

THE MARKET

If film brings dreams, then the cinema is where dreams begin. Studio City Cinema aims to be the best theater in China, bringing a completely new movie watching experience to audiences. Studio City Cinema is developing rapidly. The business focuses on multi-screen cinemas and large video game centers. Studio City Cinema has four top-level multi-screen cinemas in three cosmopolitan cities, Shanghai, Wuhan and Chongqing, which deliver memorable film experiences to over two million people each year.

Within a short time, Studio City Cinema has become the top choice for film enthusiasts, especially the well-educated, young and fashion conscious. Family audiences are also part of the cinema's target market. The cinema continues to provide parents and their children with a happy, family environment. Studio City Cinema doesn't want to be just a cinema, it wants to be a fashionable place to be seen, to make new friends and to be part of the social scene.

Studio City Cinema's ticket income accounts for 20 percent to 60 percent of the cinema market in Shanghai, Wuhan and Chongqing. From 2000 to 2002, Shanghai's Studio City Cinema topped China's cinemas in terms of revenue. Annual income increased 20 percent each year since its opening. In a market with over 5,000 cinemas,

Studio City Cinema's four cinemas' tickets sales were six and one-half percent of the entire Chinese market.

ACHIEVEMENTS

Studio City Cinema's secret to success was its introduction to the Chinese market multi-screen and multi-functional cinemas designed to international standards. Until Studio City Cinema opened, Chinese moviegoers only knew single-hall cinemas with ageing facilities and poor sound. In 1997, the first Studio City Cinema opened in Wuhan with five screens, one grand opera house, one D8 game centre and two snack counters. It was the first time that Wuhan citizens had a taste of international standard video and audio entertainment. Then Studio City Cinema opened three more cinemas – in Shanghai, – Chongqing and a second one in Wuhan – each with spacious seats in comfortable and elegant environments.

Studio City Cinema was also the first company in China to introduce one-stop entertainment. By building cinemas into shopping malls, Studio City Cinema for the first time allowed Chinese moviegoers to shop, play games and have a meal after enjoying a film.

Each of Studio City Cinema's four cinemas in China has more than once achieved best

company and best brand status in their respective cities.

HISTORY

Studio City Cinema is a branch of Hong Kong Lark International Holdings Ltd. Lark's subsidiary Hong Kong UA Cinema is the largest multi-screen cinema operator in Hong Kong with more than twenty years in the entertainment industry.

The first Studio City Cinema in China was set up in Wuhan on August 7, 1997, with US standard hardware. It immediately set the standard for Chinese cinemas. On November 12, 1998, the second Studio City Cinema opened at the Grand Metropolitan Plaza commercial centre in Chongqing. It has five screens appointed in a fashionable, modern style. On February 14, 1999, the third branch opened in Shanghai. Within a few months, it became one of the top cinemas there, and in its second year, drew the highest gross in ticket sales in Shanghai – and all of China.

In 1999, the second Wuhan complex opened. Revenue boomed with annual increases of 50 percent. In a short three years, Studio City Cinema operated four cinemas in China with 22 screens and 5,500 seats.

Of the four branches of Studio City Cinema, three – Shanghai Westgate Mall Studio City Cinema, Wuhan XinMinZhong Studio City Cinema, and Chongqing Metropolitan Plaza Studio City Cinema – are wholly owned by Studio City Cinema. The fourth, – Yinxing Studio City Cinema, Wuhan – is the first managed by Studio City Cinema itself.

THE PRODUCT

With growing living standards, Chinese have more free time for recreational activities. After analysing the market, Studio City Cinema decided to enter the industry to fill the growing demand.

Studio City Cinema's 22 screens offer programming to make dreams and fantasies come true for millions of customers yearly. Each cinema



uses the US-made CHRISTIE® automatic projection system that guarantees films are shown without skips or sound disruptions. Studio City Cinema also introduced the advanced DOLBY® digital sound system, SRD®, DTS®, SDDS®, and digital surround-sound facilities. The effect makes the audience feel a part of the movie. Arced screens and seating arrangements ensure the best, most comfortable viewing. Computer-controlled ticketing keeps customers aware of seating availability and even allows them to choose their favourite seat. Snack counters offer up savory popcorn, cool beverages and other delicious snacks for all tastes.

In Wuhan and Chongqing, Studio City Cinema's D8 Video Game Centers are the largest in their cities and offer the newest machines from abroad.

Studio City Cinema is also the premiere choice for holding film industry events. It attracted domestic and internationally famous directors, such as Zhang YiMo, Chen KaiGe, Wang JiaWei, Feng XiaoGang and film stars like Jiang Wen, Zhao Wei, Ge You, Maggie Chang, Liu DeHua, Faya Wang, Liang ChaoWei, and Gu Tian Le. The cinema also periodically organises topical or cultural film shows.

RECENT DEVELOPMENTS

In the near term, Studio City Cinema plans to launch one to two new cinemas yearly. Within the next five years, the company plans to have ten cinemas with over 60 screens. Studio City Cinema will bring the best entertainment wherever moviegoers are in China.

Studio City Cinema is rolling out a nationwide Loyalty Club in late 2004 to early 2005. Members enjoy the same preferential service and policies in every Studio City Cinema in China.

A web site has been completed in September 2004, and Studio City Cinema is developing a new ticketing system, by which audiences will be able to buy tickets by phone or over the Internet.

