海昌海洋公园控股有限公司
HAICHANG OCEAN PARK HOLDINGS LTD.

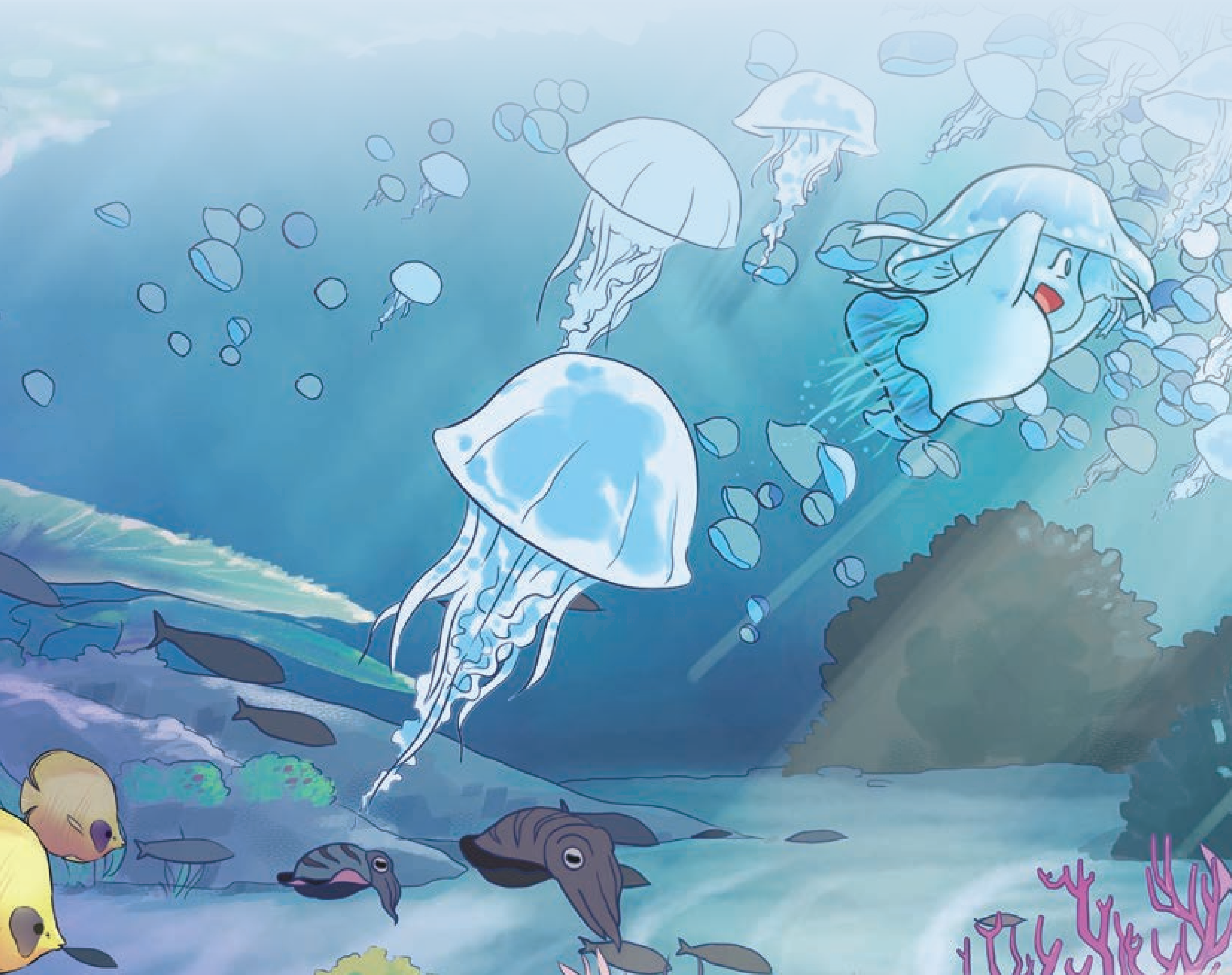
(Incorporated in the Cayman Islands with Limited Liability)
Stock Code : 2255

DREAM
LOVE
JOY

2016
ANNUAL REPORT

COMPANY PROFILE

Listed on the Main Board of The Stock Exchange of Hong Kong Limited in March 2014, Haichang Ocean Park Holdings Ltd. (the "Company") and its subsidiaries (collectively the "Group") is the leading developer and operator of theme parks in China. With over 15 years of experience in animal breeding and conservation, marine theme park development and operation, the Company has consistently ranked as one of the top ten theme park operators worldwide for consecutive years. The Company's theme parks provide a one-stop sightseeing, entertainment, leisure, dining and shopping experience to its customers through both the in-park offerings and complementary services offered by the ancillary commercial properties adjacent to the theme parks. The Company currently operates eight theme parks located in Dalian, Qingdao, Tianjin, Yantai, Wuhan, Chengdu and Chongqing respectively, including six ocean theme parks, one adventure theme park, and one water world. Besides, there are two major flagship projects under construction in Shanghai and Sanya, respectively. China's theme park industry possesses enormous growth potential, and the theme parks of the Company has had nearly 100 million visitors since 2002.



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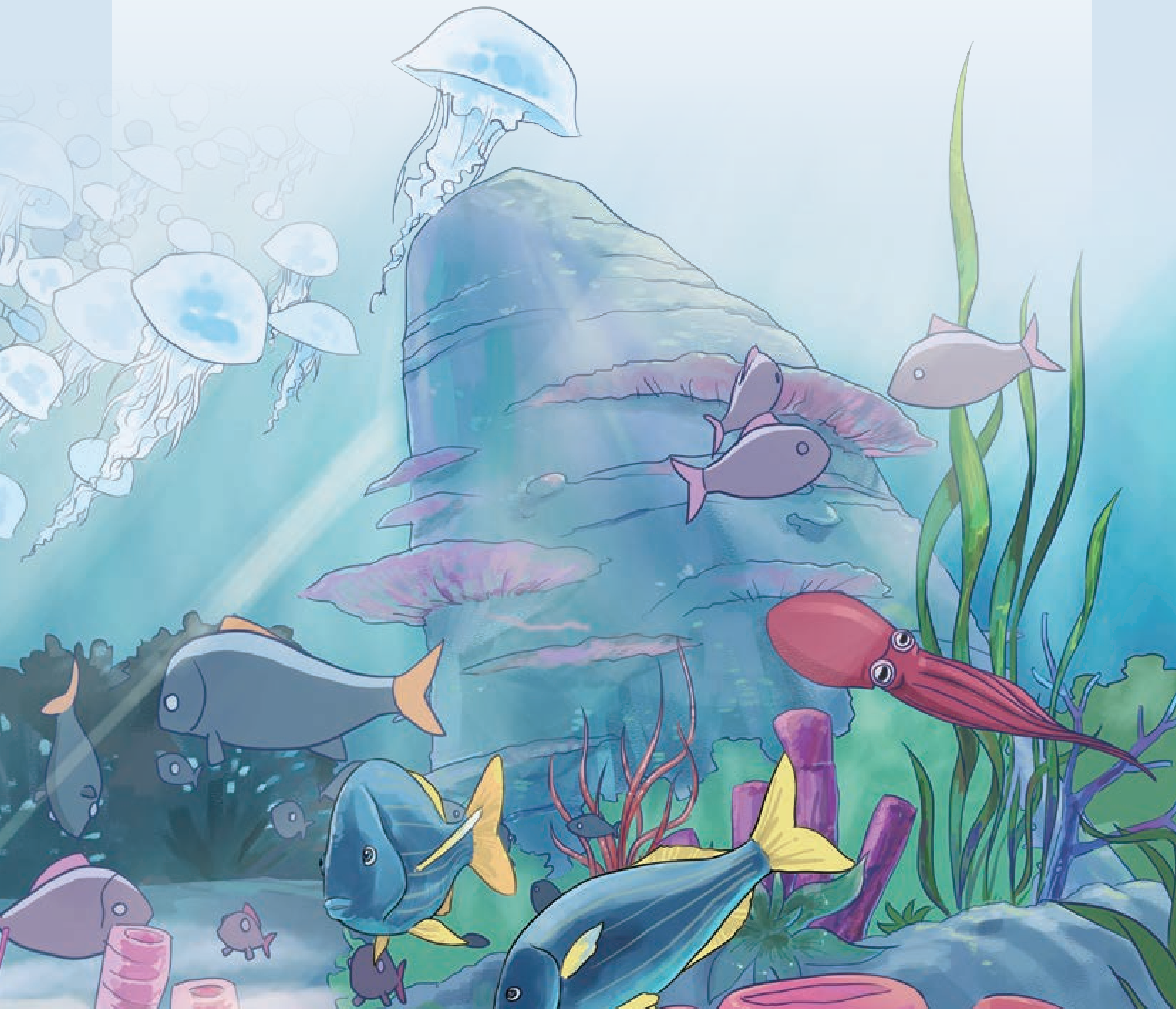


CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Wang Xuguang (王旭光) *(Chief Executive Officer)*
Qu Cheng (曲程)
(appointed with effect from 25 May 2016)
Gao Jie (高杰) *(Executive President)*
(appointed with effect from 25 May 2016)
Zhao Wenjing (趙文敬)
(resigned with effect from 25 May 2016)
Qu Naiqiang (曲乃強)
(resigned with effect from 25 May 2016)

Non-executive Directors

Qu Naijie (曲乃杰) *(Chairman)*
Makoto Inoue (井上亮)
Yuan Bing (袁兵)

