



Golden Harvest

Business Review for the Year Ended 31 December 2018

After almost half a century of operation and development, the Group has become a world's premier Chinese language film entertainment company primarily engaging in film exhibition, Film and TV Programme production and distribution business. Since its inception, the Group has produced and financed over 600 movies, plays an important role in distribution of Chinese language movies. To date, we own a movie library with more than 140 films for distribution.

In addition, the Group has recently expanded into the live show performance and has a plan to expand into the entertainment centre business, to capitalise our branding and goodwill and further utilise the resources, creativity and management expertise in the entertainment industry, so as to commodity our intelligent property rights.

Film Exhibition

The Group completed the acquisition of the remaining 50% interest in our Singapore business and the disposal of the Mainland China Exhibition business in 2017.

In 2018, we opened a cinema with 6 screens in Singapore, opened a cinema with 20 screens in Taiwan, opened 2 cinemas with 6 screens in Hong Kong and closed a cinema with 5 screens in Hong Kong. At 31 December 2018, we operated 34 cinemas with 276 screens in total across Hong Kong, Singapore and Taiwan. Our cinemas served over 26 million guests as compared to nearly 40 million guests in last year since we disposed of all cinemas in the Mainland China in July 2017. The major Hollywood blockbusters released in this period were *Ant-Man and the Wasp* (蟻俠 2 : 黃蜂女現身), *Black Panther* (黑豹), *Incredibles 2* (超人特工隊 2), *Avengers: Infinity War* (復仇者聯盟 3 : 無限之戰), *Deadpool 2* (死侍 2), *Jurassic World: Fallen Kingdom* (侏羅紀世界 : 迷失國度), *Mission: Impossible – Fallout* (職業特工隊 : 叛逆之謎) and *Aquaman* (水行俠). The major Korea language blockbusters were *Along With the Gods: The Two Worlds* (與神同行) and *Along With The Gods: The Last 49 Days* (與神同行 : 終極審判). The major Chinese language blockbusters were *Agent Mr. Chan* (棟篤特工) and *Project Gutenberg* (無雙) in Hong Kong; *Wonderful! Liang Xi Mei* (旺得福梁細妹) in Singapore; and *GATAO 2 – The New Leader Rising* (角頭 2 : 王者再起) and *More Than Blue* (比悲傷更悲傷的故事) in Taiwan.



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Operating Statistics of the Group's Cinemas

(For the year ended 31 December 2018)

	31 December 2018			Total
	Hong Kong	Singapore	Taiwan	
Number of cinemas*	7	13	14	34
Number of screens*	24	105	147	276
Admissions (million)	2	8.8	15.8	26.6
Net average ticket price (HK\$)	84	62	62	63

* at 31 December 2018

	31 December 2017			Total
	Hong Kong	Singapore	Taiwan	
Number of cinemas**	6	12	13	31
Number of screens**	23	99	127	249
Admissions (million)	2.3	9.0	15.8	27.1
Net average ticket price (HK\$)	84	60	61	62

** at 31 December 2017

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. There were 7 IMAX® screens in total for the Group in Taiwan as at 31 December 2018. The Group has also been enhancing the experience for our audiences by equipping 3D system, 4DX™, D-Box Motion Chairs, Advanced Panorama Dolby Atoms and DTSX sound systems in our cinemas in different regions.

Operating Statistics of the Group's Cinemas in Hong Kong

(For the year ended 31 December 2018)

	2018	2017
Number of cinemas*	7	6
Number of screens*	24	23
Admissions (million)	2.0	2.3
Net average ticket price (HK\$)	84	84
Gross box office receipts (HK\$ million)	167	195

* at 31 December 2018



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During the year under review, the Hong Kong market as a whole recorded box office receipts of HK\$1,966.9 million, an increase of 5.5% from HK\$1,864.1 million last year. The Group's cinemas in Hong Kong recorded box office receipts of HK\$166.9 million in this period (2017: HK\$194.6 million), representing a decrease of 14.2%. The decrease was primarily attributable to the net effect of the closure of GH Tsing Yi cinema with 5 screens in January 2018 (GH Tsing Yi cinema 2017 box office: HK\$34.4 million); and the 2 new cinemas opened during mid of the year and end of the year. Net average ticket price of the Group remain stable at HK\$84.3 during the year in Hong Kong.

To enable our cinemas becoming entertainment hubs of greater scope, we showed 118 alternative contents in 2018. It was encouraging that we developed a competent team in organizing the alternative contents and a strong base of alternative content fans. It was proven by our successful alternative content shows such as the Live Broadcast "LOVELIVE! SUNSHINE!!" and the Live Broadcast "iDOLM@STER", which, respectively, reached a remarkable 75.6% and 73.0% fill rates and the two broadcasts recorded an average ticket price of HK\$330.0.

Screen advertising was also a new profit driver to our Hong Kong region as we have already contracted with 22 cinemas as at 31 December 2018, we expected steady growth in revenue and profit in coming years.

