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## **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 2016**

#### **FINANCIAL HIGHLIGHTS**

- Revenue increased by approximately 24.6% to approximately RMB663.1 million as compared with the same period in 2015
- Consolidated gross profit of the Group increased by approximately 40.0% to approximately RMB300.2 million as compared with the same period in 2015
- Consolidated gross profit margin of the Group increased approximately 5 percentage points to approximately 45.3% as compared with the same period in 2015
- Core net profit\* increased by approximately RMB51.8 million to approximately RMB41.3 million as compared with the same period in 2015

\* Core net profit refers to the net profit excluding the gain or loss on change in fair value of investment properties and the effect of the corresponding income tax.

#### **RESULTS**

The board of directors (the “Board” or 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-month period ended 30 June 2016, together with the comparative financial information as follows:

**UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS***For the six months ended 30 June 2016*

		<b>For the six months ended 30 June</b>	
	<i>Notes</i>	<b>2016</b>	<b>2015</b>
		<b>RMB'000</b>	<b>RMB'000</b>
		<b>(Unaudited)</b>	<b>(Unaudited)</b>
<b>REVENUE</b>	5	<b>663,071</b>	532,081
Cost of sales		<u><b>(362,838)</b></u>	<u>(317,601)</u>
<b>GROSS PROFIT</b>		<b>300,233</b>	214,480
Other income and gains	5	<b>52,729</b>	159,464
Selling and marketing expenses		<b>(44,296)</b>	(39,559)
Administrative expenses		<b>(117,718)</b>	(108,098)
Other expenses		<b>(2,016)</b>	(3,488)
Finance costs	6	<u><b>(74,378)</b></u>	<u>(80,957)</u>
<b>PROFIT BEFORE TAX</b>		<b>114,554</b>	141,842
Income tax expenses	7	<u><b>(72,513)</b></u>	<u>(76,449)</u>
<b>PROFIT FOR THE PERIOD</b>		<u><b>42,041</b></u>	<u>65,393</u>
Attributable to:			
Equity holders of the parent		<b>38,563</b>	62,659
Non-controlling interests		<u><b>3,478</b></u>	<u>2,734</u>
		<u><b>42,041</b></u>	<u>65,393</u>
<b>EARNINGS PER SHARE</b>			
– Basic and diluted ( <i>RMB cents</i> )	8	<u><b>0.96</b></u>	<u>1.57</u>

**UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

*For the six months ended 30 June 2016*

	<b>For the six months ended 30 June</b>	
	<b>2016</b>	2015
	<i>RMB'000</i>	<i>RMB'000</i>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
<b>PROFIT FOR THE PERIOD</b>	<b>42,041</b>	65,393
<b>OTHER COMPREHENSIVE (LOSS)/INCOME</b>		
Other comprehensive (loss)/income to be reclassified to profit or loss in subsequent periods (net of tax):		
Exchange differences on translation of foreign operations	<u>(59,284)</u>	<u>4,343</u>
<b>Net other comprehensive (loss)/income to be reclassified to profit or loss in subsequent periods, net of tax</b>	<u>(59,284)</u>	<u>4,343</u>
Other comprehensive income/(loss) not to be reclassified to profit or loss in subsequent periods (net of tax):		
Exchange differences on translation of foreign operations	<u>61,371</u>	<u>(2,406)</u>
<b>Net other comprehensive income/(loss) not to be reclassified to profit or loss in subsequent periods, net of tax</b>	<u>61,371</u>	<u>(2,406)</u>
<b>Other comprehensive income, net of tax</b>	<u>2,087</u>	<u>1,937</u>
<b>TOTAL COMPREHENSIVE INCOME, NET OF TAX</b>	<b><u>44,128</u></b>	<b><u>67,330</u></b>
Attributable to:		
Equity holders of the parent	40,650	64,596
Non-controlling interests	<u>3,478</u>	<u>2,734</u>
	<b><u>44,128</u></b>	<b><u>67,330</u></b>

# UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2016

	<b>30 June 2016 RMB'000 (Unaudited)</b>	31 December 2015 RMB'000 (Audited)
<b>NON-CURRENT ASSETS</b>		
Property, plant and equipment	2,648,079	2,619,660
Investment properties	2,425,890	2,378,740
Prepaid land lease payments	1,255,891	1,059,520
Intangible assets	9,553	9,068
Available-for-sale investments	19,170	19,170
Deferred tax assets	37,204	51,191
Long term prepayments	187,033	294,668
	<hr/>	<hr/>
<b>Total non-current assets</b>	<b>6,582,820</b>	<b>6,432,017</b>
<b>CURRENT ASSETS</b>		
Completed properties held for sale	262,528	373,290
Properties under development	510,562	318,537
Gross amount due from a contract customer	13,723	43,667
Inventories	21,574	14,611
Trade receivables	178,886	64,438
Available-for-sale investment	200	200
Prepayments, deposits and other receivables	385,352	103,748
Due from related companies	9,014	3,752
Due from a non-controlling equity holder	31,269	20,000
Pledged bank balances	6,497	6,497
Cash and cash equivalents	688,544	970,467
	<hr/>	<hr/>
<b>Total current assets</b>	<b>2,108,149</b>	<b>1,919,207</b>