Independent Non-executive Directors

Chen Guohui (陳國輝)
(appointed with effect from 25 January 2017)
Sun Jianyi (孫建一)
Zhang Meng (張夢)
(appointed with effect from 25 January 2017)
Fang Hongxing (方紅星)
(resigned with effect from 25 January 2017)

HONORARY CHAIRMAN

Yoshihiko Miyauchi (宮內義彥)

COMPANY SECRETARY

Xing Jun (HKICS, ICSA)

AUTHORISED REPRESENTATIVES

Wang Xuguang
Xing Jun (HKICS, ICSA)

LEGAL ADVISORS

As to Hong Kong Law
Kwok Yih & Chan

As to PRC Law
Liaoning Think Tank Law Firm

AUDITOR

Ernst & Young
Certified Public Accountants

AUDIT COMMITTEE

Chen Guohui *(Chairman)*
Sun Jianyi
Zhang Meng
(appointed with effect from 25 January 2017)
Fang Hongxing
(ceased to act as a member with effect from 25 January 2017)
Xie Yanjun
(ceased to act as a member with effect from 25 January 2017)

REMUNERATION COMMITTEE

Sun Jianyi *(Chairman)*
Wang Xuguang
Chen Guohui
(appointed with effect from 25 January 2017)
Fang Hongxing
(ceased to act as a member with effect from 25 January 2017)

NOMINATION COMMITTEE

Qu Naijie *(Chairman)*
Sun Jianyi
Zhang Meng
(appointed with effect from 25 January 2017)
Xie Yanjun
(ceased to act as a member with effect from 25 January 2017)

RISK MANAGEMENT AND CORPORATE GOVERNANCE COMMITTEE

Yuan Bing *(Chairman)*
Chen Guohui
(appointed with effect from 25 January 2017)
Zhang Meng
(appointed with effect from 25 January 2017)
Fang Hongxing
(ceased to act as a member with effect from 25 January 2017)
Xie Yanjun
(ceased to act as a member with effect from 25 January 2017)

INDEPENDENT BOARD COMMITTEE

Sun Jianyi *(Chairman)*
Chen Guohui
(appointed with effect from 25 January 2017)
Zhang Meng
(appointed with effect from 25 January 2017)
Fang Hongxing
(ceased to act as a member with effect from 25 January 2017)
Xie Yanjun
(ceased to act as a member with effect from 25 January 2017)

HEAD OFFICE IN THE PRC

No.1, Lianjing Garden, Huale Street
Zhongshan District
Dalian, Liaoning Province
PRC

REGISTERED OFFICE

PO Box 309, Ugland House
Grand Cayman, KY1-1104
Cayman Islands

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Suites 2606-2607, 26/F, Two Exchange Square
8 Connaught Place, Central
Hong Kong

CAYMAN ISLANDS SHARE REGISTRAR

Maples Fund Services (Cayman) Limited
PO Box 1093, Boundary Hall
Cricket Square
Grand Cayman, KY1-1102
Cayman Islands

HONG KONG SHARE REGISTRAR

Tricor Investor Services Limited
Level 22
Hopewell Centre
183 Queen's Road East
Hong Kong

PRINCIPAL BANKS

The Export-Import Bank of China, Liaoning Branch
China Construction Bank Corporation, Dalian Zhongshan District Branch
Industrial and Commercial Bank of China, Dalian Economic and Technological Development Zone Branch
Industrial and Commercial Bank of China, Qingdao South 4th Branch
Industrial and Commercial Bank of China, Wuhan East Lake District Branch
Industrial and Commercial Bank of China, Chengdu Hi-tech Industrial Development Zone Branch
Industrial and Commercial Bank of China, Tianjin Economic Development Zone Branch
Bank of Dalian, First Central Branch
China Merchants Bank, Dalian Branch
China Construction Bank (Asia) Corporation Limited
BNP Paribas, Hong Kong Branch

STOCK CODE

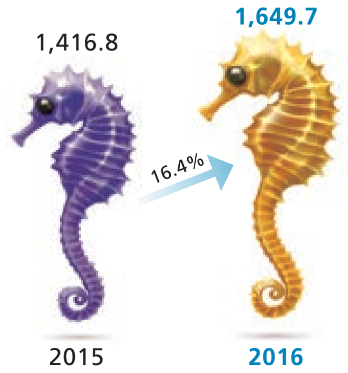
2255

COMPANY WEBSITE

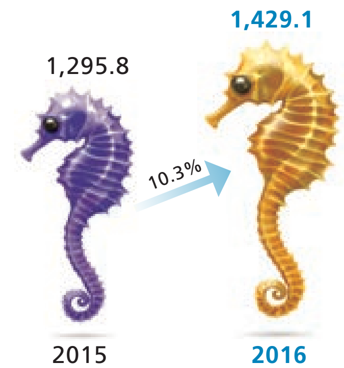
http://www.haichangoceanpark.com

FINANCIAL HIGHLIGHTS

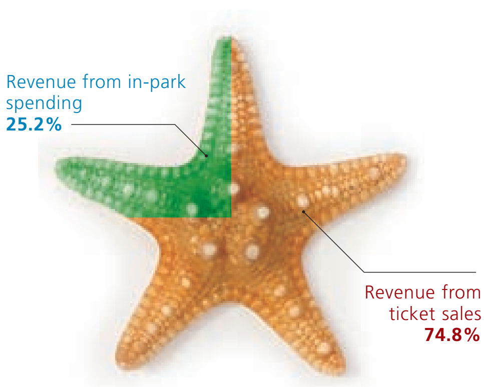
Total Revenue
(RMB Million)



Revenue from park operations
(RMB Million)

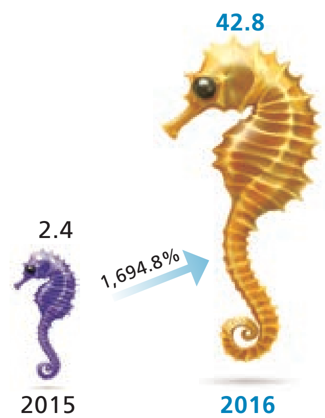


Park Revenue Composition



Non-ticket Revenue
(RMB Million)

Asset-Light Business Revenue
(RMB Million)



Core Net Profit
(RMB 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

FINANCIAL HIGHLIGHTS

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out below.

	For the year ended 31 December				
	2012 *RMB'000*	2013 *RMB'000*	2014 *RMB'000*	2015 *RMB'000*	**2016** ***RMB'000***
Results					
Revenue	1,112,884	1,378,297	1,531,386	1,416,827	**1,649,710**
Gross profit	460,702	589,305	673,617	786,465	**901,385**
Profit before tax	210,829	217,194	375,368	463,032	**418,428**
Income tax expenses	(115,628)	(89,094)	(163,893)	(213,056)	**(200,501)**
Profit after tax for the year	95,201	128,100	211,475	249,976	**217,927**
Attributable to:					
Owner of the parent	73,006	108,393	191,984	230,622	**200,972**
Non-controlling interests	22,195	19,707	19,491	19,354	**16,955**
Assets and liabilities					
Non-current assets	5,153,276	4,842,934	5,091,280	6,432,017	**6,951,212**
Current assets	4,057,513	3,350,623	3,342,737	1,919,207	**2,247,910**
Current liabilities	4,016,498	3,139,934	2,271,818	1,710,789	**2,271,096**
Non-current liabilities	3,370,943	3,391,655	2,434,197	2,645,254	**2,709,192**
Shareholders' equity	1,823,348	1,661,968	3,728,002	3,995,181	**4,218,834**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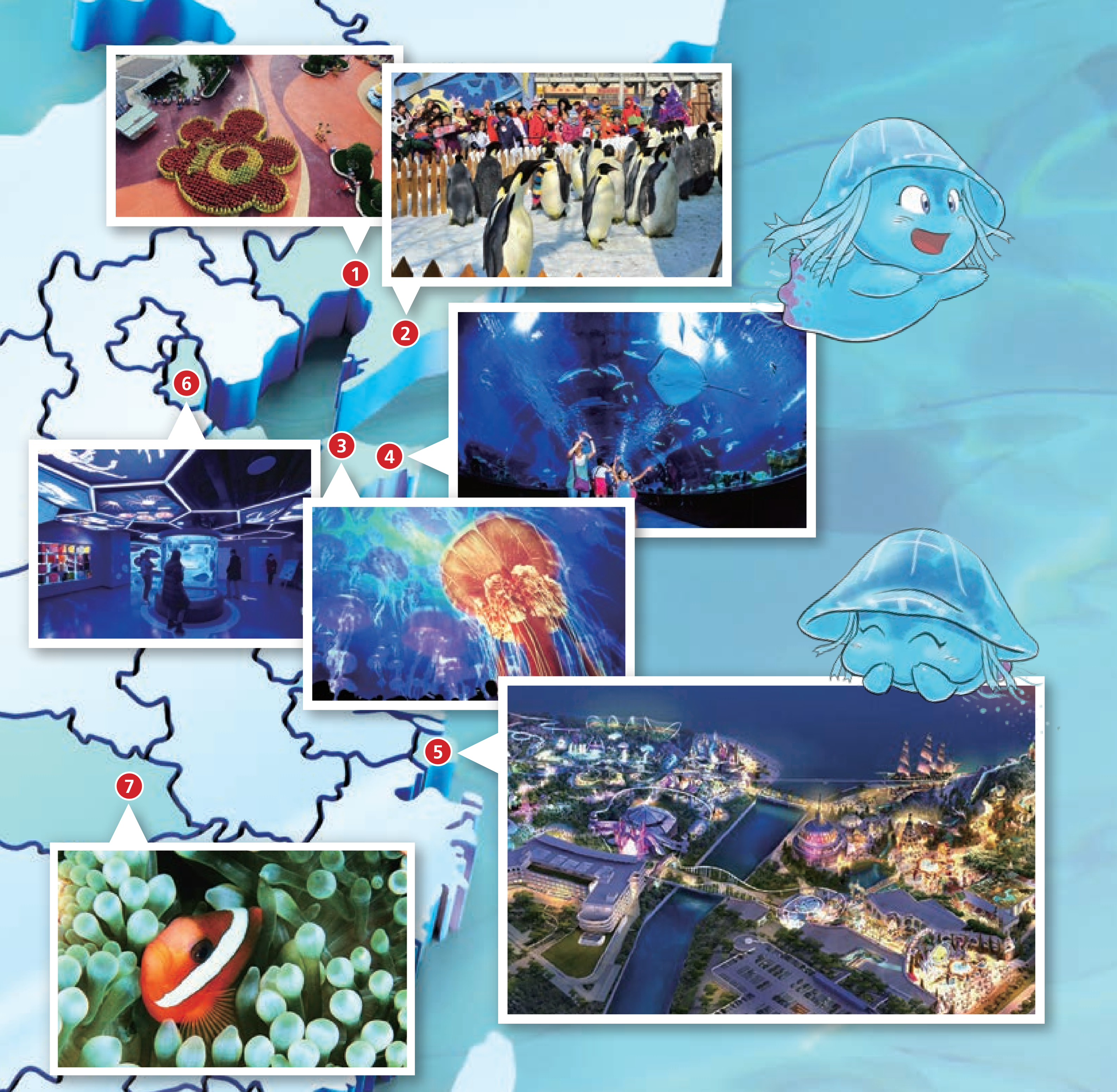


