



Golden Harvest

Business Review for the Year Ended 31 December 2017

Film Exhibition

Film Exhibition The Group opened 2 cinemas with 16 screens and closed 1 cinema with 9 screens during the year. After disposing of 77 cinemas of the Disposed Business, the Group operated 31 cinemas with 249 screens in total across Hong Kong, Taiwan and Singapore as at 31 December 2017. As a result of the Disposal, by which all cinemas of the Group in Mainland China were disposed of since July 2017, our cinemas served 40 million guests as compared to 52 million guests last year, and our gross box office receipts on a full and aggregated basis were recorded at HK\$2,168 million, representing a drop of 15.6% from last year. The major Hollywood blockbusters released this year were *Beauty And The Beast (2017)* (*美女與野獸 (2017)*), *Fast & Furious 8* (*狂野時速 8*), *Wonder Woman* (*神奇女俠*), *The Boss Baby* (*波士 BB*), *Logan* (*盧根*), *The Mummy (2017)* (*盜墓迷城 (2017)*) and *Thor: Ragnarok* (*雷神索爾 3 : 諸神黃昏*). The major Chinese language blockbusters were *Kung Fu Yoga* (*功夫瑜伽*), *Journey to the West: Demon Chapter* (*西遊伏妖篇*) in Hong Kong and Mainland China; *Dangal* (*摔跤吧！爸爸*) in Mainland China and Taiwan.

Operating Statistics of the Group's Cinemas

(For the year ended 31 December 2017)

	Mainland China	Hong Kong	Taiwan	Singapore
Number of cinemas*	77	6	13	12
Number of screens*	539	23	127	99
Admissions (million)**	12.9	2.3	15.8	9.0
Net average ticket price (HK\$)**	34	84	61	60

* as of 31 December 2017, except for the operating statistics for Mainland China are as of 28 July 2017 which was the completion date of the Disposal

** The operating statistics for Mainland China were presented up to 28 July 2017, the completion date of the Disposal

The Group is dedicated to the provision of a diversified video and audio experience for its audiences. All screens of the Group have been established with advanced digital equipment and are 3D compatible. There were 7 IMAX® screens in total for the Group in Taiwan as at 31 December 2017. The Group has also been enhancing the experience for our audiences by equipping 4DX™, D-Box Motion Chairs, Advanced Panorama Dolby Atmos and DTSX sound systems in our cinemas in different regions.



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Operating Statistics of the Group's Cinemas in Mainland China before the Disposal

	1.1.2017– 28.7.2017	1.1.2016– 31.12.2016
Number of cinemas*	77	76
Number of screens*	539	531
Admissions (million)	12.9	24.8
Net average ticket price (RMB)	30	29
Gross box office receipts (RMB million)#	421	792

* as of 28 July 2017 (2016: 31 December 2016), the completion date of the Disposal

before deduction of government taxes and charges

The Group's gross box office receipts generated by its multiplexes in Mainland China decreased by 47% to RMB421 million compared with last year as a result of the Disposal. During the year under review, the Group opened 1 new cinema with 8 screens in the city of Xiamen. Notwithstanding the foregoing, the average ticket price during the period increased by 3.4% to RMB30 as compared to the yearly average in 2016 as a result of more marketing campaigns launched.

The loss incurred from the operating of our exhibition business in Mainland China was HK\$16 million for the year under review compared to HK\$42 million last year. The reduction in loss was mainly attributable to the completion of the Disposal in July 2017 and the continuous improvement in operation efficiency on ramped-up cinemas which helped to boost both box office and non-box office revenue, and the implementation of prudent cost control as well. For details of the Disposal, please refer to the circular dated 13 March 2017 and the announcements dated 10 February 2017 and 28 July 2017 of the Company published on the website of The Hong Kong Exchanges and Clearing Limited.