		<b>30 June 2016</b>	31 December 2015
	<i>Notes</i>	<b>RMB'000</b>	<b>RMB'000</b>
		<b>(Unaudited)</b>	<b>(Audited)</b>
<b>CURRENT LIABILITIES</b>			
Trade and bills payables		213,275	250,264
Other payables and accruals		257,013	294,186
Due to related companies		2,620	3,853
Advances from customers		23,293	104,086
Interest-bearing bank and other borrowings	9	1,104,037	763,489
Government grants		22,363	22,363
Deferred revenue		11,377	10,311
Tax payables		258,268	262,237
<b>Total current liabilities</b>		<b>1,892,246</b>	<b>1,710,789</b>
<b>NET CURRENT ASSETS</b>		<b>215,903</b>	<b>208,418</b>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>6,798,723</b>	<b>6,640,435</b>
<b>NON-CURRENT LIABILITIES</b>			
Interest-bearing bank and other borrowings	9	1,731,807	1,602,526
Government grants		844,169	879,831
Deferred tax liabilities		183,438	162,897
<b>Total non-current liabilities</b>		<b>2,759,414</b>	<b>2,645,254</b>
<b>NET ASSETS</b>		<b>4,039,309</b>	<b>3,995,181</b>
<b>EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT</b>			
Share capital		2,451	2,451
Other reserves		3,863,275	3,822,612
		<b>3,865,726</b>	<b>3,825,063</b>
Non-controlling interests		173,583	170,118
<b>TOTAL EQUITY</b>		<b>4,039,309</b>	<b>3,995,181</b>

## NOTES TO THE UNAUDITED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2016

### 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, Uglan 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 and hotel operations 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 was Haichang Group Limited, a company incorporated in the British Virgin Islands (the “BVI”) at 30 June 2016.

### 2. BASIS OF PREPARATION

The unaudited interim financial information for the six months ended 30 June 2016 (the “Interim Financial Information”) has been prepared in accordance with IAS 34 *Interim Financial Reporting*.

The Interim 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 financial statements for the year ended 31 December 2015.

#### 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 2015. 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. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted in the preparation of the Interim Financial Information are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2015, except for the adoption of new and revised standards and interpretations effective for annual periods beginning on or after 1 January 2016. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

In the current interim period, the Group has applied, for the first time, the following new or revised International Financial Reporting Standards ("IFRSs", which also include IASs and interpretations) that are relevant to the Group's operation for the preparation of the Group's Interim Financial Information:

- Amendments to IFRS 11: *Accounting for Acquisitions of Interests in Joint Operations*
- Amendments to IAS 16 and IAS 38: *Clarification of Acceptable Methods of Depreciation and Amortisation*
- Amendments to IAS 27: *Equity Method in Separate Financial Statements*
- Annual Improvements 2012-2014 Cycle: *IFRS 5 Non-current Assets Held for Sale and Discontinued Operations, IFRS 7 Financial Instruments: Disclosure, IAS 19 Employee Benefits and IAS 34 Interim Financial Reporting*
- Amendments to IAS 1: *Disclosure Initiative*
- Amendments to IFRS 10, IFRS 12 and IAS 28: *Investment Entities: Applying the Consolidation Exception*

The adoption of these new and revised IFRSs has had no significant financial effect on the Interim Financial Information and there have been no significant changes to the accounting policies applied in the Interim Financial Information.

#### 4. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their products and services. During the year ended 31 December 2015, the Group restructured their business units to enhance the management's accountability of the park operations segment by including the development of commercial and rental properties surrounding the theme parks, management of developed and operating properties for rental income which, in prior years, were managed under the property development and holding segment. The prior period's operating segment information has been revised to conform to the current period presentation accordingly. The Group's two reportable operating segments are set out below.

- (a) the park operations segment engages in the development, construction and operation of theme parks, development of commercial and rental properties surrounding the theme parks, management of the Group's developed and operating properties for rental income, hotel operations and the provision of services to visitors as well as the provision of technical support service relating to aquarium; and
- (b) the property development segment engages in property development, construction and sales.

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit, which is a measure of adjusted profit before tax from continuing operations.

Segment assets exclude intangible assets, available-for-sale investments, trade receivables, prepayments, deposits and other receivables, deferred tax assets, amounts due from related companies, an amount due from a non-controlling equity holder, pledged deposits and cash and cash equivalents as these assets are managed on a group basis.

The Group's liabilities are managed on a group basis except for the gross amount due to a contract customer which is a segment liability.