OUR THEME PARKS

1. Dalian Haichang Discoveryland
2. Dalian Laohutan Ocean Park
3. Yantai Haichang Whale Shark Aquarium
4. Qingdao Haichang Polar Ocean Park
5. Shanghai Haichang Polar Ocean Park
6. Tianjin Haichang Polar Ocean Park
7. Wuhan Haichang Polar Ocean Park
8. Chongqing Haichang Caribbean Water Park
9. Chengdu Haichang Polar Ocean Park
10. Sanya Haichang Dream World

CHAIRMAN'S STATEMENT

DEAR SHAREHOLDERS

On behalf of the board of directors (the "Board") of Haichang Ocean Park Holdings Ltd. ("Haichang Ocean Park" or the "Company"), I am pleased to present the 2016 annual report of the Company.

Since 2016, the first year for the "Thirteenth Five-Year Plan" of the People's Republic of China (the "PRC" or "China"), the PRC incorporated the development planning of the national tourism as the key special project planning under the "Thirteenth Five-Year Plan". This is the first time ever in the development history of the tourism industry in the PRC. As domestic economic restructuring got further reinforced and domestic consumption upgrade formed a trend, the theme park industry has ushered in a golden era of growth. As for Haichang Ocean Park, 2016 is the third year after the Company has been listed, which is 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 year, the successive commencement of construction of projects in Shanghai and Sanya continuously gave fresh impetus to the development of the Company.

In 2016, under the guidance of the Board, the Group's management and all staff made concerted efforts in a pragmatic attitude and basically achieved the established annual development objectives. During the year, the Company's brand awareness and influence got further enhanced and the marketing pattern was greatly improved. During the period, the Group optimized and upgraded its existing projects and innovated its products and services under the mode of "scene+", with a view to improving visitors' experience. Meanwhile, the Group, drawing on its existing ancillary property resources, successfully developed and introduced multi-commercial activities, which have created obvious synergies and effectively helped develop local projects to regional tourism and leisure destinations. In addition, after nearly two years of accumulation and refining, the Group's innovative business platform and system have been preliminarily built, and thereby, the new engine for the Group's business growth has gradually taken shape.

In light of the above measures, the Group's operating results was substantially enhanced. For the year ended 31 December 2016 ("the Year"), the Group's operation scale grew steadily with an increasingly optimized revenue structure. The non-ticket and asset-light businesses of the Group delivered an excellent performance. During the Year, the total revenue of the Group increased by approximately 16.4% year-over-year to approximately RMB1,650 million. Revenue generated from park operations increased by 10.3% year-over-year to approximately RMB1,429 million. During the Year, the overall profitability of the Group was constantly enhanced as well, as a result, the overall gross profit increased by approximately 14.6% to approximately RMB901 million and the core net profit of the Group increased by approximately 33.1% to approximately RMB224.3 million.

The Group kept enhancing its core competitiveness related to animal conservation and proactively advocated the concept of animal protection. During the year, the Group successfully bred nine species and 143 large marine and polar animals, making the total animals conserved amounting to nearly 50,000. The Group also proactively propelled the expansion of animal protection undertakings and conducted the protection of and rescued rare and endangered species.

In 2016, the Group's two flagship projects in progress proceeded as planned. The permit for commencement of construction works was successfully obtained for the Shanghai Haichang Polar Ocean Park located in Pudong, Shanghai and all the exhibition venues commenced the main construction phase. The Sanya Haichang Dream World project located in Sanya Haitang Bay commenced the full construction at the end of the Year. Besides, contracts had been signed for the asset-light projects in Changsha, which initiated a new development mode for the Group's business expansion in the future.

Looking ahead to 2017, where both opportunities and challenges suffuse, the Group will, within the existing development strategy framework, continuously upgrade and enhance existing projects with a view to improving park touring experience and revenue, and develop regional tourism and leisure destinations by drawing on ancillary commercial properties. Meanwhile, for the sake of the sustainable development in the future, the Group will also accelerate the construction of projects in Shanghai and Sanya while advancing preparatory works for the commencement of operation. In addition, the Group will actively tap into new targeted strategic cities through multiple cooperation modes to further improve the national layout. Furthermore, the Group will also pay great attention to the promotion of standardisation of products and services of the management services business, and make further efforts to expand new business development ideas for culture IP business, so as to increase the contribution of asset-light innovation business to revenue in a constant manner.

Meanwhile, we will continue to shoulder the responsibilities and obligations as a corporate citizen by establishing animal conservation research centers and animal protection charitable foundations as well as participating in and supporting the promotion of science popularisation activities and other charitable events such as animal rescues, thereby putting into practice our commitment to social responsibility and environmental protection.

The Group will stick to its aim of establishing Haichang Ocean Park as the first marine-culture tourism and leisure brand in China and an international marine-featured tourism and leisure platform enterprise so as to continuingly sharpen its market competitiveness and write a new chapter in the development of Haichang Ocean Park.

APPRECIATION

On behalf of the Board, I would like to extend our sincere gratitude to the management and all the staff for their strenuous efforts, and to express our appreciation to our shareholders and business partners for their support to and confidence in us. The Group will continue to build on our success and reward our shareholders with even greater results in the coming year.

Qu Naijie
Chairman

22 March 2017

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 ("CNTA") 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 nationwide 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 *RMB'000*	31 December 2015 *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.

2016 ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

1. RESPONSIBILITY MANAGEMENT

The Group emphasizes on the synergetic development of economy, society and environment. While striving to build the first marine culture tourism and leisure brand in China as well as the international marine culture characteristic tourism and leisure platform enterprise, the Group has given full play to its own edges to actively discuss and solve the social and environmental problems faced by tourism and leisure, marine animal protection and community development. We promote the joint development of shareholders, customers, employees, cooperative partners, communities and other stakeholders through enterprise's sustainable development.

1.1 Management of stakeholders

The Group identified important stakeholders through panel discussions, media analysis, peer benchmarking and etc. We collected stakeholders' opinions through establishing different communication channels and built up harmonious and trusted win-win cooperation relationship with the stakeholders. We sincerely respond to the expectations and requirements of all stakeholders and actively undertake all the social responsibilities.

