Legislative Council Panel on Economic Development
Update on Hong Kong Disneyland

Purpose

This paper updates Members on the operation of the Hong Kong Disneyland (HKD) in 2009/2010.

Fiscal Year 2009-10 (FY10) Performance Overview

Attendance and Revenue

2. Opened on 12 September 2005, HKD has just completed its fifth full year of operation. As of the end of December 2010, it has received over 25 million visitors since its opening. In FY10\(^1\), thanks to the vigorous sales and marketing strategies as well as the successful special events and programmes, HKD’s attendance reached 5.2 million, a 13% rise over the previous year. Though local attendance decreased by 8%, Mainland and international attendance increased by 33% and 22% respectively. The guest mix in FY10 is 33% local, 42% Mainland and 25% international.

3. HKD’s total revenue in FY10 was $3.013 billion, 19% higher than the previous year. The earnings before interest, taxes, depreciation and amortisation was $221 million, a vast improvement to the loss of $70 million in FY09.

4. During the year, HKD continued its partnership with the travel trade to increase sales penetration and product awareness in the Mainland, other key source markets including the Philippines, Taiwan, Singapore and Malaysia as well as emerging markets including India in promoting Hong

\(^1\) According to the internal financial arrangement of HKD, the fiscal year ends on the Saturday closest to 30 September. FY10 covers the period from 4 October 2009 to 2 October 2010.
Kong as a premier family vacation destination. HKD organised co-operative marketing activities with trade partners, and participated in trade shows and missions organised by the China National Tourism Administration, Hong Kong Tourism Board (HKTB) and other organisations. Arrivals from India, Taiwan and the Philippines all recorded double-digit growth.

5. HKD continued maintaining high service standard as evidenced by positive results in guest surveys. In FY10, guests stayed an average of around six hours in the park. The majority of them indicated that they intended to re-visit HKD in the future and would recommend the park to others. 92% of theme park visitors and 98% of hotel guests rated their overall experience as “good” or above.

6. The two hotels at HKD recorded a combined occupancy rate of 82% in FY10, representing an increase of 12 percentage points from the previous year.

Special events and programmes

7. HKD continues to offer a variety of special theme-based events and programmes around the calendar. For FY10, these included “Disney’s Haunted Halloween” with exciting entertainment elements; “Sparkling Christmas – A Winter Wonderland” which included seasonal enhancements to the “it’s a small world” attraction and “Year of the Tiger Celebration” combining Chinese traditions with Disney creative elements. In addition, the “Star Guest Programme” was continued with new products including “Star Pass”, “Star Tour” and “Star Fireworks Dinner” which offered guests a variety of “Magical Moments” during the spring season; and “Stitch and Friends Summer Hangout” themed on the popular character Stitch from the Disney film “Lilo and Stitch” during the summer school-break period.

8. Through these special events and programmes, HKD is able to offer broader market appeal and culturally diverse products, thus enhancing guest experience with refreshed contents and driving attendance from first time and repeat visitors. For example, “Disney’s Haunted Halloween” and “Sparkling Christmas” continued serving as key platforms to broaden the park’s attractiveness to young adult guests. The special seasonal contexts also enabled guests to discover more ways to enjoy the resort.
Marketing and Promotion

9. It is HKD’s goal to drive attendance from all three key markets, i.e. local Hong Kong, Mainland China and international, which are important to sustainable business growth and development.

10. Since its launching in September 2006, the Annual Passholder programme has been progressing well and is very popular, especially for local visitors. As at the end of FY10, HKD had over 100,000 Passholders. While the increase in FY10 attendance was mainly brought about by more visitors from Mainland Chinese and international markets, the Annual Passholder programme continues contributing to the total attendance. This will remain a key focus for HKD to continue enhancing customer loyalty and driving stable attendance and revenue from local visitors.

11. In Mainland China, HKD expanded the geographic coverage for its marketing activities from 24 cities to 28 in FY10. In May 2010, in addition to its presence in Beijing, Shanghai and Guangzhou, HKD posted marketing hub liaison representatives in Chengdu to better serve the increasing need from central Mainland cities.

