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 2016

FINANCIAL HIGHLIGHTS

- Total revenue increased by approximately 16.4% to approximately RMB1,649.7 million
- Revenue from park operations increased by approximately 10.3% to approximately RMB1,429.1 million
- Non-ticket revenue increased by approximately 45.8% to approximately RMB359.6 million
- Asset-light businesses revenue increased by approximately 1,694.8% to approximately RMB42.8 million
- Core net profit* increased by approximately 33.1% to approximately RMB224.3 million

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

RESULTS

The board of directors (the "**Board**" or the "**Directors**") of Haichang Ocean Park Holdings Ltd. (the "**Company**") is pleased to announce the audited consolidated results of the Company and its subsidiaries (collectively the "**Group**") for the year ended 31 December 2016, together with the comparative figures for 2015.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS
Year ended 31 December 2016

	Notes	2016 RMB'000	2015 RMB'000
REVENUE	4	**1,649,710**	1,416,827
Cost of sales		**(748,325)**	(630,362)
GROSS PROFIT		**901,385**	786,465
Other income and gains	4	**111,309**	263,057
Selling and marketing expenses		**(119,709)**	(117,181)
Administrative expenses		**(314,079)**	(269,591)
Other expenses		**(14,051)**	(45,546)
Finance costs	5	**(145,570)**	(154,172)
Share of loss of an associate		**(857)**	–
PROFIT BEFORE TAX		**418,428**	463,032
Income tax expense	6	**(200,501)**	(213,056)
PROFIT FOR THE YEAR		**217,927**	249,976
Attributable to:			
Owners of the parent		**200,972**	230,622
Non-controlling interests		**16,955**	19,354
		217,927	249,976
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
– Basic and diluted (RMB cents)	7	**5.02**	5.77

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2016

	Notes	31 December 2016 RMB'000	31 December 2015 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment		**3,014,867**	2,619,660
Investment properties		**2,418,890**	2,378,740
Prepaid land lease payments		**1,239,908**	1,059,520
Intangible assets		**12,127**	9,068
Available-for-sale investment		**19,170**	19,170
Deferred tax assets		**35,730**	51,191
Investment in an associate		**47,143**	–
Long-term prepayments and deposits		**163,377**	294,668
Total non-current assets		**6,951,212**	6,432,017
CURRENT ASSETS			
Completed properties held for sale		**260,399**	373,290
Properties under development		**512,563**	318,537
Gross amount due from a contract customer		**12,938**	43,667
Inventories		**22,337**	14,611
Trade receivables	*8*	**81,054**	64,438
Available-for-sale investment		**200**	200
Prepayments, deposits and other receivables		**418,503**	103,748
Due from related companies		**12,649**	3,752
Due from a non-controlling equity holder		**47,220**	20,000
Pledged bank balances	*9*	**6,548**	6,497
Cash and cash equivalents	*9*	**873,499**	970,467
Total current assets		**2,247,910**	1,919,207
CURRENT LIABILITIES			
Trade and bills payables	*10*	**289,583**	250,264
Other payables and accruals		**318,175**	294,186
Due to related companies		**1,929**	3,853
Advances from customers		**24,366**	104,086
Interest-bearing bank and other borrowings	*11*	**1,322,063**	763,489
Government grants		**22,540**	22,363
Deferred revenue		**15,993**	10,311
Tax payables		**276,447**	262,237
Total current liabilities		**2,271,096**	1,710,789
NET CURRENT (LIABILITIES)/ASSETS		**(23,186)**	208,418
TOTAL ASSETS LESS CURRENT LIABILITIES		**6,928,026**	6,640,435

	Notes	31 December 2016 RMB'000	31 December 2015 RMB'000
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	*11*	**1,579,546**	1,602,526
Government grants		**926,466**	879,831
Deferred tax liabilities		**203,180**	162,897
Total non-current liabilities		**2,709,192**	2,645,254
NET ASSETS		**4,218,834**	3,995,181
EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT			
Share capital		**2,451**	2,451
Reserves		**4,029,377**	3,822,612
		4,031,828	3,825,063
Non-controlling interests		**187,006**	170,118
TOTAL EQUITY		**4,218,834**	3,995,181

NOTES TO FINANCIAL STATEMENTS
Year ended 31 December 2016

1. CORPORATE AND GROUP INFORMATION

Haichang Ocean Park Holdings Ltd., (previously Haichang 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 and investment and hotel operations in the People's Republic of China (the "**PRC**"). In the opinion of the directors of the Company, the Company's immediate and ultimate holding company is Haichang Group Limited, a company incorporated in the British Virgin Islands (the "**BVI**") at 31 December 2016.

