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 2020

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 2020, together with the comparative figures for 2019.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 December 2020

	Notes	2020 RMB'000	2019 RMB'000
REVENUE	4	**1,168,222**	2,801,980
Cost of sales		**(1,297,477)**	(1,516,587)
Gross (loss)/profit		**(129,255)**	1,285,393
Other income and gains	4	**251,700**	263,392
Selling and marketing expenses		**(168,957)**	(298,046)
Administrative expenses		**(676,160)**	(524,110)
Impairment losses on financial and contract assets, net		**(23,769)**	(10,059)
Other expenses		**(173,720)**	(7,996)
Finance costs	5	**(598,725)**	(533,593)
Share of profit of an associate		**1,361**	368
(LOSS)/PROFIT BEFORE TAX		**(1,517,525)**	175,349
Income tax credit/(expense)	6	**39,071**	(144,156)
(LOSS)/PROFIT FOR THE YEAR		**(1,478,454)**	31,193
Attributable to:			
Owners of the parent		**(1,451,637)**	25,080
Non-controlling interests		**(26,817)**	6,113
		(1,478,454)	31,193
(LOSS)/EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	7		
Basic and diluted			
– For (loss)/profit for the year (RMB cents)		**(36.29)**	0.63

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
Year ended 31 December 2020

	2020 RMB'000	2019 RMB'000
(LOSS)/PROFIT FOR THE YEAR	**(1,478,454)**	31,193
OTHER COMPREHENSIVE (LOSS)/INCOME		
Other comprehensive loss that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	**197,811**	(48,851)
Net other comprehensive loss that may be reclassified to profit or loss in subsequent periods	**197,811**	(48,851)
Other comprehensive income that will not be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	**(197,713)**	49,066
Net other comprehensive income that will not be reclassified to profit or loss in subsequent periods	**(197,713)**	49,066
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX	**98**	215
TOTAL COMPREHENSIVE (LOSS)/INCOME FOR THE YEAR	**(1,478,356)**	31,408
Attributable to:		
Owners of the parent	**(1,451,539)**	25,295
Non-controlling interests	**(26,817)**	6,113
	(1,478,356)	31,408

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
31 December 2020

	Notes	2020 RMB'000	2019 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment		**7,269,824**	7,842,445
Investment properties		**2,491,400**	2,585,900
Right-of-use assets		**1,699,295**	1,746,690
Intangible assets		**14,857**	17,341
Investment in an associate		**80,839**	79,478
Financial assets at fair value through profit or loss		**141,020**	136,120
Deferred tax assets		**36,121**	18,749
Long-term prepayments and deposits		**452,103**	521,704
Properties under development		**465,470**	465,470
Total non-current assets		**12,650,929**	13,413,897
CURRENT ASSETS			
Completed properties held for sale		**82,788**	102,898
Properties under development		**316,427**	234,438
Inventories		**36,400**	46,477
Trade receivables	8	**167,026**	212,684
Contract assets		**237**	3,096
Prepayments and other receivables		**597,932**	272,150
Tax recoverables		**55,732**	37,190
Financial assets at fair value through profit or loss		**200**	200
Due from related companies		**39,710**	34,235
Pledged deposits	9	**63,997**	29,418
Cash and cash equivalents	9	**2,408,110**	2,484,468
Total current assets		**3,768,559**	3,457,254
CURRENT LIABILITIES			
Trade payables	10	**992,657**	810,268
Other payables and accruals		**1,362,509**	916,884
Due to related companies		**7,774**	14,687
Advances from customers		**19,651**	6,088
Interest-bearing bank and other borrowings	11	**2,769,547**	2,471,365
Lease liabilities	11	**12,624**	14,728
Government grants		**97,268**	77,597
Deferred revenue		**67**	215
Tax payable	6	**219,660**	226,578
Total current liabilities		**5,481,757**	4,538,410
NET CURRENT LIABILITIES		**(1,713,198)**	(1,081,156)
TOTAL ASSETS LESS CURRENT LIABILITIES		**10,937,731**	12,332,741

	Notes	2020 RMB'000	2019 RMB'000
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	*11*	**6,426,162**	6,035,532
Lease liabilities	*11*	**41,113**	48,648
Long-term payables	*10*	**383,991**	621,316
Government grants		**838,366**	863,440
Deferred revenue		**775**	1,194
Deferred tax liabilities		**246,999**	283,930
Total non-current liabilities		**7,937,406**	7,854,060
Net assets		**3,000,325**	4,478,681
Equity attributable to owners of the parent			
Share capital		**2,451**	2,451
Reserves		**2,923,704**	4,375,243
		2,926,155	4,377,694
Non-controlling interests		**74,170**	100,987
Total equity		**3,000,325**	4,478,681

NOTES TO FINANCIAL STATEMENTS
31 December 2020

1. CORPORATE AND GROUP INFORMATION

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

During the year, the Group was involved in the following principal activities in the People's Republic of China (the "PRC"):

- development, construction and operation of theme parks
- property development
- investment
- hotel operations
- provision of consultancy and management services

In the opinion of the Directors, the holding company and the ultimate holding company of the Company is Haichang Group Limited, which is incorporated in the British Virgin Islands (the "BVI").

2.1 BASIS OF PRESENTATION

As at 31 December 2020, the Group had net current liabilities of RMB1,713,198,000. Affected by the novel coronavirus ("COVID-19"), the Group incurred a net loss of RMB1,478,454,000 during the year. The Directors consider that the Group has taken various measures and will have adequate funds available to enable it to operate as a going concern, taking into account the past operating performance of the Group and the following:

(a) All the Group's parks have gradually returned to normal operation as 2019 and revenue will be gradually restored;

(b) Up to the date of this announcement, the Group had unused bank and credit facilities of a total amount of RMB1,424,523,000, of which RMB498,000,000 was granted by a related company subsequent to 31 December 2021;

(c) Subsequent to 31 December 2020, the Group has been granted extended credit terms by certain of the Group's suppliers and service providers for RMB10,441,000 for repayment of trade payables and other payables to be due after 31 December 2021;

(d) Subsequent to 31 December 2020, the Group has been granted an extended repayment period for loans of RMB432,500,000 by a bank and financial institutions to be due after 31 December 2021;

(e) Subsequent to 31 December 2020, the Group has been granted other loans of RMB502,000,000 from a related company;

(f) Subsequent to 31 December 2020, the Group expects to be granted a subsidy for an amount of RMB126,500,000 as agreed by the local government before 31 December 2021 to support the Group's park operations;

(g) The Group continues to monitor capital expenditure to balance and relieve cash resource to support park operations;

(h) The Group continues to take action to tighten cost controls over various operating expenses and is actively seeking new investment and business opportunities with an aim to attaining profitable and positive cash flow operations.

The Directors have reviewed the Group's cash flow forecast covering a period of twelve months from the end of the reporting period. They are of the opinion that, taking into account the above-mentioned plans and measures, the Group will have sufficient working capital to finance its operations and meet its financial obligations as and when they fall due in the foreseeable future. Accordingly, the Directors believe it is appropriate to prepare the consolidated financial statements of the Group for the year ended 31 December 2020 on a going concern basis.

Should the going concern assumption be inappropriate due to the impact from the continuity of COVID-19, inadequate financial and operating supports from the Group's financial institutions, suppliers and local government, and a related company, adjustments may have to be made to write down the values of assets to their recoverable amounts, to provide for any further liabilities that might arise, and to reclassify non-current assets and non-current liabilities as current assets and current liabilities, respectively. The effects of these adjustments have not been reflected in the consolidated financial statements.

