

HONG KONG DISNEYLAND ANNUAL BUSINESS REVIEW FOR THE FISCAL YEAR 2022

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. HKDL has welcomed a total cumulative attendance of nearly 92 million since the theme park opened in 2005.
2. Fiscal 2022¹ represented the third consecutive fiscal year for HKDL to face major business and operational challenges as a result of the coronavirus disease 2019 (“COVID-19”) pandemic. While the travel industry entered fiscal 2022 with cautious optimism that inbound tourism might gradually resume, the fifth wave of the pandemic in Hong Kong led to further tightening in travel restrictions, essentially maintaining inbound tourism at a standstill during most of fiscal 2022. Headwinds from local economic conditions also weighed heavily on the business.
3. A series of statutory anti-pandemic measures continued to have implications on HKDL’s operations. The resort experienced a longer compulsory closure of the theme park compared with the prior year, which lasted for approximately three and a half months. It was also subject to capacity limits, social distancing requirements and other restrictive measures during the year. With the evolving regulations throughout the year, HKDL reacted with agility and resilience by swiftly adjusting its operations to ensure compliance while continuously prioritising the health and safety of its guests and staff.
4. As a result of these prolonged challenges caused by the COVID-19 pandemic, HKDL focused on driving local visitation to improve business performance. With a “locals-only” market landscape, HKDL optimised its performance by introducing an exciting array of new offerings, driving business and product innovations, and launching targeted sales and marketing communications. In June 2022, the resort launched “Momentous”, a brand-new nighttime spectacular at the majestic “Castle of Magical Dreams”. Not only did “The Most Magical Show On Earth” elevate the resort’s offerings, it also reinforced HKDL’s position as a premium resort. With these concerted efforts, HKDL’s local attendance and Magic Access (annual pass) membership reached another year of historic highs in fiscal 2022.

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 2022 was a 52-week year ending on 1 October 2022; fiscal 2021 was a 52-week year ending on 2 October 2021.

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5. The enormous support from a committed team of over 6 000 full-time and part-time staff was integral to HKDL's efforts to deliver improved performance in the year. With this dedicated and professional team, HKDL achieved exceptional guest satisfaction for another year. Additionally, under its "Cast First" approach, HKDL endeavoured to strengthen its efforts as a caring and responsible employer, preserving jobs for its staff for another year under the pandemic and lifting the unpaid leave arrangement. HKDL also supported its staff in a range of areas throughout the year, from skills training and promoting diversity, equity and inclusion, to fostering health and safety through measures such as COVID-19 vaccination and testing support.
6. In fiscal 2022, despite having fewer theme park operating days than prior year, revenue grew by 31% year-on-year to HK\$2.2 billion. Earnings before interest, taxes, depreciation and amortisation ("EBITDA") improved by 11% to negative HK\$861 million. The theme park's attendance increased by 22% to 3.4 million, and per capita guest spending increased by 11% over the prior year. At the resort hotels, utilisation for the year was 78%². Overall occupancy grew by three percentage points to 24% with per room guest spending growing by 7% year-on-year. To demonstrate its support of the resort, The Walt Disney Company together with one or more of its subsidiaries ("Disney") deferred HKDL's royalty payments for fiscal 2022, and upsized the existing revolver facility in November 2022 from HK\$2.1 billion to HK\$2.7 billion. HKDL will continue to monitor its operational liquidity closely.
7. HKDL remains optimistic about its future business and long-term potential. Despite the difficulties over the past three years, HKDL continued to launch new attractions and offerings that have been well-received by guests, notably the reimaged "Castle of Magical Dreams", the Castle's daytime show, "Follow Your Dreams" and the nighttime spectacular, "Momentous". Looking ahead, "World of Frozen", a new themed land based on the beloved Disney animated film, *Frozen*, is expected to open in the second half of calendar year 2023, and an array of offerings will be launched as part of Disney's 100th anniversary celebration. An extensive array of differentiated experiences awaits inbound tourists who have not visited in the past three years. HKDL as an iconic tourism landmark, has already begun concerted

² Hotel utilisation is calculated based on adjusted available capacity which excludes room inventory temporarily removed from service having regard to a number of factors. In addition to HKSARG's health and safety measures and social distancing guidelines which continued to have implications on hotels' receiving capacity, the room inventory was also impacted by the temporary closure of hotel rooms for planned renovation and reflected the management's best estimates of the market situation and operational needs.

