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)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2018

FINANCIAL HIGHLIGHTS

- Revenue from park operations increased by approximately 7.9% to approximately RMB1,745.7 million
- Ticket revenue increased by approximately 7.8% to approximately RMB1,274.4 million
- Net profit decreased by approximately 86.3% to approximately RMB40.0 million

RESULTS

The board of directors (the "**Board**" or the "**Directors**") of Haichang Ocean Park Holdings Ltd. (the "**Company**") is pleased to announce the audited consolidated results of the Company and its subsidiaries (collectively the "**Group**") for the year ended 31 December 2018, together with the comparative figures for 2017.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS
Year ended 31 December 2018

	Notes	2018 RMB'000	2017 RMB'000
REVENUE	4	**1,790,157**	1,680,221
Cost of sales		**(916,218)**	(770,560)
GROSS PROFIT		**873,939**	909,661
Other income and gains	4	**438,824**	162,840
Selling and marketing expenses		**(218,610)**	(142,420)
Administrative expenses		**(599,584)**	(367,034)
Impairment losses on financial and contract assets, net		**(19,403)**	–
Other expenses		**(5,729)**	(6,793)
Finance costs	5	**(273,496)**	(149,065)
Share of loss of an associate		**(3)**	(30)
PROFIT BEFORE TAX		**195,938**	407,159
Income tax expense	6	**(155,926)**	(115,616)
PROFIT FOR THE YEAR		**40,012**	291,543
Attributable to:			
Owners of the parent		**39,558**	279,792
Non-controlling interests		**454**	11,751
		40,012	291,543
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
– Basic and diluted (RMB cents)	7	**0.99**	6.99

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
31 December 2018

	Notes	**31 December 2018 RMB'000**	31 December 2017 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment		**7,653,696**	4,892,988
Investment properties		**2,701,000**	2,387,030
Prepaid land lease payments		**1,659,201**	1,704,584
Intangible assets		**10,244**	12,193
Available-for-sale investments		**–**	90,203
Financial assets at fair value through profit or loss		**143,312**	–
Deferred tax assets		**25,701**	25,063
Investment in an associate		**79,110**	79,113
Long-term prepayments and deposits		**626,021**	532,935
Total non-current assets		**12,898,285**	9,724,109
CURRENT ASSETS			
Completed properties held for sale		**204,000**	228,514
Properties under development		**645,644**	514,718
Gross amount due from a contract customer		**–**	5,166
Contract assets		**7,415**	–
Inventories		**36,654**	18,941
Trade receivables		**185,149**	170,542
Available-for-sale investments		**–**	200
Financial assets at fair value through profit or loss		**200**	–
Prepayments and other receivables		**167,047**	149,187
Due from related companies		**19,364**	14,207
Pledged bank balances	*8*	**22,883**	1,149
Cash and cash equivalents	*8*	**1,921,089**	1,305,108
Total current assets		**3,209,445**	2,407,732
CURRENT LIABILITIES			
Trade and bills payables	*9*	**1,784,468**	1,086,381
Other payables and accruals		**527,779**	391,372
Due to related companies		**22,054**	26,540
Advances from customers		**9,989**	33,774
Interest-bearing bank and other borrowings	*10*	**2,439,796**	1,775,257
Government grants		**27,467**	124,014
Deferred revenue		**–**	19,957
Tax payables	*6*	**159,025**	212,853
Total current liabilities		**4,970,578**	3,670,148
NET CURRENT LIABILITIES		**(1,761,133)**	(1,262,416)
TOTAL ASSETS LESS CURRENT LIABILITIES		**11,137,152**	8,461,693

	Notes	**31 December 2018** **RMB'000**	31 December 2017 RMB'000
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	*10*	**5,540,858**	2,957,133
Government grants		**883,918**	896,811
Deferred tax liabilities		**245,543**	184,815
Total non-current liabilities		**6,670,319**	4,038,759
NET ASSETS		**4,466,833**	4,422,934
EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT			
Share capital		**2,451**	2,451
Reserves		**4,349,948**	4,306,503
		4,352,399	4,308,954
Non-controlling interests		**114,434**	113,980
TOTAL EQUITY		**4,466,833**	4,422,934

NOTES TO FINANCIAL STATEMENTS

Year ended 31 December 2018

1. CORPORATE AND GROUP 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 at PO 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, 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 is Haichang Group Limited, a company incorporated in the British Virgin Islands (the "BVI") at 31 December 2018.

2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with the International Financial Reporting Standards ("IFRSs") promulgated by the International Accounting Standards Board (the "IASB") and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for investment properties and financial assets at fair value through profit or loss, which have been measured at fair value. These financial statements are presented in Renminbi ("RMB") and all values are rounded to the nearest thousand except when otherwise indicated.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2018. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

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 statements of the subsidiaries are 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 the three elements of control described above. 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.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following new and revised IFRSs for the first time for the current year's financial statements.

Amendments to IFRS 2	*Classification and Measurement of Share-based Payment Transactions*
Amendments to IFRS 4	*Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts*
IFRS 9	*Financial Instruments*
IFRS 15	*Revenue from Contracts with Customers*
Amendments to IFRS 15	*Clarifications to IFRS 15 Revenue from Contracts with Customers*
Amendments to IAS 40	*Transfers of Investment Property*
IFRIC 22	*Foreign Currency Transactions and Advance Consideration*
Annual improvements 2014-2016 Cycle	Amendments to IFRS 1 and IAS 28

Except for the amendments to IFRS 4 and *Annual Improvements to IFRSs 2014-2016 Cycle*, which are not relevant to the preparation of the Group's financial statements, the nature and the impact of the new and revised IFRSs are described below:

(a) Amendments to IFRS 2 address three main areas: the effects of vesting conditions on the measurement of a cash-settled share-based payment transaction; the classification of a share-based payment transaction with net settlement features for withholding a certain amount in order to meet an employee's tax obligation associated with the share-based payment; and accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash-settled to equity-settled. The amendments clarify that the approach used to account for vesting conditions when measuring equity-settled share-based payments also applies to cash-settled share-based payments. The amendments introduce an exception so that a share-based payment transaction with net share settlement features for withholding a certain amount in order to meet the employee's tax obligation is classified in its entirety as an equity-settled share-based payment transaction when certain conditions are met. Furthermore, the amendments clarify that if the terms and conditions of a cash-settled share-based payment transaction are modified, with the result that it becomes an equity-settled share-based payment transaction, the transaction is accounted for as an equity-settled transaction from the date of the modification. The amendments have had no impact on the financial position or performance of the Group as the Group does not have any cash-settled share-based payment transactions and has no share-based payment transactions with net settlement features for withholding tax.

(b) IFRS 9 *Financial Instruments* replaces IAS 39 *Financial Instruments: Recognition and Measurement* for annual periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement, impairment and hedge accounting.