2.2 BASIS OF PREPARATION

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs") (which include all International Financial Reporting Standards, International Accounting Standards ("IASs") and Interpretations) issued 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 Group for the year ended 31 December 2020. 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.

2.3 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the Conceptual Framework for Financial Reporting 2018 and the following revised IFRSs for the first time for the current year's financial statements.

Amendments to IFRS 3	*Definition of a Business*
Amendments to IFRS 9, IAS 39 and IFRS 7	*Interest Rate Benchmark Reform*
Amendment to IFRS 16	*Covid-19-Related Rent Concessions (early adopted)*
Amendments to IAS 1 and IAS 8	*Definition of Material*

The nature and the impact of the Conceptual Framework for Financial Reporting 2018 and the revised IFRSs are described below:

(a) *Conceptual Framework for Financial Reporting 2018* (the "Conceptual Framework") sets out a comprehensive set of concepts for financial reporting and standard setting, and provides guidance for preparers of financial statements in developing consistent accounting policies and assistance to all parties to understand and interpret the standards. The Conceptual Framework includes new chapters on measurement and reporting financial performance, new guidance on the derecognition of assets and liabilities, and updated definitions and recognition criteria for assets and liabilities. It also clarifies the roles of stewardship, prudence and measurement uncertainty in financial reporting. The Conceptual Framework is not a standard, and none of the concepts contained therein override the concepts or requirements in any standard. The Conceptual Framework did not have any significant impact on the financial position and performance of the Group.

(b) Amendments to IFRS 3 clarify and provide additional guidance on the definition of a business. The amendments clarify that for an integrated set of activities and assets to be considered a business, it must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. A business can exist without including all of the inputs and processes needed to create outputs. The amendments remove the assessment of whether market participants are capable of acquiring the business and continue to produce outputs. Instead, the focus is on whether acquired inputs and acquired substantive processes together significantly contribute to the ability to create outputs. The amendments have also narrowed the definition of outputs to focus on goods or services provided to customers, investment income or other income from ordinary activities. Furthermore, the amendments provide guidance to assess whether an acquired process is substantive and introduce an optional fair value concentration test to permit a simplified assessment of whether an acquired set of activities and assets is not a business. The Group has applied the amendments prospectively to transactions or other events that occurred on or after 1 January 2020. The amendments did not have any impact on the financial position and performance of the Group.

(c) Amendments to IFRS 9, IAS 39 and IFRS 7 address issues affecting financial reporting in the period before the replacement of an existing interest rate benchmark with an alternative risk-free rate ("RFR"). The amendments provide temporary reliefs which enable hedge accounting to continue during the period of uncertainty before the introduction of the alternative RFR. In addition, the amendments require companies to provide additional information to investors about their hedging relationships which are directly affected by these uncertainties. The amendments did not have any impact on the financial position and performance of the Group as the Group does not have any interest rate hedging relationships.

(d) Amendment to IFRS 16 provides a practical expedient for lessees to elect not to apply lease modification accounting for rent concessions arising as a direct consequence of the COVID-19 pandemic. The practical expedient applies only to rent concessions occurring as a direct consequence of the pandemic and only if (i) the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change; (ii) any reduction in lease payments affects only payments originally due on or before 30 June 2021; and (iii) there is no substantive change to other terms and conditions of the lease. The amendment is effective for annual periods beginning on or after 1 June 2020 with earlier application permitted and shall be applied retrospectively.

During the year ended 31 December 2020, certain monthly lease payments for the leases of the Group's plant and machinery have been reduced or waived by the lessors upon reducing the scale of production as a result of the pandemic and there are no other changes to the terms of the leases. The Group has early adopted the amendment on 1 January 2020 and elected not to apply lease modification accounting for all rent concessions granted by the lessors as a result of the pandemic during the year ended 31 December 2020. Accordingly, a reduction in the lease payments arising from the rent concessions of RMB2,542,000 has been accounted for as a variable lease payment by derecognising part of the lease liabilities and crediting to profit or loss for the year ended 31 December 2020.

(e) Amendments to IAS 1 and IAS 8 provide a new definition of material. The new definition states that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The amendments clarify that materiality will depend on the nature or magnitude of information, or both. The amendments did not have any significant impact on the financial position and performance of the Group.

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 the theme 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/loss before tax.

Segment assets exclude intangible assets, financial assets at fair value through profit or loss, 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 2020

	Park operations *RMB'000*	Property development *RMB'000*	Total *RMB'000*
Segment revenue *(note 4)*			
Sales to external customers and total revenue	**1,168,222**	**–**	**1,168,222**
Revenue			**1,168,222**
Segment results	**(129,255)**	**–**	**(129,255)**
Reconciliation			
Unallocated income and gains			**251,700**
Unallocated expenses			**(1,042,606)**
Share of profit of an associate	**1,361**	**–**	**1,361**
Finance costs			**(598,725)**
Loss before tax			**(1,517,525)**

31 December 2020

	Park operations *RMB'000*	Property development *RMB'000*	Total *RMB'000*
Segment assets	**11,967,125**	**864,685**	**12,831,810**
Reconciliation:			
Corporate and other unallocated assets			**3,587,678**
Total assets			**16,419,488**
Segment liabilities	**–**	**–**	**–**
Reconciliation:			
Corporate and other unallocated liabilities			**13,419,163**
Total liabilities			**13,419,163**
Other segment information			
Share of profit of an associate	**1,361**	**–**	**1,361**
Impairment losses recognised in the statement of profit or loss, net	**254,925**	**–**	**254,925**
Depreciation and amortisation			
Unallocated			**4,135**
Segment	**496,508**	**–**	**496,508**
Investment in an associate	**80,839**	**–**	**80,839**
Capital expenditure*			
Unallocated			**1,651**
Segment	**218,121**	**–**	**218,121**

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

Year ended 31 December 2019

	Park operations *RMB'000*	Property development *RMB'000*	Total *RMB'000*
Segment revenue *(note 4)*			
Sales to external customers and total revenue	2,801,980	–	2,801,980
Revenue			2,801,980
Segment results	1,285,393	–	1,285,393
Reconciliation			
Unallocated income and gains			263,392
Unallocated expenses			(840,211)
Share of profit of an associate	368	–	368
Finance costs			(533,593)
Profit before tax			175,349

31 December 2019

	Park operations *RMB'000*	Property development *RMB'000*	Total *RMB'000*
Segment assets	12,760,944	804,163	13,565,107
Reconciliation:			
Corporate and other unallocated assets			3,306,044
Total assets			16,871,151
Segment liabilities	–	–	–
Reconciliation:			
Corporate and other unallocated liabilities			12,392,470
Total liabilities			12,392,470
Other segment information			
Share of profit of an associate	368	–	368
Impairment losses recognised in the statement of profit or loss, net	9,861	–	9,861
Depreciation and amortisation			
Unallocated			4,035
Segment	498,037	–	498,037
Investment in an associate	79,478	–	79,478
Capital expenditure*			
Unallocated			11,132
Segment	643,544	–	643,544

* Capital expenditure consists of additions to property, plant and equipment, investment properties, intangible assets, right-of-use assets 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 2020.

4. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue is as follows:

	2020	2019
	RMB'000	*RMB'000*
Revenue from contracts with customers	**1,082,315**	2,691,615
Revenue from other sources		
Gross rental income from investment property operating leases:		
Variable lease payments that do not depend on an index or a rate	**320**	469
Other lease payments, including fixed payments	**85,587**	109,896
	85,907	110,365
	1,168,222	2,801,980

Revenue from contracts with customers

(i) Disaggregated revenue information

For the year ended 31 December 2020

Segments	**Park operations**	**Property development**	**Total**
	RMB'000	***RMB'000***	***RMB'000***
Types of goods or services			
Tickets sales	**635,264**	**–**	**635,264**
Food and beverage sales	**163,071**	**–**	**163,071**
Sale of merchandise	**58,570**	**–**	**58,570**
In-park recreation income	**99,721**	**–**	**99,721**
Income from hotel operations	**92,180**	**–**	**92,180**
Consultancy, management and recreation income	**33,509**	**–**	**33,509**
Total revenue from contracts with customers	**1,082,315**	**–**	**1,082,315**
Geographical market			
Mainland China	**1,082,315**	**–**	**1,082,315**
Timing of revenue recognition			
Goods transferred at a point in time	**223,890**	**–**	**223,890**
Services transferred over time	**858,425**	**–**	**858,425**
Total revenue from contracts with customers	**1,082,315**	**–**	**1,082,315**

For the year ended 31 December 2019

Segments	Park operations *RMB'000*	Property development *RMB'000*	Total *RMB'000*
Types of goods or services			
Tickets sales	1,940,907	–	1,940,907
Food and beverage sales	304,633	–	304,633
Sale of merchandise	120,542	–	120,542
In-park recreation income	147,866	–	147,866
Income from hotel operations	104,549	–	104,549
Consultancy, management and recreation income	73,118	–	73,118
Total revenue from contracts with customers	2,691,615	–	2,691,615
Geographical market			
Mainland China	2,691,615	–	2,691,615
Timing of revenue recognition			
Goods transferred at a point in time	438,202	–	438,202
Services transferred over time	2,253,413	–	2,253,413
Total revenue from contracts with customers	2,691,615	–	2,691,615

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:

	2020 ***RMB'000***	2019 *RMB'000*
Revenue recognised that was included in contract liabilities at the beginning of the reporting period:		
Tickets sales	**92,198**	55,254
Income from hotel operations	**182**	362
Consultancy, management and recreation income	**3,546**	2,990
	95,926	58,606

(ii) Performance obligations

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

Property sales

The performance obligation is satisfied upon obtaining 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, and are billed based on the milestone according to contract terms.

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

	2020 ***RMB'000***	2019 *RMB'000*
Amounts expected to be recognised as revenue:		
Within one year	**757,136**	526,651

All the other amounts of transaction prices allocated to the remaining performance obligations are expected to be recognised as revenue within one year. The amounts disclosed above do not include variable consideration which is constrained.

	2020	2019
	RMB'000	*RMB'000*
Other income		
Government grants	**221,955**	99,083
Interest income	**10,218**	9,302
Income from insurance claims	**11,257**	18,481
Dividend income	**–**	13,735
Others	**7,704**	9,167
	251,134	149,768
Gains		
Fair value gain on investment properties	**–**	75,910
Gain on modifications of financial liabilities that do not result in derecognition	**566**	37,714
	566	113,624
	251,700	263,392

5. FINANCE COSTS

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

	2020	2019
	RMB'000	*RMB'000*
Interest on bank loans and other loans	**581,585**	540,313
Interest on lease liabilities	**3,375**	4,167
Total interest expenses on financial liabilities not at fair value through profit or loss	**584,960**	544,480
Less: Interest capitalised	**(2,498)**	(10,887)
	582,462	533,593
Other finance costs:		
Increase in discounted amounts of financial liabilities arising from the passage of time	**16,263**	–
	598,725	533,593

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 2020 (31 December 2019: 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:

	2020	2019
	RMB'000	*RMB'000*
Current – Mainland China:		
Charge for the year	**15,232**	106,758
LAT	**–**	(7,941)
	15,232	98,817
Deferred tax	**(54,303)**	45,339
Total tax charge for the year	**(39,071)**	144,156

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:

	2020	2019
	RMB'000	*RMB'000*
(Loss)/profit before tax	**(1,517,525)**	175,349
Tax at the statutory income tax rate	**(379,381)**	43,838
Tax losses not recognised	**357,437**	92,660
Income not subject to tax	**(8,484)**	(3,440)
Effect of withholding tax on the distributable profits of the Group's PRC subsidiaries	**(16,618)**	16,112
Expenses not deductible for tax	**8,271**	5,594
Tax losses utilised from prior years	**(296)**	(4,652)
	(39,071)	150,112
Reversal of provision for LAT	**–**	(7,941)
Tax effect on LAT	**–**	1,985
Tax (credit)/charge for the year at the effective rate	**(39,071)**	144,156

Tax payables in the consolidated statement of financial position represent:

	31 December 2020 *RMB'000*	31 December 2019 *RMB'000*
PRC corporate income tax	**196,464**	203,329
LAT	**23,196**	23,249
	219,660	226,578

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

The calculation of the basic (loss)/earnings per share amount is based on the (loss)/profit attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 4,000,000,000 (2019: 4,000,000,000) in issue during the year.

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

	2020 *RMB'000*	2019 *RMB'000*
(Loss)/earnings		
(Loss)/Profit attributable to ordinary equity holders of the parent, used in the basic (loss)/earnings per share calculation	**(1,451,637)**	25,080

	Number of ordinary shares 2020	2019
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic (loss)/earnings per share calculation	**4,000,000,000**	4,000,000,000

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

8. TRADE RECEIVABLES

	31 December 2020 *RMB'000*	31 December 2019 *RMB'000*
Trade receivables	**257,430**	277,705
Less: Provision for doubtful debts	**(90,404)**	(65,021)
	167,026	212,684

The Group's trading terms with its institutional customers and lessees are mainly on credit. The credit period is generally one month, extending up to three months for major customers. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables and has a credit control department to minimise credit risk. Overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. Trade receivables are non-interest-bearing.

The Group had pledged trade receivables of approximately RMB231,409,000 (2019: RMB63,067,000) to secure certain bank loans granted to the Group at 31 December 2020 (note 11).

An ageing analysis of the trade receivables as at the end of the reporting period, based on the invoice date, net of loss allowance, is as follows:

	31 December 2020 *RMB'000*	31 December 2019 *RMB'000*
Within 90 days	**59,923**	132,811
Over 90 days and within one year	**32,119**	31,350
Over one year	**74,984**	48,523
	167,026	212,684

The movements in the loss allowance for impairment of trade receivables are as follows:

	31 December 2020 *RMB'000*	31 December 2019 *RMB'000*
At beginning of year	**65,021**	59,301
Impairment losses, net	**25,394**	14,110
Amount written off as uncollectible	**(11)**	(8,390)
At end of year	**90,404**	65,021

The increase (2019: increase) in the loss allowance was due to the following significant changes in the gross carrying amount:

(i) Increase in the loss allowance of RMB25,394,000 as a result of an increase in trade receivables which were past due for over 1 year (2019: increase in the loss allowance of RMB14,110,000 as a result of an increase in trade receivables which were past due for over 1 year); and

(ii) Decrease in the loss allowance of RMB11,000 (2019: RMB8,390,000) as a result of the write-off of certain trade receivables.

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on ageing for groupings of various customer segments with similar loss patterns (i.e., by customer type). The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions.