12. In international regions, HKD continued focusing efforts on the top nine markets in Asia and Australia. For overseas visitors, HKD continued to be marketed as Hong Kong’s iconic attraction for first time visitors here, and for those repeat visitors interested in enjoying the diverse and unique experience in Hong Kong.

13. With regard to the travel trade, HKD adopted an integrated sales strategy to expand distribution in key source markets through selected business partners in Hong Kong, the Mainland and overseas and to improve consumer direct sales channels. Effective sales activities in key source Mainland markets were well executed to heighten awareness of the HKD experience to create demand and drive sales through various distribution channels.

14. Strategic distribution marketing programmes were initiated to drive sales to business partners and to create brand affinity. The impact of the seasonality cycle was mitigated through business development of the non-family segment and niche markets. HKD has created evolving product offers to capture different markets and segments. For example, while maintaining
the strategic partnership with Cathay Pacific and Dragon Air in joint promotions during slow periods, HKD worked with various national carriers and budget airlines in key source markets to enhance sales volume. Demonstrating the success of these initiatives, HKD was awarded the Best Theme Attraction by readers of TTG China and TTG Asia which are both prominent travel trade magazines.

Operating and Financial Performance

15. As mentioned above, in FY10, HKD welcomed 5.2 million guests, generating revenues of $3.013 billion which was about 19% higher than the previous year. There was $221 million of earnings before interest, taxes, depreciation and amortisation in FY10, an improvement of $291 million from a loss of $70 million in FY09. This was mainly due to a strong growth in attendance and continued cost mitigation efforts. Net finance costs decreased by 73% from $387 million to $106 million due to the conversion of loans from shareholders to ordinary shares following the approval of the Finance Committee in July 2009. This resulted in a $597 million improvement in net loss from $1.315 billion to $718 million. With the conversion of part of the loan from Government to ordinary shares and the capital injection from The Walt Disney Company (TWDC), which is partially offset by current year’s net loss, shareholders’ equity increased from $9.442 billion to $9.750 billion in the year. The annual business review for FY10 is at the Annex.

16. HKD is a long-term asset that grows over time and TWDC continues its commitment in the long-term success of HKD. Over the past five years HKD has been investing in building brand awareness and image, and focusing on maintaining high quality services and guest satisfaction. Since its opening, HKD has received close to 130 awards, of which 41 were won in FY10 from local and international industry associations and publications in recognition of its world-class assets, design and technical achievements, distinctive guest services, and appeal to families.

Economic Benefits

17. HKD has generated substantial economic benefits to Hong Kong since it commenced operation. According to survey statistics from HKTB and
The operational data of HKD, the additional spending of all HKD visitors in Hong Kong (i.e. over and above what would have been spent assuming without HKD) surged from $7.2 billion in FY09 to $9.6 billion in FY10. Taking into account both the direct and indirect value-added generated from the additional spending, HKD brought about $5.6 billion of value added to Hong Kong in FY10, equivalent to 0.3% of Hong Kong’s GDP, and created 19,000 jobs (in terms of man-year). Taking the first five years of operation together, the total value added generated by HKD amounted to $19.6 billion or 0.2% of Hong Kong’s GDP. A total of 67,000 jobs (in terms of man-year) were also created in the period, providing considerable job opportunities especially for grass-root workers and the travel industry.

Expansion Plan

18. The expansion of HKD is proceeding as planned and is expected to be completed in phases by mid-2014. Upon completion of the expansion, three brand new themed areas will be added to the park with the first one to be completed in calendar year 2011. Two of the themed areas (Grizzly Gulch and Mystic Point) will be the first to be launched amongst Disney theme parks worldwide, and the other one (Toy Story Land) will also be the first amongst Disney theme parks within Asia, with exclusivity for five years from their respective opening. The expansion will enlarge the existing theme park by about 23% and add more than 30 new attractions, entertainment and interactive experiences, bringing the total number of attractions in HKD to over 100.

