HAICHANG OCEAN PARK HOLDINGS LTD.
海昌海洋公園控股有限公司

(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 2255)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2019

FINANCIAL HIGHLIGHTS

- Revenue from park operations for the six months ended 30 June 2019 was RMB1,087.2 million, increased by 76.8% as compared to the same period last year
- Ticket revenue for the six months ended 30 June 2019 was RMB737.0 million, increased by 65.1% as compared to the same period last year
- Net loss for the six months ended 30 June 2019 was RMB91.4 million, as compared a net profit of RMB81.3 million for the same period last year

RESULTS

The board (the "**Board**") of directors (the "**Directors**") of Haichang Ocean Park Holdings Ltd. (the "**Company**") is pleased to announce the unaudited condensed consolidated interim results of the Company and its subsidiaries (collectively, the "**Group**") for the six months ended 30 June 2019, together with the comparative financial data as follows:

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2019

	Notes	**2019 (Unaudited) *RMB'000***	2018 (Unaudited) *RMB'000*
REVENUE	*5*	**1,087,188**	659,279
Cost of sales		**(690,122)**	(360,124)
Gross profit		**397,066**	299,155
Other income and gains	*5*	**153,177**	202,743
Selling and marketing expenses		**(106,666)**	(52,903)
Administrative expenses		**(242,564)**	(173,023)
Impairment losses on financial and contract assets, net		**(9,789)**	(7,545)
Other expenses		**(3,286)**	(1,956)
Finance costs	*6*	**(243,515)**	(103,635)
Share of losses of an associate		**(2)**	(3)
(LOSS)/PROFIT BEFORE TAX		**(55,579)**	162,833
Income tax expense	*7*	**(35,784)**	(81,581)
(LOSS)/PROFIT FOR THE PERIOD		**(91,363)**	81,252
Attributable to:			
Owners of the parent		**(93,492)**	82,034
Non-controlling interests		**2,129**	(782)
		(91,363)	81,252
(LOSS)/EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	*8*		
Basic and diluted			
– For (loss)/profit for the period (RMB cents)		**(2.34)**	2.05

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2019

	2019 **(Unaudited)** ***RMB'000***	2018 (Unaudited) *RMB'000*
(LOSS)/PROFIT FOR THE PERIOD	**(91,363)**	81,252
OTHER COMPREHENSIVE (LOSS)/INCOME		
Other comprehensive loss that may be reclassified to profit or loss in subsequent periods (net of tax):		
Exchange differences on translation of foreign operations	**(5,063)**	(36,296)
Net other comprehensive loss that may be reclassified to profit or loss in subsequent periods, net of tax	**(5,063)**	(36,296)
Other comprehensive income that will not be reclassified to profit or loss in subsequent periods (net of tax):		
Exchange differences on translation of foreign operations	**4,995**	36,518
Net other comprehensive income that will not be reclassified to profit or loss in subsequent periods, net of tax	**4,995**	36,518
Other Comprehensive (Loss)/Income For The Period, Net of Tax	**(68)**	222
TOTAL COMPREHENSIVE (LOSS)/INCOME FOR THE PERIOD	**(91,431)**	81,474
Attributable to:		
Owners of the parent	**(93,560)**	82,256
Non-controlling interests	**2,129**	(782)
	(91,431)	81,474

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
30 June 2019

	30 June 2019 (Unaudited) *RMB'000*	31 December 2018 (Audited) *RMB'000*
NON-CURRENT ASSETS		
Property, plant and equipment	**7,799,434**	7,653,696
Investment properties	**2,702,600**	2,701,000
Right-of-use assets	**1,768,294**	–
Prepaid land lease payments	**–**	1,659,201
Intangible assets	**16,496**	10,244
Investment in an associate	**79,108**	79,110
Financial assets at fair value through profit or loss	**135,661**	143,312
Deferred tax assets	**68,149**	25,701
Long term prepayments and deposits	**423,783**	626,021
Due from related companies	**63,700**	–
Total non-current assets	**13,057,225**	12,898,285
CURRENT ASSETS		
Completed properties held for sale	**204,000**	204,000
Properties under development	**686,065**	645,644
Inventories	**42,506**	36,654
Trade receivables	**197,874**	185,149
Contract assets	**5,524**	7,415
Prepayments, other receivables and other assets	**233,164**	167,047
Financial assets at fair value through profit or loss	**300**	200
Due from related companies	**18,658**	19,364
Pledged deposits	**21,674**	22,883
Cash and cash equivalents	**2,036,967**	1,921,089
Total current assets	**3,446,732**	3,209,445

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2019

	Notes	**30 June 2019 (Unaudited)** *RMB'000*	31 December 2018 (Audited) *RMB'000*
CURRENT LIABILITIES			
Trade and bills payables		**1,751,185**	1,784,468
Other payables and accruals		**772,327**	527,779
Due to related companies		**21,075**	22,054
Advances from customers		**10,136**	9,989
Interest-bearing bank and other borrowings	*9*	**2,533,116**	2,439,796
Government grants		**65,490**	27,467
Deferred revenue		**203**	–
Tax payables		**183,404**	159,025
Total current liabilities		**5,336,936**	4,970,578
NET CURRENT LIABILITIES		**(1,890,204)**	(1,761,133)
TOTAL ASSETS LESS CURRENT LIABILITIES		**11,167,021**	11,137,152
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	*9*	**5,659,074**	5,540,858
Government grants		**869,172**	883,918
Deferred revenue		**1,353**	–
Deferred tax liabilities		**281,580**	245,543
Total non-current liabilities		**6,811,179**	6,670,319
NET ASSETS		**4,355,842**	4,466,833
EQUITY			
Equity attributable to owners of the parent			
Share capital		**2,451**	2,451
Reserves		**4,256,388**	4,349,948
		4,258,839	4,352,399
Non-controlling interests		**97,003**	114,434
TOTAL EQUITY		**4,355,842**	4,466,833

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2019

1. CORPORATE INFORMATION

Haichang Ocean Park Holdings Ltd. (the "Company") was incorporated in the Cayman Islands on 21 November 2011 with limited liability. The registered office address of the Company is P.O. Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands.

The Company's subsidiaries are principally engaged in the development, construction and operation of theme parks, property development and investment, hotel operations and provision of consultancy and management services in the People's Republic of China (the "PRC"). In the opinion of the directors of the Company, the Company's immediate and ultimate holding company as at 30 June 2019 was Haichang Group Limited, a company incorporated in the British Virgin Islands (the "BVI").

