KEY HIGHLIGHTS

1. During the fiscal year\(^1\), Hong Kong Disneyland ("HKDL") continued to play a pivotal role in making Hong Kong one of Asia’s premium tourist destinations.

2. Given the prevailing softness in the tourism industry in Hong Kong, HKDL recorded a drop of attendance by 9% to 6.8 million in fiscal 2015. Earnings before interest, taxes, depreciation and amortisation ("EBITDA") stood at HK$805 million and a net loss of HK$148 million was recorded. Nevertheless, fiscal 2015 represented HKDL’s second-highest annual revenues and third-highest annual attendance. A new record was set for attendance from local guests. HKDL also achieved record guest spending, marking six consecutive years of guest spending growth.

3. More than 58 million guests have visited HKDL since the resort opened in September 2005.

4. To commemorate HKDL’s 10th Anniversary, in November 2015 the resort launched its year-long “Happily Ever After” celebration with an array of new experiences, including “Mickey and the Wondrous Book” and “Fairy Tale Forest”, and new video projections on Sleeping Beauty Castle that enhance the “Disney in the Stars” fireworks show.

5. The resort will introduce a new themed area based on Marvel’s Iron Man franchise, which will launch in 2016, and a new 750-room resort-style hotel that is targeted to open in 2017.

BUSINESS OVERVIEW

6. 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

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\(^1\) With a year-end date on the Saturday closest to, if not on, 30th 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 2015 was a 53-week year ending on 3rd October 2015; fiscal 2014 was a 52-week year ending on 27th September 2014.
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 year 2015, HKSARG owned a 53% majority interest in HKITP, with TWDC owning the remaining 47%.

7. 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 fireworks extravaganza.

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

OPERATIONAL HIGHLIGHTS

9. Since its grand opening in 2005, HKDL has continued to solidify its position as a premier leisure and vacation destination in Asia. As one of the most popular destinations in Hong Kong, HKDL has all along been playing a pivotal role in reinforcing Hong Kong’s position as one of the world’s top cities for tourists and business visitors.

10. To generate excitement and ongoing visitation interest among guests from Hong Kong, mainland China and Southeast Asia and other long haul markets, the resort has continued to launch world-class experiences based on Disney’s beloved franchises and characters, and has further enhanced its marketing and sales strategies to connect to both existing and emerging consumer markets:

a) **Leading innovation for immersive guest experiences.** Offered innovative and award-winning entertainment to entice guests, such as the first ever fully-LED nighttime spectacular, “Disney Paint the Night”. Launched in October 2014, it was honoured with two prestigious international awards: the Themed Entertainment Association’s Thea Award for *Outstanding Achievement – Parade Spectacular* for its use of the newest lighting technology, creative artistry, storytelling, showmanship and live performance; and the 2015 Brass Ring Award for *Best Multimedia*
Spectacular from International Association of Amusement Parks and Attractions.

b) Leveraging Disney intellectual property. Featured iconic characters from classic Disney and Disney•Pixar movies in the newly launched “Disney Paint the Night” parade and as part of seasonal celebrations such as “Disney Haunted Halloween”, “Disney Sparkling Christmas” and “It’s Springtime Chinese New Year Celebration”. In the summer, the resort launched all-new themed entertainment based on two animated theatrical blockbusters, “Frozen” and “Inside Out”, immersing guests in some of their favourite stories. The franchise strategy has also extended to merchandise and food and beverage designs.

c) Reinforcing market reach. Extended HKDL’s reach from core markets to new target markets in mainland China by capitalising on regional infrastructure and travel growth. Two large-scale mall events were held in Nanning and Wuhan and nearly 50 trade and media briefings were conducted in cities along the Express Rail Link and in Guangdong to raise awareness of HKDL. The resort continued to strengthen its traditional and digital sales channels, and provide travel trade partners with up-to-date information on new products through interactive briefings and training sessions.

d) Strengthening trade engagement. Participated in six mega familiarisation trips organised by the Hong Kong Tourism Board to reinforce Hong Kong’s image as the preferred family fun destination. As part of these events, HKDL hosted 250 travel trade delegates and their families from the mainland, Taiwan, Singapore, Malaysia, Thailand, the Philippines, Indonesia, India, Japan and Korea. HKDL also participated in 16 travel fairs in Southeast Asia markets and Korea during the fiscal year.