Set out below is the information about the credit risk exposure on the Group's trade receivables using a provision matrix:

As at 31 December 2020

		Ageing		
	Within 90 days	**Over 90 days and within one year**	**Over one year**	**Total**
Expected credit loss rate	**6.77%**	**26.56%**	**49.82%**	**35.12%**
Gross carrying amount *(RMB'000)*	**64,275**	**43,737**	**149,418**	**257,430**
Expected credit losses *(RMB'000)*	**4,352**	**11,618**	**74,434**	**90,404**

As at 31 December 2019

		Ageing		
	Within 90 days	Over 90 days and within one year	Over one year	Total
Expected credit loss rate	3.60%	26.33%	50.17%	23.41%
Gross carrying amount *(RMB'000)*	137,774	42,552	97,379	277,705
Expected credit losses *(RMB'000)*	4,963	11,202	48,856	65,021

9. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

	31 December 2020 *RMB'000*	31 December 2019 *RMB'000*
Cash and bank balances	**2,472,107**	2,513,886
Less: Pledged for interest-bearing bank loans *(note 11)*	**(63,997)**	(28,909)
Pledged for mortgage loans of purchasers	**–**	(509)
	(63,997)	(29,418)
Unpledged cash and cash equivalents	**2,408,110**	2,484,468
Less: Restricted cash and bank balances*	**(62,618)**	(53,918)
Unpledged and unrestricted cash and cash equivalents	**2,345,492**	2,430,550

* 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 RMB2,469,749,000 (31 December 2019: RMB2,508,624,000). 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.

10. TRADE PAYABLES

	31 December 2020 *RMB'000*	31 December 2019 *RMB'000*
Within one year	**617,304**	440,771
Over one year	**755,903**	987,372
	1,373,207	1,428,143
Less: non-current portion	**(380,550)**	(617,875)
Current portion	**992,657**	810,268

The trade payables are interest-free and normally settled on terms of 30 to 180 days other than those suppliers agreeing to extend the credit period for more than one year.

The fair values of trade payables approximate to their carrying amounts.

11. INTEREST-BEARING BANK AND OTHER BORROWINGS AND LEASE LIABILITIES

	31 December 2020			31 December 2019		
	Effective interest rate (%)	**Maturity**	***RMB'000***	Effective interest rate (%)	Maturity	*RMB'000*
Current						
Other loans – secured*	**7-13**	**2021**	**779,835**	7-13	2020	508,346
Bank loans – secured	**4-7**	**2021**	**1,069,500**	4-7	2020	1,128,600
Current portion of non-current bank loans – secured	**4-8**	**2021**	**920,212**	5-6	2020	834,419
Subtotal of interest-bearing bank and other borrowings			**2,769,547**			2,471,365
Lease liabilities	**6**	**2021**	**12,624**	6	2020	14,728
			2,782,171			2,486,093
Non-current						
Other loans – secured*	**7-13**	**2022-2025**	**1,199,560**	7-13	2020-2023	1,249,409
Bank loans – secured	**4-8**	**2022-2033**	**5,226,602**	5-6	2020-2023	4,786,123
Subtotal of interest-bearing bank and other borrowings			**6,426,162**			**6,035,532**
Lease liabilities	**6**	**2022-2027**	**41,113**	6	2021-2027	48,648
			6,467,275			**6,084,180**
			9,249,446			**8,570,273**

* The Group entered into certain sale and leaseback agreements on its certain property, plant and equipment and investment properties. These agreements were in substance accounted for as financing arrangements to obtain secured loans with an aggregate amount of RMB585,971,000 at 31 December 2020 (31 December 2019: RMB604,498,000). The carrying value of the Group's underlying assets at 31 December 2020 under the aforesaid arrangements was RMB694,263,000 (31 December 2019: RMB815,780,000).

Qingdao Park, a subsidiary of the Company, entered into an agreement with an asset management company by pledging its upcoming revenue during 2019 to 2023 for certain borrowings of RMB648,173,000 granted to the Group at 31 December 2020 (31 December 2019: RMB783,956,000).

Dalian Tourism, a subsidiary of the Company, entered into agreements with financial institutions by pledging its 58.3% equity in LHT for certain borrowings of RMB366,343,000 granted to the Group at 31 December 2020 (31 December 2019: RMB369,300,000).

Haichang China, a subsidiary of the Company, entered into agreements with a financial institution by pledging buildings of Tianjin Park for certain borrowings of RMB310,000,000 granted to the Group at 31 December 2020 (31 December 2019: Nil).

Shanghai Tourism, a subsidiary of the Company, issued non-public corporate bonds upon the Company providing a guarantee for certain borrowings of RMB68,908,000 at 31 December 2020 (31 December 2019: Nil).

	31 December 2020 RMB'000	31 December 2019 RMB'000
Analysed into:		
Bank loans repayable:		
Within one year or on demand	**1,989,712**	1,963,019
In the second year	**1,261,346**	519,183
In the third to fifth years, inclusive	**1,753,903**	1,792,385
Beyond five years	**2,211,353**	2,474,555
	7,216,314	6,749,142
Other borrowings repayable:		
Within one year or on demand	**779,835**	508,346
In the second year	**803,634**	581,400
In the third to fifth years, inclusive	**395,926**	668,009
	1,979,395	1,757,755
Lease liabilities:		
Within one year or on demand	**12,624**	14,728
In the second year	**12,983**	15,368
In the third to fifth years, inclusive	**25,206**	29,364
Beyond five years	**2,924**	3,916
	53,737	63,376
	9,249,446	8,570,273

The Group's bank and other loans were secured by the pledges of the Group's assets with carrying values at 31 December 2020 and 2019 as follows:

	Note	31 December 2020 RMB'000	31 December 2019 RMB'000
Theme park's buildings and machineries		**3,100,105**	4,968,963
Right-of-use assets		**918,387**	972,023
Investment properties		**2,158,977**	2,026,423
Completed properties held for sale		**102,898**	102,898
Trade receivables	*8*	**231,409**	63,067
Pledged bank balances	*9*	**63,997**	28,909

Dalian Tourism pledged its 100% equity in Chongqing Caribbean for certain borrowings of RMB150,000,000 granted to the Group at 31 December 2020 (31 December 2019: RMB150,000,000).

大連海昌集團有限公司(“Dalian Haichang Group”), a related company, provided guarantees for certain borrowings of RMB1,132,711,000 granted to the Group at 31 December 2020 (31 December 2019: RMB1,090,307,000).

曲乃杰(“Mr. Qu”, non-executive director of the Company), 程春萍(“Ms. Cheng”, spouse of Mr. Qu), 曲程 (“Mr. Qu Cheng”, executive director of the Company) or 楊迪(“Ms. Yang”, spouse of Mr. Qu Cheng) provided personal guarantees for certain borrowings of RMB4,469,016,000 granted to the Group at 31 December 2020 (31 December 2019: RMB2,421,351,000).

All the Group’s borrowings are denominated in RMB.

The bank and other borrowings of the Group bear interest at floating rates, except for bank and other borrowings of RMB6,143,066,000 as at 31 December 2020 (2019: RMB2,445,325,000) that bear interest at fixed rates.

11. EVENTS AFTER THE REPORTING PERIOD

Saved as disclosed elsewhere in the financial statements, the Group has the following subsequent events.