2. BASIS OF PREPARATION

The interim condensed consolidated financial information for the six months ended 30 June 2019 has been prepared in accordance with IAS 34 *Interim Financial Reporting*. The interim condensed consolidated financial information does not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual consolidated financial statements for the year ended 31 December 2018.

Basis of consolidation

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(a) the contractual arrangement with the other vote holders of the investee;

(b) rights arising from other contractual arrangements; and

(c) the Group's voting rights and potential voting rights.

The financial information of the subsidiaries is prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of three elements of control described in the accounting policy for subsidiaries in the Group's audited financial statements for the year ended 31 December 2018. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The accounting policies adopted in the preparation of the interim condensed consolidated financial information are consistent with those applied in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2018, except for the adoption of the new and revised International Financial Reporting Standards ("IFRSs") effective as of 1 January 2019.

Amendments to IFRS 9	*Prepayment Features with Negative Compensation*
IFRS 16	*Leases*
Amendments to IAS 19	*Plan Amendment, Curtailment or Settlement*
Amendments to IAS 28	*Long-term Interests in Associates and Joint Ventures*
IFRIC 23	*Uncertainty over Income Tax Treatments*
Annual Improvements 2015-2017 Cycle	Amendments to IFRS 3, IFRS 11, IAS 12 and IAS 23

Other than as explained below regarding the impact of IFRS 16 *Leases* and IFRIC 23 *Uncertainty over Income Tax Treatments*, the new and revised standards are not relevant to the preparation of the Group's interim condensed consolidated financial information. The nature and impact of the new and revised IFRSs are described below:

(a) Adoption of IFRS 16

IFRS 16 replaces IAS 17 *Leases*, IFRIC 4 *Determining whether an Arrangement contains a Lease*, SIC 15 *Operating Leases – Incentives* and SIC 27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model. Lessor accounting under IFRS 16 is substantially unchanged from IAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in IAS 17. Therefore, IFRS 16 did not have any financial impact on leases where the Group is the lessor.

The Group adopted IFRS 16 using the modified retrospective method of adoption with the date of initial application of 1 January 2019. Under this method, the standard is applied retrospectively with the cumulative effect of initial adoption as an adjustment to the opening balance of retained earnings at 1 January 2019, and the comparative information for 2018 was not restated and continues to be reported under IAS 17.

New definition of a lease

Under IFRS 16, a contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to obtain substantially all of the economic benefits from use of the identified asset and the right to direct the use of the identified asset. The Group elected to use the transition practical expedient allowing the standard to be applied only to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 at the date of initial application. Contracts that were not identified as leases under IAS 17 and IFRIC 4 were not reassessed. Therefore, the definition of a lease under IFRS 16 has been applied only to contracts entered into or changed on or after 1 January 2019.

At inception or on reassessment of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease and non-lease component on the basis of their stand-alone prices. A practical expedient is available to a lessee, which the Group has adopted, not to separate non-lease components and to account for the lease and the associated non-lease components (e.g., property management services for leases of properties) as a single lease component.

As a lessee – Leases previously classified as operating leases

Nature of the effect of adoption of IFRS 16

The Group has lease contracts for various items of properties and land. As a lessee, the Group previously classified leases as either finance leases or operating leases based on the assessment of whether the lease transferred substantially all the rewards and risks of ownership of assets to the Group. Under IFRS 16, the Group applies a single approach to recognise and measure right-of-use assets and lease liabilities for all leases, except for two elective exemptions for leases of low-value assets (elected on a lease by lease basis) and short-term leases (elected by class of underlying asset). The Group has elected not to recognise right-of-use assets and lease liabilities for (i) leases of low-value assets; and (ii) leases that, at the commencement date, have a lease term of 12 months or less. Instead, the Group recognises the lease payments associated with those leases as an expense on a straight-line basis over the lease term.

Impacts on transition

Lease liabilities at 1 January 2019 were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at 1 January 2019 and included in interest-bearing bank and other borrowings.

The right-of-use assets were measured at the amount of the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to the lease recognised in the statement of financial position immediately before 1 January 2019. All these assets were assessed for any impairment based on IAS 36 on that date. The Group elected to present the right-of-use assets separately in the statement of financial position. There were no lease asset recognised previously under finance leases that need to be reclassified from property, plant and equipment.

For the leasehold land and buildings (that were held to earn rental income and/or for capital appreciation) previously included in investment properties and measured at fair value, the Group has continued to include them as investment properties at 1 January 2019. They continue to be measured at fair value applying IAS 40.

The Group has used the following elective practical expedients when applying IFRS 16 at 1 January 2019:

- Applied the short-term lease exemptions to leases with a lease term that ends within 12 months from the date of initial application
- Used hindsight in determining the lease term where the contract contains options to extend/terminate the lease
- Applied a single discount rate to a portfolio of leases with reasonably similar characteristics
- Relied on the entity's assessment of whether leases were onerous by applying IAS 37 immediately before 1 January 2019 as an alternative to performing an impairment review
- Excluded initial direct costs from the measurement of the right-of-use asset at the date of initial application

The impacts arising from the adoption of IFRS 16 as at 1 January 2019 are as follows:

	Increase/ (decrease) *RMB'000* (Unaudited)
Assets	
Increase in right-of-use assets	1,776,564
Decrease in prepaid land lease payments	(1,659,201)
Decrease in prepayments, other receivables and other assets	(45,307)
Increase in total assets	72,056
Liabilities	
Increase in interest-bearing bank and other borrowings	72,056
Increase in total liabilities	72,056

The lease liabilities as at 1 January 2019 reconciled to the operating lease commitments as at 31 December 2018 are as follows:

	RMB'000 (Unaudited)
Operating lease commitments as at 31 December 2018	84,355
Weighted average incremental borrowing rate as at 1 January 2019	6.06%
Discounted operating lease commitments as at 1 January 2019	72,920
Less: Commitments relating to short-term leases and those leases with a remaining lease term ending on or before 31 December 2019	(725)
Commitments relating to leases of low-value assets	(139)
Lease liabilities as at 1 January 2019	72,056

Summary of new accounting policies

The accounting policy for leases as disclosed in the annual financial statements for the year ended 31 December 2018 is replaced with the following new accounting policies upon adoption of IFRS 16 from 1 January 2019:

Right-of-use assets
Right-of-use assets are recognised at the commencement date of the lease. Right-of-use assets are measured at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. When the right-of-use assets relate to interests in leasehold land held as properties under development or completed properties held for sale, they are subsequently measured at the lower of cost and net realisable value in accordance with the Group's policy for "properties under development" or "completed properties held for sale". The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of the estimated useful life and the lease term. When a right-of-use asset meets the definition of investment property, it is included in investment properties. The corresponding right-of-use asset is initially measured at cost, and subsequently measured at fair value, in accordance with the Group's policy for "investment properties".