Staffing

19. During FY10, HKD’s full time workforce stood at approximately 4,300, and one of the biggest teams of entertainment and performance talents in Hong Kong. Another 1,400 part-time staff were engaged to cope with the increased demand at Halloween, Christmas, Chinese New Year, summer holidays as well as other special occasions.

20. HKD maintains an explicit policy of providing equal opportunity for all employees and offers employment opportunities for persons with disabilities on equal and merit basis having regard to the job nature and safety. Since opening, HKD had employed more than 300 staff members with disabilities. Efforts on this front will continue vigorously.
Corporate Social Responsibility

21. To reinforce HKD’s linkage with the local community, HKD actively engaged in community activities mostly for children and families. Since its opening, HKD has collaborated with over 600 local charities and non-profit organisations in sponsoring free visits to the park and other activities, benefitting over 1.1 million underprivileged children and families. Two examples of such community relation programmes are –

(a) “Give a Day. Get a Disney Day” Programme which encouraged about 350,000 volunteer hours, benefiting approximately 700 local non-government organisations; and

(b) Disney Children’s Fund, funded by TWDC, contributing to programmes benefiting children, seniors and families from underprivileged and local community groups. As of December 2010, $3 million has been awarded to support 26 projects.

22. HKD has also worked hard in protecting the environment. It has adopted higher “Green Standards” resulting in a double-digit reduction in energy consumption compared to its first year of operations.

23. To contribute to the grooming of local entertainment and performance talents, HKD awarded more than 180 scholarships for the Hong Kong Academy of Performing Arts and Vocational Training Council in FY10. It also placed more than 230 internships from local vocational institutions throughout the year.

Work Plan for 2010-11

24. HKD will continue to be developed as a multi-day experience through the successful launch of the expanded theme areas and other unique guest experiences. The progress of the expansion project has been reported in paragraph 18 above. HKD is celebrating its Fifth Anniversary with new product offerings to encourage visits during the celebration year. The Fifth anniversary celebration is an important year-round campaign for HKD’s promotion in all key markets with timely attractions and activities. These include a new Flights of Fantasy Parade, a new Tinker Bell Castle overlay creating a nightly illumination and new celebration costumes for characters.
Guests will also be able to have a preview of the upcoming expansion at the Hong Kong Disneyland Preview Centre.

25. HKD will stay focused on building the resort to be the premier vacation, entertainment and convention resort destination in the region. HKD provides world-class attractions and entertainment and immersive experiences, demonstrates excellence in generating fresh content to attract more guests, and continues offering exceptional guest service.

26. HKD will continue taking diversified marketing and sales approaches that maximise collaborations with the travel trade and other strategic partners. HKD will keep building its brand and sales channels in target markets by using special events and seasonal promotional programmes, optimising operational effectiveness and cost efficiency, and enhancing the park’s attractiveness to encourage repeat visits. HKD will also continue capitalising on new consumer trends, such as social networking and interactive media, to engage guests and further increase awareness of the park’s products, services and experiences. HKD will continue partnering with HKTB and others to identify and develop new markets as well as augment Hong Kong’s reputation as one of the world’s top cities for leisure tourists and business visitors. HKD’s participation in the Festive Hong Kong Week in India organised by HKTB last year was a good opportunity to synergise marketing efforts and help promote Hong Kong tourism in general.

Advice Sought

27. Members are invited to note the update on HKD’s operation.

Tourism Commission
Commerce and Economic Development Bureau
January 2011
KEY HIGHLIGHTS

- Hong Kong Disneyland (“HKDL”) achieved record theme park attendance, hotel occupancy and guest spending levels in fiscal 2010
- The business generated revenues and earnings before interest, taxes, depreciation and amortisation (EBITDA) of over HK$3 billion and HK$221 million, respectively, representing significant year over year improvement
- Major expansion of three new themed areas is underway with the first installment, based on the popular Disney/Pixar *Toy Story* franchise, to be completed in calendar year 2011
- HKDL remains focused on steadily growing its business and establishing its brand as the premier vacation, entertainment and convention resort destination in the region
- The Resort launched its Fifth Anniversary Celebration in January 2011

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 Hong Kong Special Administrative Region (“HKSAR”) and The Walt Disney Company (“TWDC”), and is managed by Hong Kong Disneyland Management Limited, a wholly owned indirect subsidiary of TWDC. As of the end of fiscal 2010, HKSAR owns a majority interest of 53% in HKITP, with TWDC owning the remaining 47%. By completion of the expansion plan, HKSAR’s and TWDC’s ownership stakes are expected to be 52% and 48% respectively, although ending ownership will depend on the aggregate amount of equity contributions made by TWDC pursuant to the expansion plan.