Operating Statistics of the Group's Cinemas in Hong Kong

	2017	2016
Number of cinemas*	6	6
Number of screens*	23	23
Admissions (million)	2.3	2.4
Net average ticket price (HK\$)	84	83
Gross box office receipts (HK\$ million)	195	203

* as of 31 December



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During the year under review, the Hong Kong market as a whole recorded box office receipts of HK\$1.86 billion, a decrease of 5.1% from HK\$1.96 billion in last year. The Group's cinemas in Hong Kong recorded box office receipts of HK\$195 million this year (2016: HK\$203 million), representing a decrease of 3.9% compared to the same period last year. Despite the decrease, the Group still outperformed the Hong Kong market. Net average ticket price of the Group grew 1.2% to HK\$84 in Hong Kong since more alternative content shows with higher average ticket price were held, and the general increase in the ticket prices for year.

To enable our cinemas becoming entertainment hubs of greater scope, we showed 132 alternative contents in 2017, a big jump of 63.0% from 81 in last year. It was encouraging that we developed a competent team in organising the alternative contents and a strong base of alternative content fans. It was proven by our successful alternative content shows such as the 12 shows of Live Broadcast "Aqours 1st Lovelive! ~Step! Zero To One~" and the 18 shows of Live Broadcast "Aqours 2nd LoveLive! Happy Party Train Tour", which, respectively, reached a remarkable 98.5% and 84.2% fill rates with 1,942 and 2,783 admissions, and the two broadcasts recorded an average ticket price of HK\$330.

Operating Statistics of the Group's Cinemas in Taiwan

	2017	2016
Number of cinemas*	13	14
Number of screens*	127	136
Admissions (million)	15.8	15.7
Net average ticket price (NTD)	234	240
Box office receipts (NTD billion)	3.7	3.8

* as of 31 December

During the year, Taipei City's market box office receipts amounted to NTD3.90 billion, representing a slight decrease of 0.1% from NTD3.91 billion last year. The Group's 35.71% owned Vie Show cinema circuit ("Vie Show") recorded total box office receipts of NTD3,686 million (2016: NTD3,760 million), representing a decrease of 2.0% from last year as a result of the weakened market and the closure of one cinema in Taichung Mode Mall. However, it still outperformed the market in Taiwan and the share of net profit from Vie Show increased from HK\$24.2 million to HK\$30.9 million compared to the corresponding period last year. Vie Show continued to be the largest film exhibitor in Taiwan. Adhering to the Group's comprehensive entertainment hub strategy, the



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popular “UNICORN” handmade popcorn counter has been operated in all 13 cinemas (31 December 2016: 6 cinemas).

Operating Statistics of the Group’s Cinemas in Singapore

	2017	2016
Number of cinemas*	12	11
Number of screens*	99	91
Admissions (million)	9.0	9.4
Net average ticket price (S\$)	10.6	10.2
Box office receipts (S\$ million)	95	96

* as of 31 December

During the year, the Singapore market box office receipts dropped by 5.9% to S\$206 million (2016: S\$219 million) due to lack of record blockbusters. Golden Village cinemas reported box office receipts of S\$95 million (2016: S\$96 million), representing a slight decrease in box office receipts of 1.0% compared to last year. Nevertheless, the Group’s performance in Singapore outperformed the market in Singapore and it continued to be the market leader with a market share of 46.3% (43.7% in 2016). Golden Village cinemas’ automated ticketing machines and auto-gates give patrons an easy, fast and efficient cinematic experience like none of the others. Hollywood blockbusters are always popular in Singapore and bring a stable profit contribution to the Group. Hollywood blockbusters released during the year included *Thor: Ragnarok* (雷神索爾 3 : 諸神黃昏), *Beauty And The Beast* (2017) (美女與野獸 (2017)), *Justice League* (正義聯盟), *Wonder Woman* (神奇女俠), *Fast & Furious 8* (狂野時速 8), *SpiderMan: Homecoming* (蜘蛛人 : 返校日) and *Guardians Of The Galaxy Vol. 2* (銀河守護隊 2). During the year, the Group’s share of net profit from the Golden Village cinema circuit increased by 71.4% to HK\$106 million, mainly attributable to the completion of acquiring the remaining 50% equity interest of Dartina Development Limited (the “Acquisition”) in October 2017. For details of the Acquisition, please refer to the circular dated 19 December 2017 of the Company published on the website of The Hong Kong Exchanges and Clearing Limited.