11. The resort is committed to Hong Kong and the communities it serves. HKDL welcomed more than 100,000 underprivileged community members to visit the park and contributed over 9,000 hours of skills and services through its Disney VoluntEARS programme. HKDL further encouraged volunteerism through a partnership with the Agency for Volunteers Services, which ultimately led to more than 6 million hours of service since the inauguration of the “Give a Day, Get a Disney Day” programme in 2010. Other community highlights from fiscal 2015 include:
a) Promoting happiness in the community. Provided support and HK$2 million in funding for the Hong Kong Design Centre to launch the Happy “D” Project for students to design a program that inspires creativity and happiness in the community. The project reached 12 districts of Hong Kong, attracting more than 28,000 people to interact with the special design-centric artwork.

b) Inspiring young minds to create. Organised the annual Disney ImagiNations Competition to design mock entertainment experiences for HKDL, extending the program for the first time to students from Guangzhou and Macau. In collaboration with the Hong Kong Federation of Youth Groups, the Disney Friends for Change Youth Grants funded 50 creative projects from kids and young adults that aim to have a positive impact in the community. The design competition and youth grants cultivated creativity in more than 500 youths during the fiscal year.

c) Nurturing theme park and tourism expertise. Supported the Li Ka Shing Institute of Professional and Continuing Education of the Open University of Hong Kong to launch a two-year Higher Diploma in Resort and Theme Park Management. The resort’s leadership team is contributing lecturing hours and offering 400 hours of paid training to the students. It is a first-of-its-kind university program in Hong Kong focusing on the theme park industry. In addition, HKDL continued to sponsor local students and develop talent for the tourism industry through scholarships and internships for students from local higher education institutions.

d) Connecting with the community. Donated more than 38,000 meals to community members in need through a partnership with local charity Foodlink since its launch in December 2013. Through this programme, the resort’s chef team volunteered time to turn surplus food into meals for underprivileged families. The resort also continued to partner with local non-profit Playright Children’s Play Association to support the Hospital Play program and Community Built Playground activities.

e) Fostering diversity and inclusion. Jointly developed a hotel housekeeping training programme with a non-government organisation’s vocational training centre. The resort sponsored the installation of a mock-up guest room in the centre, trained programme trainers and assisted with obtaining
accreditation for the programme, which was piloted this fiscal year for official roll out in the following year. HKDL continued to partner with the Labour Department, Social Welfare Department, Hong Kong Council of Social Service and 22 non-government organisations to offer its annual apprenticeship programme for people with disabilities. The resort employed more than 100 people with disabilities during the fiscal year. HKDL also participated in the Government’s Talent-Wise Employment Scheme, which champions an inclusive, disabled-friendly workplace.

12. On average, HKDL employed more than 5,300 full-time and 2,500 part-time staff during the year, making the resort one of Hong Kong’s largest employers. HKDL is committed to developing a highly skilled and quality labour force, providing them more than 345,000 hours of professional and technical training during the fiscal year.

13. HKDL continues to generate exceptional guest satisfaction ratings. In fiscal 2015, 93% of theme park guests and 92% of hotel guests reported that their overall experience was “excellent”, “very good” or “good”.

14. HKDL received a total of 92 awards during the fiscal year in recognition of its design, technical achievements, guest service, family appeal, and commitment to the community and the environment. These include a number of corporate citizenship awards from local government and community partners such as the Social Welfare Department, the Community Investment and Inclusion Fund and the Agency for Volunteer Service. HKDL also received top honours from TripAdvisor, Asia Best Employer Brand Awards, JobMarket and Pacific Asia Travel Association.