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efforts to reactivate inbound tourism alongside industry partners.

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 the Government of the Hong Kong Special Administrative Region (“HKSARG”) and Disney. HKDL is managed by a separate subsidiary wholly owned by The Walt Disney Company, Hong Kong Disneyland Management Limited. At the end of fiscal 2022, HKSARG owned a 52% majority interest in HKITP and Disney 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 theme 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 “Momentous”, the new nighttime spectacular launched in fiscal 2022.
10. There are three themed resort hotels at HKDL with a total of 1 750 rooms.

OPERATIONAL HIGHLIGHTS

11. With the lingering impacts of the pandemic, fostering a healthy and responsible environment for guests and staff remained one of HKDL’s top priorities. In compliance with HKSARG’s relevant requirements, HKDL implemented various health and safety measures and adjusted operations at its theme park and hotels. To facilitate staff compliance with ongoing testing requirements, HKDL continued to provide for a specimen collection centre on-site and supplied free rapid antigen test kits to staff. In light of relevant vaccine pass requirements, the resort also worked with HKSARG to offer staff new rounds of on-site vaccination services. Survey results indicated that 93% of guests surveyed rated the sufficiency of hygiene and social distancing measures in-park as “excellent”, “very good” or “good”, and 97% of guests surveyed rated their ability to have a “care-free visit” as “excellent”, “very good” or “good”.

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12. The resort focused on attracting repeat local visitation in fiscal 2022 through new guest offerings and entertainment experiences based on some of Disney's most beloved stories and characters as well as targeted marketing, sales and publicity campaigns. Key accomplishments included:
- a) *Achieving another year of record-high local visitation:* Local attendance grew by 22% from the prior year, delivering a historic high mark since the theme park's opening in 2005. The nighttime spectacular, "Momentous", as well as popular seasonal events including Halloween and Christmas, offered local guests immersive experiences in the year. New merchandise as well as food and beverage offerings, especially those leveraging the newly debuted LinaBell from Duffy and Friends, are favourably impressive to guests and fans. A number of special promotions, notably the "Double the Fun" offer, also helped drive repeat visits.
 - b) *Broadening local fan base with another year of record-high Magic Access membership:* At the fiscal year end, the Magic Access membership base reached a historic high mark, expanding by 22% from the prior year. Efforts were made throughout the year in both retaining existing members and expanding the membership base. This effort included member-exclusive special events such as the "Momentous" preview party and Halloween nights, dedicated collectible merchandise items, as well as other promotions. Members' repeat visits also achieved year-on-year growth.
 - c) *Deepening penetration across local guest demographics:* Local young adult attendance hit a record this year. In an effort to grow affinity from young adult guests, HKDL launched targeted strategies with the use of social media, key opinion leader (KOL) collaborations and special merchandise items to elevate Disney character-inspired outfits. Meanwhile, HKDL's Disney youth programmes, some of which were tailored for HKSARG's "Life-wide Learning" activity needs, had achieved record high local student attendance. In addition, HKDL expanded its market penetration among local senior citizens. Through new promotional offers for HKSARG's JoyYou card programme and appealing guest offerings, attendance among local guests aged 60 and above also reached a record high for the year.
 - d) *Growing fandom by leveraging Disney brand strength:* Through premium products of franchises that are popular in Disney theme parks and other exciting offerings, HKDL has endeavoured to nurture brand

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loyalty and won the support of fans, especially in targeted demographics. Under the “Duffy Fans-tasy” campaign launched 17 days before the end of fiscal 2022, HKDL introduced LinaBell from Duffy and Friends which performed extremely well with fans. After its launch, the first 10 000 LinaBell plush toys were sold out online within six hours, and the plush became HKDL’s best selling merchandise product in the fiscal year. LinaBell, which is very popular in Mainland China, will play a key role in HKDL’s efforts to grow the Greater Bay Area fan base and drive exposure outside of Hong Kong. Additionally, HKDL’s Halloween show, “Let’s Get Wicked”, leveraged popular Disney Villains to drive guest affinity. It also won the “2022 IAAPA Brass Ring Award for Most Creative Halloween Haunt, Show, or Experience”, a prestigious honour in the global attractions industry.