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, 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 (the "**Group**") for the year ended 31 December 2016. 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 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 10, IFRS 12 and IAS 28	*Investment Entities: Applying the consolidation Exception*
Amendments to IFRS 11	*Accounting for Acquisitions of Interests in Joint Operations*
IFRS 14	*Regulatory Deferral Accounts*
Amendments to IAS 1	*Disclosure Initiative*
Amendments to IAS 16 And IAS 38	*Clarification of Acceptable Methods of Depreciation and Amortisation*
Amendments to IAS 16 And IAS 41	*Agriculture: Bearer Plants*
Amendments to IAS 27	*Equity Method in Separate Financial Statements*
Annual Improvements 2012-2014 Cycle	Amendments to a number of IFRSs

Except for the amendments to IFRS 10, IFRS 12 and IAS 28, amendments to IFRS 11, IFRS 14, amendments to IAS 16 and IAS 41, amendments to IAS 27, and certain amendments included in the *Annual Improvements 2012-2014 Cycle*, which are not relevant to the preparation of the Group's financial statements, the nature and the impact of the amendments are described below:

(a) Amendments to IAS 1 include narrow-focus improvements in respect of the presentation and disclosure in financial statements. The amendments clarify:

  (i) the materiality requirements in IAS 1;

  (ii) that specific line items in the statement of profit or loss and the statement of financial position may be disaggregated;

  (iii) that entities have flexibility as to the order in which they present the notes to financial statements; and

  (iv) that the share of other comprehensive income of associates and joint ventures accounted for using the equity method must be presented in aggregate as a single line item, and classified between those items that will or will not be subsequently reclassified to profit or loss.

  Furthermore, the amendments clarify the requirements that apply when additional subtotals are presented in the statement of financial position and the statement of profit or loss. The amendments have had no significant impact on the Group's financial statements.

(b) Amendments to HKAS 16 and HKAS 38 clarify the principle in IAS 16 and IAS 38 that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is part) rather than the economic benefits that are consumed through the use of the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortise intangible assets. The amendments are applied prospectively. The amendments have had no impact on the financial position or performance of the Group as the Group has not used a revenue-based method for the calculation of depreciation of its non-current assets.

(c) *Annual Improvements* to *IFRSs 2012-2014 Cycle* issued in September 2014 sets out amendments to a number of IFRSs. Details of the amendments are as follows:

IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*: Clarifies that changes to a plan of sale or a plan of distribution to owners should not be considered to be a new plan of disposal, rather it is a continuation of the original plan. Accordingly, there is no change in the application of the requirements in IFRS 5. The amendments also clarify that changing the disposal method does not change the date of classification of the non-current assets or disposal group held for sale. The amendments are applied prospectively. The amendments have had no impact on the Group as the Group did not have any change in the plan of sale or disposal method in respect of the disposal group held for sale during the year.

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 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 provision of technical support service relating to aquarium; and

(b) the property development segment engages in property development, construction and sales.

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

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

The Group's liabilities are all 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 2016

	Park operations *RMB'000*	Property development *RMB'000*	Total *RMB'000*
Segment revenue			
Sales to external customers and total revenue	**1,429,114**	**220,596**	**1,649,710**
Revenue			**1,649,710**
Segment results	**798,912**	**102,473**	**901,385**
Reconciliation			
Unallocated income and gains			**111,309**
Unallocated expenses			**(447,839)**
Share of loss of an associate	**(857)**	**–**	**(857)**
Finance costs			**(145,570)**
Profit before tax			**418,428**

	Park operations *RMB'000*	Property development *RMB'000*	Total *RMB'000*
31 December 2016			
Segment assets	**6,985,651**	**785,900**	**7,771,551**
Reconciliation:			
Corporate and other unallocated assets			**1,427,571**
Total assets			**9,199,122**
Segment liabilities	**–**	**–**	**–**
Reconciliation:			
Corporate and other unallocated liabilities			**4,980,288**
Total liabilities			**4,980,288**
Other segment information			
Share of loss of an associate	**(857)**	**–**	**(857)**
Impairment losses recognised in the statement of profit or loss	**19,232**	**–**	**19,232**
Depreciation and amortisation			
Unallocated			**2,760**
Segment	**183,409**	**–**	**183,409**
Investment in an associate	**47,143**	**–**	**47,143**
Capital expenditure*			
Unallocated			**5,819**
Segment	**851,653**	**–**	**851,653**

* 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 2015

	Park operations *RMB'000*	Property development *RMB'000*	Total *RMB'000*
Segment revenue			
Sales to external customers and total revenue	1,295,788	121,039	1,416,827
Revenue			1,416,827
Segment results	716,206	70,259	786,465
Reconciliation			
Unallocated income and gains			263,057
Unallocated expenses			(432,318)
Finance costs			(154,172)
Profit before tax			463,032