THEME PARK AND HOTEL EXPANSION

15. HKDL plans to open a new themed area at the park in 2016 based on Marvel’s Iron Man franchise. 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.

16. Disney Explorers Lodge, a new 750-room hotel dedicated to the spirit of exploration, is currently under construction. The new hotel is slated to open in 2017 and will offer immersive, resort-style accommodations for guests.
17. These experiences will not only further contribute to the significant appeal of HKDL as a tourist destination, but will also add to the economic benefits the resort brings to Hong Kong. The expansions have generated many jobs in construction. The new hotel will create 600 to 700 full-time equivalent positions after it commences operation.

KEY BUSINESS DRIVERS AND FINANCIAL HIGHLIGHTS

18. For the fiscal year ended 3rd October 2015, HKDL generated revenues of HK$5.1 billion, representing a 6% decrease below prior year, with a net loss of HK$148 million. HKDL’s performance was impacted by the slowdown in the Hong Kong travel and leisure market, which was due to such factors as societal sentiment affecting travellers’ destination selection and the increased competitiveness of other Asian destinations as a result of exchange rates and travel policies. Park attendance of 6.8 million was down 9% as a result of lower visitation from mainland China and international markets, partially offset by record local attendance due to the successful Magic Access program and limited-time events. Hotel occupancy was also impacted by the events noted above, ending the year at 79%, 14 percentage points below prior year. HKDL achieved record per capita and per room guest spending despite the lower attendance and hotel occupancy.

Key revenue drivers for the fiscal year were as follows:

<table>
<thead>
<tr>
<th>Key revenue drivers</th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Park attendance (in millions)</td>
<td>6.8</td>
<td>7.5</td>
</tr>
<tr>
<td>Hotel occupancy (percentage)</td>
<td>79%</td>
<td>93%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Year-on-year change for key revenue drivers</th>
<th>Percentage change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Park attendance</td>
<td>(9%)</td>
</tr>
<tr>
<td>Per capita guest spending</td>
<td>3%</td>
</tr>
<tr>
<td>Available room nights</td>
<td>4%</td>
</tr>
<tr>
<td>Per room guest spending</td>
<td>7%</td>
</tr>
</tbody>
</table>

P.6
Origin of visitors as a percentage of total attendance

<table>
<thead>
<tr>
<th></th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Local</td>
<td>39%</td>
<td>32%</td>
</tr>
<tr>
<td>Mainland China</td>
<td>41%</td>
<td>48%</td>
</tr>
<tr>
<td>International</td>
<td>20%</td>
<td>20%</td>
</tr>
</tbody>
</table>

Key financial results for the fiscal year were as follows:

<table>
<thead>
<tr>
<th>(in HK$ millions)</th>
<th>2015</th>
<th>2014</th>
<th>Variance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenues</td>
<td>5,114</td>
<td>5,466</td>
<td>(352)</td>
</tr>
<tr>
<td>Costs and expenses</td>
<td>4,309</td>
<td>4,215</td>
<td>94</td>
</tr>
<tr>
<td>Earnings before interest, taxes, depreciation and amortisation</td>
<td>805</td>
<td>1,251</td>
<td>(446)</td>
</tr>
<tr>
<td>Depreciation and amortisation</td>
<td>956</td>
<td>888</td>
<td>68</td>
</tr>
<tr>
<td>Net finance (income)/costs</td>
<td>(3)</td>
<td>31</td>
<td>(34)</td>
</tr>
<tr>
<td>NET (LOSS)/PROFIT</td>
<td>(148)</td>
<td>332</td>
<td>(480)</td>
</tr>
</tbody>
</table>

Non-current assets                                    | 16,707 | 15,666 | 1,041    |
Current assets                                         | 1,556  | 1,814  | (258)    |
Current liabilities                                    | (1,782)| (1,705)| (77)     |
Non-current liabilities                                | (1,327)| (2,115)| 788      |
SHAREHOLDERS’ EQUITY                                  | 15,154 | 13,660 | 1,494    |

Revenues
19. 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 charges for room nights at the hotels. For fiscal 2015, total revenues decreased by 6%, or HK$352 million, to HK$5,114 million, reflecting lower park attendance and hotel occupancy, partially offset by higher guest spending.