Operating Statistics of the Group's Cinemas in Singapore

(For the year ended 31 December 2018)

	2018	2017
Number of cinemas*	13	12
Number of screens*	105	99
Admissions (million)	8.8	9.0
Net average ticket price (S\$)	10.6	10.6
Box office receipts (S\$ million)	94	95

* at 31 December 2018

During the year, the Singapore market box office receipts dropped by 3.3% to S\$199.4 million (2017: S\$206.1 million) due to lack of record blockbusters. Golden Village cinemas reported box office receipts of S\$93.8 million (2017: S\$95.4 million), representing a slight decrease in box office receipts of 1.6% compared to last year. Nevertheless, the Group's results outperformed the overall Singapore market and we



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continued to be the market leader with a market share of 47.1% (46.3% in 2017). Golden Village cinemas' Gold Class provides customers a prestige theatrical experience which their 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 *Ant-Man and the Wasp* (蟻俠 2 : 黃蜂女現身), *Black Panther* (黑豹), *Incredibles 2* (超人特工隊 2), *Avengers: Infinity War* (復仇者聯盟 3 : 無限之戰), *Deadpool 2* (死侍 2), *Jurassic World: Fallen Kingdom* (侏羅紀世界 : 迷失國度), *Mission: Impossible – Fallout* (職業特工隊 : 叛逆之謎) and *Aquaman* (水行俠). Apart from the Hollywood blockbusters, Korea language blockbusters: *Along With the Gods: The Two Worlds* (與神同行) and *Along With The Gods: The Last 49 Days* (與神同行 : 終極審判) were also welcomed by Singapore market. The major Chinese language blockbuster in Singapore was *Wonderful! Liang Xi Mei* (旺得福梁細妹). Since the completion of acquiring the remaining 50% equity interest of Dartina Development Limited (the "Acquisition") in October 2017, we changed the accounting of its results from equity accounting to full consolidation. 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.

Operating Statistics of the Group's Cinemas in Taiwan

(For the year ended 31 December 2018)

	2018	2017
Number of cinemas*	14	13
Number of screens*	147	127
Admissions (million)	15.8	15.8
Net average ticket price (NTD)	236	234
Box office receipts (NTD billion)	3.7	3.7

* at 31 December 2018

During the period, Taiwan's market box office receipts amounted to NTD10.8 billion, representing an increase of 2.1% from NTD10.6 billion in last year. The Group's 35.71% owned Vie Show cinema circuit ("Vie Show") recorded total box office receipts of NTD3,732.3 million (2017: NTD3,685.7 million), representing an increase of 1.3% from last year and the share of reportable segment profit from Vie Show increased from HK\$30.9 million to HK\$36.5 million compared to last year, representing a 18.0%



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increment. Vie Show continued to be the largest film exhibitor in Taiwan. Adhering to the Group's comprehensive entertainment hub strategy, Vie Show continues its operation in the popular "UNICORN" handmade popcorn counter in all its 14 cinemas. Vie Show also opened a Japanese Premium French Toast restaurant in Taichung Mitsui Outlet mall in December 2018, first store outside Japan which close to 10,000 customers have been served in its first month of operation.

Film & TV Programme Distribution and Production

On an aggregated basis the Group's film distribution and production business recorded revenue of HK\$53.6 million (2017: HK\$47.6 million), representing an increase of 12.6% compared to last year. The distribution revenue was mainly generated by distributing some famous releases such as *Operation Red Sea* (紅海行動), *Men On The Dragon* (逆流大叔), *Big Brother* (大師兄) and *Tracey* (翠絲) in Hong Kong. *Hindi Medium* (起跑線), an Indian Hindi-language comedy-drama film, was also distributed in Hong Kong and welcomed by the market. The Group also participated in the advertising activities of *Project Gutenberg* (無雙) in Hong Kong. The famous releases outside Hong Kong were *Back to the Good Times* (花甲大人轉男孩) and *The Devil Fish* (人面魚紅衣小女孩外傳) in Taiwan and *Along With the Gods: The Two Worlds* (與神同行), *Along With The Gods: The Last 49 Days* (與神同行：終極審判) and *Wonderful! Liang Xi Mei* (旺得福梁細妹) 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.

Outlook

While concerns over rising US interest rates and the full impact of the trade war between the world's two largest economic powers has yet to be felt, it has nonetheless started to affect market sentiment and consumer spending. The overall operating environment will become increasingly challenging. We are making preparations in advance to tackle the possible adversity. We will continue to strengthen our core competencies, while at the same time focus on reviewing our upcoming cinema expansion strategy as well as seek out further opportunities to new investment projects, especially in the entertainment and lifestyle industries. In Taiwan, Vie Show will consistently stick with the cinema network expansion strategy. Plenty of potential sites and more cinemas are expected to be opened in the coming few years. In Hong Kong, the Group will further invest into the film exhibition business by opening one



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new cinema in the 2019. 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 live broadcasting of Japanese and Korean mini-concerts and fans meeting 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 as well as any high return projects. In Singapore, the Group will continue to grow by actively pursuing suitable cinema sites that bring us additional steadily cash flow. It is expected a cinema in Funan with 7 screens will be launched in 2019. 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.