hong Kong. As one of the most popular paid destinations in Hong Kong, HKDL is an integral component in supporting Hong Kong’s position as one of the world’s top cities for leisure tourists and business visitors.
- The opening of Mystic Point in May 2013 marked the completion of the 2009 theme park expansion plan, which also included the addition of two other themed areas (Toy Story Land and Grizzly Gulch), and further enhanced guest experience. Located at Mystic Point, Mystic Manor is an immersive indoor attraction using an innovative trackless vehicle ride system and has quickly become one of guests’ favorite attractions at HKDL. Mystic Manor has been honored by the Themed Entertainment Association with the coveted Thea Award for Outstanding Achievement – Attraction for the seamless integration of the latest technology with true state-of-the-art storytelling.

¹ The fiscal year is from October to September and ends on the Saturday closest to 30th September of each year.

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- HKDL also generated excitement and ongoing visitation interest among guests from local, mainland China and Southeast Asia regions by offering the following key events and programmes throughout the fiscal year:
 - held an expanded version of the annual “Disney’s Haunted Halloween” event at the beginning of fiscal 2013, which featured limited-time offerings in each themed land and was supported by “Choose Your Dark Side Challenge” – a mobile game app that utilised augmented reality technology to extend the experience beyond the park and engage young adults across Hong Kong. This interactive marketing campaign was well-recognized by the marketing business community with more than 10 awards and merits received so far;
 - celebrated the December holiday season with “Disney’s Sparkling Christmas” event, introducing a new Christmas tree display in addition to the popular Christmas illumination show;
 - offered the “Golden Chinese New Year Celebration” to commemorate the Year of the Snake in February 2013, integrating both traditional Chinese and Disney entertainment elements, a yearly strategy which continued to drive HKDL’s reach among Guangdong arrivals during the event period;
 - continued the successful “Star Guest Program” which offered guests throughout the spring season a variety of “Magical Moments” and “Star Experiences”, including the popular “Star Princess Tour” and a brand new “MonSTAR Tour” based on Disney•Pixar’s Monsters, Inc. franchise; and
 - in conjunction with the summer 2013 release of the film *Monsters University* in Hong Kong, introduced an interactive photo-taking experience that brought guests a flavor of campus life from the movie.
- In addition to its strategy to grow the business, HKDL remains committed to contributing to Hong Kong and the communities HKDL serves. This past year, HKDL welcomed over 100,000 underprivileged community members to visit the park; contributed close to 8,500 hours of skills and services through its Disney VolunTEARS programme, directly reaching 130,000 recipients; and in collaboration with the Agency of Volunteers Services, HKDL inspired 480,000 hours of volunteer service in the community through “Give a Day. Get a Disney Day.” Other highlights in fiscal 2013 include:
 - *Realizing the potential of local students*: Placed more than 300 internships from local higher educational institutions, including universities and the Hong Kong Institute of Vocational Education, throughout the year to promote talent for the tourism industry; and supported the Education Bureau’s Committee on Home-School Co-operation by creating the “I Did It!” award that recognizes one student at each primary school class across Hong Kong who had made the most improvement over the school year.
 - *Promoting creativity and family-bonding through play*: Introduced the third cycle of Disney ImagiNations Hong Kong, a theme park design competition to nurture design, engineering and architecture talents for the industry; partnered with the local non-profit organisation Playright Children’s Play Association, resulting in over 120 specifically-trained VolunTEARS visiting hospital pediatric wards across Hong Kong to help children and their families better manage illness; and introduced the first Community Built Playground in Hong Kong, involving 1,500 family participants using natural materials and their imaginations to create temporary playgrounds at Inspiration Lake on Lantau Island.