No further geographical segment 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 tables present revenue, profit and certain asset, liability and expenditure information for the Group's operating segments for the six-month periods from 1 January to 30 June 2016 and 2015:

<b>For the six months ended 30 June 2016 (Unaudited)</b>	<b>Park operations RMB'000</b>	<b>Property development RMB'000</b>	<b>Total RMB'000</b>
Segment revenue			
Sales to external customers and total revenue	<u>501,557</u>	<u>161,514</u>	<u>663,071</u>
Revenue			<u><u>663,071</u></u>
Segment results	236,170	64,063	300,233
<i>Reconciliation:</i>			
Unallocated income			52,729
Unallocated expenses			(164,030)
Finance costs			<u>(74,378)</u>
Profit before tax			<u><u>114,554</u></u>
<b>30 June 2016 (Unaudited)</b>	<b>Park operations RMB'000</b>	<b>Property development RMB'000</b>	<b>Total RMB'000</b>
Segment assets	6,582,890	786,813	7,369,703
<i>Reconciliation:</i>			
Corporate and other unallocated assets			<u>1,321,266</u>
Total assets			<u><u>8,690,969</u></u>
Segment liabilities	–	–	–
<i>Reconciliation:</i>			
Corporate and other unallocated liabilities			<u>4,651,660</u>
Total liabilities			<u><u>4,651,660</u></u>
Other segment information:			
Impairment losses in the statement of profit or loss	977	–	977
Depreciation and amortisation			
Unallocated			797
Segment	101,859	–	101,859
Capital expenditure*			
Unallocated			1,282
Segment	160,050	–	160,050

For the six months ended 30 June 2015 (Unaudited)	Park operations RMB'000	Property development RMB'000	Total RMB'000
Segment revenue			
Sales to external customers and total revenue	453,755	78,326	532,081
Revenue			<u>532,081</u>
Segment results	200,300	14,180	214,480
<i>Reconciliation:</i>			
Unallocated income			159,464
Unallocated expenses			(151,145)
Finance costs			<u>(80,957)</u>
Profit before tax			<u>141,842</u>
31 December 2015	Park operations RMB'000	Property development RMB'000	Total RMB'000
Segment assets	6,414,863	735,494	7,150,357
<i>Reconciliation:</i>			
Corporate and other unallocated assets			<u>1,200,867</u>
Total assets			<u>8,351,224</u>
Segment liabilities	–	–	–
<i>Reconciliation:</i>			
Corporate and other unallocated liabilities			<u>4,356,043</u>
Total liabilities			<u>4,356,043</u>
For the six months ended 30 June 2015 (Unaudited)			
Other segment information:			
Reversal of impairment losses in the statement of profit or loss	(204)	–	(204)
Depreciation and amortisation			
Unallocated			766
Segment	98,276	–	98,276
Capital expenditure*			
Unallocated			68
Segment	49,771	–	49,771

\* Capital expenditure consists of additions to property, plant and equipment, investment properties and intangible assets.

## 5. REVENUE, OTHER INCOME AND GAINS

Revenue represents income from the sale of tickets by theme park operations, and the sale of goods by restaurant and store operations, in-park recreation income, income from hotel operations, income from consultancy and management service, the sale of properties, and gross rental income received and receivable from investment properties, an appropriate proportion of contract revenue of construction contracts for the six months ended 30 June 2016 and 2015, net of business tax and other surcharges.

	<b>For the six months ended 30 June</b>	
	<b>2016</b>	<b>2015</b>
	<b>RMB'000</b>	<b>RMB'000</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
<u>Revenue</u>		
Tickets sales	<b>360,514</b>	359,525
Property sales	<b>161,514</b>	78,326
Food and beverage sales	<b>33,627</b>	31,106
Sale of merchandise	<b>14,985</b>	14,450
Rental income	<b>36,125</b>	28,602
In-park recreation income	<b>28,279</b>	14,843
Income from hotel operations	<b>5,255</b>	5,229
Consultancy and management service income	<b>22,772</b>	–
	<b>663,071</b>	532,081
	<b>663,071</b>	532,081
<u>Other income</u>		
Government grants	<b>37,842</b>	24,420
Bank interest income	<b>2,947</b>	12,094
Income from insurance claims	<b>9,603</b>	16,003
Others	<b>1,406</b>	5,695
	<b>51,798</b>	58,212
	<b>51,798</b>	58,212
<u>Gains</u>		
Gain on revaluation upon reclassification from completed properties held for sale and changes in fair value of investment properties, net	<b>931</b>	101,252
	<b>52,729</b>	159,464
	<b>52,729</b>	159,464

## 6. FINANCE COSTS

	<b>For the six months ended 30 June</b>	
	<b>2016</b>	<b>2015</b>
	<b>RMB'000</b>	<b>RMB'000</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
Interest on bank loans and other borrowings	<b>74,094</b>	86,939
Interest on finance leases	<b>284</b>	727
	<b>74,378</b>	87,666
Total interest expenses on financial liabilities not at fair value through profit or loss	<b>74,378</b>	87,666
Less: Interest capitalised	<b>–</b>	(6,709)
	<b>74,378</b>	80,957
	<b>74,378</b>	80,957

## 7. INCOME TAX

Provision for PRC corporate income tax (the “CIT”) has been provided at the applicable income tax rate of 25% for the six months ended 30 June 2016 (six months ended 30 June 2015: 25%) on the assessable profits of the Group’s subsidiaries in Mainland China.