Lease liabilities
Lease liabilities are recognised at the commencement date of the lease at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for termination of a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as an expense in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in future lease payments arising from change in an index or rate, a change in the lease term, a change in the in-substance fixed lease payments or a change in assessment to purchase the underlying asset.

Significant judgement in determining the lease term of contracts with renewal options
The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

Amounts recognised in the interim condensed consolidated statement of financial position and profit or loss

The carrying amounts of the Group's right-of-use assets and lease liabilities (included within "interest-bearing bank and other borrowings"), and the movement during the period are as follows:

	Right-of-use assets			
	Buildings	**Prepaid land lease payments**	**Total**	**Lease liabilities**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
As at 1 January 2019	**72,775**	**1,703,789**	**1,776,564**	**72,056**
Additions	6,137	18,107	24,244	6,137
Depreciation charge	(9,969)	(22,545)	(32,514)	–
Interest expense	–	–	–	2,215
Payments	–	–	–	(6,889)
As at 30 June 2019	**68,943**	**1,699,351**	**1,768,294**	**73,519**

(b) IFRIC 23 addresses the accounting for income taxes (current and deferred) when tax treatments involve uncertainty that affects the application of IAS 12 (often referred to as "uncertain tax positions"). The interpretation does not apply to taxes or levies outside the scope of IAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The interpretation specifically addresses (i) whether an entity considers uncertain tax treatments separately; (ii) the assumptions an entity makes about the examination of tax treatments by taxation authorities; (iii) how an entity determines taxable profits or tax losses, tax bases, unused tax losses, unused tax credits and tax rates; and (iv) how an entity considers changes in facts and circumstances. Upon adoption of the interpretation, based on the Group's tax compliance study, the Group considered that the interpretation did not have any significant impact on the Group's interim condensed consolidated financial information.

4. OPERATING SEGMENT INFORMATION

The Group's liabilities are managed on a group basis.

No further geographical information is presented as over 99% of the Group's revenue from external customers is derived from its operations in Mainland China and over 99% of the Group's non-current assets are located in Mainland China.

Operating segments

The following table presents revenue and (loss)/profit information of the Group's operating segments for the six-month periods from 1 January to 30 June 2019 and 2018, respectively.

Six months ended 30 June 2019	**Park operations** *RMB'000* **(Unaudited)**	**Property development** *RMB'000* **(Unaudited)**	**Total** *RMB'000* **(Unaudited)**
Segment revenue *(note 5)*			
Sales to external customers and total revenue	**1,087,188**	**–**	**1,087,188**
Revenue			**1,087,188**
Segment results	**397,066**	**–**	**397,066**
Reconciliation:			
Unallocated income and gains			**153,177**
Corporate and other unallocated expenses			**(362,305)**
Share of losses of an associate			**(2)**
Finance costs			**(243,515)**
Loss before tax			**(55,579)**

Six months ended 30 June 2018	Park operations *RMB'000* (Unaudited)	Property development *RMB'000* (Unaudited)	Total *RMB'000* (Unaudited)
Segment revenue *(note 5)*			
Sales to external customers and total revenue	614,851	44,428	659,279
Revenue			659,279
Segment results	294,691	4,464	299,155
Reconciliation:			
Unallocated income and gains			202,743
Corporate and other unallocated expenses			(235,427)
Share of losses of an associate			(3)
Finance costs			(103,635)
Profit before tax			162,833

The following table presents the asset and liability information of the Group's operating segments as at 30 June 2019 and 31 December 2018, respectively.

30 June 2019	**Park operations** *RMB'000* **(Unaudited)**	**Property development** *RMB'000* **(Unaudited)**	**Total** *RMB'000* **(Unaudited)**
Segment assets	**12,819,153**	**892,515**	**13,711,668**
Reconciliation:			
Corporate and other unallocated assets			**2,792,289**
Total assets			**16,503,957**
Segment liabilities	**–**	**–**	**–**
Reconciliation:			
Corporate and other unallocated liabilities			**12,148,115**
Total liabilities			**12,148,115**

31 December 2018	Park operations *RMB'000*	Property development *RMB'000*	Total *RMB'000*
Segment assets	12,802,519	854,810	13,657,329
Reconciliation:			
Corporate and other unallocated assets			2,450,401
Total assets			16,107,730
Segment liabilities	–	–	–
Reconciliation:			
Corporate and other unallocated liabilities			11,640,897
Total liabilities			11,640,897

Other segment information

The following table presents expenditure information of the Group's operating segments for the six-month periods from 1 January to 30 June 2019 and 2018, respectively.

Six months ended 30 June 2019	**Park operations** *RMB'000* **(Unaudited)**	**Property development** *RMB'000* **(Unaudited)**	**Total** *RMB'000* **(Unaudited)**
Share of losses of an associate	(2)	–	(2)
Impairment losses in the statement of profit or loss	9,661	–	9,661
Depreciation and amortisation			
Unallocated			1,986
Segment	239,831	–	239,831
Capital expenditure*			
Unallocated			8,238
Segment	188,365	–	188,365

Six months ended 30 June 2018	Park operations *RMB'000* (Unaudited)	Property development *RMB'000* (Unaudited)	Total *RMB'000* (Unaudited)
Share of losses of an associate	(3)	–	(3)
Impairment losses recognised in the statement of profit or loss	7,558	–	7,558
Depreciation and amortisation			
Unallocated			1,277
Segment	101,057	–	101,057
Capital expenditure*			
Unallocated			199
Segment	1,002,073	–	1,002,073

* *Capital expenditure consisted of additions to property, plant and equipment, investment properties, intangible assets and long-term prepayments.*

5. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue is as follows:

	For the six months ended 30 June	
	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Revenue from contracts with customers	**1,031,260**	611,990
Revenue from other sources		
Gross rental income	**55,928**	47,289
	1,087,188	659,279

Disaggregated revenue information for revenue from contracts with customers

For the six months ended 30 June 2019

Segments	**Park operations**	**Property development**	**Total**
	RMB'000	***RMB'000***	***RMB'000***
	(Unaudited)	**(Unaudited)**	**(Unaudited)**
Type of goods or services			
Tickets sales	**736,985**	**–**	**736,985**
Food and beverage sales	**131,240**	**–**	**131,240**
Sale of merchandise	**48,186**	**–**	**48,186**
In-park recreation income	**57,082**	**–**	**57,082**
Income from hotel operations	**34,664**	**–**	**34,664**
Consultancy, management and recreation income	**23,103**	**–**	**23,103**
Total revenue from contracts with customers	**1,031,260**	**–**	**1,031,260**
Geographical markets			
Mainland China	**1,031,260**	**–**	**1,031,260**
Timing of revenue recognition			
Goods transferred at a point in time	**179,426**	**–**	**179,426**
Services transferred over time	**851,834**	**–**	**851,834**
Total revenue from contracts with customers	**1,031,260**	**–**	**1,031,260**