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- *Connecting kids to nature:* Through “Adopt-a-Garden”, a programme in partnership with Jane Goodall’s Roots & Shoots, our VoluntEARS developed organic gardens at four schools, including two special schools, one village school and one school focused on educating ethnic minority students.
- *Fostering diversity and inclusion:* Increased the number of participants in the Apprentice Programme for People with Disabilities by 50% from fiscal 2012, bringing the total number of disabled individuals employed during the fiscal year to more than 100. HKDL’s apprenticeship programme, which was developed in 2007 in partnership with the Labour Department, Social Welfare Department, the Hong Kong Council of Social Service and 22 non-government organisations, supports the employment of the disabled community by providing structured classroom and on-the-job training. During the year, HKDL also participated in the Government’s Talent-Wise Employment Scheme.
- On average, HKDL employed more than 4,800 full-time and 2,600 part-time staff during this fiscal year, making the resort one of Hong Kong’s largest employers in the entertainment industry. HKDL is committed to developing a highly skilled and quality workforce, providing over 380,000 hours of professional and technical training to the entire workforce during the year.
- HKDL continues to generate exceptional guest satisfaction ratings. In fiscal 2013, 92% of theme park guests and 89% of hotel guests reported that their overall experience was “excellent”, “very good”, or “good”.
- Since opening, HKDL has received 271 awards in recognition of its design, technical achievements, distinctive guest service, commitment to the community and environment and high family appeal. HKDL received a total of 61 awards in fiscal 2013, including Best Theme Attraction at the 24th Annual TTG Travel Awards, the Pacific Asia Travel Association Gold Award 2013 in the Marketing Industry category, the Best Theme Park of the Year from China Travel and Meetings Industry Awards, the 4th Asia’s Best Employer Brand Award presented by Employer Branding Institute, and the 2013 Randstad Award for Best Workplace Culture in Hong Kong.

THEME PARK AND HOTEL EXPANSION

Mystic Point, opened on 17th May 2013, marked the completion of the 2009 theme park expansion plan. The other themed areas, Toy Story Land and Grizzly Gulch, came online in November 2011 and July 2012, respectively.

In October 2013, HKDL announced its plan to open a new themed area at the park based on Marvel’s Iron Man franchise in late 2016. The key attraction, Iron Man Experience, will take guests on an adventure of a lifetime as they join Tony Stark in a battle against alien invaders across the city of Hong Kong.

HKDL also has plans to open a new 750-room Disney-branded hotel by early 2017, pending all necessary project approvals. Dedicated to the spirit of exploration, the new hotel will offer an immersive resort-style accommodation experience for guests.

The addition of these park and hotel experiences not only contributes further to the significant appeal of HKDL as a tourist destination, but also adds to the economic benefits HKDL brings to Hong Kong, through generating additional resort-based employment positions as well as construction and other jobs related to the build-out of the park.

**HONG KONG DISNEYLAND
ANNUAL BUSINESS REVIEW
FOR THE FISCAL YEAR 2013**

KEY BUSINESS DRIVERS AND FINANCIAL HIGHLIGHTS

For the fiscal year ended 28th September 2013, HKDL achieved record attendance, hotel occupancy and per capita and per room guest spending. With growth in all guest origins including mainland China, local and international markets, attendance reached 7.4 million, representing a 10% increase over prior year. This year-over-year increase in park visitation exceeded the level of growth in overnight leisure arrivals into Hong Kong during this period and reflected the resort's effective marketing and sales programmes and other factors. Hotel occupancy remained strong at 94%, two percentage points above prior year. Higher volumes and guest spending contributed to revenue growing by 15% to HK\$4,896 million and to HKDL's record net profit of HK\$242 million, an increase of HK\$133 million from prior year.