Haichang China Investment (an indirect wholly-owned subsidiary of the Company) and 上海港城開發（集團）有限公司(“Harbour City Group”) succeeded in a bid as a consortium over the land use rights of a parcel of land in Shanghai, the PRC, on 22 January 2021 for a consideration of RMB366,860,000. The parcel of land will be used for development of an auxiliary ocean-themed cultural, recreational and commercial street complex. The land use right contract was entered into between the aforesaid consortium and the relevant government bureau on 26 January 2021.

EXTRACT OF INDEPENDENT AUDITOR’S REPORT

The following is an extract of the independent auditor’s report on the Group’s annual financial statements for the year ended 31 December 2020:

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2020, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with IFRSs issued by the IASB and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Material uncertainty related to going concern

We draw attention to note 2.1 to the consolidated financial statements which indicates that the Group had net current liabilities of approximate RMB1,713,198,000. These conditions, along with other matters as set forth in note 2.1, indicate the existence of a material uncertainty which may cast significant doubt on the Group’s ability to continue as a going concern. Our opinion is not modified in respect of this matter.

MANAGEMENT DISCUSSION AND ANALYSIS

Industry Overview

2020 was an extraordinary year. The outbreak of COVID-19 pandemic since the beginning of the year has dealt a heavy blow to the global economy and people's livelihood. However, China has managed to avoid a prolonged economic recession thanks to the government's prompt response by decisively implementing effective prevention and control measures. According to the data of National Bureau of Statistics of China, on a year-on-year basis, China's gross domestic product (GDP) declined by 6.8% in the first quarter of 2020, but has started to recover since the second quarter at a growth rate of 3.2%. The economy sustained the recovery momentum in the third and fourth quarters with a year-on-year GDP growth of 4.9% and 6.5%, respectively. In summary, China's GDP in 2020 hit a record high of over RMB100 trillion and realised a growth of 2.3% over the previous year, making China the only major country to achieve a positive economic growth. The per capita disposable income of Chinese households was RMB32,189 in 2020, representing a nominal increase of 4.7% or, excluding the price factor, an actual growth of 2.1% when compared with that of previous year. With the pandemic easing and the further implementation of various measures by the central and local governments, market players sped up reopening of offices and plants, which led to the resumption of growth in household income and in turn, the steady release of consumption demand of residents in China.

Over the past year, pandemic prevention became commonplace in people's daily lives. Tourism was one of the industries being hit the hardest. According to the data published by the World Tourism Organization, the international tourism industry lost USD1.3 trillion in revenues in 2020, which was "the worst year in tourism history". For the whole of 2020, the number of international tourists decreased by approximately 1.1 billion or at a percentage between 70% to 75%, with export revenues from tourism of USD1.1 trillion lost.

China's tourism industry suffered from a standstill in the first quarter of 2020 due to the pandemic outbreak. With the concerted effort of all Chinese people to fight against the pandemic, the situation was effectively controlled in China and the tourism industry saw a gradual recovery in the second quarter of 2020. As the pandemic persisted and the corresponding control measures remained in force, group activities such as group tours were still limited. Inspite of this, demand for tourism consumption continued to improve, as reflected by the incremental recovery of both tourism revenues and tourist trips. China had 2.879 billion domestic tourist trips in 2020, representing a decrease of 3.022 billion or 52.1% compared with the last year. Yet, such decrease was lower than the global average. During the Ching Ming Festival, the Labour Day, the Tuen Ng Festival and the National Day with Mid-Autumn Festival holidays, the domestic tourist trips recovered to 38.6%, 59.0%, 50.9% and 79.0% year-on-year, respectively, and the per capita spending of domestic tourists during the above four holidays recovered to 44.7%, 40.4%, 31.2% and 69.9% year-on-year, respectively which demonstrated an obvious recovery. Against the background of suspended group tours and crossing boundary schools in some cities, these figures implied that tourism consumption has been fundamentally restored. Alongside with the growth in China's gross national income and per capita disposable income of households, coupled with the further effective control of the pandemic, it is expected that the tourism industry will sustain recovery and the upgrade of consumption structure will further promote the development of cultural tourism industry.

In light of the continued spread of COVID-19 overseas, domestic tourism has become the best travel option. For the time being, domestic tourism is the largest sector in China's tourism industry in terms of market share and growth momentum. Over the past few years, domestic tourism had experienced rapid growth in the revenues and number of tourist trips. Meanwhile, in view of sporadic COVID-19 cases occur in some regions in China, travel distance and service quality have become the two major considerations for consumers. Short trips and neighbourhood trips are popular and products and services of good quality are greatly sought-after. At present, the consumption trend in tourism market has three major characteristics. First, the market is increasingly segmented. Service providers have to refine their business operations and render differentiated services. In this regard, they should meet the different preferences, positionings and demands of tourists. Broad-brush services will gradually become competitively disadvantaged in the future. Products with different positionings should be offered to serve different tourists. Second, the travel pattern inclines more to short-haul and nearby trips in the short and medium term. Due to the improving pandemic situation, people have stronger desire for leisure travel. Yet, they still have doubts over long-haul trips. Third, it is shifting from travel trips towards quality vacations. In recent years, China's consumption structure has significantly upgraded. Post-pandemic economic recovery accelerated the enhancement of people's consumption expectations. During the National Day holiday in 2020, auxiliary hotels in scenic areas and themed resort hotels recorded their all-time highs in both room rates and occupancy rates for premium rooms. Projects combining "Themed hotels + Event experiences" were well-received.

The upgrade of consumption structure and the movement of consumption trend in China continue to facilitate international intellectual properties (IPs) to establish strong presence, and a number of Chinese IPs, such as theme parks, to further extend their presences. However, the payback period of investing in theme parks is relatively long. As the COVID-19 outbreak has created additional uncertainties, investors of many theme parks tend to be more rational in investment decision-making. On the management front, companies can differentiate themselves among industry peers only if they possess true capability and experience in business operation. Defending children against the pandemic is the prime concern in the society. As children activities always involve group gathering, which is against pandemic prevention and control, children activities has been suffering a relatively great impact. But in the long run, there exists plenty of room for children's play market to develop. The strong market demand will drive integration of business formats in small and medium sized indoor entertainment products. Hence, diverse types of business formats such as "Play + Meals", "Play + Pets" and "Play + Classes" will emerge.

Business Review

The PRC cultural tourism industry has been hard hit by the COVID-19 outbreak since early 2020. To give meaningful support to the pandemic prevention and control measures and having regard to the health and safety of its staff members and customers, the Company suspended the business of all its projects (including those self-operated projects under the asset-light segment) from 24 January 2020. The Company had gradually reopened the parks since mid-March 2020 and through June 2020, all of the projects had resumed. During the second half of the year, there were sporadic cases in certain districts. In close cooperation with the government in anti-pandemic measures, the Group suspended operation of the parks located in those affected districts until receipt of notice for business resumption. Since the COVID-19 has become part of people's life, the Group's top priority is to protect the safety of its people and assets. Bearing this in mind, it is imperative for the Group to strengthen the pandemic prevention for park reopenings in a scientific manner and to be fully committed to the smooth operation of all the projects. During the period under review, the Group focused on the works below:

