



Golden Harvest

Business Review for the Year Ended 31 December 2016

Film Exhibition

Business Review Film Exhibition The Group opened 10 cinemas with 63 screens and acquired 1 cinema with 5 screens during the year. As of 31 December 2016, the Group operated 107 cinemas with 781 screens in total across Mainland China, Hong Kong, Taiwan and Singapore. Our cinemas served over 52 million guests compared with 51 million guests for the same period last year. Gross box office receipts on a full and aggregated basis were recorded at HK\$2,568 million, representing a slight drop of 3.8% from last year. The major Hollywood blockbusters released this year were *Captain America: Civil War* (美國隊長 3: 英雄內戰), *Zootopia* (優獸大都會), *Batman v Superman: Dawn of Justice* (蝙蝠俠對超人: 正義曙光), *Fantastic Beasts and Where to Find Them* (怪獸與牠們的產地), *Deadpool* (死侍: 不死現身), *Doctor Strange* (奇異博士) and *X-Men: Apocalypse* (變種特攻: 天啟滅世戰). The major Chinese-language blockbusters were *Mermaid* (美人魚), *Ip Man 3* (葉問3), *The Monkey King 2* (西遊記之孫悟空三打白骨精) and *From Vegas To Macau III* (賭城風雲 III) in Mainland China and Hong Kong, *The M Riders Finding Pangu* (萌學園: 尋找磐古) in Taiwan and *Long Long Time Ago* (我們的故事) in Singapore

Operating Statistics of the Group's Cinemas

(For the year ended 31 December 2016)

	Mainland China	Hong Kong	Taiwan	Singapore
Number of cinemas*	76	6	14	11
Number of screens*	531	23	136	91
Admissions (million)	24.8	2.4	15.7	9.4
Net average ticket price (HK\$)	34	83	58	57

* as of 31 December 2016

The Group is committed to pursue visual and audio effect perfection to bring a new movie-going experience for our audiences. All screens of the Group have been fully installed with digital equipment and are 3D compatible. Two IMAX® screens were installed in Mainland China in 2016 which there were 12 IMAX® screens in total for the Group in Taiwan and Mainland China as at 31 December 2016. The Group has also been upgrading 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

	2016	2015
Number of cinemas*	76	67
Number of screens*	531	474
Admissions (million)	24.8	21.3
Net average ticket price (RMB)	29	33
Gross box office receipts (RMB million)#	792	752

* as of 31 December 2016

before deduction of government taxes and charges

The market gross box office receipts in Mainland China increased by 3.6% to RMB45.5 billion from RMB43.9 billion last year while the Group's gross box office receipts generated by its multiplexes in Mainland China increased by 5.3% to RMB792 million compared with last year. During the year under review, the Group opened 8 new cinemas with 52 screens in the cities of Shenzhen, Tianjin, Foshan, Xian and Changsha and acquired 1 cinema with 5 screens from a local operator in the city of Wuhan. Notwithstanding that the average ticket price reduced by 12.1% from RMB33 to RMB29 as a result of many marketing campaigns launched to drive admissions from keen competition, the Group served approximately 25 million patrons in Mainland China, representing 16.4% growth from last year.

A new concept multiplex at Shenzhen Mission Hill was opened in January 2016. It was the first standalone IMAX building in Southern China comprising seven 3D theatres with 4K digital technology, offering a book store and food and beverage sections that create a comprehensive and relaxing entertainment environment for our customers.

A lot of famous films released during the year like Mermaid (美人魚), Zootopia (優獸大都會), Fantastic Beasts and Where to Find Them (怪獸與牠們的產地) and Captain America: Civil War (美國隊長 3: 英雄內戰) drew the attention of audiences. To attract and retain our audiences, the Group continued to offer discount promotions, membership privilege programs and activities as well as on-line and in-app ticket purchasing to drive the growth of the average ticket price and watching frequency of our customers and at the same time provide a better value for money experience and superior service to our audiences.