Key revenue drivers for the fiscal year were as follows:

Key revenue drivers	2013	2012
Park attendance (in millions)	7.4	6.7
Hotel occupancy (percentage)	94%	92%
Year-on-year change for key revenue drivers	Percentage change	
	2013	2012
Park attendance	10%	13%
Per capita guest spending	6%	6%
Available room nights	1%	(1%)
Per room guest spending	10%	15%
Origin of visitors as a percentage of total attendance	2013	2012
Local	33%	33%
Mainland China	47%	45%
International	20%	22%

Key financial results for the fiscal year were as follows:

	2013	2012	Variance
(in HK\$ millions)			
Revenues	4,896	4,272	624
Costs and expenses	3,783	3,396	387
Earnings before interest, taxes, depreciation and amortisation	1,113	876	237
Depreciation and amortisation	838	762	76
Net finance costs	33	5	28
NET PROFIT	242	109	133
Non-current assets	15,340	15,375	(35)
Current assets	1,578	1,153	425
Current liabilities	(1,478)	(1,307)	(171)
Non-current liabilities	(2,062)	(2,097)	35
SHAREHOLDERS' EQUITY	13,378	13,124	254

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Revenues

HKDL generates revenues predominantly from the sale of admissions to the theme park, merchandise, food and beverage sales at the theme park and hotels, and room nights at the hotels. For fiscal 2013, total revenues increased by 15%, or HK\$624 million, to HK\$4,896 million, primarily driven by increased park attendance and by higher theme park per capita and hotel per room guest spending.

Costs and expenses

Costs and expenses consist principally of labour, operating and support costs, costs of sales, and marketing and sales expenses. The increase of 11%, or HK\$387 million, to HK\$3,783 million for fiscal 2013 was attributable to higher volume-related operating and support costs with the completion of the 2009 theme park expansion plan and higher attendance.

Depreciation and amortisation

Depreciation and amortisation increased by 10%, or HK\$76 million, to HK\$838 million mainly due to the addition of property, plant and equipment related to the newly launched themed areas.

Net finance costs

Net finance costs consist of interest expense, net of interest income. The increase of HK\$28 million, from fiscal 2012 to HK\$33 million in fiscal 2013, reflected a decrease in interest capitalized after the completion of expansion projects.

Net Profit

Net profit for the year increased HK\$133 million to HK\$242 million. This was largely attributable to revenue growth.

Non-current assets

Non-current assets include property, plant and equipment, leasehold land and projects in progress. Non-current assets decreased by 0.2%, or HK\$35 million, to HK\$15,340 million due to the depreciation and amortisation charges partially offset by the completion of expansion projects and addition of operational assets during the year.

Current assets

Current assets consist of cash and cash equivalents, trade and other receivables and inventories. The increase of 37%, or HK\$425 million, from fiscal 2012 to HK\$1,578 million in fiscal 2013 was mainly attributable to a net increase in cash during the year. (See FINANCIAL LIQUIDITY section for more details)

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Current liabilities

Current liabilities consist of trade and other payables and deferred revenues. The increase in current liabilities of 13%, or HK\$171 million, to HK\$1,478 million was primarily due to interest payable in fiscal 2014 on the unsecured long-term loan from HKSARG, increased payables in relation to promoting the launch of Mystic Point and higher deferred revenues related to advance theme park ticket sales.

Non-current liabilities

Non-current liabilities primarily represent the unsecured long-term loan from HKSARG, which is scheduled to mature in installments on dates through 2030. The decrease of 2%, or HK\$35 million, to HK\$2,062 million was primarily attributable to interest payable in fiscal 2014 on the unsecured long-term loan from HKSARG, partially offset by deferred interest expense during the year.

FINANCIAL LIQUIDITY

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

	2013	2012	Variance
(in HK\$ millions)			
Cash provided / (used) by:			
Operating activities	1,222	771	451
Investing activities	(880)	(1,302)	422
Financing activities	-	565	(565)
NET INCREASE			
IN CASH AND CASH EQUIVALENTS	342	34	

Cash and cash equivalents increased by 36%, or HK\$342 million, to HK\$1,283 million at the end of fiscal 2013. The increase was primarily attributable to net cash generated from operating activities driven by revenue growth. This increase in net cash was partially offset by cash used in investing activities, including expansion and other capital spending, in fiscal 2013.