For the six months ended 30 June 2018

Segments	Park operations *RMB'000* (Unaudited)	Property development *RMB'000* (Unaudited)	Total *RMB'000* (Unaudited)
Type of goods or services			
Tickets sales	446,338	–	446,338
Property sales	–	44,428	44,428
Food and beverage sales	45,383	–	45,383
Sale of merchandise	22,498	–	22,498
In-park recreation income	32,098	–	32,098
Income from hotel operations	4,855	–	4,855
Consultancy, management and recreation income	16,390	–	16,390
Total revenue from contracts with customers	567,562	44,428	611,990
Geographical markets			
Mainland China	567,562	44,428	611,990
Timing of revenue recognition			
Goods transferred at a point in time	67,881	44,428	112,309
Services transferred over time	499,681	–	499,681
Total revenue from contracts with customers	567,562	44,428	611,990

	For the six months ended 30 June **2019** ***RMB'000*** **(Unaudited)**	2018 *RMB'000* (Unaudited)
Other income		
Government grants	**45,612**	58,308
Bank interest income	**521**	1,242
Other interest income from financial assets at fair value through profit or loss	**2,789**	–
Income from insurance claims	**12,988**	4,969
Others	**1,028**	1,109
	62,938	65,628
Gains		
Gain on revaluation upon reclassification from properties under development to investment properties	**–**	137,000
Fair value gain on investment properties	**76,504**	115
Fair value gains, net:		
Equity investments at fair value through profit or loss	**13,735**	–
	90,239	137,115
	153,177	202,743

6. FINANCE COSTS

	For the six months ended 30 June	
	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Interest on bank loans and other borrowings	**278,207**	177,848
Interest on leases liabilities	**2,215**	–
Total interest expenses on financial liabilities not at fair value through profit or loss	**280,422**	177,848
Less: Interest capitalised	**(36,907)**	(74,213)
	243,515	103,635

7. INCOME TAX

PRC corporate income tax (the "CIT") has been provided at the rate of 25% (2018:25%) on the estimated assessable profits arising in Mainland China during the period.

According to the requirements of the Provisional Regulations of the PRC on Land Appreciation Tax (the "LAT") effective from 1 January 1994, and the Detailed Implementation Rules on the Provisional Regulations of the PRC on LAT effective from 27 January 1995, all income from the sale or transfer of state-owned leasehold interests in land, buildings and their attached facilities in Mainland China is subject to LAT at progressive rates ranging from 30% to 60% of the appreciation value, with an exemption provided for property sales of ordinary residential properties if their appreciation values do not exceed 20% of the sum of the total deductible items.

The Group has estimated, made and included in tax provision for LAT according to the requirements set forth in the relevant PRC tax laws and regulations. The actual LAT liabilities are subject to the determination by the tax authorities upon completion of the property development projects and the tax authorities might disagree with the basis on which the provision for LAT is calculated.

Income tax in the consolidated statement of profit or loss represents:

	For the six months ended 30 June	
	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Current – Mainland China:		
CIT charge for the period	**42,195**	32,679
LAT	**–**	358
Deferred	**(6,411)**	48,544
Total tax charge for the period	**35,784**	81,581

8. (LOSS)/EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of the basic (loss)/earnings per share amount is based on the (loss)/profit for the period attributable to ordinary equity holders of the parent of RMB93,492,000 (2018: profit RMB82,034,000), and the weighted average number of ordinary shares of 4,000,000,000 (2018: 4,000,000,000) shares in issue during the period.

The calculation of the basic (loss)/earnings per share amount is based on:

	30 June 2019 *RMB'000* **(Unaudited)**	30 June 2018 *RMB'000* (Unaudited)
(Loss)/earnings		
(Loss)/profit attributable to ordinary equity holders of the parent, used in the basic (loss)/earnings per share calculation	**(93,492)**	82,034
Shares		
Weighted average number of ordinary shares in issue during the period used in the basic (loss)/earnings per share calculation	**4,000,000,000**	4,000,000,000

There were no potentially dilutive ordinary shares in issue during the periods and therefore the diluted (loss)/earnings per share amounts were the same as the basic earnings per share amounts.

9. INTEREST-BEARING BANK AND OTHER BORROWINGS

	30 June 2019			31 December 2018		
	Effective interest rate (%)	**Maturity**	***RMB'000*** **(Unaudited)**	Effective interest rate (%)	Maturity	*RMB'000* (Audited)
Current						
Lease liabilities	**6**	**2020**	**17,856**	–	–	–
Other loans – secured	**8-13**	**2020**	**372,827**	8-12	2019	678,055
Bank loans – secured	**4-7**	**2020**	**1,409,912**	4-6	2019	1,164,472
Current portion of non-current bank loans – secured	**5-7**	**2020**	**732,521**	5-6	2019	597,269
			2,533,116			2,439,796
Non-current						
Lease liabilities	**6**	**2020-2027**	**55,663**	–	–	–
Other loans – secured	**9-13**	**2019-2023**	**1,330,448**	9-12	2019-2023	1,395,250
Bank loans – secured	**5-7**	**2019-2033**	**4,272,963**	5-6	2019-2033	4,145,608
			5,659,074			5,540,858
			8,192,190			7,980,654

MANAGEMENT DISCUSSION AND ANALYSIS

Industry Overview

In the first half of 2019, China's economy maintained its steady growth momentum despite of the intensified trade friction between China and the United States and the increased uncertainties in the global economic environment. China's gross domestic product amounted to RMB4.5 trillion for the first half of the year, representing a year-on-year growth of 6.3% in terms of comparable prices. In particular, China's total retail sales of consumer goods reached RMB19.5 trillion, up by 8.4% year-on-year. For the first half of 2019, consumption expenditures contributed 60.1% to the economic growth and drove it up by 3.8%, reflecting that the fundamental importance of consumption to the economic development was further solidified. In the first half of 2019, China sustained a rapid growth in the consumption expenditure per capita which amounted to RMB10,330, representing a year-on-year nominal growth rate of 7.5%.