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The net loss of our exhibition business in Mainland China was HK\$42 million for the year under review compared to HK\$97 million last year. The reduction in loss was mainly attributable to the continuous improvement in operation efficiency on ramped-up cinemas which helped to boost both box office and non box office revenue, and implementation of tight cost controls as well. In response to the dynamic market environment, the Group will continually review its ticket pricing strategy to optimise profitability.

Operating Statistics of the Group's Cinemas in Hong Kong

	2016	2015
Number of cinemas*	6	6
Number of screens*	23	24
Admissions (million)	2.4	2.7
Net average ticket price (HK\$)	83	78
Gross box office receipts (HK\$ million)	203	212

* as of 31 December 2016

During the year under review, the Hong Kong market as a whole recorded box office receipts of HK\$1.96 billion, a decrease of 1.0% from HK\$1.98 billion for the same period last year. The Group's cinemas in Hong Kong recorded box office receipts of HK\$203 million this year (2015: HK\$212 million), representing a decrease of 4.2% compared to the same period last year. The decrease was primarily attributable to closure of The Golden Gateway Multiplex with 3 houses in February 2016, partially offset by the increase in admissions from the new GH Fanling cinema with 2 houses which commenced operations in July 2016. Net average ticket price grew 6.4% to HK\$83 since more alternative content shows with higher average ticket price were held, and the ticket prices for the renovated and new cinemas such as GH Whampoa cinema and GH Fanling cinema increased. Excluding the effect of the closed and newly opened cinemas during the year, on a like-for-like basis the box office income grew by 1.4% compared to last year which outperformed the market.

To make our cinemas a more comprehensive entertainment hub, In 2016 we showed 81 alternative contents including a live concert in our circuit, a big jump of 92.9% from 42 in last year. It was encouraging that we built an experienced team in organising the alternative contents and a strong base for alternative content fans, which was proved by our successful alternative content shows such as the 18 shows of Live Broadcast "μ's Final LoveLive!" which reached a remarkable 96.8% fill rate and HK\$300 average



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ticket price.

Operating Statistics of the Group's Cinemas in Taiwan

	2016	2015
Number of cinemas*	14	13
Number of screens*	136	127
Admissions (million)	15.7	17.4
Net average ticket price (NTD)	240	240
Gross box office receipts (NTD billion)	3.8	4.2

* as of 31 December 2016

During the year, Taipei City's market box office receipts amounted to NTD3.91 billion, representing a decrease of 7.1% from NTD4.21 billion last year due to a lack of record breaking movies. Consistent with the market trend, the Group's 35.71% owned Vie Show cinema circuit ("Vie Show") recorded total box office receipts of NTD3,760 million (2015: NTD4,177 million), representing a decrease of 10.0% from last year as a result of a weakening in the number of admissions. Accordingly the Group's share of net profit from Vie Show decreased from HK\$38.2 million to HK\$24.2 million compared to the corresponding period last year. Nevertheless, Vie Show continued to maintain its leading position in Taiwan with a market share of 41.8%.

As at 31 December 2016, Vie Show owned 14 cinemas and 136 screens in Taiwan. A new cinema with 9 screens, comprising one 4DX™ theatre and two "MAPPA" theatres which provided both catering and entertainment services for an additional movie experience for our audiences, was opened during the year at the Mitsui Outlet Park in Linkou.

Adhering to the Group's comprehensive entertainment hub strategy, the popular "UNICORN" handmade popcorn counter was expanded from one cinema to six cinemas during the year. Three "MAGO" restaurants providing a variety of Spanish fusion cuisine and one new "Unicorn Café" were also launched in the Vie Show cinema circuit during the year to provide wider catering services.