With the exception of hedge accounting, which the Group has applied prospectively, the Group has recognised the transition adjustments against the applicable opening balances in equity at 1 January 2018. Therefore, the comparative information was not restated and continues to be reported under IAS 39.

Classification and measurement

The following information sets out the impacts of adopting IFRS 9 on the statement of financial position, including the effect of replacing IAS 39's incurred credit loss calculations with IFRS 9's expected credit losses ("ECLs").

A reconciliation between the carrying amounts under IAS 39 and the balances reported under IFRS 9 as at 1 January 2018 is as follows:

		IAS 39 measurement				Fair value	IFRS 9 measurement	
	Notes	Category	Amount	Re-classification	ECL	adjustment	Amount	Category
			RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	
Financial assets								
Available-for-sale investments	*(i)*	AFS[1]	90,403	(90,403)	–	–	–	N/A
To: Financial assets at fair value through profit or loss	*(i)*			(90,403)	–	–		
Financial assets at fair value through profit or loss	*(i)*	FVPL[2]	–	120,403	–	10,830	131,233	FVPL
From: Available-for-sale Investments	*(i)*			90,403	–	–		
From: Financial assets included in prepayments and other receivables	*(iii)*			30,000	–	–		
Contract assets	*(ii)*	L&R[3]	12,392	–	(1,327)	–	11,065	AC[4]
Trade receivables	*(ii)*	L&R	163,316	–	(6,087)	–	157,229	AC
Financial assets included in Prepayments and other receivables	*(iii)*	L&R	187,638	(30,000)	–	–	157,638	AC
Due from related companies		L&R	14,207	–	–	–	14,207	AC
Pledged deposits		L&R	1,149	–	–	–	1,149	AC
Cash and cash equivalents		L&R	1,305,108	–	–	–	1,305,108	AC
			1,774,213	–	(7,414)	10,830	1,777,629	
Other assets								
Deferred tax assets			25,063	–	1,854	–	26,917	
Total assets			1,799,276	–	(5,560)	10,830	1,804,546	
Financial liabilities								
Financial liabilities included in other payables and accruals		AC	391,372	–	–	–	391,372	AC
Interest-bearing bank and other borrowings		AC	4,732,390	–	–	–	4,732,390	AC
Trade and bills payables		AC	1,086,381	–	–	–	1,086,381	AC
Due to related companies		AC	26,540	–	–	–	26,540	AC
			6,236,683	–	–	–	6,236,683	
Other liabilities								
Deferred tax liabilities			184,815	–	–	2,707	187,522	
Total liabilities			6,421,498	–	–	2,707	6,424,205	

1 AFS: Available-for-sale investments
2 FVPL: Financial assets at fair value through profit or loss
3 L&R: Loans and receivables
4 AC: Financial assets or financial liabilities at amortised cost

Notes:

(i) The Group has classified its unlisted investments previously classified as available-for-sale investments as financial assets measured at fair value through profit or loss as these non-equity investments did not pass the contractual cash flow characteristics test in IFRS 9.

(ii) The gross carrying amounts of the trade receivables and the contract assets under the column "IAS 39 measurement – Amount" represent the amounts after adjustments for the adoption of IFRS 15 but before the measurement of ECLs. Further details of the adjustments for the adoption of IFRS 15 are included in note 2.2(c) to the financial statements.

(iii) The Group has classified its convertible debt investment, previously classified as prepayments and other receivables, as financial assets measured at fair value through profit or loss as the convertible debt investment did not pass the contractual cash flow characteristics test in IFRS 9.

Impairment

The following table reconciles the aggregate opening impairment allowances under IAS 39 to the ECL allowances under IFRS 9.

	Impairment allowances under IAS 39 at 31 December 2017	**Re-measurement**	**ELC under IFRS 9 allowances at 1 January 2018**
	RMB'000	*RMB'000*	***RMB'000***
Contract assets	–	1,327	**1,327**
Trade receivables	36,394	6,087	**42,481**
	36,394	7,414	**43,808**

Impact on reserves and retained profits

The impact of transition to IFRS 9 on reserves and retained profits is as follows:

	Reserves and retained profits
	RMB'000
Retained profits	
Balance as at 31 December 2017 under IAS 39	931,511
Recognition of expected credit losses for contract assets under IFRS 9	(1,327)
Recognition of expected credit losses for trade receivables under IFRS 9	(6,087)
Reclassification of available-for-sale investments to financial assets at fair value through profit or loss	10,830
Deferred tax in relation to the above	(853)
Balance as at 1 January 2018 under IFRS 9	934,074

(c) IFRS 15 and its amendments replace IAS 11 *Construction Contracts*, IAS 18 Revenue and related interpretations and it applies, with limited exceptions, to all revenue arising from contracts with customers. IFRS 15 establishes a new five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in IFRS 15 provide a more structured approach for measuring and recognising revenue. The standard also introduces extensive qualitative and quantitative disclosure requirements, including disaggregation of total revenue, information about performance obligations, changes in contract asset and liability account balances between periods and key judgements and estimates. The disclosures are included in notes 4 to the financial statements. As a result of the application of IFRS 15, the Group has changed the accounting policy with respect to revenue recognition.

The Group has adopted IFRS 15 using the modified retrospective method of adoption. Under this method, the standard can be applied either to all contracts at the date of initial application or only to contracts that are not completed at this date. The Group has elected to apply the standard to contracts that are not completed as at 1 January 2018.

The cumulative effect of the initial application of IFRS 15 was recognised as an adjustment to the opening balance of retained profits as at 1 January 2018. Therefore, the comparative information was not restated and continues to be reported under IAS 11, IAS 18 and related interpretations.

Set out below are the amounts by which each financial statement line item was affected as at 1 January 2018 as a result of the adoption of IFRS 15:

	Notes	**Increase/ (decrease)** *RMB'000*
Assets		
Gross amount due from a contract customer	*(i)*	(5,166)
Trade receivables	*(i)*	(7,226)
Contract assets	*(i)*	12,392
Total assets		–
Liabilities		
Advances from customers	*(ii)*	(31,114)
Deferred revenues	*(ii)*	(19,957)
Other payables and accruals	*(ii)*	51,071
Total liabilities		–

Set out below are the amounts by which each financial statement line item was affected as at 31 December 2018 and for the year ended 31 December 2018 as a result of the adoption of IFRS 15. The adoption of IFRS 15 has had no impact on other comprehensive income or on the Group's operating, investing and financing cash flows. The first column shows the amounts recorded under IFRS 15 and the second column shows what the amounts would have been had IFRS 15 not been adopted:

Consolidated statement of financial position as at 31 December 2018:

	Notes	Amounts prepared under IFRS 15	Previous IFRS	Increase/ (decrease)
		RMB'000	***RMB'000***	***RMB'000***
Gross amounts due from contract customers	*(i)*	**–**	**7,415**	**(7,415)**
Contract assets	*(i)*	**7,415**	**–**	**7,415**
Total assets		**7,415**	**7,415**	**–**
Advances from customers	*(ii)*	**9,989**	**82,418**	**(72,429)**
Deferred revenue	*(ii)*	**–**	**19,677**	**(19,677)**
Gross amounts due to contract customers	*(i)*	**–**	**2,990**	**(2,990)**
Other payables and accruals	*(i), (ii)*	**527,779**	**432,683**	**95,096**
Total liabilities		**537,768**	**537,768**	**–**
Net liabilities		**(530,353)**	**(530,353)**	**–**

The nature of the adjustments as at 1 January 2018 and the reasons for the significant changes in the statement of financial position as at 31 December 2018 are described below:

(i) *Construction services and consultancy and management services*

Before the adoption of IFRS 15, contract costs were recognised as an asset provided it was probable that they would be recovered. Such costs represented an amount due from the customers and were recorded as gross amounts due from contract customers and trade receivables in the statement of financial position before the construction services and consultancy and management services were billed to customers. Upon the adoption of IFRS 15, a contract asset is recognised when the Group performs by transferring goods or services to customers and the Group's right to consideration is conditional. Accordingly, the Group reclassified RMB5,166,000 from gross amounts due from contract customers and RMB7,226,000 from trade receivables to contract assets as at 1 January 2018.

As at 31 December 2018, the adoption of IFRS 15 resulted in a decrease in gross amounts due from contract customers of RMB7,415,000, an increase in contract assets of RMB7,415,000, a decrease in gross amounts due to contract customers of RMB2,990,000 and an increase in other payables and accruals of RMB2,990,000.

(ii) *Consideration received from customers in advance*

Before the adoption of IFRS 15, the Group recognised consideration received from customers in advance as advances from customers and deferred revenue. Under IFRS 15, the amount is classified as contract liabilities which are included in other payables and accruals.

Therefore, upon adoption of IFRS 15, the Group reclassified RMB31,114,000 from advances from customers and RMB19,957,000 from deferred revenue to other payables and accruals as at 1 January 2018 in relation to the consideration received from customers in advance as at 1 January 2018.

As at 31 December 2018, under IFRS 15, RMB72,429,000 was reclassified from advances from customers and RMB19,677,000 from deferred revenue to contract liabilities in relation to the consideration received from customers in advance for the sale of tickets and the provision of construction services and consultancy and management services.

(d) Amendments to IAS 40 clarify when an entity should transfer property, including property under construction or development, into or out of investment property. The amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. A mere change in management's intentions for the use of a property does not provide evidence of a change in use. The amendments have had no impact on the financial position or performance of the Group.

(e) IFRIC 22 provides guidance on how to determine the date of the transaction when applying IAS 21 to the situation where an entity receives or pays advance consideration in a foreign currency and recognises a non-monetary asset or liability. The interpretation clarifies that the date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part of it) is the date on which an entity initially recognises the non-monetary asset (such as a prepayment) or non-monetary liability (such as deferred income) arising from the payment or receipt of the advance consideration. If there are multiple payments or receipts in advance of recognising the related item, the entity must determine the transaction date for each payment or receipt of the advance consideration. The interpretation has had no impact on the Group's financial statements as the Group's accounting policy for the determination of the exchange rate applied for initial recognition of non-monetary assets or non-monetary liabilities is consistent with the guidance provided in the interpretation.

3. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised to business units based on their products and services and has two reportable operating segments as follows:

(a) the park operations segment engages in the development, construction and operation of theme parks, development of commercial and rental properties surrounding them parks, management of the Group's developed and operating properties for rental income, hotel operation and the provision of services to visitors as well as consultancy, management and recreation services such as provision of technical support service relating to an aquarium and the operation of a small size playground; 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 resource allocation and performance assessment. Segment performance is evaluated based on reportable segment profit, which is a measure of adjusted profit before tax.

Segment assets exclude intangible assets, financial assets at fair value through profit and loss/available-for-sale investments, trade receivables, contract assets, prepayments and other receivables, deferred tax assets, amounts due from related companies, 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.

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

Operating segments

Year ended 31 December 2018

	Park operations *RMB'000*	Property development *RMB'000*	Total *RMB'000*
Segment revenue *(note 4)*			
Sales to external customers and total revenue	**1,745,729**	**44,428**	**1,790,157**
Revenue			**1,790,157**
Segment results	**869,657**	**4,282**	**873,939**
Reconciliation			
Unallocated income and gains			**438,824**
Unallocated expenses			**(843,326)**
Share of loss of an associate	**(3)**	**–**	**(3)**
Finance costs			**(273,496)**
Profit before tax			**195,938**

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			
Share of loss of an associate	**(3)**	**–**	**(3)**
Impairment losses recognised in the statement of profit or loss	**89,948**	**21,463**	**111,411**
Depreciation and amortisation			
Unallocated			**2,645**
Segment	**213,095**	**–**	**213,095**
Investment in an associate	**79,110**	**–**	**79,110**
Capital expenditure*			
Unallocated			**714**
Segment	**2,363,596**	**–**	**2,363,596**

* Capital expenditure consists of additions to property, plant and equipment, investment properties, intangible assets, prepaid land lease payments and long-term prepayments.

Year ended 31 December 2017

	Park operations *RMB'000*	Property development *RMB'000*	Total *RMB'000*
Segment revenue			
Sales to external customers and total revenue	1,617,204	63,017	1,680,221
Revenue			1,680,221
Segment results	878,671	30,990	909,661
Reconciliation			
Unallocated income and gains			162,840
Unallocated expenses			(516,247)
Share of loss of an associate	(30)	–	(30)
Finance costs			(149,065)
Profit before tax			407,159

31 December 2017

	Park operations *RMB'000*	Property development *RMB'000*	Total *RMB'000*
Segment assets	9,660,378	748,398	10,408,776
Reconciliation:			
Corporate and other unallocated assets			1,723,065
Total assets			12,131,841
Segment liabilities	–	–	–
Reconciliation:			
Corporate and other unallocated liabilities			7,708,907
Total liabilities			7,708,907
Other segment information			
Share of loss of an associate	(30)	–	(30)
Impairment losses recognised in the statement of profit or loss	7,543	–	7,543
Depreciation and amortisation			
Unallocated			3,142
Segment	175,971	–	175,971
Investment in an associate	79,113	–	79,113
Capital expenditure*			
Unallocated			3,208
Segment	2,047,344	–	2,047,344

* Capital expenditure consists of additions to property, plant and equipment, investment properties, intangible assets, prepaid land lease payments and long-term prepayments.

Information about major customers

No information about major customers is presented as no single customer from whom over 10% or more of the Group's revenue was derived for the year ended 31 December 2018.

4. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue is as follows:

	2018 RMB'000	2017 RMB'000
Revenue from contracts with customers	**1,695,709**	–
Ticket sales	**–**	1,182,739
Property sales	**–**	63,017
Food and beverage sales	**–**	119,074
Sale of merchandise	**–**	57,410
In-park recreation income	**–**	93,394
Income from hotel operations	**–**	15,577
Consultancy, management and recreation income	**–**	53,075
Revenue from other sources		
Gross rental income	**94,448**	95,935
	1,790,157	1,680,221

Revenue from contracts with customers

(i) Disaggregated revenue information

For the year ended 31 December 2018

Segments	**Park operations** *RMB'000*	**Property development** *RMB'000*	**Total** *RMB'000*
Type of goods or services			
Tickets sales	**1,274,397**	**–**	**1,274,397**
Property sales	**–**	**44,428**	**44,428**
Food and beverage sales	**134,149**	**–**	**134,149**
Sale of merchandise	**66,098**	**–**	**66,098**
In-park recreation income	**83,522**	**–**	**83,522**
Income from hotel operations	**28,862**	**–**	**28,862**
Consultancy, management and recreation income	**64,253**	**–**	**64,253**
Total revenue from contracts with customers	**1,651,281**	**44,428**	**1,695,709**
Geographical market			
Mainland China	**1,651,281**	**44,428**	**1,695,709**
Timing of revenue recognition			
Goods transferred at a point in time	**200,247**	**44,428**	**244,675**
Services transferred over time	**1,451,034**	**–**	**1,451,034**
Total revenue from contracts with customers	**1,651,281**	**44,428**	**1,695,709**

The following table shows the amounts of revenue recognised in the current reporting period that were included in the contract liabilities at the beginning of the reporting period and recognised from performance obligations satisfied in previous periods:

	Total
	RMB'000
Revenue recognised that was included in contract liabilities at the beginning of the reporting period:	
Tickets sales	47,325
Property sales	2,942
Income from hotel operations	134
Consultancy, management and recreation income	670
	51,071

(ii) ***Performance obligations***

Information about the Group's performance obligations is summarised below:

Property sales

The performance obligation is satisfied upon obtain of the physical possession of the completed property by the customer and payment in advance is normally required.

Sales of merchandise

The performance obligation is satisfied upon delivery of the goods and payment by the customer simultaneously is normally required. There is no right of return or volume rebate which gives rise to variable consideration.

Ticket sales

The performance obligation is satisfied over time as services are rendered and payment in advance is normally required, except for tickets sold through travel agencies, where payment is generally due within 30 to 90 days from the delivery of tickets.

Provision of consultancy, management and recreation services

The performance obligation is satisfied over time as services are rendered and short-term advances are normally required before rendering the services. Management service contracts are for periods of one year or less, or are billed based on the milestone according to contract terms.

The transaction prices allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as at 31 December 2018 are as follows:

	RMB'000
Within one year	58,606
More than one year	36,490
	95,096

The remaining performance obligations are expected to be recognised within one year. The amounts disclosed above do not include variable consideration which is constrained.

	2018 *RMB'000*	2017 *RMB'000*
Other income		
Government grants	**256,954**	89,560
Bank interest income	**2,192**	2,874
Other interest income	**–**	37,176
Income from insurance claims	**18,627**	5,355
Foreign exchange gains	**–**	760
Others	**2,744**	26,372
	280,517	162,097
Gains		
Gain on revaluation upon reclassification from properties under development to investment properties	**156,938**	–
Fair value gain on investment properties	**1,265**	–
Gain on bargain purchase	**104**	–
Gain on disposal of an investment property	**–**	743
	158,307	743
	438,824	162,840

5. FINANCE COSTS

An analysis of finance costs from continuing operations is as follows:

	2018 *RMB'000*	2017 *RMB'000*
Interest on bank loans and other loans	**323,641**	203,594
Interest on finance leases	**78,831**	360
Total interest expenses on financial liabilities not at fair value through profit or loss	**402,472**	203,954
Less: Interest capitalised	**(128,976)**	(54,889)
	273,496	149,065

6. INCOME TAX

Provision for PRC corporate income tax has been provided at the applicable income tax rate of 25% for the year ended 31 December 2018 (2017: 25%) on the assessable profits of the Group's subsidiaries in Mainland China.

No provision for Hong Kong profits tax has been made in the financial statements as no assessable profit was derived from Hong Kong during the years.

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:

	2018	2017
	RMB'000	*RMB'000*
Current – Mainland China:		
Charge for the year	**96,329**	119,883
LAT	**360**	3,431
	96,689	123,314
Deferred tax	**59,237**	(7,698)
Total tax charge for the year	**155,926**	115,616

A reconciliation of the tax expense applicable to profit before tax using the statutory rate to the tax expense at the effective rate is as follows:

	2018	2017
	RMB'000	*RMB'000*
Profit before tax	**195,938**	407,159
Tax at the statutory income tax rate	**48,985**	101,790
Tax losses not recognised	**91,757**	36,106
Income not subject to tax	**(11)**	(186)
Withholding tax on distributable profits of the Group's PRC subsidiaries	**9,647**	(21,771)
Expenses not deductible for tax	**11,216**	6,795
Tax losses utilised from prior years	**(5,938)**	(9,691)
Sub-total	**155,656**	113,043
Provision for LAT	**360**	3,431
Tax effect on LAT	**(90)**	(858)
Tax charge for the year at the effective rate	**155,926**	115,616

Tax payables in the consolidated statement of financial position represent:

	31 December 2018	31 December 2017
	RMB'000	*RMB'000*
PRC corporate income tax	**127,739**	180,668
LAT	**31,286**	32,185
	159,025	212,853

7. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of the basic earnings per share amount is based on the profit attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 4,000,000,000 (2017: 4,000,000,000) in issue during the year.

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

	2018	2017
	RMB'000	*RMB'000*
Earnings		
Profit attributable to ordinary equity holders of the parent, used in the basic earnings per share calculation	**39,558**	279,792

	Number of ordinary shares	
	2018	2017
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	**4,000,000,000**	4,000,000,000

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

8. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

	31 December 2018	31 December 2017
	RMB'000	*RMB'000*
Cash and bank balances	**1,943,972**	1,306,257
Less: Pledged for interest-bearing bank loans *(note 10)*	**(22,376)**	(644)
Pledged for bills payable	**(507)**	(505)
	(22,883)	(1,149)
Unpledged cash and cash equivalents	**1,921,089**	1,305,108
Less: Restricted cash and bank balances*	**(94)**	(94)
Unpledged and unrestricted cash and cash equivalents	**1,920,995**	1,305,014

* The cash and bank balances received from customers are restricted to use for the construction of related properties.

At the end of the reporting period, the cash and bank balances and the time deposits of the Group denominated in RMB amounted to RMB1,935,257,000 (31 December 2017: RMB1,283,873,000). The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. The cash and bank balances and pledged bank balances are deposited with creditworthy banks with no recent history of default. The carrying amounts of the cash and cash equivalents and the pledged bank balances approximate to their fair values.

9. TRADE AND BILLS PAYABLES

	31 December 2018 *RMB'000*	31 December 2017 *RMB'000*
Within one year	**831,585**	985,514
Over one year	**952,883**	100,867
	1,784,468	1,086,381

The trade payables are interest-free and normally settled on terms of 30 to 180 days.