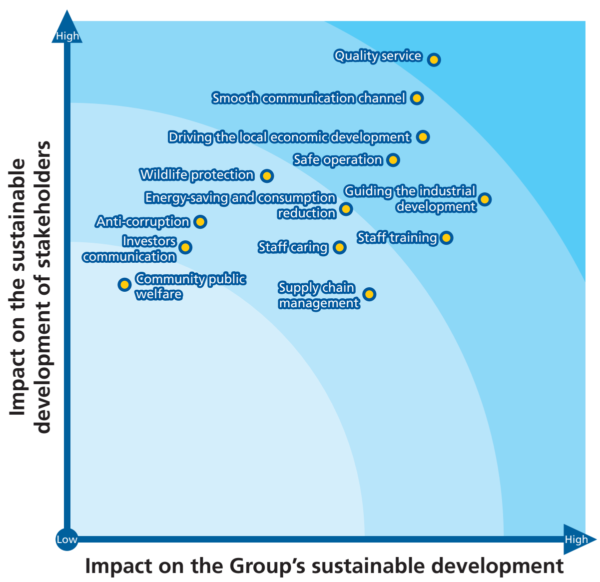
Stakeholders	Expectations and requirements	Communication and response pattern
Customers	Quality services Personal safety Smooth communication channel	Hotline Website complaint Customer feedback Satisfaction survey
Shareholders and investors	Earnings return Compliance operation	Annual report Group announcement Special report
Government and supervision organizations	Paying taxes according to laws Driving the local economic development Promoting employment Safe operation	Initiative tax payment Periodic report issuing Providing employment opportunities Periodic checking recreation facilities
Staff	Legal interests Occupational health Salary and welfare Career development Humanistic care	Employees' representative conference Periodic physical examination Professional training Organizing staff activity

Stakeholders	Expectations and requirements	Communication and response pattern
Suppliers	Openness and fairness Honesty and trustworthiness Contract enforcement	Open tendering Equal consultation Periodic evaluation
Industry	Industrial guidance Improve the industrial management level	Formulation of industrial standard Participation in industrial forum Investigation and exchange visits
Environment	Wildlife protection Energy saving Waste disposal Green office	Salvation of wildlife Propaganda of animal protection Replacement of energy-saving lightings Installation of energy-saving equipment
Community	Supporting community public welfare Caring for special groups	Volunteer activities Charity donation Caring for autistic children

1.2 Materiality assessment

In a bid to determine the boundary of the report and the material issues, the Group has, during its daily operation, actively acquainted itself with the appraisals and suggestions of and issues concerned by all stakeholders, referred to the information disclosure on sustainable development of peer benchmarking enterprises, the Group's development strategic plans and major concerns about the Group of the general public represented by media, conformed to the requirements of the ESG Reporting Guide of Hong Kong Stock Exchange and conducted in-depth communication with stakeholders.

Screening process over environmental, social and governance issues
Source of issues
– Suggestions of corporate management level
– Analysis and suggestions of internal and external experts
– Multi-media information analysis
– ESG Reporting Guide of Hong Kong Stock Exchange
– Domestic and foreign peer benchmarking study
– Frontier industrial meeting
Screening criterions
– Contribution to sustainable development
– General concern of stakeholders
– Emphasis of social responsibility guidelines
– Conforming to the Company's development strategy
Results of materiality assessment



2. SUSTAINABLE OPERATION

The Group continuously strengthened informationalized management, innovated biology management system, put into service animal management system and biologic environment remote monitoring system, enriched product connotation and enhanced customer experience through the application of mobile internet, robot technology, holographic imaging and virtual reality technologies. The Group inherited the concept of industrial joint development to continuously increase industrial communication and promote industrial development through training, technology communication, forum participation and etc.

Major honors

- The Group obtained "China National Travel • ctcnn.com Award" – The Most Popular Theme Park Award
- The Group obtained the "China Advertising Great-wall Awards – Advertiser Award"
- Wang Xuguang, CEO of the Group obtained the "Best Investor Relations CEO" award.
- The Group made debuts in two travel expos and obtained "The Most Popular Marine Theme Park Award" & "The Best Popularity Award"
- The Group was once again selected as one of the "Top 20 Tourism Groups in China" by China Tourism Association and China Tourism Academy

2.1 Strengthen animal management

Animals are precious assets to the Group. In order to better standardize management of marine creatures, improve the living environment of marine creatures and expand the biological breeding outcomes, we gradually improved the biology management system, adjusted the creatures' living environment index. Moreover, we taken the advantages of superior resources to help the artificial breeding of marine creatures and then realized the protection of marine creatures.

Standardize animal management

In 2016, in line with the adjustment to the Group's management structure, Haichang Ocean Park revised the Animal Assets Management Procedures and provided training to the animal management departments of all the subsidiaries. We strictly implemented the requirements of the Animal Assets Management Procedures so that all kinds of species can be recorded and documented during the process of animal introduction, allocation and transfer.

Photo of awardees of the Haichang Technology Award

We have been committed to the informationalized management of marine animals. In 2016, the Animal Management System (HASAS) launched online. The system includes the identity information, living conditions, health index, environmental conditions and movement tracking of all the marine animals, covering all the introduced animals' living records in all the subsidiaries, which provide the most convenient and scientific management channel for the Group to orderly manage the marine animals.

Haichang Ocean Park emphasizes on the standardized construction. Dalian Laohutan Ocean Park, Qingdao Haichang Polar Ocean Park and Chengdu Haichang Polar Ocean Park have already passed the ISO 9000 Quality Management System Certification. The Group established and improved the daily feeding, medical care, environmental enrichment, breeding and other series of management standards. It gradually formed a set of comprehensive marine animal health management system and adopted it as the standards for marine animal scientific management and relevant technical staff training. In 2016, in order to seek for more scientific and accurate biological feeding management standards, the Group updated and optimized the biological feeding standard system, revised the original standards and supplemented all kinds of indexes.

Animal care

The Group emphasizes on the welfare level of marine animals in the park. By adjusting the living environment index of the living animals, for instance, adding recycling cooling water system for the sea lions and polar bears pavilions, lowered the upper limit of the ambient temperature of the walrus pool and the polar bear pool, and enlarged the polar bears' activity area. Moreover, we implemented free feed plan for walrus, extended walrus' feeding time and other ways to enable them to own a better body and behave more natural, increasing the animals' survival happiness index.


Emperor penguins

The Group has reached the national leading level in animal clinical monitoring and laboratory examination. Through testing in advance, we diagnose the potential diseases of animals in time so as to reduce the occurrence of severe diseases of animals. The Group's polar bear anesthesia abdominal surgery, spotted seal surgical drainage operation, walrus sick teeth through therapy and other techniques have reached the advanced level of industry.

Animal nursing

The marine animals are the protagonists in the Group. The Group vigorously advocates the biology breeding research and provides various resources to assist all subsidiaries to expand the biology breeding achievements. On one hand, it introduced more new animals and energized the Group, on the other hand, it helped protect the endangered animals as well as the biodiversity.

In 2016, we successfully bred 4 species of 19 pinnipeds, 3 species of 6 penguins and 2 species of 118 sharks, totaling 143 animals in 9 species. Moreover, we bred one species of 500 rare fishes. For now, the total number of animals is approaching 50,000.

The Group has formed a set of fixed pinnipedia animal artificial nursing mode and process, which can fully guarantee that the infants can receive artificial suckling, weaning and feeding normally when their mothers cannot lactate in normal. It ensured a higher survival rate of infants by artificial nursing. Additionally, the Group set up a comprehensive Red little Fish (紅小魚) artificial breeding technical regulations so that we will not rely on wild fish catching which can further protect the wild Red little Fish (紅小魚) species.

2.2 Ensure tourist safety

To guarantee the tourists' personal safety in the park and strengthen the order management, the Group formulated the Operation Safety Management System of Haichang Ocean Park Holdings Ltd. to standardize the management of amusement facilities in the park and the Emergency Plan of Park Operation Safety to take precautions in case of emergencies. In 2016, there was no significant safety accident occurred.

Enhance safety supervision and inspection

In order to enhance the Group's involvement in all subsidiaries' safety management, all subsidiaries are required to report the contents of company-level safety meetings and safety management department's work monthly. In this way, the Group will be keeping updated with their safety management working performance and management staff involvement in time and thus able to effectively supervise the implementation of safety management responsibility at all level.

In 2016, we organized two large-scale site inspections on operation safety. Moreover, we collected and listed the items that need rectification, then tracked the rectification process to ensure the rectification items were solved exhaustively.

Systematic safeguards for operation safety

Enhance backstage safety management

For a more professional safety management, the Group set up the safety management departments and positions according to the difference of front court and backstage. We recommended our subsidiaries to add more full-time or part-time backstage safety management staff. While keeping the input in front court safety management, the Group expanded the input to backstage safety management and strengthened backstage safety supervision.

Guarantee food safety

In order to guarantee the food safety, all the joining merchants are required to have all the necessary certificates and all the self-catering foods are required to go centralized purchasing. In 2016, we organized food safety management training and improved the food safety management system, such as processing operation specification, retrospective accountability and purchase sampling systems of raw material quality and so on. Furthermore, we established a safety management organization with management staff and improved the food safety emergency plan, we also proposed to execute "5S" food safety management pattern (1S'Regular Organization', 2S'Regular Rectification', 3S'Regular Clean', 4S'Regular Normalization', 5S'Regular Self-Discipline').

Establish Wechat platform

In April 2016, we established a Wechat communication platform for a better communication between the operation management teams in all subsidiaries. Drawing on the platform resources, we organized activities to communicate operation safety management knowledge and experiences, thereby formed a good study atmosphere and enriched the operation safety management experiences. It builds a solid foundation for the Group to comprehensively improve the operation safety management level.

Intelligent entrance check

Share safety monitoring experience

In an effort to accept the safety inspection by the Security Committee of the State Council, Dalian Laohutan Ocean Park and Qingdao Haichang Polar Ocean Park conducted a detailed carding and rectification about their safety management situation on 29 October 2016 and 6 November 2016 respectively. They passed the safety inspection successfully and earnestly implement the committee's rectification advices.

The Group summarized the experience of accepting the Security Committee's inspection and shared it to other subsidiaries. Furthermore, we simulated an inspection in order to constantly refine the safety work and improve the safety operation ability and level.

2.3 Improve service quality

In line with the tourists' demand, the Group compiled the Operation Service Standard of Haichang Ocean Park to improve the operation service standards and strengthen the supervision management. Moreover, it will guarantee the tourists' safety and improve the tourists' experience as well as the tourism service quality, forming an individualized and characteristic marine culture featured service model.