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Operating Statistics of the Group's Cinemas in Singapore

	2016	2015
Number of cinemas*	11	11
Number of screens*	91	91
Admissions (million)	9.4	9.3
Net average ticket price (S\$)	10.2	10.1
Gross box office receipts (S\$ million)	96	94

* as of 31 December 2016

During the year under review, the Singapore market's box office receipts remained stable at S\$219 million (2015: S\$221 million). The Group's 50.0% owned Golden Village cinema circuit continued to be a market leader with a market share of 43.7% by reporting box office receipts of S\$96 million (2015: S\$94 million), representing an increase of 2.1% compared to last year. The increase in box office receipts was mainly contributed by the reopened GV Tiong Bahru cinema after a year of closure for renovation. The new GV Tiong Bahru consists of 800-seats with the latest cinema designs, new technological capabilities such as Quick tix™, automated ticketing machines and auto-gates giving patrons an easy, fast and efficient cinematic experience like none other. Hollywood blockbusters are always popular in Singapore and bring stable profit contribution to the Group. Hollywood blockbusters released during the year included *Captain America: Civil War* (美國隊長 3: 英雄內戰), *Zootopia* (優獸大都會), *Batman v Superman: Dawn of Justice* (蝙蝠俠對超人: 正義曙光), *Fantastic Beasts and Where to Find Them* (怪獸與牠們的產地), *Deadpool* (死侍: 不死現身), *Doctor Strange* (奇異博士) and *X-Men: Apocalypse* (變種特攻: 天啟滅世戰). During the year, the Group's share of net profit from the Golden Village cinema circuit increased by 1.3% to HK\$62 million.

Film & TV Programme Distribution and Production

The Group's film distribution and production business recorded revenue of HK\$45 million (2015: HK\$57 million), representing a decrease of 21% compared to last year. The distribution revenue was mainly generated by distributing some famous releases such as *Selfless* (幻體: 續命遊戲), *From Vegas to Macau III* (賭城風雲 III) and *Anniversary* (紀念日) in Hong Kong, *Ip Man 3* (葉問 3) in Taiwan and *Train To Busan* (屍殺列車) 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 next few years. The Group's film library with perpetual distribution rights kept



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on bringing steady licensing income to the Group.

PROSPECTS

Looking forward to 2017, the Group will continue our cinema networks expansion strategy for its film exhibition segments. Our high calibre team in different regions will keep identifying cinema sites with good market penetration, undervalued acquisition targets 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 to open new cinemas, and/or acquiring existing cinema sites of other cinema operators depending on the availability of new sites in the market and the feasibility of the commercial terms. Riding on the success of alternative contents in previous years, the Group will cooperate with different production houses to offer a variety of events including mini-concerts and fans meeting Asian artists in the cinemas. It is expected that the growth of needs in alternative shows will bring considerable profit to the Group. At the same time, the Group will carry on a comprehensive entertainment hub strategy to expand the catering business such as the newly established “Joō de Rolls” which is an adorable and lady-like restaurant specialising in sweet and savoury churros and the well-operated coffee corner “Why n.O.T”. Upon completion of the Disposal, The Group will further invest in the film and video production and distribution business.

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 every year after completion of the Disposal. With the foundation that the Group has laid in its distribution network, the Group will enlarge the distribution business by acquiring distribution rights for more films depending on the availability, quality and potential profitability of such opportunities.

In Taiwan, Vie Show will stay with the cinema network expansion strategy. Over 20 potential sites and cooperation opportunities are currently under review and negotiation and more cinemas are expected to be opened in the coming few years. Furthermore, to align with the Group strategy of a comprehensive entertainment hub, Vie Show will continue to expand its catering business. Subsequent to year end, one themed restaurant — “Hello Kitty Red Carpet” with a Hollywood movie design was



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opened in Linkou in January 2017 and it has been well-received by the youth market.

In Singapore, the Group will continue to grow by actively pursuing suitable cinema sites in the market. It is expected 3 more cinemas in SingPost, Bedok and Funan respectively with 21 screens and 1,795 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.

As the global economy remains challenging, the Group will pay close attention to the regional economy and adjust our strategy and deploy according. It is believed the Disposal will lead to a strong cash flow and sound financial position for the Group and we will continue to actively seek investment opportunities in the regional media, entertainment and technology sectors that are related to the Group's existing business. In the long run, the directors are confident that the Group will be able to achieve sustainable and steady long term growth in both return and net asset value.