In respect of the domestic tourism market, driven by, among other factors, the introduction of a series of government policies such as individual income tax reform which has stimulated consumption potential of residents, the milestone achievement made in the supply-side reform, and the continuous consumption upgrade of residents, travel interest among residents in China remained strong during the first half of 2019. The effective matching of demand and supply in the domestic tourism market allowed it to operate steadily and smoothly. According to the data released by China Tourism Academy in the Study of Tourism Economic Operation and Report on Outbound Tourism Development in H1 2019, in the first half of 2019, an estimated 3.08 billion domestic trips were recorded in China and the domestic tourism revenue reached RMB2.78 trillion, representing an increase of 8.8% and 13.5%, respectively, over the previous year. These figures demonstrate a rapid yet steady growth momentum. The Report on World Tourism Economy Trends (2019) and China Tourism Academy predicted that, in 2019, the total domestic tourists would reach 6.06 billion and the domestic tourism revenue would reach RMB5.6 trillion, representing a year-on-year growth of 9.5% and 10%, respectively. With these growth rates outperforming global averages, China will continue to be the largest domestic tourism market in the world.

The State Council stated in the Report on the Work of the Government in the first half of 2019 that, the government would "develop integrated tourism and strengthen the tourism industry" by comprehensively optimising the resources, infrastructures, functions and key elements of tourism and the industry layout with the aim of stimulating vitality of the tourism market and consumption potential of residents, as well as ensuring sustainable development of the domestic tourism market. Along with the rapid growth of the domestic tourism-leisure market in recent years, the demand of tourists for high-quality leisure services has been increasing. In view of this, tourism services providers in China have been improving their services and upgrading their tourism products. The government has also introduced favourable policies to promote in-depth integrated development of culture and tourism, commerce and entertainment in the tourism industry. In addition, affordable tourism has created diverse innovative business formats in the industry, with new niche markets offering study tours and night tours emerging. Among all these emerging tourism markets, indoor entertainment has become a focus as it better suits the gathering styles and consumption habits of young people. In recent years, In-Mall themed entertainment products have become prevalent in the market and showed a trend towards theme-oriented, segment-oriented and brand-oriented. According to a statistical study by Winshang Data Center, it is estimated that by 30 September 2019, the area of indoor amusement parks will account for 25% of shopping malls each with commercial area of over 50,000 sq.m. in 30 key monitored cities in China. As the young generation is turning into major tourism consumers, indoor entertainment is expected to become a new driver for the development of domestic tourism market in the future.

In respect of the theme park market, the upgraded consumption for cultural entertainment, the supportive national industrial policies and the rising consumption level of residents have laid a concrete market foundation for the development of theme parks in China. AECOM, a global consulting group, predicted in its China Theme Park Pipeline Report that, by 2020, China will surpass the United States to become the world's largest themed entertainment market in terms of the number of theme park visitors. Further, by 2025, construction of at least 70 theme park projects will be completed in China. As the market in China blooms, international IP companies will be attracted to promptly establish footprint in China, turning the domestic theme park market red-hot. In order to survive in such fierce competition, domestic theme park operators will become more focused on the in-park experience that new technology and unique creative ideas can offer, which will, in turn, further facilitate the quality enhancement of domestic theme parks. China's theme park industry is now at the golden development phase where healthy rivalry will help constantly adjust the market structure. As the growth potential of the theme park market is being gradually unlocked, high-quality industry players will grow at a faster pace and stand out.

Business Review

In the first half of 2019, riding on the stable operation of the two new projects, the Group endeavoured to achieve its strategic goal of becoming the "No.1 marine cultural tourism and leisure brand in China" by actively pursuing its development strategies. During the period under review, the Group focused on the works below.

The Group continued to strengthen its brand influence. With the focus on its core products, the Group diversified the contents and forms of brand promotion through four channels, namely variety shows, entertainments, sports and cross-industry cooperation. Specifically, the Group entered into strategic cooperation with Dragon Television to produce the "Go Fighting!" reality show, engaged popular entertainers, internet stars and key opinion leaders (KOLs) to introduce its parks as their recommended destinations, further cooperated with films and TV dramas by providing its parks as shooting bases, launched endorsement campaigns, organised cross-industry branding promotion activities, so as to further increase its brand influence and establish an international brand image. The Group continued to participate in important industry summits such as Summer Davos, IAAPA Expo Asia and Shanghai World Travel Fair. The Group received a number of domestic awards and built up good reputation through "brand experience officer" activities.

The Group has always been committed to corporate social responsibility. To promote Haichang's social welfare philosophy of "embracing all with love", the Group has positioned itself as a caring and reputable brand through enhanced charitable activities. In view of the benefits from resource consolidation, the Group partnered with CCTV and Sina (authoritative media agencies), One Foundation (a charitable organisation), Meituan (a renowned enterprise), Olympic champions, and almost a thousand caring celebrities and ambassadors, to organise a series of caring activities including, among others, "Autistic Children Caring Program", "Little Penguin Public Welfare Plan", "Blue Ribbon Declaration", popular science classes, welfare story-tellings and charity runs. These activities have increased the Group's brand credibility. The Group also persisted in practicing social responsibility for animal and environmental protection by way of disseminating the contents of public welfare science through multiple channels such as Trashtag Challenge, Spotted Seal Rescue, Earth Hour, Environmental Literacy Quiz. During the period under review, the Group embarked on the compilation of "Photographic Guide to Common Marine Life in Oceanarium" and achieved 5 innovations in popular science exhibitions. The Group engaged technicians to deliver over 3,300 science talks with a total duration of approximately 700 hours, performed over 1,000 popular science shows with a total duration of approximately 400 hours, and organised 6 popular science events. By continuously strengthening its advantage in life protection and rescue, in the first half of the year, the Group rescued a total of 68 large ocean animals in 6 species jointly with the competent authorities of the industry. 40 of them were released after they passed the health test. These moves enabled the Group to establish domestically and internationally a good corporate public and technical image in life conservation. Moreover, the Group refined the operation and management systems of charitable foundations, and placed great effort in the joint scientific research for protecting the ecological environment of marine life and aquatic habitats, promoting popular science and organising charitable activities.

