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Cityneon eyes China growth after Citic Capital investment

It has plans to launch Jurassic World exhibition in China, as well as create its own asset-based IP by 2024

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Cityneon is not in need of cash at the moment, as its cash flow remains very healthy, says CEO Ron Tan. Earnings and revenue have continued to be on the upclimb and look set to continue that way. PHOTO: CITYNEON

Singapore

RON TAN hasn't been resting on his laurels since completing the privatisation of Cityneon Holdings in February this year with Hong Kong entrepreneur and investor Johnson Ko.

The experience entertainment company last month announced an investment by Citic Capital, the investment arm of Chinese state-owned financial conglomerate Citic Group, of an approximately 10 per cent stake in the company.

The consideration was not disclosed, but the move is expected to ramp up its growth in North Asia. Mr Tan, Cityneon's executive chairman and group CEO, expects the region to contribute 35 to 40 per cent of the company's bottom line, from the current single-digit percentage, by FY2020.

"We have two big China deals coming up," he told The Business Times in a recent interview. These involve the existing intellectual properties (IP) of Cityneon - in particularly the introduction of Jurassic World into China in partnership with Chinese developer Wanda Group.

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Currently, Cityneon's Avengers S.T.A.T.I.O.N. and Transformers Autobot Alliance exhibitions have travelled to Chinese cities such as Beijing, Chongqing, Wuhan and Changsha.

"We have not been treating China as a strategic market, and have instead addressed it just like all the other markets in the rest of the world. This will change. We only have one of each set in China currently - not sufficient for a population of 1.38 billion. China is big. When we say launch, we are looking at possibly up to eight exhibition sets."

Cityneon is therefore producing four more exhibition sets of Jurassic World from the one set it currently has. The current Jurassic World exhibition set will be launched in Seoul, Korea, in partnership with Lotte Corporation on June 28 this month.

Mr Tan said that having a strategic partner in Citic Capital will open doors for Cityneon to work with property developers, media and entertainment companies, retail and merchandising companies who can help in its marketing campaign - and even the state government.

People often have the wrong idea that big brands will automatically sell themselves and therefore do not need to be aggressively marketed, he said. "That's a very wrong assumption. Even in a small city like Singapore, you have so many distractions... Even big brands need very strong marketing and strong partners who understand the local market in order to be successful."

"(Citic Capital) is strong financially. Strategically, a good example of how we can potentially work together is, if you look at its recent investment in McDonald's franchise business in mainland China and Hong Kong, that alone is a few thousand outlets." That would present a huge merchandising and marketing opportunity, he said.

Mr Tan also has plans to create Cityneon's own asset-based intellectual property (IP) that should come to fruition from 2024. Asked what this IP will look like, he said: "Something like a theme park, but not really a theme park. Don't think roller coaster rides at all... it's something educational. It's a total themed experience, not a travelling set but a permanent one."

Some reference points he cited included Madame Tussauds museums, Gardens by the Bay and even the Singapore Zoological Gardens. Another is the recent launch of a circus using holograms - a circus without animals - in Germany, called Circus Roncalli.

"I wish that I can share more but I cannot. We can only say that we built from the experience that we have been doing from all the movie IP... If I could do this in Singapore, I would love to, but it would probably be North Asia.

"The R&D (research and development) has already started and special project teams have been formed. This could possibly be in partnership with like-minded and experienced assets companies. Universal Studios in Beijing, for example, is 30 per cent owned by Universal. There are more land, venue spaces, and shopping mall and physical spaces in this world than there is world-class quality content," he said.

In fact, this IP creation idea was partially the reason he wanted to de-list the company, Mr Tan said. With the company listed at a market capitalisation of S\$300 million or so, he did not have much margin to make mistakes or to take risks with a long-term view for the future. IP creation can be capital-intensive and its rewards may only be reaped in the longer term.

Mr Tan said Cityneon did not de-list because there was any problem with the Singapore market or the Singapore Exchange. "I feel that Cityneon was treated very kindly (by the market and exchange)... When I first became involved in the company back in 2015, its share price was 17 cents. When I took the company private, its share price was S\$1.30. If anyone had faith in the company, no shareholder would have lost money from day one."

But privatisation was needed to wrest back management control, he said. Listing compliance restrained its ability to grow, and management needed to make decisions with a longer time horizon, not just quarterly, to appease shareholders. "Functioning as a private company allows us to have more autonomy and to make decisions on a longer-term basis for the benefit of the company."

As a listed company, there was also the need to address multiple interests of various shareholder groups, short- and long-term funds, retail and institutional, and so on. "It's too difficult to manage the company while trying to meet the needs of different groups of shareholders. We are just not at the right size to be able to do that. But right now, we only have three groups of shareholders who are very much aligned in terms of where we want to bring the company to." These are Mr Ko, himself, and Citic Capital.

On the idea that he might relist again one day, Mr Tan said that is a possibility, although not his priority at the moment. "Listing can be in the US, Hong Kong or Singapore, as long as it's a major stock exchange. My priority is always to focus on the fundamentals of the business. Once you have done that, and if the need arises and if market conditions are right, then we go."

Cityneon is also not in need of cash at the moment, as its cash flow remains very healthy. Earnings and revenue have continued to be on the upclimb and look set to continue that way, he said, declining to reveal more. Its latest public financial statements showed the firm posting a nine-month net profit for the period ended Sept 30, 2018 that tripled year-on-year to S\$13.7 million, while revenue rose 29 per cent to S\$85.5 million.

Cityneon currently partners major movie and gaming studios globally to secure IPs to hold exclusive exhibitions for their audience. These global studios include Disney, Marvel, Hasbro, Universal, and Lionsgate. It plans to boost the number of relationships it has with studios up to seven to eight. It also plans to add two to three more movie IPs to its current four by next year.

To date, the group has toured their IPs in 33 cities and, by the end of this year, will have 12 permanent and travelling exhibition sets.

It will be making inroads to new cities with Avengers S.T.A.T.I.O.N. exhibitions in Cardiff, United Kingdom and Santiago, Chile, as well as its Jurassic World: The Exhibition in Seoul, South Korea.

The group also recently opened its Hunger Games: The Exhibition at Las Vegas, in partnership with MGM Grand, Las Vegas.

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