- e) *Redefining nighttime magic with the launch of “Momentous”*: “Momentous”, the new nighttime spectacular launched in June 2022, is filled with sentimental moments that envelop the “Castle of Magical Dreams”, reinforcing HKDL’s position as a destination for both daytime and nighttime experiences. Tapping into advanced technology, “Momentous” offers a combination of multimedia elements, some of which are being used at HKDL for the first time. The nighttime spectacular has positively enhanced perception towards HKDL, and 99% of surveyed guests rated it “excellent”, “very good” or “good”. Complementary merchandise as well as food and beverage offerings further enhanced the guest experience. Extensive publicity and marketing promotions for “Momentous”, such as publicity stunts and social media campaigns, were also launched during the year.
- f) *Driving hotel staycation products for a total Disney resort experience*: HKDL continued to promote its hotel business by tapping into its unique landscape and staycation demand by offering “travel without travel” experiences. New staycation products and theme park ticket offer bundles were also introduced, such as the “Starlight Picnic” experience to enrich the hotel’s nighttime experience. To drive a longer length of stay, Disney staycations with a 3-day-2-night park visit itinerary were also promoted.
- g) *Leveraging sales and marketing initiatives to enhance revenue opportunities*: To build guest awareness of HKDL as a place to celebrate year-round, HKDL launched different occasion celebration programmes, such as the “Get Silly Happy” campaign, “#Eatertainment” publicity initiatives and hotel promotions for birthday and romantic celebrations.

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In fiscal 2022, a survey by an independent market research agency revealed that approximately three quarters of local consumers perceived HKDL as a place to celebrate special occasions, showing a double-digit increase from the prior year. The resort also collaborated with travel trade partners and online travel agencies on hotel flash sales, promotions and special offers for theme park visits to drive visitation and occupancy on selected weekdays. Additionally, HKDL actively participated in the Hong Kong Tourism Board's "Spend to Redeem 'Staycation Delights'" and "Hot Summer Deals" campaigns as well as capitalised on HKSARG's "Consumption Voucher Scheme" to capture additional revenue opportunities. In an effort to drive merchandise sales amid theme park closure and seize e-commerce opportunities, HKDL also launched an online sales platform in March 2022.

- h) *Developing innovative storytelling collaboration with local cultural talent:* HKDL curated the first-ever in-park live orchestra performance, "A Magical Nighttime Symphony," in December 2021, in collaboration with the Hong Kong Philharmonic Orchestra. This performance showcased HKDL as a premium destination that brings together culture, entertainment and tourism. With the momentum built, the resort has cultivated other collaborations with local cultural talent, developing an expansive cultural tourism event cadence for fiscal 2023.
- i) *Delivering creative, inclusive and consumer-centric experiences:* Fiscal 2022 was a year in which HKDL continued to meet guests' diverse needs through innovation. Notably, the resort rebranded its program to provide accelerated ride access to be called "Disney Premier Access" and introduced several new enhancements to the program. New products integrating premium entertainment experiences with food and beverage offerings were also created. In particular, the special viewing admission to "Momentous" is a component highly rated by guests when packaged with the dessert buffet at Starliner Diner. The resort also endeavoured to meet the needs of guests with disabilities through additional inclusive offerings and products. Supported by the Arts with the Disabled Association Hong Kong, theatrical interpretation with HKDL performers integrating sign language with body movements was introduced to the seasonal show "Let's Get Wicked".
- j) *Reigniting Greater Bay Area and overseas guests' visit intent to Hong Kong in fiscal 2023:* Riding on prudently managed efforts to maintain exposure in Mainland and overseas markets in fiscal 2022, HKDL has diligently prepared to welcome the return of tourists in fiscal 2023.