	Park operations *RMB'000*	Property development *RMB'000*	Total *RMB'000*
31 December 2015			
Segment assets	6,414,863	735,494	7,150,357
Reconciliation:			
Corporate and other unallocated assets			1,200,867
Total assets			8,351,224
Segment liabilities	–	–	–
Reconciliation:			
Corporate and other unallocated liabilities			4,356,043
Total liabilities			4,356,043
Other segment information			
Impairment losses recognised in the statement of profit or loss	9,835	–	9,835
Depreciation and amortisation			
Unallocated			1,523
Segment	199,536	–	199,536
Capital expenditure*			
Unallocated			2,936
Segment	1,186,552	–	1,186,552

* 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% of the Group's revenue was derived for the year ended 31 December 2016.

4. REVENUE, OTHER INCOME AND GAINS

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

	2016	2015
	RMB'000	*RMB'000*
Revenue		
Ticket sales	**1,069,517**	1,049,223
Property sales	**220,596**	111,501
Food and beverage sales	**92,431**	86,441
Sale of merchandise	**43,921**	42,589
Rental income	**86,991**	58,604
In-park recreation income	**78,254**	41,384
Construction contracts	**–**	9,538
Income from hotel operations	**15,249**	15,165
Consultancy and management service income	**42,751**	2,382
	1,649,710	1,416,827
Other income		
Government grants	**69,072**	45,604
Bank interest income	**3,893**	16,768
Income from insurance claims	**14,597**	25,388
Dividend income	**20,712**	–
Others	**2,318**	41,230
	110,592	128,990
Gains		
Gain on revaluation upon reclassification from completed properties held for sale to investment properties, net	**717**	134,067
	111,309	263,057

5. FINANCE COSTS

	2016	2015
	RMB'000	*RMB'000*
Interest on bank loans and other loans	**155,033**	159,801
Interest on finance leases	**555**	1,080
Total interest expenses on financial liabilities not at fair value through profit or loss	**155,588**	160,881
Less: Interest capitalised	**(10,018)**	(6,709)
	145,570	154,172

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 2016 (2015: 25%) on the assessable profits of the Group's subsidiaries in Mainland China.

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

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

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

	2016	2015
	RMB'000	*RMB'000*
Current – Mainland China:		
Charge for the year	**127,353**	120,602
LAT	**17,404**	14,824
	144,757	135,426
Deferred tax	**55,744**	77,630
Total tax charge for the year	**200,501**	213,056

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 (2015: 4,000,000,000) in issue during the year.

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

	2016	2015
	RMB'000	*RMB'000*
Earnings		
Profit attributable to ordinary equity holders of the parent, used in the basic earnings per share calculation	**200,972**	230,622

	Number of ordinary shares	
	2016	2015
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. TRADE RECEIVABLES

	31 December 2016	31 December 2015
	RMB'000	*RMB'000*
Trade receivables	**110,981**	75,649
Less: Provision for doubtful debts	**(29,927)**	(11,211)
	81,054	64,438

The Group's trading terms with its institutional customers and lessee 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.

An ageing analysis of the trade receivables as at the end of the reporting period, based on the invoice date, net of provision for doubtful debts, is as follows:

	31 December 2016 *RMB'000*	31 December 2015 *RMB'000*
Within 90 days	**14,596**	8,855
Over 90 days and within one year	**33,005**	26,147
Over one year	**33,453**	29,436
	81,054	64,438

The movements in provision for impairment of trade receivables are as follows:

	31 December 2016 *RMB'000*	31 December 2015 *RMB'000*
At 1 January	**11,211**	6,239
Impairment losses recognised	**18,716**	7,006
Written off	**–**	(2,034)
	29,927	11,211

Included in the above provision for impairment of trade receivables is a provision for individually impaired trade receivables of RMB29,927,000 (2015: RMB11,211,000) with a carrying amount before provision of RMB32,818,000 (2015: RMB12,477,000).

The individually impaired trade receivables relate to customers that were in financial difficulties or were in default in interest and/or principal payments and only a portion of the receivables is expected to be recovered.

The ageing analysis of the trade and bills receivables that are not considered to be impaired is as follows:

	31 December 2016 *RMB'000*	31 December 2015 *RMB'000*
Neither past due nor impaired	**67,071**	44,956
Past due within one year	**5,043**	12,983
Past due over one year	**8,940**	6,499
	81,054	64,438

Receivables that were neither past due nor impaired relate to a large number of diversified customers for whom there was no recent history of default.

Receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, the directors of the Company are of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

The Group's trade receivables with a carrying value of RMB55,119,000 (31 December 2015: RMB44,553,000) were pledged to secure general banking facilities granted to the Group at 31 December 2016.

9. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

	31 December 2016 *RMB'000*	31 December 2015 *RMB'000*
Cash and bank balances	**850,038**	912,692
Time deposits with original maturity of less than three months	**30,009**	64,272
	880,047	976,964
Less: Pledged for interest-bearing bank loans	**(588)**	(542)
Pledged for mortgage loans of purchasers	**(5,960)**	(5,955)
	(6,548)	(6,497)
Unpledged cash and cash equivalents	**873,499**	970,467
Less: Restricted cash and bank balances*	**(94)**	(2,343)
Unpledged and unrestricted cash and cash equivalents	**873,405**	968,124

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

10. TRADE AND BILLS PAYABLES

	31 December 2016 *RMB'000*	31 December 2015 *RMB'000*
Within one year	**154,749**	109,307
Over one year	**134,834**	140,957
	289,583	250,264

11. INTEREST-BEARING BANK AND OTHER BORROWINGS

	31 December 2016 *RMB'000*	31 December 2015 *RMB'000*
Analysed into:		
Bank loans repayable:		
Within one year or on demand	**1,251,137**	703,639
In the second year	**723,279**	555,715
In the third to fifth years, inclusive	**610,027**	780,276
Beyond five years	**246,240**	195,720
	2,830,683	2,235,350
Other borrowings repayable:		
Within one year or on demand	**70,926**	59,850
In the second year	**–**	70,815
	70,926	130,665
	2,901,609	2,366,015

12. SUBSEQUENT EVENTS

On 10 March 2017, the Group has obtained an interest-bearing bank loan for a total amount of RMB300 million with maturity in March 2018.

MANAGEMENT DISCUSSION AND ANALYSIS

Industry Overview

In 2016, the development of domestic macroeconomy showed a stabilizing trend. On the basis of the continuous optimization and transformation of macroeconomic structure, residents' consumption is becoming the main driving force of the economic growth under the new normal with its increasing contribution to the gross domestic product.

The People's Republic of China for the first time incorporated the development planning of the national tourism as the key special project planning under the "Thirteenth Five-Year Plan" and set a goal for tourism development: achieving a total size of tourism market of 6.7 billion tourists, a total tourism investment of RMB2 trillion and a total tourism revenue of RMB7 trillion by 2020, which recognized the gradually enhancing position of tourism in the national economy. As China has entered into an era of "mass tourism", tourism is becoming a fresh force for fostering new driver of development.

It's estimated by China National Tourism Administration that the total national tourism revenue will increase by 13.6% year-on-year to RMB4.69 trillion, and the total tourists will probably exceed 4.44 billion in 2016. With increasing per capita disposable income and driven by the trend of consumption restructuring and upgrading, demands for tourism products are enlarging. Against this backdrop, segment markets with different positionings, such as outskirts tours, family tours and individual travel tours, established and developed rapidly. Furthermore, the continuous technical development of artificial intelligence and mobile payment also made tourism more convenient, thus further improved market demands. The upgrading on the demand side will promote a new supply-side renovation and reform to the industry. Tourism will gain increasing industry investment. According to the data released by The 2017 National Tourism Work Conference, in 2016, the direct investment of national tourism increased by 29% year-on-year to RMB1,299.7 billion, among which, the private capital contributed nearly 60%, indicating that the future development of the industry will be further accelerated with the support of efficient private capital.

Against the backdrop of robust tourism, the theme park industry has ushered in a golden era of expediting growth. According to the data released by AECOM of America, it's projected that the Chinese population that affords theme park trip will reach 1 billion by 2020, indicating substantial room for market penetration to grow. Meanwhile, currently among the theme park industry, the supply development falls far behind the demand development in terms of both quantity and quality, and the potential shortfall may be further expanded. The rising of various kinds of high-technology in recent years has inspired the theme park industry to develop with a new concept. The application of virtual reality, augmented reality, holograms, and other technology promotes the upgrading and optimising of the tourism products of the theme park industry and enhances the interactive experience of customers. Meanwhile, as IP industry continues to develop, the IP effect of tourist attraction is gradually becoming a new driver of attracting more tourists. As an important segment of the theme park industry, ocean park has always been one of the most popular destinations of urban tourism because of its characteristics of highlighting education and amusement and a broad customer base coverage.