The theme park consists of the following themed lands: Adventureland, Fantasyland, Main Street USA and Tomorrowland. 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

- Having completed its fifth full year of operations since its grand opening in 2005, HKDL remains focused on being the premier vacation, entertainment and convention resort destination for Hong Kong. As one of the most popular paid destinations in Hong Kong, HKDL has become an integral component in supporting Hong Kong’s position as one of the world’s top cities for leisure tourists and business visitors. HKDL will continue to market its world-class attractions, entertainment and interactive experiences along with lodging, dining and retailing to grow its business. It will continue to refresh and expand upon these offerings in order to attract new guests and generate repeat visitation, recognising an evolving marketplace and competitive environment.
Aimed at driving visitation from local, mainland China and Southeast Asia regions as well as enhancing the guest experience, HKDL launched the following key events and programmes in different seasonal periods to generate guest excitement and ongoing visitation interest throughout the fiscal year:

- held “Disney’s Haunted Halloween” annual event with new haunted entertainment elements and photo opportunities at the beginning of fiscal 2010;
- celebrated the Christmas season by offering “Sparkling Christmas – A Winter Wonderland” which included seasonal enhancements to “it’s a small world” attraction;
- launched the “Year of the Tiger Celebration” during the Chinese New Year period, integrating both Chinese tradition and Disney entertainment elements, a strategy which increased HKDL’s penetration from mainland China and led to record attendance for this event;
- continued the successful “Star Guest Program” which offered guests a variety of “Magical Moments” and exclusive experiences during the spring period; and
- debuted new character appearances at HKDL as part of “Stitch and Friends Summer Hangout”, an event themed on the popular character from the Disney film Lilo & Stitch, during the summer school-break period.

In addition to its strategy to grow the business, HKDL is committed to contributing to Hong Kong and the communities it serves, with a focus on staff and outreach programmes including those related to underprivileged families, environmental awareness and volunteerism. Key accomplishments during fiscal 2010:

- encouraged approximately 350,000 volunteer hours, benefiting 700 local non-government organisations as part of the “Give a Day. Get a Disney Day” programme;
- arranged more than 180 scholarships for the Hong Kong Academy of Performing Arts and Vocational Training Council, and placed more than 230 internships from local vocational institutions throughout the year;
- continued to contribute to programmes benefiting children, seniors and families from underprivileged and local community groups through the Disney Children’s Fund; and
- adopted higher “Green Standards” resulting in a double-digit reduction in energy consumption compared to its first year of operations.

On average, HKDL employed more than 4,300 full-time and 1,400 part-time staff during this fiscal year, with nearly 50% of the full-time staff serving on HKDL’s opening team. The resort is ranked among the top employers by college students in Hong Kong and ranked significantly among Humanities students, according to the 2010 Universum Student Survey.

HKDL continues to generate exceptional guest satisfaction ratings. In fiscal 2010, 92% of theme park guests and 98% of hotel guests reported that their overall experience was “excellent”, “very good”, or “good”.