The fair values of trade and bills payables approximate to their carrying amounts due to their relatively short maturity terms.

10. INTEREST-BEARING BANK AND OTHER BORROWINGS

	2018			2017		
	Effective interest rate *(%)*	**Maturity**	*RMB'000*	Effective interest rate (%)	Maturity	*RMB'000*
Current						
Finance lease payables*	**9-11**	**2019**	**193,235**	–	–	–
Other loans – secured**	**8-12**	**2019**	**484,820**	–	–	–
Bank loans – secured	**4-6**	**2019**	**1,164,472**	4-8	2018	814,229
Current portion of non-current loans – secured	**5-6**	**2019**	**597,269**	5-7	2018	961,028
			2,439,796			1,775,257
Non-current						
Finance lease payables*	**9-11**	**2019-2023**	**561,889**	–	–	–
Other loans – secured**	**12**	**2019-2023**	**833,361**	6-8	2019-2022	450,000
Bank loans – secured	**5-6**	**2019-2033**	**4,145,608**	5-7	2019-2027	2,507,133
			5,540,858			2,957,133
			7,980,654			4,732,390

* The finance lease payables with an aggregate amount of RMB755,124,000 at 31 December 2018 (31 December 2017: Nil) bore interest from 9.00% to 10.77% per annum.

** Qingdao park entered into an agreement with an asset management company by pledging of its upcoming revenue during 2019 to 2023.

	31 December 2018 RMB'000	31 December 2017 RMB'000
Analysed into:		
Bank loans repayable:		
Within one year or on demand	**1,761,741**	1,775,257
In the second year	**568,222**	467,763
In the third to fifth years, inclusive	**1,397,597**	626,012
Beyond five years	**2,179,789**	1,413,358
	5,907,349	4,282,390
Other borrowings repayable:		
Within one year or on demand	**678,055**	–
In the second year	**418,691**	427,500
In the third to fifth years, inclusive	**976,559**	22,500
	2,073,305	450,000
	7,980,654	4,732,390

The Group's bank and other borrowings were secured by the pledges of the Group's assets with carrying values at 31 December 2018 and 2017 as follows:

	Note	**31 December 2018** ***RMB'000***	31 December 2017 *RMB'000*
Theme Park's buildings and machineries		**5,601,372**	3,059,722
Investment properties		**1,645,497**	874,562
Prepaid land lease payments		**1,552,602**	1,619,689
Completed properties held for sale		**91,253**	124,766
Properties under development		**–**	43,616
Trade receivables		**85,600**	54,922
Pledged bank balances	*8*	**22,376**	644

Tianjin Park pledged its trade receivables for certain borrowings of RMB482,750,000 granted to the Group at 31 December 2018 (2017: RMB115,012,000). As at 31 December 2018, the related trade receivables amounted to RMB35,815,000 (2017: RMB8,166,000).

Zhengzhou Tourism Development pledged its 100% equity for certain borrowings of RMB90,000,000 granted to the Group at 31 December 2018 (2017: RMB90,000,000).

Wuhan Park pledged its trade receivables for certain borrowings of RMB482,750,000 granted to the Group at 31 December 2018 (2017: RMB148,933,000). As at 31 December 2018, the related trade receivables amounted to RMB14,034,000 (2017: RMB9,116,000).

Chengdu Park pledged its trade receivables for certain borrowings of RMB600,000,000 granted to the Group at 31 December 2018 (2017: RMB98,747,000). As at 31 December 2018, the related trade receivables amounted to RMB35,751,000 (2017: RMB22,106,000).

Qingdao Park pledged its trade receivables for certain borrowings of RMB346,660,000 granted to the Group as at 31 December 2017. As at 31 December 2017, the related trade receivables amounted to RMB15,534,000.

All the Group's borrowings are denominated in RMB.

The bank and other borrowings balances of the Group bear interest at floating rates, except for bank and other borrowings of RMB1,859,654,000 as at 31 December 2018 (2017: RMB1,799,705,000) that bear interest at fixed rates.

MANAGEMENT DISCUSSION AND ANALYSIS

Industry Overview

In 2018, the global economic slowdown and the increased trade tensions exerted pressures on the growth of China's economy. Compared to the same period last year, China's gross domestic product ("GDP") grew by 6.6%. China's total retail sales of consumer goods increased by 9.0% year-on-year and China's consumption expenditures contributed 76.2% to the GDP growth, representing an increase of 18.6% year-on-year, proving that the role of consumption as a main driving force for economic growth has been further consolidated. In particular, the comprehensive contribution of tourism consumption to China's GDP reached 11.04%. Tourism industry has become a key growth driver for the national economy.

Despite the decline in general economic growth, China's domestic tourism revenue and domestic tourist arrivals continued to grow at a steady pace last year. According to the data released by the Ministry of Culture and Tourism, in 2018, China's domestic tourism revenue increased by 12.3% year-on-year to RMB5.13 trillion. The number of domestic tourist arrivals was 5.539 billion, representing a growth of 10.8% as compared to the same of last year. These figures showed that people became more willing to travel. According to the Report on World Tourism Economy Trends (2019), China's spending per domestic tourist accounted for less than one-third of the global average, demonstrating a relatively high potential for growth in the future. With the rise in national income, there has been an increasingly higher expectation on tourism quality. Meanwhile, the young generation has been turning to be a key consumer cluster. The younger tourists in China has driven the shift of the domestic tourism industry from traditionally leisure-focused towards new enhanced forms such as experience- and interaction-focused. Therefore, cultural-innovative, technology-interactive, fashion-aesthetic and other new types of high-quality tourism products have been rolling out in the market. In response to the change, Chinese government formed the Ministry of Culture and Tourism last year, to accelerate deep integration of culture and tourism and to promote the upgrade and reform of tourism products, to meet the increasing demand for tourism consumption. Theme parks have also offered educational-entertaining, technology- and tourism-integrated and city parent-child tours, and therefore have developed rapidly in recent years.

AECOM, a global consulting group, predicted in a report that, China's per capita visit to theme parks would have a huge potential for growth. In view of the positive market prospect, domestic and international enterprises have continued their investment in theme park construction. Currently, there are approximately 50 projects under construction in China. Both local and foreign brands have sprinted into the Chinese market. Domestic theme park enterprises have been getting on par with international market pioneers by emphasising more on intellectual properties (IP) and domestic consumption. The gap between the domestic enterprises and the foreign competitors has narrowed in terms of profitability. On the whole, the theme park industry in China has been going to unleash its growth potential. Industry players will see a golden period of development ahead.