Business Review

2016 is the third year after the Group has been listed on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"), which is a year of rolling out group structure adjustment and management reform as well as a year of advancing three strategic objectives of upgrade and enhancement of existing projects, development and construction of new projects and marine cultural innovative business with satisfactory results. During the period under review, the Group had primarily undertaken the following aspects of work:

Further Enhancement of Brand Influence

In 2016, by renaming from sub-brand to parent brand of "Haichang Ocean Park", the Company defined the positioning of polar ocean park product line, refreshed brand image and completed revising and improving its brand structure and brand network, which further promoted brand recognition and facilitated the achievement of strategic objective of brand development. Pursuing its core value proposition, the Company released the commonweal theme song "Dream Love Joy" jointly with Children's Channel of CCTV, produced "Love Story of Beluga", the first Beluga themed film in China, jointly with Film Channel of CCTV, and kept launching more than one hundred themed activities of various kinds, such as "Haichang Little Explorer" and "Polar Snow Festival". With such plentiful and stereoscopic brand activities and new product launches, the Company increased its exposure with a brand image of high-quality family projects on Financial Channel, News Channel, Children's Channel and Film Channel of CCTV and 14 satellite televisions nationwide throughout the year, thereby reflecting and releasing the brand cluster effect. During the period, the Group implemented cooperation with certain international renowned movies and animations such as "Angry Birds", "Ice Age 5" and Stephen Chow's film "Mermaid" in the manner of brand placement, brand connectivity and marketing activities. At the same time, by capitalising on Tencent Video, Meipai and other video social platforms which achieved an accumulated hit rate of more than 20 million times during the year, the Group successfully narrowed the distance between its audiences through on-line interaction. Besides, in order to comprehensively promote online strategic deployment on the internet, the Group carried out multi-dimensional strategic cooperation with Alitrip, mafengwo.cn, Ctrip, LY.com and other platforms and enhanced its brand influence in innovative manners, such as global live streaming, launching O2O experience store, travel guide and checker experience. Throughout the year, the Group received 55 various kinds of awards, and was selected for another year to be on the list of "Top 20 of China Tourism Group" appraised by China Tourism Association and China Tourism Academy, which further enhanced the leading position of its brand in the industry.

Continuous Enhancement of Its Core Competitiveness Related to Animal Conservation

The Group kept enhancing its core competitiveness related to animal conservation. During the year, the Group successfully bred nine species, 143 large marine and polar animals, making the total animals conserved amounting to nearly 50,000. During the period, the Group actively participated in communication and cooperation with international peers in aspect of animal conservation, organized trainings on animal breeding and conservation, published several industry academic papers and also jointed major international academic conference. The Group also constructed domestic and overseas animal breeding bases in a planned way, with the cetacean breeding base in Dalian Laohutan Ocean Park completed construction and put into operation. Marine health products independently researched and developed by the Group also obtained milestone achievements that are preliminary equipped with industrialization conditions. The joint school organized jointly with Qingdao Agricultural University was officially launched, laying a foundation for reserves of technical personnel. At the same time, the Group proactively advocated the concept of animal protection through the joint establishment of "Yangtze River Biodome (長江生態館)"

with Fisheries Administration Office of Yangtze River under Ministry of Agriculture and promotion of the protection of rare, peculiar endangered species in Yangtze River. The Group cooperated with local fisheries authorities to actively rescue, temporary raise and release finless porpoise and other wide animals. For four consecutive years, the Group organized appraisal activity of "Haichang Award" together with the Ministry of Agriculture regarding aquatic wild animal protection nationalwide which has awarded more than 150 people from different industries, including academician from Chinese Academy of Sciences. Besides, during the year, the Group held more than 20 activities, such as science popularization month of aquatic wild animal protection and Seabird Sanctuary Festival, focusing on charitable and environmental themes.

Upgrade and Enhancement of Existing Projects, and Development of Regional Tourism Destination