Film & TV Programme Distribution and Production

On an aggregated basis the Group’s film distribution and production business recorded revenue of HK\$48 million (2016: HK\$45 million), representing an increase of 7% compared to last year. The distribution revenue was mainly generated by distributing some famous releases such as *Chasing The Dragon* (追龍), *The Yuppiefantasia 3* (小小



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男人週記 3) and *Shock Wave* (拆彈專家) in Hong Kong, *The Tag-Along 2* (紅衣小女孩 2) and *DiDi's Dreams* (吃吃的愛) in Taiwan and *Ah Boys to Men 4* (新兵正傳 IV) and *The Foreigner* (英倫對決) in Singapore. For the production sector, the Group will continue to invest independently and cooperatively with local and overseas studios to produce movies and TV programmes of high quality and carry out intellectual property redevelopment in the foreseeable future. The Group's film library with perpetual distribution rights kept on bringing steady licensing income to the Group.

PROSPECTS

Looking forward, the Group will continue our cinema networks expansion strategy for its film exhibition segments. Our high calibre teams in different regions will keep identifying cinema sites with good market penetration, undervalued targets for acquisition and profitable cooperation opportunities in the market.

In Hong Kong, the Group will further invest into the film exhibition business by opening on average one or two new cinemas each year by competing for existing cinema sites currently run by other cinema operators upon the expiry of their leases, identifying populated areas currently not served by any cinema to explore opportunities of launching new cinemas, and acquiring existing cinema sites of other cinema operators depending on the availability of new sites in the market and the commercial terms. Riding on the success of alternative contents in previous years, the Group will cooperate with different business partners to offer a variety of events including mini-concerts and fans meeting artists in the cinemas. It is expected that the growth of demand for alternative shows will continue to bring considerable profit to the Group. At the same time, the Group will keep selectively invest in film and video production and distribution business and wisely on any high return projects.

In Mainland China, the Group plans to ramp up the film, video and TV production business by producing and/or co-investing in new mid-to-large scale films after completion of the Disposal. With the foundation that the Group has laid in its distribution network, the Group will prudently enlarge the distribution business by acquiring distribution rights of films depending on the availability, quality and potential profitability of such opportunities. Apart from expanding existing business, the Group is also open to any new projects that could further diversify our business and benefit the Group as a whole.



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In Taiwan, Vie Show will consistently stick with the cinema network expansion strategy. Plenty of potential sites and cooperation opportunities are currently under our review and negotiation and more cinemas are expected to be opened in the coming few years.

In Singapore, the Group will continue to grow by actively pursuing suitable cinema sites that bring us additional steadily cash flow. It is expected 2 more cinemas in Bedok and Funan with 13 screens and 1,050 seats in total will be launched in the upcoming years. Adopting the strategy to diversify the earning stream to achieve sustainable growth, advanced settings such as 4DX™ motion seat hall and Gemini couple seat to offer an extraordinary movie experience as well as conventional halls to cater to the mass market will be provided in some of our new sites.

Looking ahead, as the global economy remains challenging, the Group will keep paying close attention to the regional economy and adjust its strategy and deploy its resources accordingly. It is believed that, taking into account its ample financial capacity as a result of the Disposal, the Group will continue to actively seek investment opportunities in the regional media, entertainment and technology sectors that are related to the Group's existing business, and at the same time be prepared to seek any high return new business that adds value to our Shareholders. The directors are confident that the Group will be able to achieve sustainable growth and deliver long term value to the shareholders, and at the same time keep diversifying the business as well.