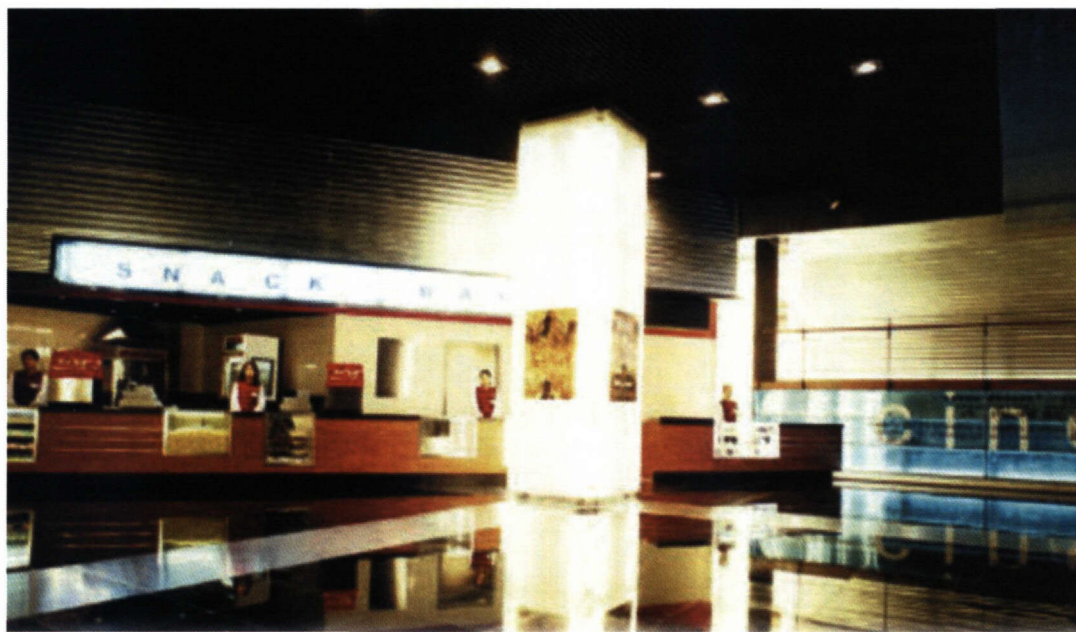
In mid-2002, Studio City Cinema began equipping its halls with the world's most advanced digital projectors – the first domestic cinemas with digital capability. The program was completed early in 2003 and now all four branches broadcast digital film regularly.

PROMOTION

After many years of advertising the slogan Watch Movies – Go to Studio City Cinema, it has become a part of the market's psyche.

Studio City Cinema uses all types of mass media to promote its success. In 1997, Studio City Cinema broke through the Chinese common advertising philosophy and put film

advertisements on the outside of double-decker buses. Since then, advertising on bus bodies and outdoor light boxes became a favoured promotional strategy. Studio City Cinema was the first Chinese cinema to introduce its own style of film advertisements at the start of each film.



Studio City Cinema also advertises in print through Studio City Cinema Monthly. The magazine introduces the latest films, gives showtimes, highlights promotional activities and contains valuable coupons. Free gifts – key chains, watches, cups, and film poster calendars – also promote the brand.

In all three cities, Studio City Cinema sponsors a special segment in a local TV station, newspaper, or broadcasting program. For example, Studio City Cinema Film Sky is broadcast in the golden hour in Wuhan. The Chongqing branch has a film review column and top film listing with the local newspaper. Shanghai Studio City Cinema has worked with a local newspaper to hold a film feast with celebrity guests in the past six years.

BRAND VALUES

In today's Chinese film industry, Studio City Cinema stands for a professional, high-quality, first class recreational experience. Its painstaking efforts provide customers with advanced video and audio facilities, a comfortable environment, and qualified employees to ensure the best and complete service.

The success of the brand is based on the highest standard in hardware and software. With total investment of over 100 million yuan, all of the key film projectors are global state-of-the-art. Cinemas are fully capable of using the most advanced video and audio effects. More

importantly, Studio City Cinema uses a scientific multi-hall system operated by a professional management team.

Studio City Cinema is also keen on serving society with charitable donations. It has raised funds for disabled people, subsidised educational

expenses for 100 deaf children, and helped with Hope Project's educational fund-raising for poor children. On Jan. 15th, 2005, Shanghai Studio City Cinema hold the charity event to raise money for those victims of the disaster in Southeast Asia.

THINGS YOU DIDN'T KNOW ABOUT STUDIO CITY

- The Wuhan Studio City Cinema branch is the first cinema in China to install a computer-controlled ticketing system
- On every International Labour Day, Studio City holds a Pop-corn Festival to highlight its slogan, Film + Pop-Corn = 100 percent Studio City Experience
- Studio City Cinema in Shanghai is on the 10th floor of the Shanghai Westgate Mall, making it the highest cinema in China and was the No.1 Box Office cinema for 3 years
- Shanghai Studio City Cinema broke the record as following: for daily ticket sales in China – 370,000 yuan; for monthly ticket sales in China – 4,180,000 yuan; for yearly ticket sales in China – 28,250,000yuan; for single film sales in China – “Hero” 4,350,000yuan; top ticket sales in China in these 5 years – more than 100 million yuan
- The entire design for Chongqing Studio City Cinema was made by well-known Hong Kong designer Zhang Zhi Qiang. It was awarded the Indoor Design championship by the Hong Kong Chartered Architect Association in 1998 and an honorary prize in commercial design at the 1999 Asia-Pacific Indoor Design Contest