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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.

**Background Information on Hong Kong Disneyland Hotel
and Disney's Hollywood Hotel**

Hong Kong Disneyland Hotel (DLH)

Grand Hotel with Victorian Style

This deluxe, 400-room, Victorian-style family hotel has three restaurants, a grand ballroom, indoor and outdoor pools, a gift shop, a four-story atrium lobby, a Mickey Mouse-inspired maze and 15 concierge level suites with a view of the South China Sea and surrounding mountains. The hotel houses 16 meeting and banquet rooms, which are perfect venues for Disney 'Fairy Tale Weddings' and MICE events (Meetings, Incentives, Conventions and Exhibitions).

Disney's Hollywood Hotel (DHH)

Fun for the Whole Family

Designed in an Art Deco-style, the 600-room family-friendly hotel has two restaurants, shops, and terrace gardens laid out like a miniature map of Hollywood, U.S.A. The eight-story hotel overlooks the Hong Kong Disneyland Resort and the South China Sea. Recreational facilities include a piano-shaped swimming pool with a slide, the Malibu Games room, a children's play area and spacious grounds that are perfect for picnics, play or relaxation.

DLH and DHH combined occupancy rate from FY08 to FY13

	FY08	FY09	FY10	FY11	FY12	FY13
Combined Occupancy Rate	78%	70%	82%	91%	92%	94%

Location Plan and Design Drawings





Enclosure 4

Available land parcels for future theme park expansions on Phase 1 site



Site available for development



Iron Man themed area



Site within fireworks fallout zone

Breakdowns for Estimated Project Cost

Items	Cost Estimates (HK\$ million)	Remarks
Project Development	2,958 (A)	<u>Cost Estimates for this item include:</u> Area development & facility (HK\$2,581M); Interior fixtures (HK\$161M); Operating requirements (HK\$132M); <u>and</u> General requirements (HK\$84M)
Direct labor & Consultants	513 (B)	
Contingencies	217 (C)	Equivalent to about 6% of the “Total” at 2013 price level
Total (at 2013 price level)	3,688 (A) + (B) + (C)	
Price Adjustment	575 (D)	
Total Investment	4,263 (A) + (B) + (C) + (D)	

Enclosure 6

**Proposed terms of the new Shareholder Term Loans for
the New Hotel Development at Hong Kong Disneyland (HKDL)**

Borrower: Hongkong International Theme Parks Limited

Lenders: Hong Kong SAR Government (“HKSARG”) and
An affiliate of The Walt Disney Company (“TWDC”)

Type: Term Loan

Maximum
Commitment: HK\$808,500,000 from HKSARG
HK\$1,154,500,000 from TWDC

Purpose: Solely to finance a portion of hotel development costs, not to exceed
HK\$1,963,000,000

Drawdown

Availability Period: Commence upon the completion of the equity injection from TWDC (and
equivalent conversion of the existing HKSARG Loan) and end no later
than the last day of the fiscal quarter falling 18 months after the opening of
the new hotel

Final Maturity: End of Fiscal year 2025 ¹

Ranking: All Shareholder Term Loans from HKSARG and TWDC rank *pari passu*
and are subordinate to a revolving credit facility

Interest rate /

Interest: 2.00% over the 3-month Hong Kong Interbank Offered Rate (HIBOR) per
annum, and the related interest to be capitalised during the Drawdown
Availability Period

Repayment: Repayment schedule is as follows:

Last business day in fiscal year 2022: 10%

Last business day in fiscal year 2023: 25%

Last business day in fiscal year 2024: 30%

Last business day in fiscal year 2025: 35%

Payment /

Repayment: Scheduled debt service payments prior to final maturity will be made subject to the Borrower having sufficient cash available to make such payments

Prepayment: Voluntary

Fees: Nil

Security: Nil

¹ Final maturity date for the unconverted portion of the existing Government loan will be brought forward from fiscal year 2030 to fiscal year 2022.