BUSINESS REVIEW

In order to achieve the strategic goal of becoming the "No.1 marine cultural tourism and leisure brand in China", in 2018, the Group consistently implemented its strategic development through three paths, namely to further upgrade the existing projects and develop them into regional tourism destinations; to commence operation of two new projects as scheduled and run them smoothly; and to actively develop the innovative light asset business and speed up in the development of light asset business. During the period under review, the Group focused on the works as below:

The Group focused on the grand opening of the Shanghai Haichang Ocean Park (the "**Shanghai Project**") and the Sanya Haichang Fantasy Town (the "**Sanya Project**"). In order to establish an international brand profile, the Group held a series of over 100 brand promotional activities, over 10 media activities and around 200 cross-brand promotional activities, under which the Group has built an image that the Group's parks are popular destinations on search engines, by word-of-mouth and through key opinion leaders' recommendations. The total annual brand exposures exceeded 1 billion times. In addition, the Group actively expanded and improved its proprietary online digital media matrix. As a result, the Group had more than 60 official accounts with media platforms, with more than 5 million fans. The followers of the news about the opening of the Shanghai Project hit a record high of exceeding 140 million views. The viewers of the live streamed opening events surpassed 50 million. These figures showed that the Group's brand has been becoming more influential and popular. During the year, the Group participated over 20 important industry summits, at which the Group held special exhibitions, delivered keynote speeches, gave forum dialogues and shared industry views. The Group received more than 100 domestic awards, and was ranked as one of the top 20 tourism enterprises for consecutive years.

The Group also actively fulfilled its corporate social responsibility by paying constant attention to animal protection and popular science education and contributing to public welfare activities. During the period, the Group gave free admission to children with autism in the world. It sent out nearly 10,000 parent-child annual passes. The Group also jointly organised the "Blue Dolphin Public Welfare Program" (藍海豚公益計劃) with major brands such as JD.com, and launched a series of popular science experimental activities such as the Little Fish Club (小魚兒俱樂部), the Dr. Marine's Science Class (海博士科普課堂), the Science Research & Study Tour (科普研學之旅). Four city-level research and study bases were certified. The Group delivered talks in more than 100 campuses for 10 millions of students. The Group teamed up with CCTV offering over a hundred of groups of children in poor areas with free park visited. The Group launched the "Aiding Poverty Alleviation Project" (助力扶貧攻堅) with Dalian Charity Federation (大連慈善總會) and constructed four rural primary schools called "Charity Sports Campus" (愛心體育園地). The Group entered into a scenic area support agreement with Yeyuhai Scenic Area of Guizhou for further implementation of corporate social responsibility. The Group took active role in advocating the protection of ecological environment of life, and officially founded the "Shanghai Haichang Marine Life Conversation Public Welfare Fund" (上海海昌海洋生物保育公益基金會) with initial donation of RMB5 million, for conducting joint study, promoting popular science and organising public welfare activities in protection of sea and ecological environment of marine life and animal welfare. The Group set up the National Sea Turtle Conservation and Rescue Research Centre (全國海龜保護與救治研究中心) in Sanya, Hainan Province, to actively initiate research activities for conserving and rescuing sea turtles by taking advantages of its own strengths. The Group assisted China Sea Turtle Conservation Alliance (海龜保護聯盟) to release 10 sea turtles rescued from Tianjin into the sea in the Sea Turtle National Nature Reserve. The Group received the Charity Public Welfare Enterprise Award (愛心公益企業獎) from the Ministry of Agriculture and Rural Affairs for six consecutive years. Moreover, the Group entered into a new cooperation for the appraisal on aquatic and wild life conservation, for facilitating the conservation of aquatic and wild life.

In terms of animal conservation, the Group continued to enhance its skills in conservation of wild life, and put greater effort into conserving endangered species. As at the date of this announcement, the Group bred over 200 large-size rare ocean and polar animals during the period under review. It is worth noting that the Group pioneered the industry in China by breeding green sea turtles. The Group had a wild life conservation technical team consisting over 1,000 members. The parks had a total water volume of approximately 200,000 cubic meters, ranking first among peers in China. During the period, the Group continuously strengthened its supervision, developed regulations and set up a horizontal task force, to solve dozens of difficulties in such areas as environmental transformation, animal welfare, and medical management. These initiatives have improved health and welfare benefits of animals in general. The Group entered into the "Industry-University-Research" strategic cooperation agreement with Shanghai Ocean University, on further research and development and innovation of technology, wild life conservation and promotion of popular science in ecological protection, with a goal to jointly develop a world-class research base for polar marine wild life conservation. The Group also entered into a strategic cooperation agreement for the popular science education in marine culture and marine environmental protection, pursuant to which the parties would commence cooperation in popular science education in marine culture and environmental protection. Further, the Group signed a cooperation agreement for the ex-situ conservation and artificial breeding of finless porpoise in Yangtze River, whereby the parties would commence joint protection and research of rare species in the wild by leveraging on their technical excellence.

Improved business setting nationwide with the grand opening of the two flagship projects

On 16 November 2018, Shanghai Project together with its themed resort hotel officially opened. The Shanghai Project is located at No. 166, Yinfei Road, Pudong New District, Shanghai with a total site area of 297,000 sq.m. and a total gross floor area of 205,000 sq.m.. The Group has committed to develop the Shanghai Project into a world-class marine theme park by leveraging its 20 years of experience. On 20 January 2019, Sanya Project officially opened. Located at No. 168, Coastal Avenue, Haitang District, Sanya City, Hainan Province, the Sanya Project covers a site area of about 232,500 square meters with a gross floor area of about 68,000 square meters. The Sanya Project is positioned as a domestic immersive marine recreation complex which integrates cultural tourism, leisure and vacation, entertainment experience and innovative business. Since getting construction approval from government, the Sanya Project has been listed as a key social investment project in Hainan Province and Sanya City for consecutive years, and has been set to promote Hainan Province to become an "international tourism consumption center". The grand opening of these two flagship projects effectively fill the gap in the Group's geographic coverage by setting in the Yangtze River Delta region and the South China region and improved the Group's business foot-print nationwide. As at the date of this annoucement, the Group has built and is operating a total of ten projects in nine cities in China, further consolidating its leading industry position in the market segment.