The Group developed innovative marketing exercises to enhance brand influence and reputation. To market its brand in a multidimensionally innovative manner, the Group broke the limitation of space amid the pandemic by launching a model of "cloud scenic parks + short video clips". During the year, the Group produced over 300 cloud live shows, cloud tours and cloud classes which attracted online viewership of over 55 million and short video views of over 400 million. With these efforts, the Group was able to gain greater brand awareness. To implement its communication strategy of "marketing through variety shows and entertainment", and to explore its strengths in contents and ocean scenes, the Group entered into cooperation with variety shows such as "Deyun Douxiaoshe", "Youth Periplous" and "Nothing But Thirty" and 17 other TV dramas, which translated into an annual exposure value of RMB100 billion. The Group was offered free-of-charge opportunities by Sina, Tencent, Focus Media and other companies to broadcast its contents on their online and offline platforms that worth RMB10 million. The Group also took advantages of CCTV, satellite TV channels, people.cn and other official media to create hot topics, thereby ranking itself on the most popular search list for 18 times and positioning its 10 major projects as must-visit attractions in the cities where they are located. The Group worked with a hundred of "guochao" homegrown Chinese brands such as Li-Ning, Tsingtao and Haier to solidify the position of Chinese national corporations, which demonstrated a brand communication capability covering over 600 million people. Meanwhile, to underpin the strategic cooperation with online channels, the Group entered into strategic agreements with two leading online travel agency (OTA) platforms, namely Ctrip and Meituan, for the purposes of optimising partnership approaches and creating new types of products. As a result, the Group achieved a rapid growth in sales via internet online channels which accounted for over 60% of its total sales. The Group also made a marked progress in the sales via its self-operated platforms, which contributed over 13% to the sales via online channels. With the efforts made in product planning, event organisation, securing resources from internal and external platforms and expanding direct-sales and distribution channels, the Group boosted its sales growth and established a system of self-operated platforms. The Group built a private domain traffic pool and its self-media network grew steadily, having a fan population of over 16 million, representing an increase of 45% over the last year. The Group's official self-media network recorded a readership of over 100,000 for its self-media articles, which indicated that its contents became more credible and influential. In addition, the Group inaugurated the first "Haichang Fan Festival" to further enhance the loyalty of fans and unlock the value of its private domain traffic. As a proof of commitment to strengthen its leading position in the industry, the Group was honoured to receive a number of awards such as the "Top 20 Tourism Group in China" for the nine consecutive years, the "CTCAS Pioneer Award" and the "Top Touch Award". The Group participated in the Effie Greater China International Summit, the China Tourism Group Development Forum, the China Amusement Industry Forum and the Cultural Tourism Summit at which it voiced out its opinions on different aspects in the industry. It also attended dozens of cultural tourism forums and summits to ensure further strengthening of its industry-leading position.

During the year, the Group also implemented corporate social responsibility policy and created new welfare rescue techniques. The Group was the first domestic tourism group offered free admission to all medical staff in China and over 450,000 medical staff visited the Group's park throughout the year. The Group organised nearly 100 welfare activities including Dr. Stephen's online free medical consultations, the Autism Charity Month, poverty alleviation projects, waste separation scheme, recruitment of guardian angels of sea turtles and the environment, the Earth Hour, empty plate campaigns and the self-disciplinary pact for scenic areas. Through these activities, the Group earned a higher level of both corporate likability and brand reputation. During the year, the Group continued to assume its responsibility as a national aquatic animal rescue and research centre. By applying the professional techniques in multiple disciplines, the Group successfully rescued pantropical spotted dolphins and green sea turtles (both are animals under national priority protection) that were stranded in the wild, from which the Group gained important experiential data for the rescue and rehabilitation of aquatic animals. The Group initiated the education of biological popular science and completed its conservation line by establishing a management system for popular science and standardising documentations. The Group continued to enhance the knowledge of technical staff in science popularisation. The Group had over 1,000 attendees at the training sessions for technical staff during the year.

The Group established a digital visual platform which brings greater empowerment through brand crossover and cross-industry collaboration. Intensified efforts were made in the research and development of food to promote deeper integration of self-owned restaurant brand + IP series of food specialties. The Group also launched a customised entertainment product service offering joyful ocean packages with personalised high-end products. With the introduction and deployment of digital analysis tools, the Group connected its isolated data islands to make better use of the data value and make decisions with the support of data.

The Group fortified the protection for biological health and pandemic prevention, solidified its core strengths and incubated an innovative model for biology industry. The Group continued to improve its biological pandemic prevention mechanism by expanding the area of pandemic prevention, disinfection and control and exercising its best management practices in pandemic prevention and disinfection for cold chain products (such as feeds) and operators at all stages from sourcing, storage and use, to ensure the healthiness of its animals and people. The Group further raised its standard of biological health, improved its biological nutrition formulas, enhanced biological immunity and adopted more scientific diagnosis and treatment approaches to achieve a higher level of biological healthiness. During the year, the Group made breakthroughs in biological breeding. Over 251 animals of crucial species, such as sickle-fin dolphins, arctic wolves, South American fur seals and sea turtles, were bred. It also developed and implemented the "Three-Year Plan for Biological Breeding". The management system for biological conservation was optimised. The Group adopted a number of standardised management approaches including SOP system, data system and 6S system and strengthened regulation measures. These moves allowed the Group to manage its biological assets in a more prudent and regulated manner and the management of biological resources to become more transparent and scientific. The Group strived to improve the standard of biological welfare. In this regard, the Group carried out a series of initiatives including, among others, environmental testing, indicator analysis, standard enhancement, facility upgrades and environmental enrichment. The Group developed an innovative business plan for biology industry under which the Group planned for the existing management and the business operation of biotechnology companies and completed the operational management, business expansion and product planning for biotechnology companies, which laid a foundation for operating in the innovative biology industry.

In respect of theme park operation, the Group maintained regular practices for pandemic prevention and control and safety protection management. It also continued its effort in establishing operating standards and branding of service quality. During the year, the Group strengthened the prevention, control and protection measures for safety operation. It closely monitored the pandemic developments in the districts where the projects are located and put in place the prevention and control measures and service arrangements targeting to visitors, sites, staff and other management and control areas. The Group strengthened the implementation of the functions of safety committee to ensure the Group is able to accommodate high visitor traffic, achieve a more efficient safety management and successfully meet the annual safety responsibility indicator. The Group continued to enhance the standard and efficiency of operation. Against the COVID-19 fallouts, the Group completed the written certification of the standard operating procedures (SOP) system and its improvements, unified the policies and understandings on operating standards of its head office and project companies, quantified and verified the working efficiency and potential of projects, and provided scientific guidance on enhancing the quality and efficiency of its projects. The Group upgraded its mechanism for service rating, worked on the building of operational value, increased the vitality of operating sites, engaged artists and production personnel and put in place the operation coach appraisal mechanism, to promote the application of service standards, foster team building, create vitality, achieve a standardised and controllable service quality and a sustainable development with vivid characters. Moreover, the Group continued to promote smart operating system by accelerating the establishment of digital and smart management for operating sites. The Group also solidified the data analysis capability of its operation control platform, calibrated its control capability and improved the development of data modelling, algorithm and standard. It maintained a talent pool and further enhanced the system and timeliness of operational reporting, in order to promote a more scientific operating system. In respect of performing art business, the Group enhanced the quality of its performing art products, the efficiency of its operation and maintenance and the advanced team operational management capability. The Group realised an upgraded quality and presentation, an enhanced quality of its ocean-themed products, a featured highlights of humanity performances, an increased core competitiveness of the performing arts and enhanced park experience and consumption of visitors. Against the COVID-19 backdrop, the Group offered anti-pandemic discount on tickets and free-of-charge featured performances for park reopenings. For examples, Dalian Haichang Discoveryland Theme Park fulfilled its honourable special mission in 2020 by giving tailored performances to salute those anti-pandemic medical heroes who supported Hubei province. Wuhan Haichang Polar Ocean Park received tremendous number of visitors during the promotion period and the performances were successfully presented by all staff members with up-to-standard quality and quantity. In addition, the Group was persistent in studying the mechanism of the research and development of performing art products as well as in launching and upgrading of core products. The Group also improved the festive-themed performances and enriched the offerings of characteristic periodic performing art products that are precisely targeting to young customers after carrying out audience analysis, market segmentation, and integration between "guochao" homegrown and electronic music.