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Sustained momentum from “Momentous”, LinaBell, year-round seasonal events and the upcoming launch of “World of Frozen” will be key drivers for visitation and hotel stays. Disney’s 100th anniversary celebration and the launch of the iconic “Walt Disney and Mickey Mouse statue – Dream Makers” in the theme park in fiscal 2023 will also boost appeal to fans from the Greater Bay Area and other regional markets. With the gradual resumption of inbound tourism, HKDL will roll out tailor-made promotion offers and strategic marketing campaigns, proactively reconnect with business partners, hold a large-scale Mainland China Trade Summit onsite, host media and online KOLs’ familiarisation tours, and join various industry promotion campaigns at key tourist markets.

13. HKDL is committed to Hong Kong and the local community it serves. To share the magic with people of different abilities and backgrounds as well as underserved groups, the resort continued to collaborate with community leaders and non-profit organisations to understand social needs and create impactful and timely initiatives during the pandemic. Nearly 60 000 complimentary theme park tickets were offered to people in need in fiscal 2022. HKDL has identified three focus areas: World of Belonging, World of Hope and World in Balance, with the following key highlights:

World of Belonging

- a) *Developing industry leadership in championing diversity, equity and inclusion:* The resort incorporated the concept of inclusion into its daily operations and endeavoured to create an accessible environment for all. HKDL promoted suppliers diversity and offered business opportunities to disabled- and women-owned enterprises, among others. Partnering with the Hong Kong Federation of Handicapped Youth, the Barrier-Free Ambassadors Training Programme was also offered to staff to further understand the needs of guests with disabilities. The resort also collaborated with different non-profit organisations to relaunch a four-month apprenticeship programme “Disney Side by Side Journey”, to provide vocational training and job opportunities for persons with disabilities. In December 2021, HKDL hosted an event to mark the International Day of Persons with Disabilities, featuring a processional and inclusive dance performance through the collaboration of non-profit organisations.
- b) *Promoting creativity and nurturing talents:* HKDL launched the Disney Imaginations Hong Kong 2022 Design Competition in the year, attracting the participation of more than 300 local students. The competition

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encourages students to use their imagination and showcase their creativity and talents, with the winning teams eligible for internship experience at the resort. Disney Imaginations Design Competition is part of Disney Future Storytellers, an initiative that empowers the next generation of storytellers and innovators to dream about their future, build their talents and skills, and become who they imagine they can be.

- c) *Investing in sports and youth development:* To celebrate the success of local athletes at the Tokyo 2020 Olympic and Paralympic Games, as well as the 14th National Games and the 11th National Games for Persons with Disabilities, HKDL hosted a Homecoming Celebration event in the theme park for the athletes and their teams to share their joy with guests. Collaborating with The Boys' & Girls' Clubs Association of Hong Kong, the resort funded the Sports Legacy Scheme to provide tailored professional sports training for around 200 young people. A new career and life development programme, "Youth Dare to Dream", was also launched, covering ethnic minorities and others.

World of Hope

- d) *Bringing joy and aid to the local community through volunteering programmes:* During the outbreak of the fifth wave of the COVID-19 pandemic, HKDL launched Disney VoluntEARS community initiatives for those in need in three major areas: providing a free online storytelling video series for families and kids; donating food and essentials to ethnic minorities and underserved families; and donating merchandise to medical staff and frontline workers to show appreciation for their dedication and professionalism. Over the past 17 years, HKDL has contributed a total of more than 114 000 volunteer hours to bring joy to the local community. In fiscal 2022, the resort also collaborated with the Foodlink Foundation to donate nearly 10 tonnes of food, including more than 7 000 meals through the "Disney Meal Box Express" food donation programme.