In respect of animal conservation, the Group continued to sharpen its skills in wildlife conservation. Having possessed of more than 130,000 animals to date, the number of animals possessed by the Group domestically ranks the first and internationally is within the leading organisations. Also, the Group has bred 44 large rare polar and marine animals in 8 species, including the first hand-fed California sea lion in China. The Group streamlined key technical staff members and established a team of Haichang Ocean Park wildlife conservation experts. The Group set up a task force comprising experts specialising in such fields as animal breeding and health management, responsible for technical troubleshooting as to captive breeding, animal health, improvement of environment for keeping animals and benefits administration, with a goal to enhance its core competitive strengths in wildlife conservation. During the period under review, the Group developed a closer collaboration and exchanged views with peer operators by organising Haichang International Training Courses for Breeding and Medical Treatment of Cetaceans. It entered into cooperation with biomimetic research institutes to jointly work on biomimetic science and research projects. In the furtherance of Industry-University-Research partnership, the Group selected a number of research topics together with universities and research institutes, and invited famous technical experts in the industry from China to jointly run school and deliver courses, so as to build a professionally-trained talent pool.

During the period under review, the Group actively pursued its strategy of developing the existing projects into regional tourism and leisure destinations. To achieve this, the Group continued to upgrade the operational quality of its existing theme parks. For the upgrade of performance quality, the Group further improved the storyline of core marine shows and the quality of theatres, kept exploring consumption patterns for performance experiences, and created new brands for IPs in cultural performances. For the upgrade of service quality, the Group used world-class amusement parks as its benchmark, practiced its operational management concept in a more efficient manner, facilitated learning by providing training, and sought to deliver the highest standard of operation services. For the upgrade of safety quality, the Group improved its platform for safety supervision and management, raised the awareness about safety services, established a full-coverage network for safety control, and set up an advanced management system for operation safety. For the upgrade of infrastructure quality, the Group upgraded the facilities and equipment of all business units, reviewed and enhanced the open-closed management standard, further strengthened its capability in ESG management, and developed a set of management standards for sustainable energy saving and emission reduction. The Group strengthened the management standard and management system for the operation and maintenance of self-operated online platforms in terms of brand, communication, sales and customer services, and has now preliminarily developed an ecosystem for online branded tourism assets. The Group enriched its product offerings by adding “tickets + in-park consumption + scenic hotel accommodation” package products, to allow a stronger fans cohesiveness. The Group refined its mechanism for promotional sales, theme packaging and promotion of resource integration, and developed online travel agencies (“OTA”) as its exclusive points of sales. The Group improved the service system of 400 calling centre by initially adding sales function. As a result, there was a rising trend in sales amount for the five months since its inception.

During the period under review, the Group's Shanghai Haichang Ocean Park Project (the "**Shanghai Project**") operated smoothly. Driven by enhanced quality and better reputation, the Group delivered operating results that met management's expectation. In particular, the Group received greater market recognition for its staff services. During the period, scene products were further upgraded and water drifting ride was officially launched on 1 May 2019. Our parks have been open to public at nights on all statutory festivals and holidays and every summer holiday starting from the second quarter of 2019. By organising a series of activities such as Polar Ice & Snow Festival, Shanghainese Lunar Temple Fair, Haichang Ocean Park Charity Month Inaugural Ceremony, and "Go Fighting!" reality show, the Group was reported in news for over 2,200 times in total, and gained more than 140 million views of its official #Shanghai Haichang Ocean Park# topic on Weibo in the first half of 2019. The Group also gained an increasing number of positive comments online, repeatedly ranked no.1 in the hot search and overall lists on dianping.com., and received a great number of followers. The Group's Sanya Haichang Fantasy Town Project (the "**Sanya Project**") had a grand opening on 20 January 2019. Shaped as a new paradigm of Sanya night cultural tourism by the government, it serves as one of the first "bases for holistic tourism learning and tourism-based education in Sanya", with its "Sanya Eye" ferris wheel becoming a new tourist attraction in Sanya.

Actively established the asset-light brand of "Haichang Cultural Tourism"

During the period under review, the Group integrated the original Haichang Cultural Tourism Institute with the original management services team and formed the Haichang Cultural Tourism Business Unit, with objectives to serve as the carrier and platform for the asset-light business and to establish the asset-light brand of "Haichang Cultural Tourism". During the period under review, the Group secured 4 additional management services contracts. To date, the Group has commenced 22 asset-light projects and entered into a total of 49 contracts with aggregated contract value of almost RMB500 million. The projects in operation progressed well and have gained recognition from customers and the market. Hengdian Dream Valley and Nanning Rongsheng Haiyue World, which are two projects currently in the phase of operational and management consultation, were in good operation condition. Xiangjiang Joy City Ocean Park and the water village and snowy land projects were still under construction and preparation. Xinzhou Tinnsen Jonina Aquarium opened in June 2019, and Suzhou CRCC Lakeside Mansion Aquarium officially opened in April 2019.

During the period under review, with focus on the research and development of urban recreation products, the Group launched In-Mall indoor entertainment products in different scales. Characterised mainly by marine culture, popular science and joyful education, and cultural IPs, the In-Mall indoor amusement parks were built with an area ranging from 500 sq.m. to 2,000 sq.m.. Suzhou Haichang Cute Pets Park, being the first self-operated flagship of Haichang, has outperformed management's expectation since its opening in July 2018. During the year, the Group planned to commence a number of self-operated projects in places such as Nantong and Dalian.

In respect of the proprietary intellectual property rights ("**IP**") business, the Group increased its effort in protecting the full spectrum of its IPs ranging from trademarks and images, to ensure the successful development of its original IPs. The Group actively explored a business model suitable for licensing Haichang's proprietary IPs such that its IPs can be monetised..

Business Outlook

Looking ahead, the Group will pursue its goals by further implementing the defined development strategies. As for the existing projects, the Group will develop them as "regional tourism destinations" through improvements and upgrades to maintain steady growth. To gain greater brand reputation and awareness, the Group will conduct different types of marketing activities in the Shanghai Project and the Sanya Project. The Group will also optimise key attractions, summer night-time products and performance shows, enhance service standard while minimising operating costs, improve the quality of in-park catering services and merchandises, and strengthen cross-industry cooperation. As for projects under development, the Group will steadily push forward the approval applications, construction applications and construction works of Zhengzhou Haichang Ocean Park. As for the expansion of asset-light business, the Group will continue to develop the asset-light consultancy business and refine the management and cooperation systems for its existing projects. The Group will also seek closer strategic cooperation with renowned commercial property developers, through which it expects to facilitate the national layout of In-Mall products in an efficient manner with quality results, accelerate the expansion of its market exposure and business scale, and actively establish the asset-light brand of "Haichang Cultural Tourism".