Pursuit of meticulous service quality

Enhance tourists' experience

To strengthen the tourists' experience and deepen the brand philosophy of "Dream, Love and Joy", the Group coordinated with Hong Kong Ocean Park, Tongcheng Tourism, Alitrip, Meituan, Dianping.com and other upstream and downstream partners in strategic development, market activity, ticket marketing and etc., which not only enhanced the brand image of the Group, but also facilitated the customers to purchase park tickets from different channels.

Park service	Staff service ability promotion	Complaint and feedback
• Increased tourists' movement by improving guide system • Improved tourists' experience by improving online ticket exchange process • Provide free charging, free baby carriage, free storage of large luggage and etc.	• Introduced "The first accountability system of service", asking staff to focus on tourists and take tourists' service request seriously. • Introduced the "Service Coach" concept, requiring operation department staff to do self-training, train others and encourage them to be service coach	• Complied Tourist Complaint Handling Specification, regulating staff's complaint handling process. • Strengthened the Group's online comment management, to draw on the supervision power of online comment comprehensively

Case: Dalian Laohutan Ocean Park carried out featured service activity to enhance tourist experience

Dalian Laohutan Ocean Park is the first scenic spot introducing AR technology for interactive experience purpose in Dalian region. By using virtual reality technology, it simulated a vivid South Pole world with ice and snow at the entrance so that the tourists can fully enjoy the interactive situation experience with marine animals.

In product presentation, Dalian Laohutan Ocean Park presented in a brand-new way. It invited foreign performing team to perform foreign style Magic Tahiti scene play. It was the first time to combine the 5m diameter annular water curtain with the performance, presenting a unique water curtain carnival for tourists by the excellent foreign performers with superb water stunt as well as the performance of dolphin, white whale and other animals.

Case: Chongqing Haichang Caribbean Water Park cares about special tourists

Chongqing Haichang Caribbean Water Park opened a special channel and assigned special staff to serve the disabled tourists. The staff will guide the tourists, introduce the facilities one by one and describe the experience feeling of the facilities. After the guide, the staff will consider whether to arrange the professionals to accompany tourists to experience some items with low risk according to the physical condition of tourists.

2.4 Promote industrial communication

The Group has been committed to promoting industrial development, industrial communication and the protection of marine wildlife through its own resources and technology advantages. In 2016, the Group participated in formulating 7 international and national industrial standards.

Photo for graduation of aquatic animal trainers from the international training program hosted by Haichang

The Group has organized professionals to attend the industrial and academic exchange conferences for many times so as to enrich the industrial knowledge of the Group and deliver the professional experience of the Group to peer enterprises. In September 2016, the Group arranged professionals to attend the 9th World Aquarium Conference held in Vancouver, Canada at the invitation of the Aquatic Wildlife Conservation Association of the Ministry of Agriculture. In November 2016, the Group assigned technicians to attend the academic exchange annual conference held in San Diego, USA at the invitation of the International Marine Animal Trainers' Association.

Case: Successfully set up "Chinese Association of Natural Science Museums Aquarium Special Committee · Haichang International Special Business Training Class"

The Chinese Association of Natural Science Museums has set up the "Haichang International Special Business Training Class" in the special committee separately. The Group and the special committee jointly invested and invited the international well-known specialists and scholars to carry out specific technique exchanges and trainings in all the subordinate pavilions of the Group for peer entities from mainland China, Hong Kong, Macau and Taiwan. Through this training, it can not only enhance the technical level of the participators through learning exchange, but will also promote communication among domestic and foreign experts and broaden the channel for technicians to improve skills.

Case: Successfully hosted "Haichang Award and National Aquatic Wildlife Conservation Month kickoff Conference commissioned by the Ministry of Agriculture"

The conference was hosted by the Ministry of Agriculture's Aquatic Wildlife Conservation Association, undertook by Qingdao Haichang Polar Ocean Park. More than 500 people from national, provincial and municipal authorities in the national aquatic wildlife administrative field, aquariums, scientific research institutes, and award winners, representatives of primary school students and social volunteers, member representatives and media attended the conference. The conference provided wildlife knowledge popularization and valuable exchange opportunities for all community sectors. Representatives from Haichang's Dalian and Tianjin companies were respectively awarded the Haichang Technology Award and Haichang Dedication Award at this conference.

Case: Qingdao Haichang Polar Ocean Park carried out school-enterprise joint education program to cultivate professional and technical talents in the industry

In 2016, Qingdao Haichang Polar Ocean Park attempted to carry out joint education program with Qingdao Agricultural University and set up "Marine Mammal" major in the college. It started enrolling students in autumn, 2016 for the first time and overall 30 students registered for the major. The courses and practical contents of "Marine Mammal" major were jointly set by Qingdao Haichang Polar Ocean Park and Qingdao Agricultural University. Well-known experts and scholars from Hong Kong and mainland China were invited to give lessons and the professional courses were highly appraised by the university and students. It was also highly recognized by the Aquarium Special Committee of the Chinese Association of Natural Science Museums and the Institute of Hydrobiology, Chinese Academy of Sciences.

2.5 Strengthen the supply chain management

The Group strictly standardized the supply chain management and formulated Requirements of Bid Invitation for Supplier, Approval Process of Bid Invitation and other normative documents to restrict suppliers' behavior. It signed the Anti-corruption Agreement with suppliers to prevent the occurrence of corruption in tender and procurement. The Group required suppliers to provide documents at three aspects, namely, quality, environment and occupational health during the tender process and emphasized on the requirements on suppliers' social responsibility.

The Group compiled the Supplier Evaluation Criterion and Supplier Evaluation Form to evaluate the suppliers periodically. The Group and the subsidiaries will respectively score the suppliers, and evaluate suppliers in terms of engineering quality, engineering progress, safety and civilization and other aspects. It gradually promotes the cooperation degree with suppliers so that the trail suppliers will become available suppliers, excellent suppliers as well as strategic suppliers, achieving a win-win cooperation.

In 2016, there were 559 domestic suppliers and 43 foreign suppliers. No corruption case occurred.

3. ENVIRONMENTAL PROTECTION

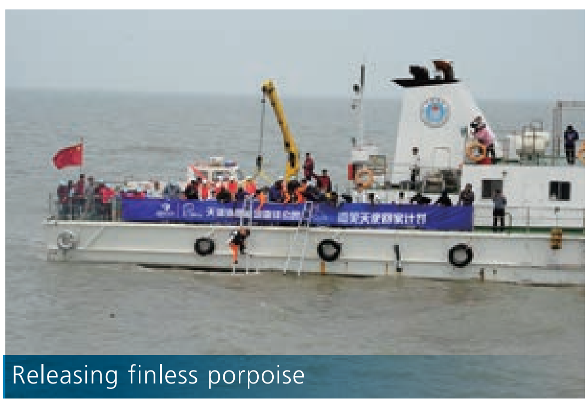
The Group is committed to publicizing and executing environmental protection laws and regulations, fully and reasonably utilizing all kinds of resources and energy, striving to control and eliminate pollution, promoting the Group's healthy and environmentally-friendly development and creating a favorable working and living environment in order to minimize the impact of the Group's economic activities on the surrounding ecological environment. Based on its own environmental protection responsibility, We also actively participated in the public education and wildlife protection from the aspect of ocean environmental protection.

3.1 Advocate marine protection

The Group gives full play to the featured content of ocean park theme and has carried out several activities to popularize scientific knowledge, deliver ocean knowledge and raise the environmental awareness of the public, students and the elderly. We organized a total of over 20 activities to popularize scientific knowledge in 2016 and has been strengthening the innovation and edutainment of scientific popularity activities and the public's ocean knowledge, making great contribution to cultivating reserve talents for the future polar science research.

Qingdao Haichang Polar Ocean Park	In July 2009, Qingdao Haichang Polar Ocean Park donated RMB200,000 to repair "Polar Zekou Hope Primary School" together with the government of Jiangshan Town, Laixi City. It is the first primary school named "Polar knowledge popularization base" in Shandong Province, popularizing polar knowledge through organizing free visit activities for excellent students and let more children know and love the polar marine animals.
	Qingdao Haichang Polar Ocean Park also organized the new citizen children volunteers from Qingdao, hundreds of poor students from Beisui Village, Dazeshan Town, Pingdu City together with their parents to have a free visit in the Polar Ocean Park and popularized ocean knowledge to more children.


Staff picking up trash along the seaside


Releasing finless porpoise

Wuhan Haichang Polar Ocean Park	Focusing on children, the largest audiences of marine animals, Wuhan Haichang Polar Ocean Park held the "2016 Haichang Little Explorer", "Care for ocean health and protect blue planet" publicity day and "Children's Day" celebration activities. By virtue of the media power, Wuhan Haichang Polar Ocean Park held several activities to popularize scientific knowledge. In January 2016, it produced and narrated the mermaid story jointly with HBETV Kuatian program. On 27 August, it held "Science Popularization Tour for Million Citizens" activity with Wuhan Science and Technology Bureau as well as Wuhan Broadcasting and Television Station. In September, Wuhan Haichang Polar Ocean Park Finless Porpoise Pavilion and Wuhan Education Bureau, Tourism Administration and other organizations jointly held the first session of Yangzi River Daily Super Class "Touched by Finless Porpoise" ecological civilization and environmental protection drawing and articles solicitation contest.
Yantai Haichang Whale Shark Aquarium	On 29 February 2016, Yantai Haichang Whale Shark Aquarium obtained the honorary title of "National Maritime Consciousness Education Base" awarded by the State Oceanic Administration. To strengthen the marine conservation consciousness of the Yantai primary and secondary school students, Yantai Haichang Whale Shark Aquarium, together with the primary and secondary schools and kindergartens of several districts, carried out a total of 81 "Blue whale spirit" science popularization classes, which have been highly appraised. In March to June of the same year, the pavilion carried out science popularization activities with a theme of "Tour behind the scenes-Whale shark line, small trainers" and cooperated with "Shm.com.cn little journalist corps", "Yantai Genius Early Education Institution" and a number of schools to help the primary and secondary school students to walk up to the backstage from front stage to participate in the daily breeding of marine animals and take an in-depth knowledge of relevant marine organism knowledge.