World in Balance

- e) *Caring for the environment:* HKDL has delivered more than 1 800 tonnes of food waste to HKSARG's organic resources recovery centre in Siu Ho Wan since the centre opened in July 2019. In fiscal 2022, HKDL continued to expand its solar power system, which is expected to increase the system's power generation capacity by 40% when the expansion is complete in fiscal 2023.

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14. On average, HKDL employed around 4 700 full-time and 1 400 part-time staff during fiscal 2022, remaining one of Hong Kong’s largest employers in the tourism and family entertainment industry. HKDL is committed to enhancing wellbeing for its staff. To help create a family-friendly and inclusive workplace, the resort further improved its package of staff benefits during the year. This included increasing the parental leave entitlement and expanding the child bonding leave benefits to all staff. During the year, two extra days off (Power-up Days) were also provided for eligible staff. Nearly 190 000 hours of professional and technical training, workshops on diversity, equity and inclusion, and an Emerging Leaders Programme were also provided to develop a highly-skilled, quality labour force. Additionally, the resort was recognised again as one of the “Most Attractive Employers 2022” among university students in Hong Kong by Universum.
15. HKDL continued to generate exceptional guest satisfaction ratings. In fiscal 2022, 94% of theme park guests surveyed and 89% of hotel guests surveyed reported that their overall experience was “excellent”, “very good” or “good”.
16. HKDL received various awards during fiscal 2022 in recognition of its design and marketing excellence, digital efforts, and commitment to the environment. The publicity campaign of the resort’s 15th Anniversary celebration won “Best Acquisition Campaign - Outstanding”, “Best Integration Solution - Outstanding” and “Best Data Strategy (Asia) - Merit” in Yahoo Hong Kong’s “Yahoo Asia Big Idea Chair Awards 2021”. The “Magical Occasions” marketing campaign was awarded the Gold Prize of “Excellence in KOL Partnership” from the Marketing Excellence Awards 2021. The resort received the “2021 Special Award for Digital Resiliency” from IDC Future Enterprise Awards for its digital technology efforts under the pandemic. On environmental protection, HKDL won the “Excellence Award on Energy Saving Performance” from the “CLP Smart Energy Award”.

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KEY BUSINESS DRIVERS AND FINANCIAL HIGHLIGHTS

17. In fiscal 2022, HKDL's theme park operated for 190 days³ as compared to 215 days in the prior year. Despite fewer operating days and the resort hotels continuing to operate at an adjusted operating level, revenue for the year increased by HK\$527 million, or 31%, to HK\$2,243 million. EBITDA improved by HK\$109 million, or 11%, to negative HK\$861 million for fiscal 2022.
18. The improved performance was driven by increased attendance, effective pricing strategies and expanded guest offerings, which reflected HKDL's dedicated efforts to drive local visitation in the absence of inbound tourism. Theme park attendance for fiscal 2022 increased by 22% year-on-year to 3.4 million. Hotel utilisation for fiscal 2022 was 78%, reflecting, amongst others, the adjusted room availability of resort hotels under the pandemic as well as the temporary closure of the Disney's Hollywood Hotel for planned renovation, and hotel occupancy for the year increased by three percentage points to 24%. Per capita guest spending and per room guest spending increased by 11% and 7%, respectively.

Key revenue drivers for the fiscal year were as follows:

	2022	2021
Park operating days	190	215
Park attendance (in millions)	3.4	2.8
Hotel occupancy	24%	21%
Hotel utilisation	78%	77%

Year-on-year change for key revenue drivers	Percentage change	
	2022	2021
Park attendance	22%	64%
Per capita guest spending	11%	(24%)
Available room nights	- %	(2%)
Per room guest spending	7%	(11%)

Origin of visitors as a percentage of total attendance	2022	2021
	Local	100%
Mainland China	0%	0%
Other markets	0%	0%

³ The fiscal 2022 operating days have taken into account compulsory theme park closure under COVID-19, and 5-day operation weeks of theme park in fiscal 2022 (temporarily closing on Tuesdays and Thursdays, except otherwise announced).