Pursuant with the established development strategy, in 2016, the Group focused on the optimization and upgrade of existing projects under the mode of "scene+" and expedited the research and development and implementation of new entertainment products and new projects with the marine culture theme. During the year, Mermaid Dreamland of Chengdu Haichang Polar Ocean Park, water castle project of Chongqing Haichang Caribbean Water Park and fantastic maritime project of Qingdao Haichang Polar Ocean Park opened one by one. Additionally, the expansion layout plan and the program for the planning and design concepts of Dalian Laohutan Ocean Park were completed. The opening of the Future Jelly Fish Exhibit of Tianjin Haichang Polar Ocean Park in January 2017 effectively enhanced the quality and attraction of core products of theme parks. In respect of performance management, in addition to upgrade of hardware that help build atmosphere at theatre, the Group concentrated its efforts to optimize script structure and performance form of shows, which achieved a upgrade of soft power of marine-themed cultural shows. In respect of operation management, the Group further optimized the operational service standards of Haichang Ocean Park with an aim to provide strong protection in respect of systems for the sustainable development of service management and the output of operational service standards of the Group. In respect of marketing, the Group diversified featured product portfolios and routine products, regulated price control lever and strengthened product-centred packaging marketing activities while it continued to penetrate OTA online resource and explore regional markets in terms of both width and depth. Furthermore, the Group innovated and upgraded in-park consumption products, and upgraded brand image of theme products of "Marine Families (海洋家族)" series during the period. Riding on opening of the Future Jelly Fish Exhibit of Tianjin Haichang Polar Ocean Park, the Group first showed the theme products of "Seven Guardians (七萌團)" series of Haichang selected products to the public. The Group expanded its self-developed IP theme products which for the first time made positive contribution to non-ticket revenue; developed and promoted theme catering products of "Taste of the Sea (海洋味道)" series, thereby enlarging the types of catering products; added certain innovative derivative items, such as diving lessons, and increased the room for growth of income from derivative and entertainment items through optimization of route and project layout. In respect of ancillary commercial property, the Group consolidated the complementary functions between different business segments, and successfully introduced multi-commercial activities during the period, such as hot spring, comprehensively meeting needs of tourist in respect of "food, lodging, transportation, travelling, purchasing and entertainment", so as to help develop local projects to regional tourism and leisure destination.

Proper Implementation of Marine Cultural Innovative Business

After almost two years of market exploration and internal adjustment and improvement, the asset-light businesses of the Group achieved a well-grounded breakthrough with their progress starting to pick up in 2016. The business and management model of the management services business was further optimized and scale development was realized. Since the commencement of such business in 2015, the Group has extended its footprints to the markets of Hebei, Zhejiang, Hunan, Guangxi, Fujian, Guangdong and other provinces with 19 project contracts finalized, amounting to about RMB320 million in aggregate. As to interactive technology and urban recreation, the Group actively conducted marine-themed mobile tour by upgrading to the "Marine Carnival" product based on the original "Penguin Caravan", which enriched product portfolio and embarked on display in several cities such as Beijing. In addition, the Group also took the initiative to build indoor recreational products for commercial complexes and successfully launched the innovative product mode represented by "Mozoo Park". The Group achieved virtual interaction between visitors and marine cultural products through independent research and development and exploration of light multimedia interactive technologies and in particular developed a series of interesting popular science entertainments for children. As to marine culture IP business, the culture IP platform of the Group has taken shape. During the period, the Group completed the production and release of 4D cinema animated film "Light of Ocean – Battle for Defending Pearls", published children's literature picture book "Greenland's Love" and created "Midoo", the elf mascot for future jellyfish exhibit, marking a solid step towards independent IP creation.

Promotion of Flagship Program Underpinning National Network Layout through Asset-Light Businesses

During the period, overall construction and operating preparations for new projects progressed in an orderly manner. The permit for commencement of construction works was obtained for the Group's Shanghai Haichang Polar Ocean Park and the main bodies of all the exhibition venues commenced construction. Construction work of Shanghai project team also progressed steadily, where core operation team were in place to make preparations prior to the opening. Meanwhile, Sanya Haichang Dream World project, which is positioned as the first immersive maritime-themed culture and entertainment composite nationwide, completed its project set-up and obtained design planning approval during the period, which commenced overall construction at the end of 2016. Several key products of the project are undergoing plan enhancement and designing phase. During the period, the Group also proactively sought strategic layout in Zhengzhou and other cities through strong cooperation with industry merger funds and first-tier real estate enterprises and the assets-light management services model, among which, the Group took a chance at expanding the asset-light businesses in another city for the first time through entering into the management services agreement with respect to Changsha Haichang Joyful Ocean Park Project, thereby providing new references for future replication and expansion of new projects in another city.

Business Outlook

Looking ahead, the Group will actively implement the established mid-term strategic growth objectives. As to existing projects, the Group, targeting at improving park touring experience and profit, will upgrade and enhance existing projects by utilizing idle space within and outside the existing projects, improving business catering as well as multi-business-model consumption so as to optimise overall dynamic-line and landscape and enhance park quality in an ongoing manner. Further, the Group will formulate corresponding implementation plans and capital expenditure arrangement and build new ancillary commercial properties in line with the business model of theme parks through independent research and development and external cooperation. As to new projects, the Group will optimise resource allocation, accelerate construction of projects in Shanghai and Sanya while proactively advancing preparatory works for the commencement for operation. In addition, the Group will actively tap into targeted strategic cities through multiple cooperation modes to further improve the national layout. As to marine cultural innovation business, the Group will continue to increase the contribution of revenue and profit from the management services business, and promote the standardisation of products and services while actively expanding new businesses in accordance with the established directions. Based on the achievements made in independent IP research and development, the Group will make further efforts to expand new business development ideas, striving to contribute to revenue as soon as possible.