Haichang little explorer


To retain seabirds, polar spring is in action

Tianjin Haichang Polar Ocean Park	Tianjin Haichang Polar Ocean Park participated in shooting the film Love & Belugas this year and has carried out several activities with "protecting animals and caring for the polar" as the theme. It partitioned off a science popularization classroom in the pavilion to advocate the ocean science popularization knowledge and propagate the concept of "protecting ocean, protecting environment and protecting animals" to the tourists, especially adolescents and children in a multi-media form.
Dalian Haichang Discoveryland	It carried out "Haichang Little Explorer" family ocean scientific investigation activity. 10 families and 30 tourism talents went to Mauritius for a walk into the primary forest and tropical ocean under the guidance of experts to look for the habitat of dolphins, advocate ocean environmental protection and explore the mystery of ocean original ecology, and finished an equatorial ocean-focused scientific exploration trip.

3.2 Save wildlife


Phocoena Sinus Protection Day

The Group always advocates the concept that human beings shall live harmoniously with nature and it has made great contributions to the enhancement of the compassion consciousness of social public and students and the ecologic harmony concept. In 2016, we held several finless porpoise, hawksbill and other wildlife salvation and freeing captive animals activities as well as "To retain seabirds, polar spring is in action" and other public welfare activities for many times. By making full use of the characteristics of wide audiences, strong media effect and top professionality of ocean theme parks, it strengthened the inspiration and educative purpose of the activities and constantly promoted the concept of protecting and salvaging wildlife.

The Group actively advocates the animal protection concept and it held numerous activities with protecting wildlife as the theme in all the Haichang parks around the country while promoting the core competitiveness related to animal species and nursing.

Qingdao Haichang Polar Ocean Park	On 8 September 2010, Qingdao Haichang Polar Ocean Park assisted in holding the 2010 "Caring for sea turtle, creating harmonious home" sea turtle release activity in Qingdao. Two national secondary protection wildlife green turtles were freed in the surrounding seas. The aim is to enable more people to participate in the activity of protecting marine animals through this public welfare activity so as to further form a strong atmosphere for the whole society to care for ocean, protect ocean and cherish marine animals.

Dalian Laohutan Ocean Park	From 2 to 4 April 2016, the Seventh Seabird Protection Festival Activity was successfully held in Dalian Laohutan Ocean Park. Based on feeding seabird, the park launched the Laohutan science popularization big class activity and invited well-known science popularization experts from Dalian to explain the knowledge about bird and the brand public welfare activity was reported by the Liaoning People's Government Official Website, China News, Liaoning Satellite Television Liaoning News and other authoritative media. 9 July of the same year was the "International Phocoena Sinus Salvation Day", and Dalian Laohutan Ocean Park held "Protecting Phocoena Sinus" public welfare activity to advocate the concept of "Protecting ocean environment, starting from me". Dalian Laohutan Ocean Park is the first scenic spot advocating "Saving Phocoena Sinus" in mainland China and the activity was concerned and reported by more than 30 media, including Dalian Daily, New Business and Tencent Liaoning Web.
Yantai Haichang Whale Shark Aquarium	9 July 2016 was the "International Phocoena Sinus Protection Day" and Yantai Haichang Whale Shark Aquarium launched the "Salvaging Phocoena Sinus" public welfare signature activity to protect the phocoena sinus, refuse to eat drumfish "fish maw", stop killing drumfish and prevent phocoena sinus from incidental catches. On 15 October of the same year, Yantai Municipal Oceanic and Fishery Affairs Bureau organized the enhancement and releasing activity in Haichang Fisherman's Wharf.
Qingdao Haichang Polar Ocean Park	On Tomb-sweeping Day every year, Qingdao Haichang Polar Ocean Park will organize "To retain seabirds, polar spring is in action" public welfare activity. It will set feeding sites in the seaside terrace nearby the scenic spot, provide free bait and invite local citizens to have interaction with seabirds so as to further enhance the citizens' consciousness of protecting ocean.
Tianjin Haichang Polar Ocean Park	In 2016, Tianjin Haichang Polar Ocean Park actively participated and supported "Smile Angle Going Home Plan", we salvaged and freed two injured little finless porpoises and helped them to adapt to the ocean environment. We also actively participated in salvaging and freeing hawksbill and other wildlife as well as protecting phocoena sinus activities.

3.3 Implement the energy conservation and emission reduction

The Group puts emphasis on "taking all possible measures to handle the energy conservation and emission reduction" in the Environmental Protection Management Policy. In 2016, the Group spared no efforts to enhance the resource and energy utilization rate and reduce the emission output from its operation and workplace through replacement of equipment and upgrading as well as introducing new technology and measures.

Energy-saving and cost-reduction

The Group actively adopted various energy-saving and technical reconstruction measures to carry out energy conservation and emission reduction and promote green operation.

Shanghai Haichang Polar Ocean Park	Shanghai Haichang Polar Ocean Park has energetically developed circular economy, formulated and implemented circular economy promotion plan. According to the principle of "reduction, reutilization and recycling", it has standardized the energy saving and emission reduction relating to office paper, procurement of office materials, lamps and usage of air conditioners, etc.
Tianjin Haichang Polar Ocean Park	Under the circumstance of the upward trend of consuming electricity, Tianjin Haichang Polar Ocean Park strictly controlled the electricity utilization of all zones, reduced unnecessary lighting equipment and periodically overhauled the electric system to avoid electric energy loss, whilst the energy saving equipment and facilities are replaced.
	The Company has actively transformed the energy saving lamps where the modulator tube replacement quantity record shows that 70-80% of the lighting fixture has already been replaced. During the winter operation period, the Company has utilized the domestic hot water to drive part of the panel heat exchanger of life support system, which has reduced the usage amount of hot water from the air conditioners and thus reduced the usage of gas.

Dalian Laohutan Ocean Park	Dalian Laohutan Ocean Park has made lots of improvements to reach the energy-saving and cost-reducing purpose, such as equipment up grading and park management. In 2016, Dalian Laohutan Ocean Park transformed the direct-fired machine fire tube and enhanced the combustion efficiency of high and low exchanger. Meanwhile, we reconstructed the electric control system and added the frequency conversion equipment to save electric energy. We also added cold and hot water tank and piping insulation to change the ozone tap water circulation cooling to cold cooling so as to reach the energy-saving effect. In the four-dimensional cinema, we strictly implemented the management of using air conditioners, electric-heaters and hot-air-pumps. The equipment can be turned on based on the needs of off-peak and peak seasons of the cinema.
Yantai Haichang Whale Shark Aquarium	Yantai Haichang Whale Shark Aquarium has installed automatic faucets, urinal sensor, squat sensor and other automatic sensing systems in the public toilets. It has upgraded and transformed the hot spring pavilion and whale shark aquarium into LED lighting and installed independent air conditioning system for the Whale Shark Aquarium sky-screen cinema, which has reduced the operation time of air conditioning unit in Whale Shark Aquarium. Meanwhile, it has reconstructed the circulating filtration system of Whale Shark Aquarium and reduced the water pumps in operation. In addition, it has installed frequency converter to the air conditioning circulating pump in a bid to reduce the energy consumption.
	For heating and cooling, it has reconstructed the temperature regulating system of Whale Shark Aquarium and reduced the operation time of the air conditioning unit during summer as well as the operation time of the boiler during winter; meanwhile, the company has adjusted the boiler burner so that the natural gas will be in energy saving combustion mode.

Chongqing Haichang Caribbean Water Park	Chongqing Haichang Caribbean Water Park has taken energy conservation transformation to the water pump in the Magic Bowl machine room. By reconstructing the traditional relay control cabinet into frequency conversion control cabinet, it saved 5619 kWh amidst the whole year in 2016.
Sanya Haichang Dream World	It has implemented several energy saving measures during project construction process. The office areas and dormitory areas have all used energy-saving LED lamps. Moreover, it has implemented the staff energy-saving management, strengthened the concept of turning off lights, turning off computers and air conditioners during departure so as to reach the energy saving effect.

Water conservation

Water conservation is of paramount importance to the Group. The Group devoted to the protection and recycling of water resources and saving water resources by all means. For instance, we has developed and utilized water cycle techniques in animal pavilion, recycled cooling water in the refrigerating system through technical transformation and increasing the overhaul and detection as well as popularizing the publicity of water conservation. In 2016, the annual water usage of the Group amounted to 2,194,217 tons.