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 on 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:

	<b>For the six months ended 30 June</b>	
	<b>2016</b>	2015
	<b>RMB'000</b>	RMB'000
	<b>(Unaudited)</b>	(Unaudited)
Current – Mainland China:		
Charge for the period – CIT	<b>31,509</b>	24,435
LAT	<b>6,476</b>	3,336
	<b>37,985</b>	27,771
Deferred tax	<b>34,528</b>	48,678
Total tax charge for the period	<b>72,513</b>	76,449

## 8. EARNINGS PER SHARE

The calculation of the basic earnings per share amount is based on the profit attributable to ordinary equity holders of the parent for the six months ended 30 June 2016, and the weighted average number of ordinary shares of 4,000,000,000 (six months ended 30 June 2015: 4,000,000,000) in issue during the period.

The calculation of the basic earnings per share amount is based on:

	<b>30 June 2016</b>	30 June 2015
	<b>RMB'000</b>	RMB'000
	<b>(Unaudited)</b>	(Unaudited)
<b>Earnings</b>		
Profit attributable to ordinary equity holders of the parent, used in the basic earnings per share calculation	<b>38,563</b>	62,659
<b>Shares</b>		
Weighted average number of ordinary shares in issue during the period used in the basic earnings per share calculation	<b>4,000,000,000</b>	4,000,000,000

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

## 9. INTEREST-BEARING BANK AND OTHER BORROWINGS

	<b>30 June 2016 RMB'000 (Unaudited)</b>	31 December 2015 RMB'000
Finance lease payables	2,001	2,505
Other loans – secured	98,846	128,160
Bank loans – secured	2,734,997	2,235,350
	<u>2,835,844</u>	<u>2,366,015</u>
Repayable:		
Within one year or on demand	1,104,037	763,489
In the second year	659,769	626,530
In the third to fifth years, inclusive	843,388	780,276
Over five years	228,650	195,720
	<u>2,835,844</u>	<u>2,366,015</u>
<i>Of which,</i>		
Current:		
Finance lease payables	1,101	985
Other loans – secured	49,093	58,865
Bank loans – secured	498,173	200,000
Current portion of non-current loans – secured	555,670	503,639
	<u>1,104,037</u>	<u>763,489</u>
Non-current:		
Finance lease payables	900	1,520
Other loans – secured	49,753	69,295
Bank loans – secured	1,681,154	1,531,711
	<u>1,731,807</u>	<u>1,602,526</u>

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **Industry Overview**

In the first half of 2016, due to the fluctuations in the global landscape, the economy of China was still challenged by reform and transformation where the economic development trended toward the “new normal” of slowing growth and structural adjustments. As a result, the market consumer confidence was weak in general and the consumer confidence index decreased over the previous year. However, this is inevitable in the process of adapting to the new economy and economic structural adjustments. In addition, the extreme weather anomalies that have happened this year also impacted the economy to varying degrees. Because of the changes in the macroeconomic landscape in China, the drivers of economic growth have shifted from investment and export to consumption, and new service sectors, namely tourism, culture and etc., that met the mainstream trend of consumption upgrade, experienced rapid growth.

In the first half of 2016, the gross domestic product amounted to RMB34,063.7 billion, representing an increase of 6.7% as compared with that in the same period of last year. Of which, the tertiary industry as represented by the service sector recorded faster growth and increased by 10.9% as compared with that in the same period of last year, with percentage of the gross domestic product of 54.1% and rate of contribution to economic growth of 59.7%. Both the percentage and rate of the tertiary industry have exceeded the secondary industry. The service sector has become the major driver of the national economic development. Tourism as a key integral part of the service sector plays an important strategic position in the transition of economic development.

### **Accelerating Tourism Investment and Steady Growth in Demand**

According to the statistics issued by China National Tourism Administration, in the first half of 2016, there were 9,944 tourism projects under construction nationwide. The actual investment amounted to RMB421.15 billion, represented an increase of 30.5% as compared with that in the same period of last year. At the same time, the demand also recorded a steady growth. In the first half of 2016, the number of domestic tourists reached 2.236 billion, representing an increase of 10.5% as compared with that in the same period of last year; total tourism revenue amounted to RMB2.25 trillion, representing a growth rate of 12.4%.

### **Various Policies Favourable to the Industry’s Comprehensive Development**

In recent years, the State attached unprecedented importance to tourism and policies on tourism financial support, Internet + tourism and introduction of private capital to tourism was intensively promulgated. In the first half of 2016, the State further stepped up the efforts in integrated tourism reform. Policies such as the Notice regarding the Builder List of the PRC Tourism Destinations with International Features (《關於公佈中國國際特色旅遊目的地創建名單的通知》) and the Application Kickoff of the RMB12 billion Tourism Infrastructure Fund (《120億旅遊基建基金申報啟動》) as well as industry standards such as the Standards for Tourism Model Base (《旅遊示範基地標準》) and the National Tourism Standardised Growth Plan (《全國旅遊標準化發展規劃》) were successively issued. In addition, Premier Li Keqiang also clearly highlighted in his speech at this year’s Summer Davos Forum that tourism has been one of the five major happy industries which would drive consumption growth and facilitates consumption upgrade. Guided by proactive policies, it is expected that tourism development would become healthier with more emphasis on quality improvement.