In recognition of its world-class assets, design and technical achievements, distinctive guest service and high family appeal, HKDL received 41 awards from local and international industry associations and publications during fiscal 2010. These honors included No. 1 Family Hotel in Asia, awarded by Trip Advisor Travelers’ Choice 2010; Best Theme Resort Hotel of Asia, awarded by Asia Hotel Forum; and International Service Excellence Award, awarded by International Council of Customer Service Organisations.
THEME PARK EXPANSION

Construction is underway on the expansion of HKDL, which will ultimately add three new themed areas with a total land-take of about 23% of the area of the existing theme park. The new themed areas will deliver one-of-a-kind experiences and cutting edge technology to guests, as “Grizzly Gulch”, “Mystic Point” and “Toy Story Land” (all working titles) will initially open on a worldwide or Asia-exclusive basis. The new offerings are planned to be completed in phases through mid-2014, with the first themed area, “Toy Story Land”, to be completed and open to guests in calendar year 2011. The expansion of HKDL is expected to not only contribute further to the significant appeal of HKDL as a tourist destination, but also bring direct economic benefits to Hong Kong by providing a substantial number of construction and related jobs in the near-term, with additional resort-based employment positions once expansion is complete.

KEY BUSINESS DRIVERS AND FINANCIAL HIGHLIGHTS

For the fiscal year ended 2nd October 2010, HKDL enjoyed record attendance, occupancy, per capita spending and per room spending. Visitation to HKDL from Mainland China and International markets rose above the level of growth in overnight leisure arrivals to Hong Kong, driven by marketing and sales efforts and other factors. Increased guest spending through effective execution of strategic initiatives and product innovation resulted in total revenues growing at a greater rate than attendance in this fiscal year. In fiscal 2010, HKDL’s revenues increased by 19% to HK$3,013 million. These results were achieved despite having one less week of operations than in the prior year due to the accounting calendar.

Top-line revenue growth combined with effective cost mitigation increased earnings before interest, taxes, depreciation and amortisation by HK$291 million from fiscal 2009. Net loss decreased by 45%, or HK$597 million, mainly due to improved operating results and the benefit of lower net finance costs.

Key revenue drivers for the fiscal year¹ were as follows:

<table>
<thead>
<tr>
<th>Key revenue drivers</th>
<th>2010</th>
<th>2009</th>
</tr>
</thead>
<tbody>
<tr>
<td>Park attendance (in millions)</td>
<td>5.2</td>
<td>4.6</td>
</tr>
<tr>
<td>Hotel occupancy (percentage)</td>
<td>82%</td>
<td>70%</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>13% (2%)</td>
</tr>
<tr>
<td>Per capita guest spending</td>
<td>7% (1%)</td>
</tr>
<tr>
<td>Available room nights</td>
<td>(2%) 2%</td>
</tr>
<tr>
<td>Per room guest spending</td>
<td>4% 8%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Origin of visitors as a percentage of total attendance</th>
<th>2010</th>
<th>2009</th>
</tr>
</thead>
<tbody>
<tr>
<td>Local</td>
<td>33%</td>
<td>41%</td>
</tr>
<tr>
<td>Mainland China</td>
<td>42%</td>
<td>36%</td>
</tr>
<tr>
<td>International</td>
<td>25%</td>
<td>23%</td>
</tr>
</tbody>
</table>

¹ The fiscal year ends on the Saturday closest to 30 September and consists of 52 weeks, with the exception that approximately every six years the fiscal year is 53 weeks. Fiscal 2010 was a 52-week year ending on 2 October 2010; fiscal 2009 was a 53-week year ending on 3 October 2009.
Key financial results for the fiscal year were as follows:

<table>
<thead>
<tr>
<th></th>
<th>2010 (in millions)</th>
<th>2009 (in millions)</th>
<th>Variance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenues</td>
<td>3,013</td>
<td>2,541</td>
<td>472</td>
</tr>
<tr>
<td>Costs and expenses</td>
<td>2,792</td>
<td>2,611</td>
<td>181</td>
</tr>
<tr>
<td><strong>Earnings / (Loss) before interest, taxes, depreciation and amortisation</strong></td>
<td>221</td>
<td>(70)</td>
<td>291</td>
</tr>
<tr>
<td>Depreciation and amortisation</td>
<td>833</td>
<td>858</td>
<td>(25)</td>
</tr>
<tr>
<td>Net finance costs</td>
<td>106</td>
<td>387</td>
<td>(281)</td>
</tr>
<tr>
<td><strong>NET PROFIT / (LOSS)</strong></td>
<td>(718)</td>
<td>(1,315)</td>
<td>597</td>
</tr>
<tr>
<td>Non-current assets</td>
<td>13,893</td>
<td>13,937</td>
<td>(44)</td>
</tr>
<tr>
<td>Current assets</td>
<td>865</td>
<td>577</td>
<td>288</td>
</tr>
<tr>
<td>Current liabilities</td>
<td>(1,336)</td>
<td>(1,009)</td>
<td>(327)</td>
</tr>
<tr>
<td>Non-current liabilities</td>
<td>(3,672)</td>
<td>(4,063)</td>
<td>391</td>
</tr>
<tr>
<td><strong>SHAREHOLDERS’ EQUITY</strong></td>
<td>9,750</td>
<td>9,442</td>
<td>308</td>
</tr>
</tbody>
</table>