Upgraded existing projects and developed them into regional tourism destinations

During the review period, the Group embraced its business management focus of "improving quality, grasping services, promoting innovation and building brand" to actively pursue its strategy of developing the existing projects into regional tourism and leisure destinations. The Group continued to upgrade the existing theme parks and introduce new products. In January 2018, Tianjin Haichang Polar Ocean Park added a new ancient aquarium to improve exploration in marine popular science. In the same month, Wuhan Haichang Polar Ocean Park added a new Marine Mozoo World to create a brand-new marine Mozoo product line and upgrade interactive experience in popular science for children. In May 2018, Chongqing Anping Camping Hotel grandly opened. In October 2018, the Chongqing Hot Spring product was put into operation and the Chongqing Project started to operate on a whole year basis. During the review period, the Group focused on improving the operational quality of its existing projects. To achieve this, the Group strived to systematically enhance the service concept, increase the perceived value for visitors and communicate the corporate value, all of which enabled the Group to be at leading position in the industry in terms of overall satisfaction. The Group also strived to enhance its capability in safety operation, upgrade its safety management systems and improve its safety management mechanism, all of which allowed the Group to be at leading position in the industry in terms of park safety operation. The Group also improved the storyline of core marine shows and quality of threatres, and developed new IP products for park performances. The comprehensive upgrade of all these operational facilities and equipment enabled the Group to keep with the expectation of targeted customers and pamper them with superb visitors' experience. For marketing, the Group deepened the strategic collaboration with online travel agency ("OTA") channels. By fully capitalising on the benefits from resource integration among the platforms, the Group achieved brand exposure, customer attraction through activities and sales integration, and thus recorded a growth in online business by 30%. The Group's self-operated sales platforms has been in full swing, in order to deepen the long term in-depth strategic cooperation with Fliggy.com, JD.com and other quality online platforms. During the start-up period of the Shanghai Project and the Sanya Project, the Group carried out customer attraction activities at its official self-operated sales platforms, the total sales of which hit a record high for the Double 11 Festival and grew by 60% year-on-year, and topped on Fliggy.com and JD.com. The Group further pushed forward the expansion of online sales to boost sales and establish a diversified network of sales channels.

Strongly promoted light-asset innovative metropolitan entertainment and leisure products

During the review period, the Group expanded its light asset business at different locations in China. 11 contracts is relation to development of light asset business were signed, which covered planning and design, construction consulting, operation consulting, brand licensing and other services. The scale and output categories of the business continued to expand. As at the date of this announcement, the Group has commenced 18 projects in 13 PRC cities and has entered into 45 contracts in total, with an aggregate contracted amount of approximately RMB400 million. The projects in operation went smoothly and were well-recognised by customers and the market. The Group continuously enhanced the operation and service quality of the Hengdian Dream Valley project since its commencement of operation two and a half years ago. So far, the ticket price of the project has increased by 10%, while the number of visitors has been increased by 10% each year. Xiangjiang Joy City Haichang Joyful Ocean Park (湘江歡樂城海昌歡樂海洋公園), a leading large-scale outdoor theme park project has entered the design stage. The Nanning Rongsheng Tianhe Marine Joy City joyful Ocean World Project (南寧融晟天河海悦城歡樂海洋世界項目), a leading medium-sized city complex theme park project, opened in August 2018. The project is currently in the stage of operation and management consulting. Suzhou Haichang Midoo Park (蘇州海昌萌寵Park), a small-sized indoor themed-entertainment project, is the Group's first self-invested and self-operated project. It represented the first pilot of the Group about launching indoor leisure and entertainment products in cities. It has played a key role in customer attraction for commercial complexes and outperformed the competitors with its quality operation. As at the date of this annoucement, Dalian Oriental Watertown Moozo Park Project (大連東方水城萌寵樂園項目), Wuhan Moozo Park Project (武漢萌寵樂園項目) and Nantong Moozo Park Project (南通萌寵樂園項目) have entered into the design stage and are going to open successively during the year. With a product portfolio consisting "light, medium and heavy" assets as above mentioned, the Group would be able to further strengthen its market competitiveness and unleash its potential for the growth of business volume.

In respect of the proprietary intellectual property rights ("IP") business, we dug deep into the creation of IP product contents and consistently implemented Haichang's "369" medium-to-long term proprietary IP development strategy, i.e. through three years of market cultivation, six years of rapid expansion and nine years of enhanced development, the Group would gradually establish the Haichang Ocean Culture IP System throughout the process of "incubation-product-promotion-licensing". The Group continued to deepen the application of IP in parks, such as the shops, parade floats, puppet shows, scenic views, visual guides, 4D cinemas, co-branded bank cards and advertisements and promotions in the Shanghai Project and the Sanya Project, in order to provide enhanced cultural experience to visitors. Riding on the opening of the two flagship projects in Shanghai and Sanya, the Group opened two "Seven Guardians" flagship stores and one "Midoo" flagship store, offering more than 400 IP products which all recorded good sales performances. During the review period, as an initiative of promoting the Seven Guardians IP characters outside the parks, the Group displayed them at the China International Licensing Expo 2018 for the first time, which attracted attention of the industry. Also, the meticulously-designed "Shanghai Haichang Ocean Park Fantasy Parade Float" themed with the Seven Guardians performed at the Shanghai Tourism Festival 2018 for the first time, which ranked second among dozens of other parade floats, bringing a stunning visual enjoyment to people and visitors in Shanghai.

Projects under construction ran smoothly

The Group's Zhengzhou Haichang Ocean Park Project (鄭州海昌海洋公園項目) has ran smoothly during the review period. Currently, part of the project has commenced single structural construction work. The project has been listed as a key project in Henan Province. It will be developed into an international marine cultural tourism and resort destination in the Central Plains of the PRC.

Business Outlook

Looking ahead, the Group will activate the new strategic work plan for the next five years. It will continue the improvement and the upgrade of existing projects based on the development model of developing "regional tourism destinations". Under the guidance of "Shanghai project first, and then the rest existing projects", the Group will continue to upgrade its information system. The Group will take the Seven Guardians IP applications as a core driver for an enhanced development of merchandise, beverages and derivative entertainment, and thereby increase its revenue. Also, with the principle of developing and planning for wild life conversation, the Group will provide better training to employees at all levels for the purpose of further strengthening its core competitiveness. The Group will press ahead with the construction of existing projects. The Group will integrate its cross-border resources and creative and innovative capabilities to develop itself as the "China's No. 1 development, operation and service team for creative marine cultural tourism products" and inject new energy for the implementation of the new five-year development strategy, so as to gradually extend the value chain of its brand and build up its brand assets in all spectrums, and maintain its image as a leading international brand with marine cultural characteristics.

Financial review

Revenue

Revenue generated from the Group's park operations segment increased by approximately 7.9% from approximately RMB1,617.2 million in 2017 to approximately RMB1,745.7 million in 2018, primarily due to the increase in revenue from park tickets sales and non-ticket business. Revenue generated from ticket business increased by approximately 7.8% from approximately RMB1,182.7 million in 2017 to approximately RMB1,274.4 million in 2018. Revenue generated from non-ticket business increased by approximately 8.5% from approximately RMB434.5 million in 2017 to approximately RMB471.3 million in 2018.

Revenue generated from the Group's property development segment decreased by approximately 29.5% from approximately RMB63.0 million in 2017 to approximately RMB44.4 million in 2018.

In conclusion, for the year ended 31 December 2018, turnover of the Group increased by approximately 6.5% to approximately RMB1,790.2 million (2017: approximately RMB1,680.2 million).

Cost of Sales

The Group's cost of sales increased by approximately 18.9% from approximately RMB770.6 million in 2017 to approximately RMB916.2 million in 2018, mainly attributable to the increased cost due to opening of the Shanghai Project on 16 November 2018.