## **Tourism Consumption Innovative Development Driven by New Demand**

Affected by factors such as policies, demographic structure and consumption habits, tourism has been characterised by younger tourist groups and the trend of individual travel tours is becoming more obvious. In particular, family tours highlighting education and amusement are well received. With the emerging “Internet+”, the tourism market is more closely tied to the Internet. In addition, technologies including virtual reality, augmented reality, 3D map, front-projected holographic display and etc. further optimise and drive the upgrade of tourism products, thus offering better travel experience to visitors.

Currently, the theme parks in China have revealed a growth pattern of diversification and new models of which are springing up to cater for visitor demand. The combination of “Theme Park + IP” will be a main trend of future development of the industry. In June 2016, Shanghai Disneyland was officially opened, rekindling the passion of the market for theme parks in China. Looking ahead, Universal Studios will also set foot in Beijing. These two world-class theme parks in China are expected to further stimulate domestic visitors’ demand for theme park consumption and accelerate the transformation and upgrade of the theme park industry in China so as to better cope with the challenges from peers locally and abroad. It is expected that by 2020, China will replace North America as the world’s largest theme park market.

### **Business Review**

In the first half of 2016, the Group actively pursued the strategic development objective of “first marine-culture tourism & leisure brand in China and an international marine-featured tourism platform enterprise”. Leveraged professional market research and the analysis of big data, the Group continuously optimized, integrated and upgraded the products of our parks on the perspective of senses of vision, touch, hearing, taste and smell according to the core customer demand, so as to comprehensively build an “Ocean Park with Experience of Five Senses”.

The Group continuously enhanced its brand influence and reputation through a series of proven measures. During the period, the Group released the commonweal theme song “Dream Love Joy” jointly with Children’s Channel of CCTV, and cooperated with renowned cartoon characters such as “Angry Birds” and “Mermaid”, to establish a productivity in intellectual properties featured with “Self-owned + Cooperation”, so as to develop and extend its brand industry chain effectively. Besides, the Group also received the awards of “Brand Responsibility Award of the Year” and “Welfare Communication Award of the Year” in the China Welfare Festival, as well as various honors and awards such as “People’s Choice Award” and “the Most Popular Ocean Theme Park” in Travel Fair and “Best Investor Relations CEO Award” granted by Hong Kong Investor Relations Association.

As a corporate citizen, the Group is also actively practicing corporate social responsibility. During the period, the Group launched Haichang Ocean Park Autistic Children Month for charity donation, organized an event with the theme of caring for autistic children jointly with Children’s Channel of CCTV, and confirmed that Haichang Ocean Park would be opened to autistic children and their families free of charge in April every year. Besides, the Group continuously paid attention to animal protection and treatment, launched the “Smiling Angel Home” care service for the rescue of porpoises, held the Seabird Sanctuary Festival and organized the publicity and education of ecological environmental protection in Yangtze River area in cooperation with the Ministry of Agriculture.



## Existing Projects

During the period, the Group actively promoted the strategy of developing existing projects into regional tourism and leisure destinations through upgrading and modification as well as the optimization and integration of ancillary commercial property. Meanwhile, the Group continuously enhanced the quality of operations through measures such as research and adjustment on indicators or standards, operating and monitoring analysis under the premise of safe operation, so as to meet the escalating consumer demand. In aspect of hardware, the Group continued to upgrade and modify the existing theme parks. The periodic upgrade and expansion of Chongqing Haichang Caribbean Water Park, Chengdu Haichang Polar Ocean Park and Tianjin Haichang Polar Ocean Park, the expansion layout plan and the program for the planning and design concepts of Dalian Laohutan Ocean Park, as well as the research program of renovation and reforming of Wuhan Haichang Polar Ocean Park were all completed in the period. While in aspect of software, the Group continued to promote innovation on the products and services in existing theme parks. The installation of intelligent systems in Qingdao Haichang Polar Ocean Park and Chongqing Haichang Caribbean Water Park was completed in the period, resulting in the realization of the functioning of smart payment terminal, tour guide back office system, information push, customer relationship management and big data analysis. The interactive experience of visitors was then effectively increased. The Group also enhanced the quality of live performing arts and the level of performance management, and launched a brand new stunt show known as “Leaping over Rift Valley Town” in Dalian Haichang Discoveryland. Besides, the Group kept optimizing the development and sales of in-park consumption products. On one hand, the Group enhanced the sales of theme products and catering through measures such as self-development, the introduction of well-known brands and the launching of marketing campaigns. On the other hand, focusing on the core competence of innovative thinking, the Group newly added six interactive entertainment products with higher profitability. The Group promoted the sales of various in-park interactive entertainment products through network marketing, effectively driving the growth in the non-ticket business scope. In regards to marketing, the Group actively realized marketing activities as products and continued to conduct hot topics communication. The Group also kept on exploring on the internet market, improving the deployment of online tour guide networks and expanding cross-border cooperation. During the period, the Group partnered with Alitrip strategically and launched the first Alitrip O2O experience store in China at Tianjin Haichang Polar Ocean Park, jointly building a new model of intelligent scenic region. Besides, the Group conducted rational planning on the ancillary commercial properties, so as to further promote the construction of regional tourism destination. As a result, the overall occupancy rate of the leasing properties improved significantly and the rental rate also increased in the period.