Financial Review

Revenue

Revenue generated from the Group's park operations increased by approximately 76.8% from approximately RMB614.9 million for the six months ended 30 June 2018 to approximately RMB1,087.2 million for the six months ended 30 June 2019, primarily attributable to the increase in revenue from both ticket sales of parks and non-ticket business during the period as compared with the same period in 2018. Revenue generated from ticket sales increased by approximately 65.1% from approximately RMB446.3 million for the six months ended 30 June 2018 to approximately RMB737.0 million for the six months ended 30 June 2019. Revenue generated from non-ticket business increased by approximately 107.7% from approximately RMB168.6 million for the six months ended 30 June 2018 to approximately RMB350.2 million for the six months ended 30 June 2019.

Revenue generated from the Group's property development segment was nil for the six months ended 30 June 2019, representing a decrease of 100% from that of approximately RMB44.4 million for the six months ended 30 June 2018.

In conclusion, for the six months ended 30 June 2019, the Group recorded a turnover of approximately RMB1,087.2 million (same period in 2018: approximately RMB659.3 million), representing an increase of approximately 64.9% when compared with the corresponding period of last year.

Cost of Sales

The Group's cost of sales increased by approximately 91.6% from approximately RMB360.1 million for the six months ended 30 June 2018 to approximately RMB690.1 million for the six months ended 30 June 2019, mainly attributable to the opening of the Shanghai Project and the Sanya Project which led to an increase in operating costs, partially compensated by the decrease in cost of property sales.

Gross Profit

For the six months ended 30 June 2019, the Group's consolidated gross profit increased by approximately 32.7% to approximately RMB397.1 million (same period in 2018: RMB299.2 million), resulting in a consolidated gross profit margin of 36.5% (same period in 2018: 45.4%).

Gross profit of the Group's park operations segment increased by 34.7% to approximately RMB397.1 million (same period in 2018: RMB294.7 million) and gross profit margin of the Group's park operations segment decreased from 47.9% for the six months ended 30 June 2018 to 36.5% for the six months ended 30 June 2019, primarily attributable to the opening of the Shanghai Project and the Sanya Project which led to an increase in operating costs.

Gross profit of the Group's property development segment decreased by 100.0% to nil (six months ended 30 June 2018: RMB4.5 million). Gross profit margin of the Group's property development segment was 0.0% (same period in 2018: 10.0%), mainly because there were no property sales during the period.

Other Income and Gains

The Group's other income and gains decreased by 24.4% from approximately RMB202.7 million for the six months ended 30 June 2018 to approximately RMB153.2 million for the six months ended 30 June 2019, mainly attributable to the decrease of evaluation appreciation of investment properties during the period and the decrease in government grants.

Selling and Marketing Expenses

The Group's selling and marketing expenses increased by approximately 101.7% from approximately RMB52.9 million for the six months ended 30 June 2018 to approximately RMB106.7 million for the six months ended 30 June 2019, mainly attributable to the increase in selling and marketing expenses along with the progress of the Shanghai Project and the Sanya Project.

Administrative Expenses

The Group's administrative expenses increased by approximately RMB69.6 million or approximately 40.2% from approximately RMB173.0 million for the six months ended 30 June 2018 . The Group's administrative expenses were approximately RMB242.6 million for the six months ended 30 June 2019. Such increase was mainly attributable to increase in administrative expenses along with the progress of the Shanghai Project and the Sanya Project.

Finance Costs

The Group's finance costs increased by approximately 135.0% from approximately RMB103.6 million for the six months ended 30 June 2018 to approximately RMB243.5 million for the six months ended 30 June 2019, mainly attributable to the cease of capitalisation of interest expenses upon the official operation of the Shanghai Project and the Sanya Project.

Income Tax Expenses

The Group's income tax expenses decreased by approximately 56.1% from approximately RMB81.6 million for the six months ended 30 June 2018 to approximately RMB35.8 million for the six months ended 30 June 2019, mainly attributable to the decrease in the Group's profit before tax.

Profit/Loss for the Period

As a result of the above factors, the Group recorded a loss of approximately RMB91.4 million for the six months ended 30 June 2019, representing a decrease of approximately 212.4% from the profit of approximately RMB81.3 million for the six months ended 30 June 2018. Net profit margin decreased from approximately 12.3% for the six months ended 30 June 2018 to approximately -8.4% for the six months ended 30 June 2019. Meanwhile, the Group recorded a loss attributable to owners of the parent of approximately RMB93.5 million for the six months ended 30 June 2019, representing a decrease of approximately 214.0% from the profit attributable to owners of the parent of RMB82.0 million for the six months ended 30 June 2018.

Liquidity and Financial Resources

As at 30 June 2019, the Group had current assets of approximately RMB3,446.7 million (as at 31 December 2018: approximately RMB3,209.4 million). The Group had cash and bank deposits of approximately RMB2,037.0 million (as at 31 December 2018: approximately RMB1,921.1 million) and pledged bank balances of approximately RMB21.7 million (as at 31 December 2018: approximately RMB22.9 million).

Total equity of the Group as at 30 June 2019 was approximately RMB4,355.8 million (as at 31 December 2018: approximately RMB4,466.8 million). As at 30 June 2019, the total interest-bearing bank and other borrowings of the Group amounted to approximately RMB8,192.2 million (as at 31 December 2018: RMB7,980.7 million).

As at 30 June 2019, the Group had a net gearing ratio of 139.9% (as at 31 December 2018: 135.7%). The net liabilities of the Group included interest-bearing bank and other borrowings, amounts due to related companies, less cash and cash equivalents and amounts due from related companies. The increase in the net gearing ratio for the six months ended 30 June 2019 was mainly attributable to the increase in principal amount of loans in the first half of 2019.

As indicated in the above information, the Group has maintained stable financial resources to execute its future commitments and future investments for expansion. The Board believes that the existing financial resources will be sufficient to execute the Group's future expansion plans and the Group will be able to obtain additional financing on favourable terms as and when necessary.

Capital Structure

The share capital of the Company comprised ordinary shares (the "**Shares**") for the six months ended 30 June 2019.

Contingent Liabilities

	30 June 2019 *RMB'000* **(Unaudited)**	31 December 2018 *RMB'000* (Audited)
Guarantees in respect of mortgage facilities granted to the purchasers of the Group's properties*	**8,631**	10,895
	8,631	10,895

* The Group provided guarantees in respect of mortgage facilities granted by certain banks to the purchasers of the Group's completed properties held for sale. Pursuant to the terms of the guarantee arrangements, in case of default on mortgage payments by the purchasers, the Group is responsible for repaying the outstanding mortgage loans together with any accrued interest and penalty owed by the defaulted purchasers to the banks. The Group shall then be entitled to take over the legal title of the related properties. The Group's guarantee period commences from the date of grant of the relevant mortgage loans and ends upon the execution of individual purchaser's collateral agreements.