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Key financial results for the fiscal year were as follows:

	2022	2021	Variance
(in HK\$ millions)			
Revenue	2,243	1,716	527
Costs and expenses	(3,104)	(2,686)	(418)
Earnings before interest, taxes, depreciation and amortisation	(861)	(970)	109
Depreciation and amortisation	(1,177)	(1,371)	194
Net finance cost	(33)	(9)	(24)
NET LOSS	(2,071)	(2,350)	279
Current assets	972	745	227
Non-current assets	19,517	19,705	(188)
Current liabilities	(1,749)	(1,685)	(64)
Non-current liabilities	(4,007)	(3,159)	(848)
SHAREHOLDERS' EQUITY	14,733	15,606	(873)

Revenue

19. 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 2022, total revenue increased by 31%, or HK\$527 million, to HK\$2,243 million primarily due to growth in theme park attendance and occupied hotel room nights, as well as higher guest spending at the theme park and hotels.

Costs and expenses

20. Costs and expenses consist principally of labour, operating and support costs, costs of sales, and marketing and sales expenses. For fiscal 2022, total costs and expenses increased by 16%, or HK\$418 million, to HK\$3,104 million, reflecting the lack of certain non-recurring benefits present in fiscal 2021, such as subsidies from the HKSARG's anti-pandemic support scheme, insurance settlement proceeds, and unpaid leave initiative, and higher costs of sales from volume growth.

Depreciation and amortisation

21. Depreciation and amortisation decreased by 14%, or HK\$194 million, to HK\$1,177 million, driven by certain assets that were fully depreciated during fiscal 2022.

Net finance cost

22. Net finance cost consists of interest expense, net of interest income. The net

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finance cost increased HK\$24 million to HK\$33 million in fiscal 2022, driven by higher interest rates and the revolver facility drawn during the year.

Net loss

23. Net loss improved by 12%, or HK\$279 million, to HK\$2,071 million, mainly driven by growth in revenue and decrease in depreciation.

Current assets

24. Current assets consist of cash and cash equivalents, trade and other receivables and inventories. The increase of 30%, or HK\$227 million, to HK\$972 million in fiscal 2022 was mainly attributable to a net increase in cash and cash equivalents (See “FINANCIAL LIQUIDITY” section below for details) and higher inventories.

Non-current assets

25. Non-current assets include property, plant and equipment, leased land and projects in progress. Non-current assets decreased by 1%, or HK\$188 million, to HK\$19,517 million, reflecting the current-year depreciation being partly offset by the spending on the multi-year expansion and development plan.

Current liabilities

26. Current liabilities consist of trade and other payables and deferred revenue. The increase of 4%, or HK\$64 million, to HK\$1,749 million was mainly due to higher deferred revenue related to advance theme park ticket and annual pass sales during the year.

Non-current liabilities

27. Non-current liabilities include long-term borrowings and retirement plan liabilities. The balance primarily represents unsecured long-term loans from HKSARG and Disney. The increase of 27%, or HK\$848 million, to HK\$4,007 million was mainly due to the drawdown of the revolver facility during the year.

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FINANCIAL LIQUIDITY

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

(in HK\$ millions)	2022	2021	Variance
Cash (used in) / generated by:			
Operating activities	(805)	(727)	(78)
Investing activities	(1,013)	(890)	(123)
Financing activities	1,953	1,273	680
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS	135	(344)	479

28. Cash and cash equivalents increased by HK\$135 million, from HK\$625 million at the end of fiscal 2021 to HK\$760 million at the end of fiscal 2022. The increase was primarily attributable to the equity contributions from shareholders for the multi-year expansion and development plan and the drawdown of the revolver facility, partially offset by spending on capital projects during fiscal 2022 and net cash used in operating activities.
29. In fiscal 2021, HKDL started drawing upon the revolver facility funded by Disney to support working capital and operational needs. Since November 2022, this revolver facility has been upsized to HK\$2.7 billion, and HKDL 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.