The Group proactively advocated the concept of animal protection and kept enhancing its core competitiveness related to animal conservation and related education. Through continuously improving the breeding base of its existing projects and constantly enhancing the breeding research, the Group successfully bred five species, 83 large and rare polar marine animals and sharks, recording a historical breeding number in the same period of all time and forming the biggest collection in Asia in terms of number of animal. In the area of animal scientific research innovation, the Group’s self-developed animal management standard and fodder were put into operation during the period. Meanwhile, the Group also valued industrial development and technology exchange. By way of joint education, the Group purposefully trained and reserved high-end professional and technical personnel.



## **Marine Cultural Innovative Business**

The development of the Group's innovative asset-light business accelerated in the first half of 2016, starting reaping results in both revenue and profit contribution. Currently, the sector has established a development model based on three main business lines, namely management output, interactive technological children's entertainment and cultural intellectual properties. The related business brands have been gradually recognized by the market.

Aiming at target customer base including existing and to-be-developed commercial complexes nationwide, traditional resorts, theme parks and media/business planning companies, the Group actively and continuously transferred its core competitive edges on areas such as marine animal breeding management techniques, venue construction and operation management into productivity, thereby building a full service chain system for project advisory. During the period, there were nine management output projects being conducted or completed by the Group and eight to ten projects in negotiation, pursuant to which services such as design consulting, construction consulting and operation consulting would be provided to cooperation partners.

In order to satisfy consumers' demand in pursuing differentiated experience on interactive children's entertainment, the Group successfully researched and developed marine-themed embedded entertainment projects and mini polar ocean carnival projects independently by leveraging advanced interactive multimedia technology, thereby further enriched product portfolio. For example, the Group's second embedded children's interactive entertainment project, namely "Mermaid Dreamland", opened in Chengdu in June this year. The project has more than 14 interactive multimedia products of its own intellectual property rights. This was the first attempt for the Group to add embedded interactive entertainment program surrounding existing parks. The program not only enriched the playing experience of visitors, but also played an active role on increasing tourists' staying time and re-visit rate. Therefore it was an important measure for the Group to upgrade the existing parks to regional travel and leisure destinations. On the other hand, the Group further enriched its "Mobile Marine Carnival" product line by developing new product series such as "Mobile Shows", "Children's Interactive Entertainment Products" and "Boutique Aquatic Animal Shows" based on the original "Penguin Caravan". During the period, the Group entered into an agreement with an integrated commercial complex in Daqing, pursuant to which a caravans tour lasting for one month featuring mobile penguin caravan and children's interactive entertainment was held which brought a unique marine cultural experience for local tourists.

The Group also set up a cultural foundation on intellectual property, conducted innovative research on interactive technology products and actively sought the integration with multimedia high-tech products. Firstly, the Group researched and developed the 4D cinema animated film "Light of Ocean – Battle for Defending Pearls", which would be screened inside existing theme parks. This marked a significant step for the cultural industry construction of Haichang Ocean Park in terms of intellectual property. Besides, the Group started the planning work of children's video skit of its own copyright, and also established an animation resource library and film database of its own intellectual property rights for the existing projects.

## **Progress of new projects**

During the period, the overall design planning of the Group's Shanghai Haichang Polar Ocean Park was approved. The project will include 9 large-scale exhibition venues, 3 large-scale interactive and performing venues, 2 large-scale cinemas and 12 recreational facilities. The project will not only exhibit polar and marine animals and fishes, but will also provide recreational activities such as equipment entertainment, movies with special effects, shows on popular science of animals and aquatic parades. The Group has won the bid and signed contracts for construction and procurement during the period. The park has been fully in the basic engineering construction stage. Besides, the construction of the "Two Express Lines" connecting Shanghai Pudong International Airport and Shanghai Hongqiao Airport will be completed during the period of the Thirteenth Five-Year Plan, so that the travel time between the two airports is expected to be shortened to twenty minutes. The traffic in the region is expected to be improved significantly. The Group has also basically secured the funds for subsequent capital expenditure through onshore syndicated financing in the first half of this year. The opening of Shanghai Disney Resort has driven the increase in tourism consumption of surrounding industry chain, and the cluster effect of the tourism and leisure industry in the districts where the existing projects located has begun to appear gradually.

In the first half of 2016, the overall positioning and conceptual design planning proposal of Sanya Haichang Dream World was approved. The project will focus on the story line of "Maritime Silk Road" and will be positioned as a marine-themed park with healthcare, leisure, culture and entertainment features, so as to establish an open-ended comprehensive travelling and recreational destination. The Group acquired the state-owned land use rights certificate for the land parcel of the first phase development in the period, and has confirmed the design planning of phase one.

## **Business Outlook**

Looking ahead, the Group will continue to implement the strategic growth objectives. Through the upgrade and modification of existing projects as well as optimization and integration of ancillary commercial property, the Group will take proactive efforts to shape the existing projects into the regional travel and leisure destinations with the feature of "Experience of Five Senses". The projects will be designed to provide visitors with endless surprises and ubiquitous themes from a two to three-hour pure entertainment experience in the past to a one to two-day micro-holiday experience. In addition, while ensuring the quality, the Group will also actively promote the construction and development of Shanghai Haichang Polar Ocean Park and Sanya Haichang Dream World to ensure that the new projects are completed and put into operation as scheduled.