**Revenues**

HKDL generates revenues predominantly from the sale of admissions to the theme park; room nights at the hotels; and merchandise, food and beverage sales at the theme park and hotels. For fiscal 2010, total revenues increased 19%, or HK$472 million, to HK$3,013 million primarily driven by increased park attendance and hotel room occupancy, coupled with 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 7%, or HK$181 million, to HK$2,792 million for fiscal 2010 was attributable to higher costs of sales and other volume-related operating and support costs, partially offset by savings from cost mitigation efforts.

**Net finance costs**

Net finance costs consist of interest expense and other borrowing costs, net of interest income. The decrease of 73%, or HK$281 million, from fiscal 2009, to HK$106 million in fiscal 2010 was attributable to the conversion of TWDC debt and credit facilities as well as a portion of the HKSAR-provided loan into equity that were made in late fiscal 2009, and the conversion of a portion of the HKSAR-provided loan into equity, during fiscal 2010.

**Net Profit / (Loss)**

Net loss for the year decreased 45%, or HK$597 million, to HK$718 million. This was largely attributable to revenue growth, cost mitigation efforts and lower net finance costs.
Non-current assets

Non-current assets include property, plant and equipment, the leasehold land and projects in progress. Non-current assets slightly decreased by HK$44 million to HK$13,893 million due to depreciation and amortisation charges, partially offset by the development of expansion projects and addition of assets during the year.

Current assets

Current assets consist of inventories, trade and other receivables, cash and cash equivalents. The increase of 50%, or HK$288 million, from fiscal 2009 to HK$865 million in fiscal 2010 was mainly attributable to a net increase in cash during the year. (See FINANCIAL LIQUIDITY section for more details)

Current liabilities

Current liabilities consist of trade and other payables and deferred revenues. The increase in current liabilities of 32%, or HK$327 million, to HK$1,336 million was primarily due to increased payables in relation to the construction of expansion projects and operating expenses.

Non-current liabilities

Non-current liabilities represent an unsecured long-term loan from HKSAR which is scheduled to mature on dates through 2030. The decrease of 10%, or HK$391 million, to HK$3,672 million was 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 millions)</th>
<th>2010 HK$</th>
<th>2009 HK$</th>
<th>Variance HK$</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash provided / (used) by:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Operating activities</td>
<td>546</td>
<td>(58)</td>
<td>604</td>
</tr>
<tr>
<td>Investing activities</td>
<td>(773)</td>
<td>(316)</td>
<td>(457)</td>
</tr>
<tr>
<td>Financing activities</td>
<td>513</td>
<td>111</td>
<td>402</td>
</tr>
<tr>
<td>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</td>
<td>286</td>
<td>(263)</td>
<td></td>
</tr>
</tbody>
</table>

Cash and cash equivalents increased by 74%, or HK$286 million, to HK$675 million at the end of fiscal 2010. The increase was primarily attributable to the increase in net cash generated from operating activities and capital injection of HK$513 million from TWDC to fund the expansion. TWDC received ordinary shares of HKITP in exchange for its capital contribution, and an equal amount of the HKSAR-provided loan was converted into ordinary shares. This increase in net cash was partially offset by cash used in investing activities, including those used for expansion and other capital spending, in fiscal 2010.

* * *

This Annual Business Review has been prepared for information purposes. The information presents a summary of certain operational and financial information relating to HKDL.