Costs and expenses
20. Costs and expenses consist principally of labour, operating and support costs, costs of sales, and marketing and sales expenses. The increase of 2%, or HK$94 million, to HK$4,309 million for fiscal 2015 was attributable to higher operating and support costs mainly due to cost escalation, and increased spending for new guest offerings and experiences such as the
“Disney Paint the Night” nighttime spectacular and “Frozen” Village.

Depreciation and amortisation
21. Depreciation and amortisation increased by 8%, or HK$68 million, to HK$956 million mainly due to a full year of depreciation of “Disney Paint the Night”.

Net finance (income)/costs
22. Net finance income/costs consist of interest income, net of interest expense. The change in net finance income/costs of HK$34 million to net finance income of HK$3 million for fiscal 2015 reflected increased capitalisation of interest from HKDL’s borrowings due to expansion projects.

Net (Loss)/Profit
23. HKDL had a net loss of HK$148 million in fiscal 2015, compared to a net profit of HK$332 million in the prior year. This was largely attributable to the revenue decline as well as higher operating and support costs.

Non-current assets
24. Non-current assets include property, plant and equipment, leasehold land and projects in progress. Non-current assets increased by 7%, or HK$1,041 million, to HK$16,707 million mainly due to construction spending on the Iron Man Experience and the third hotel, partially offset by the depreciation and amortisation charges during the year.

Current assets
25. Current assets consist of cash and cash equivalents, trade and other receivables and inventories. The decrease of 14%, or HK$258 million, from fiscal 2014 to HK$1,556 million in fiscal 2015 was mainly attributable to a net decrease in cash during the year. (See FINANCIAL LIQUIDITY section for more details)

Current liabilities
26. Current liabilities consist of trade and other payables and deferred revenues. The increase in current liabilities of 5%, or HK$77 million, to HK$1,782 million was primarily due to increased payables for capital project spending mainly related to the development of the Iron Man Experience and the third hotel.
Non-current liabilities
27. Non-current liabilities include long-term borrowings and retirement plan liabilities. The balance primarily represents the unsecured long-term loan from HKSARG, which is scheduled to mature in installments on dates through 2022. The decrease in non-current liabilities of 37%, or HK$788 million, to HK$1,327 million was primarily attributable to the conversion of a portion of this loan into ordinary shares, partially offset by deferred interest expense during the year.

FINANCIAL LIQUIDITY

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

<table>
<thead>
<tr>
<th>(in HK$ millions)</th>
<th>2015</th>
<th>2014</th>
<th>Variance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash provided / (used) by:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Operating activities</td>
<td>741</td>
<td>1,328</td>
<td>(587)</td>
</tr>
<tr>
<td>Investing activities</td>
<td>(1,840)</td>
<td>(1,127)</td>
<td>(713)</td>
</tr>
<tr>
<td>Financing activities</td>
<td>827</td>
<td>-</td>
<td>827</td>
</tr>
<tr>
<td><strong>NET (DECREASE) / INCREASE IN CASH AND CASH EQUIVALENTS</strong></td>
<td>(272)</td>
<td>201</td>
<td></td>
</tr>
</tbody>
</table>

28. Cash and cash equivalents decreased by 18%, or HK$272 million, to HK$1,212 million at the end of fiscal 2015. The decrease was primarily attributable to cash used in investing activities in fiscal 2015 driven by resort expansion, offset by a capital injection of HK$827 million from TWDC to fund the third hotel and net cash generated from operating activities. TWDC received ordinary shares of HKITP in exchange for its capital contribution, and an equivalent amount of the HKSARG-provided loan was converted into ordinary shares.

*   *   *

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.