Gross Profit

The Group's overall gross profit decreased by approximately 3.9% to approximately RMB873.9 million (2017: approximately RMB909.7 million) and overall gross profit margin declined to approximately 48.8% (2017: approximately 54.1%).

Gross profit of the Group's park operations segment decreased by approximately 1.0% to approximately RMB869.7 million (2017: approximately RMB878.7 million) and gross margin of the Group's park operations segment decreased from approximately 54.3% in 2017 to approximately 49.8% in 2018, primarily due to the higher fixed costs during the start-up period of the Shanghai Project as it was opened on 16 November 2018.

Gross profit of the Group's property development segment decreased by approximately 86.1% to approximately RMB4.3 million (2017: approximately RMB31.0 million). Gross margin of the Group's property sales was approximately 9.6% (2017: approximately 49.2%). The decrease in gross margin of this segment was mainly due to the difference in the types of properties sold.

Other Income and Gains

The Group's other income and gains increased by approximately 169.5% from approximately RMB162.8 million in 2017 to approximately RMB438.8 million in 2018, mainly due to the increase in appraisal value and related subsidies in 2018.

Selling and Marketing Expenses

The Group's selling and marketing expenses increased by approximately 53.5% from approximately RMB142.4 million in 2017 to approximately RMB218.6 million in 2018, primarily attributable to the increase in marketing expenses as a result of the official opening of the Shanghai Project on 16 November 2018, and the commencement of trial operation of the Sanya Project in 28 December 2018. The selling and marketing expenses represented approximately 12.2% of the total revenue (2017: approximately 8.5%).

Administrative Expenses

The Group's administrative expenses increased by approximately 63.4% from approximately RMB367.0 million in 2017 to approximately RMB599.6 million in 2018, mainly due to the increase in preliminary expenses as a result of the opening of the Shanghai Project and the commencement of trial operation of the Sanya Project. The administrative expenses represented approximately 33.5% of the total revenue (2017: approximately 21.8%).

Finance Costs

The Group's finance costs increased by approximately 83.4% from approximately RMB149.1 million in 2017 to approximately RMB273.5 million in 2018, mainly due to the increase in the Group's total bank loans as a result of financing the opening of the Shanghai Project and Sanya. The finance costs represented approximately 15.3% of the total revenue (2017: approximately 8.9%).

Income Tax Expenses

The Group's income tax expenses increased by approximately 34.9% from approximately RMB115.6 million in 2017 to approximately RMB155.9 million in 2018, mainly due to the effect of the Group's deferred income tax in 2018.

Profit for the Year

As a result of the foregoing, the profit of the Group for the year decreased by approximately 86.3% from approximately RMB291.5 million in 2017 to approximately RMB40.0 million in 2018, and the net profit margin decreased from approximately 17.4% in 2017 to approximately 2.2% in 2018. During the same period, the profit attributable to equity holders of the parent decreased by approximately 85.8% from approximately RMB279.8 million in 2017 to approximately RMB39.6 million in 2018, mainly attributable to the one-off preliminary expenses incurred from the opening of the Shanghai Project and the commencement of trial operation of the Sanya Project.

Liquidity and Financial Resources

As at 31 December 2018, the Group had current assets of approximately RMB3,209.4 million (2017: approximately RMB2,407.7 million). The Group had cash and bank deposits of approximately RMB1,921.1 million (2017: approximately RMB1,305.1 million) and its pledged bank balances amounted to approximately RMB22.9 million (2017: approximately RMB1.1 million).

Total equity of the Group as at 31 December 2018 was approximately RMB4,466.8 million (2017: approximately RMB4,422.9 million). The increase in total equity was mainly due to an increase in the profit after tax in 2018. As at 31 December 2018, the total interest-bearing bank and other borrowings of the Group were approximately RMB7,980.7 million (2017: approximately RMB4,732.4 million).

As at 31 December 2018, the Group had a net gearing ratio of approximately 135.7% (as at 31 December 2017: approximately 77.8%). The net liabilities of the Group included interest-bearing bank and other borrowings and amounts due to related companies, less cash and cash equivalents and amounts due from related companies. The increase in net gearing ratio as of 31 December 2018 was mainly due to the increase in principal amount of loans in 2018.

As indicated by the above figures, 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 obtain additional financing with favourable terms.

Capital Structure

The share capital of the Company comprised only ordinary shares for the year ended 31 December 2018.

Contingent Liabilities

	31 December 2018 *RMB'000*	31 December 2017 *RMB'000*
Guarantees in respect of mortgage facilities granted to the purchasers of the Group's properties*	**10,895**	15,423

* 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 mortgage loan and ends after the execution of the purchaser's collateral agreement.

The Group did not incur any material losses during the year ended 31 December 2018 (2017: Nil) 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 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.

Capital Commitments

For the year ended 31 December 2018, the Group had capital commitments of approximately RMB581.0 million (2017: RMB1,205.4 million), which shall be funded through a variety of means, including cash generated from operations, bank financing etc..

Staff Policy

The Group had approximately 5,049 full-time employees (2017: 2,990 full-time employees) as at 31 December 2018. 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.

Purchase, Sale or Redemption of Listed Securities of the Company

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 2018.

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 of the Company.

Corporate Governance

The Group is committed to maintaining high standards of corporate governance to safeguard the interests of shareholders of the Company and to enhance corporate value and accountability. The Company has adopted the Corporate Governance Code (the "**CG 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.

The Company has been in compliance with the code provisions of the CG Code during the year under review except as disclosed below.

Under code provision A.6.7 of the CG Code, all non-executive Directors are recommended to attend general meetings of the Company. All non-executive Directors (including the independent non-executive Directors) were absent from the annual general meeting of the Company held on 16 May 2018 (the "**AGM**") due to pre-arranged business commitments.

Under code provision E.1.2 of the CG 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, as the duly appointed delegate of the 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 for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules (the "**Model Code**") 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 year ended 31 December 2018.

Audit Committee

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

The Audit Committee has reviewed and discussed the annual results for the year ended 31 December 2018.

The figures in respect of the Group's consolidated statement of profit or loss, consolidated statement of comprehensive income and consolidated statement of financial position and the related notes thereto for the year ended 31 December 2018 as set out in this announcement have been agreed by the Company's auditors to the amounts set out in the Group's consolidated financial statements for the year. The work performed by the Company's auditors in this respect did not constitute an assurance engagement in accordance with International Standards on Auditing, International Standards on Review Engagements or International Standards on Assurance Engagements issued by the International Auditing and Assurance Standards Board and consequently no assurance has been expressed by the Company's auditors on this announcement.

Dividend

The Board did not recommend payment of any dividend for the year ended 31 December 2018.

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 annual results announcement of the Company for the year ended 31 December 2018 is published on the website of the Stock Exchange at www.hkexnews.hk and the website of the Company at www.haichangoceanpark.com. The Annual Report 2018 will be dispatched to shareholders of the Company and published on the websites of the Stock Exchange and the Company in due course.

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.

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, 26 March 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.