As to marine cultural innovative business, the Group intends to further upgrade the business model of the aquarium operation consultancy and aquarium techniques management services business, thus achieving the innovative model of "brand output + technology output + management output + product contents + scene application". Based on the existing model, the Group organically integrates the interactive technology children entertainment product lines with its own intellectual property rights in order to enhance brand value with high added value. Based on the positioning of the Group in the target market, the Group will focus on studying the mobile carnival products integrating ocean carnivals and ocean light shows and further strengthen the research and development and marketing of such product. The Group will also organically integrate its own cultural intellectual property rights with the new projects, existing projects and light products, and apply its self-developed digital content into multi-media projects including virtual reality to further extend "Haichang Ocean Park" brand's cultural connotation.

## **Financial Review**

### ***Revenue***

For the six-month period ended 30 June 2016, the Group recorded a turnover of approximately RMB663.1 million (30 June 2015: approximately RMB532.1 million), representing an approximately 24.6% increment compared with the corresponding period of last year. The substantial increase in turnover was attributed to significant increase in both the revenue from park operations and property sales.

Revenue generated from park operations of the Group increased by approximately 10.5% from approximately RMB453.8 million for the six months ended 30 June 2015 to approximately RMB501.6 million for the six months ended 30 June 2016, primarily due to a slightly increase in revenue from ticket sales of parks in the period as compared with the same period in 2015 and the substantial increase in the revenue from non-ticket business, of which the revenue of the newly added management output business amounted to RMB22.8 million. Revenue generated from non-ticket business increased by approximately 49.7% from approximately RMB94.2 million for the six months ended 30 June 2015 to approximately RMB141.0 million for the six months ended 30 June 2016.

Revenue generated from property sales of the Group's property development segment increased by approximately 106.3% from approximately RMB78.3 million for the six months ended 30 June 2015 to approximately RMB161.5 million for the six months ended 30 June 2016.

### ***Cost of Sales***

The Group's cost of sales increased by approximately 14.2% from approximately RMB317.6 million for the six-month period ended 30 June 2015 to approximately RMB362.8 million for the six-month period ended 30 June 2016, which was mainly attributable to the increase in costs in line with the increase in property sales.

### ***Gross Profit***

For the six months ended 30 June 2016, the Group's consolidated gross profit increased by approximately 40.0% to approximately RMB300.2 million (same period in 2015: RMB214.5 million) and consolidated gross profit margin improved to 45.3% (same period in 2015: 40.3%).

Segment gross profit of the Group's park operations increased by 17.9% to approximately RMB236.2 million (same period in 2015: RMB200.3 million) and segment gross profit margin of the Group's park operations improved from approximately 44.1% for the six months ended 30 June 2015 to approximately 47.1% for the six months ended 30 June 2016, primarily due to the increase in revenue generated from park operations as well as the relatively stable operating expenses of most of the Group's theme parks and the enhancement of cost control by the Group.

Gross profit of the Group's property development segment increased by 351.4% to approximately RMB64.1 million (for the six months ended 30 June 2015: RMB14.2 million). Gross profit margin of the Group's property development segment was 39.7% (same period in 2015: 18.1%). The increase in gross profit margin was mainly due to the difference in the types of properties sold compared to the prior period.

### ***Other Income and Gains***

The Group's other income and gains decreased by 67.0% from approximately RMB159.5 million for the six-month period ended 30 June 2015 to approximately RMB52.7 million for the six-month period ended 30 June 2016, mainly due to the increase in valuation gains as a result of addition of investment properties in the same period of 2015.

### ***Selling and Marketing Expenses***

The Group's selling and marketing expenses increased by approximately 11.9% from approximately RMB39.6 million for the six-month period ended 30 June 2015 to approximately RMB44.3 million for the six-month period ended 30 June 2016, mainly due to the strengthening of the efforts on brand promotion and media advertisement by the Group during the period.

### ***Administrative Expenses***

The Group's administrative expenses increased by 8.9% from approximately RMB108.1 million for the six-month period ended 30 June 2015 to approximately RMB117.7 million for the six-month period ended 30 June 2016, mainly due to the increase in administrative expenses as a result of the progress of projects in Shanghai and Sanya.

### ***Finance Costs***

The Group's finance costs decreased by 8.1% from approximately RMB81.0 million for the six-month period ended 30 June 2015 to approximately RMB74.4 million for the six-month period ended 30 June 2016, mainly due to a decrease in the comprehensive coupon rate of the Group's bank loans.

### ***Income Tax Expenses***

The Group's income tax expenses decreased by 5.1% from approximately RMB76.4 million for the six-month period ended 30 June 2015 to approximately RMB72.5 million for the six-month period ended 30 June 2016, mainly due to a decrease in profit before tax as a result of the change in non-recurring gain and losses.