The development of the projects under construction progressed well. In particular, the construction of the main structures of the whale shark aquarium and the dolphinarium under Zhengzhou Haichang Ocean Park project were completed in the year. The Group adjusted the general development and construction strategy for the projects after taking into account the impact of the COVID-19 in 2020, actively worked on securing financing for the project, and commenced the development and construction works in an orderly manner. As to Shanghai Haichang Ocean Park, the Group is currently focusing on the settlement and audit tasks of the Shanghai project. The Group effectively controlled the cost of the project within budget and basically completed the filings and formalities for completion. The Group also completed the filings for the completion of Sanya Haichang Fantasy Town and is in the progress of applying for the property ownership certificate. The Group is now working on the settlement and audit tasks for the Sanya project. It effectively controlled the Sanya cost of the project within budget.

During the year, the Group continued its effort in the development of light-asset business and aimed to pursue for excellence while maintaining steady growth. In order to improve and upgrade the asset-light consultancy services, the Group launched product service packages for large-sized cultural tourism projects and small- and medium-sized park projects, expanded the aquariums/parks, theme parks, theme towns, family entertainment centres (FEC) for urban leisure, outdoor pet parks, pop-up temporary exhibitions and other series. The Group also started a number of new asset-light output service projects such as the consultancy services for Haichang cultural tourism integrated projects in Hangzhou Bay, the planning and consultancy services for Easy Home in-mall aquarium in Changchun, and the consultancy and operational management services for the theme hotels in Lingang and Jinqiao. Among the Group's joint development projects, Changsha Dawangshan Joy City commenced full operation and the construction of the Happy Ocean Park project there successfully started at the beginning of the year. The Joy Snowy Land and Water Village project held its grand opening ceremony on 11 July 2020. A stable operation was maintained for the provision of consultancy services in Nanning and Hengdian due to the good prevention and control work done by the Group during the COVID-19 outbreak. Under the pandemic situation, the Group continued to upgrade the contents of its in-mall products and focused on achieving a fiscal balance. Capitalising on the operating projects, the Group further developed more innovative in-mall outdoor educational entertainment products by incorporating additional kid-interactive, pet-pampering, hydrodynamic interactive, virtual reality (VR) and other modules to enhance the parent-child experience, increase the staying time and develop the concept of fun learning club. Hefei Hi-life Nature Exploration Park officially opened on 25 June 2020. During the year, the Group planned to set up the new Wuhan Hi-life Exploration Park in Wuhan K11 and completed the preliminary conceptual design work. The park is expected to commence operation in May 2021 and as a next-generation in-mall product of the Group, it is intended to enhance kids' creative recreational ideas and interaction. During the year, the Group further developed its intellectual property (IP) licensing business and cross-industry partnerships to include more product categories and industries. The Group also launched temporary exhibitions and nationwide tour exhibitions for its IPs. These allowed the Group to gain mutual brand influence and profitability with its business partners. In respect of project innovation, the Group sought to organise IP-themed temporary exhibitions and new pop-up solutions that are characterised with ocean culture for the purpose of communicating the welfare philosophy of protecting the ocean. The Group stepped up on entering into partnerships with third-party event organisers and shopping malls across the mainland, with exhibitions set up in Shanghai, Wuxi, Wuhan, Kunshan and other cities. National tour exhibitions were also launched under these partnerships. These efforts not only boosted the awareness and communication of corporate brand and IPs in the covered cities and among customer clusters around the shopping malls in partnership, but also enabled the Group to realise innovative project exploration and operating revenues. In respect of business profitability, in response to the pandemic, the Group actively adjusted the work direction for the development of its IP business. Embracing the fostering of partnership for external IP licensing business as a core, the Group strived to integrate quality external resources and deliver IP value outputs, thereby increasing its influence and achieving profitability. During the year, the Group entered into new partnership arrangements for licensing with a number of companies including Oishi Food, Xinghongyi Plush Toys, Chengdi Stationeries and Harry's Kitchen Bakeries. It was the third time for the Group to participate in the 14th China International Licensing Expo with all of its IPs. By attending industry forums and advertising on magazines, the Group was able to fully demonstrate its IP development plan and innovation results to the public. In respect of IP content production, the Group entered into cooperation with Surprising World, a publisher under China Animation Comic Game Group, in relation to popular ocean science animation and online aquarium projects, pursuant to which it shall be licensed with IPs for the development of popular ocean science animation programmes and the parties shall jointly develop the education market. Under the cooperation, the Group created new IP image designs, developed style guides and developed derivative products. It also extended the style guide of Emperor Penguin and that of Midoo the jellyfish. In addition, through internal research, planning and development, the Group created the image design for its original IP "BoGu&BoDo", and developed 18 peripheral derivative products for sale jointly with other companies.

Outlook

The Company will adhere to its core principle of innovation-driven development to formulate the next mid- to long-term development plan. The Company will also leverage on industrial extension + diversified consumption + cultural IPs + capital market + technology application + brand building, to enhance its core competitive strengths and investment returns.

FINANCIAL REVIEW

Revenue

Revenue generated from the Group's park operations segment decreased by approximately 58.3% from approximately RMB2,802.0 million in 2019 to approximately RMB1,168.2 million in 2020, primarily attributable to the significant decrease in revenue from both ticket sales and non-ticket business of our parks for the current period due to the pandemic. Revenue generated from ticket business decreased by approximately 67.3% from approximately RMB1,940.9 million in 2019 to approximately RMB635.3 million in 2020. Revenue generated from non-ticket business decreased by approximately 38.1% from approximately RMB861.1 million in 2019 to approximately RMB532.9 million in 2020.

The Group's property development segment did not generate any revenue for the year ended 31 December 2020.

In conclusion, for the year ended 31 December 2020, the Group recorded a turnover of approximately RMB1,168.2 million (2019: approximately RMB2,802.0 million), representing a decrease of approximately 58.3% when compared with last year.

Cost of Sales

The Group's cost of sales decreased by approximately 14.4% from approximately RMB1,516.6 million in 2019 to approximately RMB1,297.5 million in 2020, primarily attributable to the significant decrease in revenue from park operations due to the pandemic which resulted in a corresponding decrease in costs.

Gross (Loss)/Profit

For the year ended 31 December 2020, the Group's overall gross loss was approximately RMB129.3 million (2019: gross profit of approximately RMB1,285.4 million), resulting in an overall gross loss margin of approximately 11.1% (2019: gross profit margin of approximately 45.9%).

Gross loss of the Group's park operations segment was approximately RMB129.3 million (2019: gross profit of approximately RMB1,285.4 million) and gross profit margin of the Group's park operations segment turned from approximately 45.9% for the year ended 31 December 2019 to gross loss margin of approximately 11.1% for the year ended 31 December 2020, primarily attributable to the significant decrease in revenue from park operations for the current year due to the pandemic.