The Group did not incur any material losses during the period in respect of the guarantees provided for mortgage facilities granted to the purchasers of the Group's completed properties held for sale. The Directors consider that in case of default on payments, the net realisable value of the related properties can cover the repayment of the outstanding mortgage loans together with any accrued interest and penalty, and therefore no provision has been made in connection with the guarantees.

Foreign Exchange Rate Risk

The Group mainly operates in China. Other than bank deposits denominated in foreign currencies, the Group is not exposed to any material risk related to fluctuations of foreign exchange rates. The Directors do not expect any material adverse effect on the operation of the Group arising from any fluctuation in the exchange rate of RMB.

Staff Policy

As at 30 June 2019, the Group had a total of 4,934 full-time employees (as at 31 December 2018: 5,049 full-time employees). The Group offers a comprehensive and competitive remuneration, retirement schemes and benefit package to its employees. Discretionary bonus is offered to the Group's staff depending on their performance. The Group and its employees are required to make contribution to the social insurance scheme. The Group and its employees are required to make contribution to the pension insurance and unemployment insurance at the rates specified in the relevant laws and regulations.

The Group sets its emolument policy with regard to the prevailing market conditions and individual performance and experience.

Purchases, Redemption or Sale of Listed Securities of the Company

Neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the six months ended 30 June 2019.

Pre-Emptive Rights

There are no provisions for pre-emptive rights under the Company's Articles of Association, or the laws of the Cayman Islands, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

Corporate Governance

The Group is committed to maintaining high standards of corporate governance to safeguard the interests of shareholders and to enhance corporate value and accountability. The Company has adopted the Corporate Governance Code (the "**Code**") contained in Appendix 14 to the Rules (the "**Listing Rules**") Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") as its own code of corporate governance.

During the six months ended 30 June 2019, the Company has been in compliance with the code provisions of the Code except as disclosed below.

Under code provision A.6.7 of the Code, all non-executive Directors are recommended to attend general meetings of the Company. However, other than Mr. Yuan Bing, all non-executive Directors (including independent non-executive Directors) were absent from the annual general meeting of the Company held on 6 June 2019 (the "**AGM**") due to pre-arranged business commitments.

Under code provision E.1.2 of the Code, the chairman of the Board should attend annual general meetings of the Company and should invite the chairmen of the audit committee (the "**Audit Committee**"), remuneration committee, nomination committee and any other board committees (as appropriate) of the Company to attend. Mr. Qu Naijie, being the chairman of the Board and the nomination committee, was absent from the AGM due to a pre-arranged business commitment. Other than Mr. Yuan Bing, the chairmen of all other board committees of the Company were also absent from the AGM due to pre-arranged business commitments. Mr. Wang Xuguang, an executive Director, the chief executive officer and a member of the remuneration committee of the Company, was chosen as the chairman of the AGM. Mr. Qu Cheng, an executive Director of the Company, was also appointed as the delegate of the chairman of the Board.

Events after the Reporting Period

In July and August 2019, the Group exercised the conversion rights attaching to the convertible loans that the Group previously subscribed from 大連博濤文化科技股份有限公司 ("**Betop Culture**"), a company whose shares are listed on the New Over-the-Counter Market in Mainland China and being one of its shareholders. As a result of the conversion, the Group completed its subscription of 10% equity in interest in Betop Culture.

In August 2019, the Group obtained credit facilities from a financial institution for an aggregate amount of RMB900,000,000. The Group succeeded to extend the repayment period offered by certain suppliers for a total amount of RMB208,600,000 to after 31 December 2020.

Model Code for Securities Transactions by Directors of Listed Issuers

The Company has adopted the Model Code (the "**Model Code**") for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules as its own code of conduct for securities transactions by Directors. The Company has made specific enquiries to all Directors and all Directors have confirmed that they have strictly complied with the Model Code during the six months ended 30 June 2019.

Audit Committee

As at the date of this announcement, the Audit Committee comprises three members, namely Mr. Chen Guohui, Mr. Sun Jianyi and Ms. Zhang Meng, all of whom are independent non-executive Directors. Mr. Chen Guohui is the chairman of the Audit Committee.

The Audit Committee has reviewed together with the Directors the unaudited interim financial information of the Group for the six months ended 30 June 2019.

Interim Dividend

The Board does not recommend payment of any interim dividend for the six months ended 30 June 2019.

Forward Looking Statements

This announcement includes forward-looking statements. These forward-looking statements can be identified by the use of forward-looking terminology, including the terms "believe", "estimate", "anticipate", "expect", "intend", "may", "will" or "should" or, in each case, their contrary, or other variations or similar terminology. These forward-looking statements include all matters that are not historical facts. They appear in a number of places throughout this announcement and include statements regarding our intentions, beliefs or current expectations concerning our results of operations, financial condition, liquidity, prospects and growth strategies, and the industry in which the Group operates.

By their nature, forward-looking statements involve risks and uncertainties because they relate to events and depend on circumstances that may or may not occur in the future. The Company cautions you that forward-looking statements are not guarantees of future performance and that our actual results of operations, financial condition and liquidity, and the development of the industry in which the Group operates may differ materially from those made in, or suggested by, the forward-looking statements contained in this announcement. In addition, even if the Group's results of operations, financial condition and liquidity, and the development of the industry in which the Group operates are consistent with the forward-looking statements contained in this announcement, those results or developments may not be indicative of results or developments in subsequent periods.

Publication of Information on the Websites of the Stock Exchange and of the Company

This interim results announcement of the Company for the six months ended 30 June 2019 is published on the website of the Stock Exchange at www.hkexnews.hk and the website of the Company at www.haichangoceanpark.com.

Appreciation

Lastly, on behalf of the Board, I would like to take this opportunity to express my sincere gratitude to the management and all fellow staff members for their contributions to the Group's development. Also, I would like to extend my deepest appreciation to the shareholders, business partners, customers and professional advisors for their support and confidence in bringing the Group a more prosperous and fruitful future.

By Order of the Board
Haichang Ocean Park Holdings Ltd.
Wang Xuguang
Executive Director and Chief Executive Officer

Shanghai, the People's Republic of China, 27 August 2019

As at the date of this announcement, the executive Directors are Mr. Wang Xuguang, Mr. Qu Cheng and Mr. Gao Jie; the non-executive Directors are Mr. Qu Naijie, Mr. Li Hao and Mr. Yuan Bing; and the independent non-executive Directors are Mr. Chen Guohui, Mr. Sun Jianyi and Ms. Zhang Meng.