### ***Profit for the Period***

As a result of the foregoing, the profit of the Group for the period decreased from approximately RMB65.4 million for the six-month period ended 30 June 2015 to approximately RMB42.0 million for the six-month period ended 30 June 2016, while the net profit margin decreased from approximately 12.3% for the six-month period ended 30 June 2015 to approximately 6.3% for the six-month period ended 30 June 2016. During the same period, the profit attributable to owners of the parent decreased from approximately RMB62.7 million for the six-month period ended 30 June 2015 to approximately RMB38.6 million for the six-month period ended 30 June 2016, which was mainly attributable to the increase in valuation gains as a result of addition of investment properties in the same period of 2015.

## Liquidity and Financial Resources

As at 30 June 2016, the Group had current assets of approximately RMB2,108.1 million (as at 31 December 2015: approximately RMB1,919.2 million). The Group had cash and bank deposits of approximately RMB688.5 million (as at 31 December 2015: approximately RMB970.5 million) and its pledged bank balances amounted to approximately RMB6.5 million (as at 31 December 2015: approximately RMB6.5 million). The decrease in cash and bank deposits for the six-month period ended 30 June 2016 was mainly attributable to the fund payment by the Group for the Shanghai project in the first half of 2016.

Total equity of the Group as at 30 June 2016 was approximately RMB4,039.3 million (as at 31 December 2015: approximately RMB3,995.2 million). As at 30 June 2016, the total interest bearing bank and other borrowings of the Group was approximately RMB2,835.8 million (as at 31 December 2015: RMB2,366.0 million).

As at 30 June 2016, the Group had a net gearing ratio of 52.2% (as at 31 December 2015: 34.4%). The net liabilities of the Group include interest-bearing bank and other borrowings, amounts due to related companies, less cash and cash equivalents and amounts due from related companies. The increase of the net gearing ratio for the six months ended 30 June 2016 was mainly attributable to increase in principal amounts of loans as well as the decrease in cash and cash equivalents as a result of the fund payment of the Shanghai project in the first half of 2016.

As indicated by 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 future expansion plans and, if necessary, the Group will be able to obtain additional financing with favorable terms.

## Capital structure

The share capital of the Company comprises ordinary shares for the six-month ended 30 June 2016.

## Contingent Liabilities

	<b>30 June 2016</b>	31 December 2015
	<b><i>RMB'000</i></b>	<i>RMB'000</i>
	<b>(Unaudited)</b>	(Audited)
Guarantees in respect of mortgage facilities granted to the purchasers of the Group's properties*	<u>77,035</u>	<u>69,381</u>
	<u><b>77,035</b></u>	<u><b>69,381</b></u>

\* 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 banks. The Group is then entitled to take over the legal titles of the related properties. The Group's guarantee period commences from the date of grant of the relevant mortgage loan and ends after the execution of the 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 realizable 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 currency, the Group is not exposed to material foreign exchange rate risk. The Directors expect that any fluctuation in the exchange rate of RMB will not have material adverse effect on the operation of the Group.

### **Staff Policy**

The Group had approximately 2,563 full-time employees and approximately 1,551 temporary staff (30 June 2015: 2,486 full-time and 1,444 temporary) as at 30 June 2016. 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 a social insurance scheme. The Group and its employees are required to make contribution to fund the endowment insurance and unemployment insurance at the rates specified in the relevant laws and regulations.

The Group set 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-month period ended 30 June 2016.

### **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 as its own code of corporate governance.

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, all non-executive Directors of the Company (including independent non-executive Directors) were absent from the annual general meeting of the Company held on 27 June 2016 (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 invite the chairmen of the audit, remuneration, nomination and any other committees (as appropriate) of the Company to attend. Mr. Qu Naijie, being the chairman of the Board, was absent from the AGM due to a pre-arranged business commitment. The chairmen of all the 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, as the duly appointed delegate of chairman of the Board, also attended the AGM. Both Mr. Wang Xuguang and Mr. Qu Cheng were available to answer questions at the AGM.

### **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 period under review.

### **Audit Committee**

As at the date of this announcement, the Audit Committee comprises three independent non-executive Directors, namely Prof. Fang Hongxing, Mr. Sun Jianyi and Prof. Xie Yanjun, all of whom are independent non-executive Directors. Prof. Fang Hongxing is the chairman of the Audit Committee.

The Audit Committee has reviewed together with the Directors and the Company’s external auditor the unaudited interim condensed consolidated financial information of the Group for the six months ended 30 June 2016.

### **Interim Dividend**

The Board does not recommend payment of any interim dividend for the six-month period ended 30 June 2016.

### **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 negative, 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, among other things, 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. We caution 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 our 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-month period ended 30 June 2016 is published on the website of the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk) and the website of the Company at [www.haichangoceanpark.com](http://www.haichangoceanpark.com).

### **Appreciation**

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

On behalf of the Board  
**Haichang Ocean Park Holdings Ltd.**  
**Wang Xuguang**  
*Executive Director and Chief Executive Officer*

Dalian, the People's Republic of China, 24 August 2016

*As at the date of this announcement, the executive Directors of the Company are Mr. Wang Xuguang, Mr. Qu Cheng and Mr. Gao Jie; the non-executive Directors of the Company are Mr. Qu Naijie, Mr. Makoto Inoue and Mr. Yuan Bing; and the independent non-executive Directors of the Company are Prof. Fang Hongxing, Mr. Sun Jianyi and Prof. Xie Yanjun.*