Gross profit of the Group's property development segment was nil for the year ended 31 December 2020.

Other Income and Gains

The Group's other income and gains decreased by approximately 4.4% from approximately RMB263.4 million in 2019 to approximately RMB251.7 million in 2020.

Selling and Marketing Expenses

The Group's selling and marketing expenses decreased by approximately 43.3% from approximately RMB298.0 million in 2019 to approximately RMB169.0 million in 2020, primarily attributable to the substantial cut in selling and marketing expenses during the pandemic period.

Administrative Expenses

The Group's administrative expenses increased by approximately 29.0% from approximately RMB524.1 million in 2019 to approximately RMB676.2 million in 2020, primarily attributable to the impairment on certain long-term assets due to the pandemic.

Finance Costs

The Group's finance costs increased by approximately 12.2% from approximately RMB533.6 million in 2019 to approximately RMB598.7 million in 2020, primarily attributable to the increase in total bank loans as the Group secured financing to fund the openings of the Shanghai Project and the Sanya Project.

Income Tax Credit/Expense

The Group's income tax credit/expense turned from approximately RMB144.2 million income tax expense in 2019 to approximately RMB39.1 million income tax credit in 2020, primarily represented the increased deferred income tax assets resulted from the phase loss during the pandemic.

(Loss)/Profit for the Year

As a result of the foregoing, the Group suffered from a loss for the year of approximately RMB1,478.5 (2019: profit of approximately RMB31.2 million) with a net loss margin of approximately 126.6% (2019: net profit margin of approximately 1.1%). Meanwhile, loss attributable to owners of the parent amounted to approximately RMB1,451.6 million (2019: profit attributable to owners of the parent: approximately RMB25.1 million).

Liquidity and Financial Resources

As at 31 December 2020, the Group had current assets of approximately RMB3,768.6 million (2019: approximately RMB3,457.3 million). The Group had cash and bank deposits of approximately RMB2,408.1 million (2019: approximately RMB2,484.5 million) and pledged bank balances of approximately RMB64.0 million (2019: approximately RMB29.4 million).

Total equity of the Group as at 31 December 2020 was approximately RMB3,000.3 million (2019: approximately RMB4,478.7 million). As at 31 December 2020, total interest-bearing bank and other borrowings of the Group amounted to approximately RMB9,195.7 million (2019: approximately RMB8,506.9 million).

As at 31 December 2020, the Group had a net gearing ratio of approximately 228.0% (as at 31 December 2019: approximately 135.9%). The net liabilities of the Group included interest-bearing bank and other borrowings and lease liabilities, less cash and cash equivalents. The increase in the net gearing ratio as at 31 December 2020 was primarily attributable to the increase in loan principals and operating loss, which resulted in a decrease in net assets of the Group as at 31 December 2020.

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

Capital Structure

The share capital of the Company comprised only ordinary shares for the year ended 31 December 2020.

Contingent Liabilities

	31 December 2020 RMB'000	31 December 2019 RMB'000
Guarantees in respect of the mortgage facilities granted to purchasers of the Group's properties*	**191,840**	4,842

* The Group has provided guarantees in respect of the mortgage facilities granted by certain banks to purchasers of the Group's completed properties held for sale. Pursuant to the terms of those 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 defaulting purchasers to the banks. The Group shall then be entitled to take over the legal titles of the related properties. The Group's guarantee period commences from the date of grant of mortgage loan and ends upon the execution of collateral agreement by purchaser.

The Group did not incur any material losses during the year ended 31 December 2020 (2019: Nil) arising from the guarantees provided in respect of the mortgage facilities granted to purchasers of the Group's completed properties held for sale. The Directors consider that in case of any default on payments, the net realisable value of the related properties can cover the repayment of the outstanding mortgage loans together with any accrued interest and penalty, and therefore no provision has been made in connection with the guarantees.

Foreign Exchange Rate Risk

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

Capital Commitments

For the year ended 31 December 2020, the Group had capital commitments of approximately RMB632.9 million (2019: RMB409.8 million), which shall be funded through a variety of means, including cash generated from operations, bank financing etc..

Staff Policy

As at 31 December 2020, the Group had a total of approximately 4,282 full-time employees (2019: 5,012 full-time employees). The Group offers a comprehensive and competitive remuneration, retirement scheme and benefit packages to its employees. Discretionary bonus is offered to the Group's staff depending on their work performance. The Group and its employees are required to make contribution to a social insurance scheme as well as the pension insurance and unemployment insurance at the rates specified in the relevant laws and regulations.

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

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 2020.

Pre-Emptive Rights

There are no provisions for pre-emptive rights under the articles of association of the Company or the laws of the Cayman Islands that 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 Governing the Listing of Securities (the "**Listing Rules**") 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 throughout 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. Save that Mr. Qu Naijie and Mr. Li Hao who are non-executive Directors, did not attend the annual general meeting of the Company held on 30 June 2020 (the "**AGM**") due to pre-arranged business commitments, all the other Directors attended the AGM.

Under code provision E.1.2 of the CG Code, the chairman of the Board should attend annual general meetings of the Company and should also invite the chairmen of the audit committee, remuneration committee, nomination committee and any other committees (as appropriate) of the Company to attend. Mr. Qu Naijie, being the chairman of the Board and the chairman of nomination committee of the Company, was absent from the AGM due to a pre-arranged business commitment. Mr. Wang Xuguang, an executive Director and the Chief Executive Officer, was chosen as the chairman of the AGM. Mr. Qu Cheng, an executive Director, also attended the AGM as the duly appointed delegate of the chairman of the Board. Mr. Wang Xuguang, Mr. Qu Cheng, the chairmen of the audit committee, remuneration committee, risk management and corporate governance committee and independent board committee and other members of the nomination committee of the Company 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 (the "**Model Code**") 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 year ended 31 December 2020.

AUDIT COMMITTEE

As at the date of this announcement, the audit committee of the Company (the "**Audit Committee**") comprises three independent non-executive Directors, namely Mr. Chen Guohui, Mr. Wang Jun and Ms. Zhang Meng. Mr. Chen Guohui is the chairman of the audit committee.

The Audit Committee has reviewed and discussed the annual results announcement for the year ended 31 December 2020.

The financial information set out in this announcement does not constitute the Group's audited accounts for the year ended 31 December 2020 but represents an extract from the consolidated financial statements for the year ended 31 December 2020 which have been audited by the auditor of the Company, Ernst & Young in accordance with the International Standards on Auditing issued by the International Auditing and Assurance Standards Board. The financial information has been reviewed by the audit committee and approved by the Board.

DIVIDEND

The Board does not recommend payment of any dividend for the year ended 31 December 2020.

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. The Group wishes to caution you that forward-looking statements are not guarantees of future performance and that the Group's actual results of operations, financial condition and liquidity, and the development of the industry in which the Group operates may differ materially from those made in, or suggested by, the forward-looking statements contained in this announcement. In addition, even if the Group's results of operations, financial condition and liquidity, and the development of the industry in which the Group operates are consistent with the forward-looking statements contained in this announcement, those results or developments may not be indicative of results or developments in subsequent periods.

PUBLICATION OF INFORMATION ON THE WEBSITES OF THE STOCK EXCHANGE AND OF THE COMPANY

This annual results announcement of the Company for the year ended 31 December 2020 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 2020 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 the development of the Group. 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 2020

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. Wang Jun and Ms. Zhang Meng.