Qingdao Haichang Polar Ocean Park	To implement the sustainable development policy of water conservation, Qingdao Haichang Polar Ocean Park has taken technical transformation and upgrading to the cooling water system of ozone generating equipment. That is, recycle the previously cooling water which is discharged after using and reuse after cooling filtration, which has guaranteed the cooling of ozone generating equipment and saved large quantities of tap water.
Wuhan Haichang Polar Ocean Park	The aquarium of Wuhan Haichang Polar Ocean Park recycled water resources to ensure the water quality index for the fish and finless porpoise. The water received from the replacement of water for fish and finless porpoise is reused for sea beasts upon filtration, back flushing, sterilization and disinfection. Afterwards, the water received from the replacement of water for sea beasts is reused by storage pond animals upon filtration, back flushing, sterilization and disinfection and dilution. Last but not least, the water in the storage pond will be replaced every day and discharged to municipal sewage pipe network upon filtration, sterilization and disinfection.

Dalian Laohutan Ocean Park	Dalian Laohutan Ocean Park has periodically taken overhaul to the water circuit system to avoid dripping. It has strengthened the education of staff consciousness over water conservation, supervised the department's water usage amount and replaced the tap water pipeline network. It has comprehensively adopted water-saving water valve and faucet and taken publicity of environmental protection and emission reduction in the toilet. In addition, it has taken quantitative management to daily water and electricity use and site energy saving slogan publicity to put an end to waste.

Emission management

The Group has set up environmental management team to be responsible for the research and review of newly built, reconstructed and extended projects, participation in acceptance, proposal of environmental opinions and requirements, organization of the Group's internal environmental monitoring and supervisions over the status of the "three wastes" treatment.

Discharge and treatment of wastewater

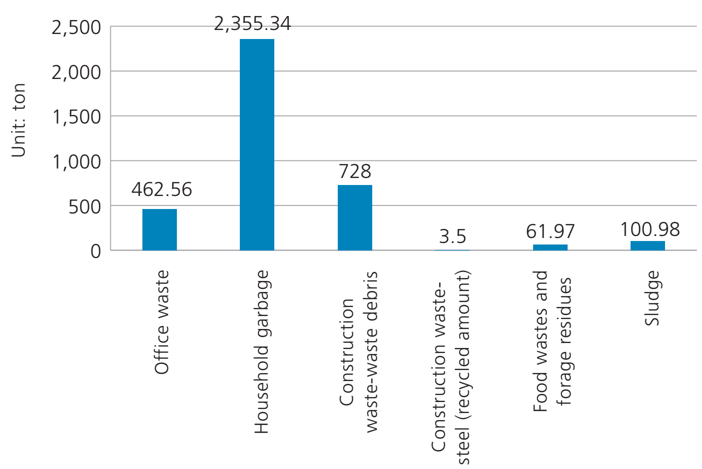
The Group shall adhere strictly to the level-III standard in the Integrated Wastewater Discharge Standard for discharging wastewater and strengthen the treatment and monitoring over the domestic and production sewage to guarantee that the wastewater will realize up-to-standard discharge. Moreover, the Company shall spare no effort to develop and utilize water recycling technology to reduce the discharge of wastewater and strive to realize zero discharge of sewage. In 2016, the total amount of discharge of the wastewater from the Group amounted to 478,007 tons.

Tianjin Haichang Polar Ocean Park	Tianjin Haichang Polar Ocean Park has equipped with perfect wastewater treatment system and the drained artificial seawater will be discharged to man-made lake through special pipeline. The wastewater will be reused after undergoing the professional filtration system. For instance, the water in exhibition area can be reutilized for feeding the sea lions and seals.
Dalian Laohutan Ocean Park, Yantai Haichang Whale Shark Aquarium	Dalian Laohutan Ocean Park has injected the wastewater generated by the feeding water to the settling tank for sedimentation before discharge upon circulating filtration of life support system. The wastewater generated by the domestic water will be injected in municipal piping to discharge after going through septic tank.
	Yantai Haichang Whale Shark Aquarium has discharged the wastewater from the hot spring pool after sodium hypochlorination. The wastewater in Whale Shark Aquarium exhibition pool will be discharged upon ozone disinfection. It has recycled and reutilized the water-sand tank in the hot spring pool and Whale Shark Aquarium exhibition pool.

Discharge and disposal of solid wastes

For all kinds of solid wastes, the Group advocates classified statistics. For recyclable wastes and trash, it advocates recycling. For the wastes that cannot be used, it strives to reduce the emission during the whole operation process by which the impact to the environment can be reduced to the lowest level.

Composition chart of solid wastes discharged by Haichang Ocean Park



4. EMPLOYEES' RESPONSIBILITIES

Employee is the foundation for the development of the enterprise and is the important factor for sustaining the competitiveness and continuing as the lead of Haichang Ocean Park. The Group emphasizes guarantee of employees' benefits and welfare and strives to build a healthy and safe working environment for employees. With the sustainable growth of the enterprise, we pay attention to employees' career development and provide multiple channels to assist them in realizing individual value.

4.1 Guarantee employees' benefits

Employment


Thousand-people puzzle for celebrating the 10th anniversary of Discoveryland

The Group pays much attention on legal employment and employees' legal interest in strict accordance with Labour Law of the People's Republic of China, Labour Contract Law and Trade Union Law etc. and enacts Recruitment Management Policy to regulate recruitments. The Company enters into formal labour contract or labour agreement with the employed staff without employing teen labours and forced labours. In the meantime, the Company ensures that employment, employees' remuneration, training and promotion will not be affected by the gender, age, nationality, religion and region etc., thus creating a fair development environment for employees.

For the year ended 2016, the total number of full-time employees in the Group amounted to 2,758.

Health and safety management of employees

The Group always regards employees' health and safety as the priority during operation. In a bid to better promote safety management and guarantee employees' health and safety, the Group formulated Group Safety Management System to regulate various work. According to the target and procedure of safety management, the safety management system of the Group is divided into the following three levels:

Basic level (solve essential safety problems)	Grant every employee with corresponding safety knowledge and skills through occupational safety training and education. Improve the on-site working conditions and environment to reduce safety risk.
Supervision level (with accessible regulations)	Set up strict safety management organization system, institutional system, operation standard system and hazard source management system etc., whilst carrying out daily work of safety management and reinforcing the supervision to avoid fluke and risky operation and to realize operation which adheres to regulations and implementation with standard.
Safety culture level (realize autonomous security of all the employees)	Set up safety culture and vigorously promote safety concept and policy by multiple ways to form favorable safety climate emphasizing safety for everyone, everything and at any time to completely promote safety management level and gradually realize autonomous security of all the employees.

The Group organizes subsidiaries to carry out hazard source identification and take corresponding preventive and protective measures for potential hazard source and provide employees with corresponding personal protective devices. The Group provides annual physical examination for every employee who has entered into employment contract. Physical examination for occupational diseases will be added or frequency of physical examination will be increased in relation to the posts with occupational hazard. The Group will provide hyperbaric oxygen chamber therapy for divers working underwater for long time. During summer, the Group will enact corresponding heatstroke prevention policy to guarantee employees' health and safety. In addition, the Group vigorously carries out safety training system construction and promotes safety awareness of all the employees through occupational health and safety education and post of safety instruction etc.

In a bid to reinforce employees' safety and occupational health awareness, the Group vigorously carries out safety training system construction and promotes safety awareness of all the employees through occupational health and safety education and post of safety instruction, etc. In addition, the Group actively carries out safety drill such as fire drill and emergency evacuation drill etc. to promote employees' emergency capacity. In 2016, the Group has carried out 77 times of drills in total.

Employees' satisfaction

In a bid to promote employees' sense of belonging, the Group actively carries out satisfaction survey to fully understand employees' actual ideas and demands. In 2016, the Group carried out satisfaction survey for work environment and administrative logistics etc. Taking work environment survey as an example, the Group carried out a survey about employees' work environment, office equipment, supporting facilities, regular bus services, ticket booking, vehicle utilization and daily administrative work and adjusted the number and route of regular buses according to the result of the survey to provide more convenience for employees during rush hours.

4.2 Facilitate employees' development

Employees' training

The Group provides sufficient training for employees to help them grow and realize their own value. The Group formulated system including Training Management System of the Group, Induction Training Courses and Training Guarantee etc. to ensure training for employees. In order to unify training effect and promote training efficiency, the Group developed and set up courses database of the Company and the Group. The training content covers three categories including basic skill course, occupational skill course and management skill course. Different forms including teaching of internal courses, external training, work shift, in-service tutorship, training class and industrial inspection and exchange etc. can be adopted according to different types of courses and targets. In the meantime, the Group formulated sophisticated application process of external training to support employees in their voluntary search for external training courses. Each subsidiary actively organizes outward bound to enhance communication between employees and external peers and to better promote employees' comprehensive quality and vision.

Staff team building activities

The Group enacted Internal Lecturer Management Regulation to effectively enable internal lecturers to give play to training, to realize standardization, systematization and scientization of management of the lecturer teams and to implement training in the Group with high quality, high efficiency and at a low cost.

During the reporting period, the total number of employees of the Group who accepted training amounted to 16,900 in the whole year with a total training time of 13,522.22 hours.

Employees' career development channel

The Group emphasizes employees' individual development and encourages employees to select their own development direction according to their ability and personal interest. The Group enacts Professional Sequence Management System and Professional Sequence Promotion Channel to provide employees with dual-channels of management sequence and professional promotion. The professional sequence of the Group is classified into four main categories, including profession in engineering equipment, design, animals and planning. Detailed requirements of evaluation procedure and job requirements of different levels are made under Professional Sequence Management System and Professional Sequence Promotion Channel.