Financial review

Revenue

Revenue generated from the Group's park operations segment increased by approximately 10.3% from approximately RMB1,295.8 million in 2015 to approximately RMB1,429.1 million in 2016, primarily due to the slight increase in revenue from park tickets sales as compared to 2015 and the significant increase in revenue from non-ticket business, among which revenue from management output business amounted to approximately RMB42.8 million. Revenue generated from non-ticket business increased by approximately 45.8% from approximately RMB246.6 million in 2015 to approximately RMB359.6 million in 2016.

Revenue generated from the Group's property development segment increased by approximately 82.3% from approximately RMB121.0 million in 2015 to approximately RMB220.6 million in 2016.

In conclusion, for the year ended 31 December 2016, revenue of the Group increased by approximately 16.4% to approximately RMB1,649.7 million (2015: approximately RMB1,416.8 million).

Cost of Sales

The Group's cost of sales increased by approximately 18.7% from approximately RMB630.4 million in 2015 to approximately RMB748.3 million in 2016, which was mainly attributable to the increase in costs in line with the increase in property sales.

Gross Profit

The Group's overall gross profit increased by approximately 14.6% to approximately RMB901.4 million (2015: approximately RMB786.5 million) and overall gross profit margin declined to approximately 54.6% (2015: approximately 55.5%), primarily due to the decrease in gross profit margin of property sales.

Segment gross profit of the Group's park operations segment increased by approximately 11.5% to approximately RMB798.9 million (2015: approximately RMB716.2 million) and segment gross margin of the Group's park operations segment improved from approximately 55.3% in 2015 to approximately 55.9% in 2016, primarily due to the increase in revenue generated from park operations as well as the relatively stable operating expenses of most of the Group's theme parks and the enhancement of cost control by the Group.

Segment gross profit of the Group's property development segment increased by approximately 45.9% to approximately RMB102.5 million (2015: approximately RMB70.3 million). Segment gross margin of the Group's property sales was approximately 46.5% (2015: approximately 58.1%). 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 decreased by approximately 57.7% from approximately RMB263.1 million in 2015 to approximately RMB111.3 million in 2016, mainly due to the increase in valuation gains as a result of addition of investment properties in 2015.

Selling and Marketing Expenses

The Group's selling and marketing expenses increased by approximately 2.2% from approximately RMB117.2 million in 2015 to approximately RMB119.7 million in 2016, in line with the increase in total revenue. The selling and marketing expenses represented approximately 7.3% of the total revenue (2015: approximately 8.3%).

Administrative Expenses

The Group's administrative expenses increased by approximately 16.5% from approximately RMB269.6 million in 2015 to approximately RMB314.1 million in 2016, mainly due to the increase in administrative expenses as a result of the progress of projects in Shanghai and Sanya. The administrative expenses represented approximately 19.0% of the total revenue (2015: approximately 19.0%).

Finance Costs

The Group's finance costs decreased by approximately 5.6% from approximately RMB154.2 million in 2015 to approximately RMB145.6 million in 2016, mainly due to a decrease in the comprehensive coupon rate of the Group's bank loans. The finance costs represented approximately 8.8% of the total revenue (2015: approximately 10.9%).

Income Tax Expenses

The Group's income tax expenses decreased by approximately 5.9% from approximately RMB213.1 million in 2015 to approximately RMB200.5 million in 2016, mainly due to a decrease in profit before tax as a result of the change in non-recurring gain and losses.

Profit for the Year

As a result of the foregoing, the profit of the Group for the year decreased by approximately 12.8% from approximately RMB250.0 million in 2015 to approximately RMB217.9 million in 2016, and the net profit margin decreased from approximately 17.6% in 2015 to approximately 13.2% in 2016. During the same period, the profit attributable to equity holders of the parent decreased by approximately 12.9% from approximately RMB230.6 million in 2015 to approximately RMB201.0 million in 2016, which was mainly attributable to the increase in valuation gains as a result of addition of investment properties in 2015. Irrespective of such influence, the core net profit would have increased by 33.1% year-on-year to approximately RMB224.3 million in 2016.

Liquidity and Financial Resources

As at 31 December 2016, the Group had current assets of approximately RMB2,247.9 million (2015: approximately RMB1,919.2 million). The Group had cash and bank deposits of approximately RMB873.5 million (2015: approximately RMB970.5 million) and its pledged bank balances amounted to approximately RMB6.5 million (2015: approximately RMB6.5 million).

Total equity of the Group as at 31 December 2016 was approximately RMB4,218.8 million (2015: approximately RMB3,995.2 million). The increase in total equity was mainly due to an increase in the profit after tax in 2016. As at 31 December 2016, the total interest-bearing bank and other borrowings of the Group were approximately RMB2,901.6 million (2015: approximately RMB2,366.0 million).

As at 31 December 2016, the Group had a net gearing ratio of approximately 46.7% (as at 31 December 2015: approximately 34.4%). The net liabilities of the Group included interest-bearing bank and other borrowings, amounts due to related companies, less cash and cash equivalents and amounts due from related companies. The increase in the net gearing ratio as at 31 December 2016 was mainly attributable to increase in principal amounts of loans as well as the decrease in cash and cash equivalents as a result of the fund payment of the Shanghai project in 2016.

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 comprises ordinary shares for the year ended 31 December 2016.

Contingent Liabilities

	31 December 2016	31 December 2015
	RMB'000	*RMB'000*
Guarantees in respect of mortgage facilities granted to the purchasers of the Group's properties*	**76,556**	69,381
	76,556	69,381

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

The Group did not incur any material losses during the year (2015: 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 2016, the Group had capital commitments of approximately RMB1,505.4 million (2015: RMB453.1 million), which shall be funded through a variety of means, including cash generated from operations, bank financing and proceeds from the initial public offering.

Staff Policy

The Group had approximately 2,758 full-time employees (2015: 2,529 full-time employees) as at 31 December 2016. The Group offers a comprehensive and competitive remuneration, retirement schemes and benefit package to its employees. Discretionary bonus is offered to the Group's staff depending on their performance. The Group and its employees are required to make contribution to a social insurance scheme. The Group and its employees are required to make contribution to fund the endowment insurance and unemployment insurance at the rates specified in the relevant laws and regulations.

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

SUBSEQUENT EVENTS

Significant events subsequent to the balance sheet date are as follows:

On 10 March 2017, the Group has obtained an interest-bearing bank loan for a total amount of RMB300 million with maturity in March 2018.

Purchases, Redemption or Sale of Listed Securities of the Company

Neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the year ended 31 December 2016.

Pre-Emptive Rights

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

Corporate Governance

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

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

Under code provision A.1.1 of the Code, the Board should meet regularly and Board meetings should be held at least four times a year at approximately quarterly intervals. For the year ended 31 December 2016, three Board meetings had been held in March, May and August 2016, respectively. As the business operations of the Company were under the management and supervision of the executive Directors who had from time to time held meetings or communicated through electronic means with the rest of the Board to revolve all material business or management issues and therefore certain Board resolutions were concluded through circulation of written resolutions. The Group's business, operation and management have been conducted properly under the management and supervision of the executive Directors. The Company will ensure compliance with the requirement of code provision A.1.1 of the Code in future.

Under code provision A.6.7 of the Code, all non-executive Directors are recommended to attend general meetings of the Company. However, all non-executive Directors of the Company (including the independent non-executive Directors) were absent from the annual general meeting of the Company held on 27 June 2016 (the "**AGM**") due to pre-arranged business commitments.

Under code provision E.1.2 of the Code, the chairman of the Board should attend annual general meetings of the Company and invite the chairmen of the audit, remuneration, nomination and any other committees (as appropriate) of the Company to attend. Mr. Qu Naijie, being the chairman of the Board, was absent from the AGM due to a pre-arranged business commitment. The chairmen of all the board committees of the Company were also absent from the AGM due to pre-arranged business commitments. Mr. Wang Xuguang, an executive Director, the Chief Executive Officer and a member of the remuneration committee of the Company, was chosen as the chairman of the AGM. Mr. Qu Cheng, an executive Director, 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 under review.

Audit Committee

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

The Audit Committee has reviewed together with the Directors and the Company's external auditor the audited annual results of the Group for the year ended 31 December 2016.

Dividend

The Board does not recommend payment of any dividend for the year ended 31 December 2016.

Forward Looking Statements

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

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

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

This annual results announcement of the Company for the year ended 31 December 2016 is published on the website of the Stock Exchange at www.hkexnews.hk and the website of the Company at www.haichangholdings.com. The Annual Report 2016 will be dispatched to shareholders 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.

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

Dalian, the People’s Republic of China, 22 March 2017

As at the date of this announcement, the executive directors of the Company are Mr. Wang Xuguang, Mr. Qu Cheng and Mr. Gao Jie; the non-executive directors of the Company are Mr. Qu Naijie, Mr. Makoto Inoue and Mr. Yuan Bing; and the independent non-executive directors of the Company are Professor Chen Guohui, Mr. Sun Jianyi and Professor Zhang Meng.