Management sequence	**Supervisor/ Commissioner**	**Manager/ Supervisor**	**Senior Manager (Deputy Manager)/ Manager**	**Director (General Manager)**	**Senior Director**
Professional sequence	Elementary*	Intermediate*	Senior*	Master*	General*

(*: In professional sequence, the name of rankings based on different professions including engineer, designer, trainer/ breeder, veterinarian, planner, etc.)

The Group organizes technique grading test for employees to provide opportunities of occupational promotion and carries out standard management for steps of organization, question banks, assessment, etc., to provide a fair, just and public platform of competition for employees. On the basis of existing setting of animal profession sequence, in a bid to encourage talents of animal profession to promote professional level and create better achievement, the Group carries out an assessment of "Specialist Award" for employees with animal profession once every two years. The assessment includes animal breeding, training, nutrition and breeding research, to name but a few.

4.3 Convey the joyous culture

In a bid to continuously implement the idea of people as basis and express gratitude to all staff for their efforts and contribution to group development, the Group is committed to provide more care and convenience to staff to let them feel warm and joy at work. The Group establishes birthday complimentary tickets, wedding cash gifts and fertility cash gifts. Different subsidiaries prepare different cash gifts or presents for the festivals according to different local conditions. Female employees enjoy half-day off according to provisions by laws and regulations during International Working Women's Day (8 March) and the Group prepares gifts for festival greetings to female employees at the same time.

Case: Thousand-people puzzle for celebrating the 10th anniversary

On 16 July, 2016, a total of 1,088 people, including employees of Discoveryland and fans, lay out a thousand-people puzzle in the shape of 10th anniversary logo and deliver birthday gifts to the park and jointly convey the thought of "being happy, positive and bright" at the 10th anniversary of Dalian Haichang Discoveryland.

For employees living in predicament, labour union organization of the Group carries out warmth-delivery activity to send living necessities such as rice, noodle and oil to employees. The Group improves employees' accommodation condition through adding or replacing water heaters, wardrobes, televisions, air conditioners and washing machines, applying itself to provide employees with better living conditions.

5. PASSIONATE IN PUBLIC WELFARE

The Group is always active in taking part in all kinds of public welfare and charity activities with a hope to bring positive and health energy to the society continuously, bring warmth and touching moves through its edges and influence so as to create maximum social value.

Charitable donation

5.1 Passionate in public welfare

Since its operation, the Group brings contribution to the society and creates a better world through implementing continuous public welfare activities such as organizing employees to take part in charity activities, investing in the repairing of Hope School and participating in the donation of public charitable funds.

Employees actively taking part in blood donation, in responding to the appeals

Case 1: Organize employees to take part in blood-donation activity
Since 2008, Qingdao Haichang Polar Ocean Park has actively organized employees and the public to take part in blood-donation activity and the accumulative volume of donated blood has reached over 200,000 ml. Blood donation without payment has already become an appealing business card of public welfare. Our park offers the opportunity of free entry towards tourists who donate blood on that day as compliments to their support and contribution to public welfare programs such as blood donation without payment. This Ocean Park is awarded as the popular science education base of blood donation without payment by Planning Commission and Red Cross Committee in Qingdao City.

Case 2: Renovate Hope School and establish popular science base
In July 2009, Qingdao Haichang Polar Ocean Park donated RMB200,000 to jointly renovate and construct Zekou Hope School of Qingdao Haichang Polar Ocean Park with the government of Jiangshan Town, Laixi City. By this way, not only children's learning environment was improved but also polar scientific knowledge was popularized by various means. The Hope School became the first primary school named "Polar Knowledge Popularization base" in Shandong Province. We will organize excellent students to visit Qindao Haichang Polar Ocean Park for free every year to let children know the polar region and show care to marine animals in polar region so as to cultivate backup talents for scientific investigation of polar region in the future of China.

Case 3: Intangible cultural heritage activities
Intangible cultural heritage is closely related with the residents' life and it is an expression pattern of traditional cultures passed down from generation to generation. In order to inherit and pay attention to cultural treasures left by the ancestors, Chengdu Haichang Polar Ocean Park and Chengdu Management Committee made cooperation to jointly hold shadow play-experiencing activity named "Visit Chengdu and Experience Intangible Cultural Heritage" on 6 November. This activity lets the adults to have aftertaste of the intangible cultural heritage and lets the children to know and fall in love with the intangible cultural heritage.

5.2 Love for special groups

As transmitters of marine culture, the Group carries out various activities towards special groups including children with autism, leftover children and disabled children and invites them to enter the park for free during activity so as to transmit joy and dream to them and appeal to the public to give more help and care to them at the same time. During the reporting period, the Group's capital investment for public welfare is nearly RMB500,000.

Activities of the Theme Month of Children with Autism

Case 1: "Theme Month of Children with Autism"

Since 2016, the Group set every April as "Theme Month of Children with Autism" every year. It is open to children with autism for free from 1 April to 30 April. During the period of "Month of Children with Autism", organizations for children with autism and their families can sign up for participation by appointment mode. Two parents can accompany their child or children with autism to enter 6 polar ocean theme Parks for free.

Case 2: Love for the leftover children

On 30 October, Qingdao Haichang Polar Ocean Park was filled with laughter of over a hundred of leftover children. This is a public welfare activity named "Hopeful Project • A Hundred of Leftover Children Visiting Qingdao" hosted by Shandong Adolescent Development Foundation and Shandong Economic Radio Station. Over a hundred of leftover children from Huangdao Hua'ou Hopeful Primary School, Jiaozhou Youth Federation Hopeful Primary School, Pingdu South Hopeful Primary School and Weifang Xing Huina Primary School expressed their dreams in Qingdao Haichang Polar Ocean Park and spent a joyful blue ocean journey on that day.

Case 3: Love for the orphaned and disabled children

At 10 a.m. on 1 November 2016, 26 staff members from Limb Rehabilitation Center in Sichuan Province led 21 lovely children to Chengdu Haichang Polar Ocean Park for outdoor rehabilitation training. This group of children was born to step on a road that is more rugged than ordinary children. Thus, they are in need of extraordinary care from people from all walks of life in the society.

Case 4: Serial public welfare activities named "Joy with You"

Chongqing Haichang Caribbean Water Park has paid attention to public welfare and children and has also carried out public welfare activities with the theme of "Joy with You" continuously since 2012. Chongqing Haichang Caribbean Water Park has donated tens of thousands of goods and materials including reading materials and sports necessities successively. During the period of 2013 to 2016, Chongqing Haichang Caribbean Water Park provides children from Chongqing Welfare House with exclusive privilege of free tour for a whole year and thus it becomes the base of public welfare for Chongqing Welfare House and is awarded the honorary title of "Love Charity Unit" by Chongqing Welfare House.

DIRECTORS AND SENIOR MANAGEMENT

AN OVERVIEW OF DIRECTORS AND SENIOR MANAGEMENT

The Board currently consists of nine Directors, three of whom are independent non-executive Directors. The Directors were appointed by the Board. According to the articles of association of the Company (the "Articles of Association"), not less than one-third of the Directors must retire from office by rotation at the annual general meeting provided that every Director is subject to retirement by rotation at least once every three years and any Director appointed by the Board either to fill a casual vacancy or as an addition to the Board will hold office until the next following general meeting of the Company after his/her appointment.

The Board is responsible and has general powers for the management and conduct of the Company's business. The following table sets out certain information concerning the Directors as at the date of this annual report:

Name	Age	Position/Title	Date of appointment(s)	Job Responsibilities and Relationship with other Directors
Executive Directors				
Wang Xuguang (王旭光)	48	Executive Director and Chief Executive Officer	19 July 2012	Primarily responsible for the overall management of the Group. He also serves on the remuneration committee.
Qu Cheng (曲程)	29	Executive Director	25 May 2016	Mainly participating in the discussion of corporate development strategies and project investment. He is the son of Mr. Qu Naijie.
Gao Jie (高杰)	44	Executive Director and Executive President	25 May 2016	Primarily responsible for strategies formation, investment management, legal and internal control compliance matters.
Non-executive Directors				
Qu Naijie (曲乃杰)	56	Non-executive Director and Chairman	21 November 2011	Primarily responsible for the overall strategic planning and overseeing the general corporate, financial and compliance affairs of the Group. He also serves on the Nomination Committee. He is the father of Mr. Qu Cheng.
Makoto Inoue (井上亮)	64	Non-executive Director	19 July 2012	Primarily responsible for the strategic planning for and overseeing of the general corporate, financial and compliance affairs of the Group.

Name	Age	Position/Title	Date of appointment(s)	Job Responsibilities and Relationship with other Directors
Yuan Bing (袁兵)	48	Non-executive Director	24 August 2012	Primarily responsible for the strategic planning for and overseeing of the general corporate, financial and compliance affairs of the Group. He also serves on the risk management and corporate governance committee.
Independent Non-executive Directors				
Chen Guohui (陳國輝)	61	Independent Non-executive Director	25 January 2017	Serving on the audit, remuneration, risk management and corporate governance and independent board committees; primarily responsible for supervising and providing independent judgment to the Board.
Sun Jianyi (孫建一)	64	Independent Non-executive Director	23 February 2014	Serving on the audit, nomination, remuneration and independent board committees; primarily responsible for supervising and providing independent judgment to the Board.
Zhang Meng (張夢)	53	Independent Non-executive Director	25 January 2017	Serving on the audit, nomination, risk management and corporate governance and independent board committees; primarily responsible for supervising and providing independent judgment to the Board.

EXECUTIVE DIRECTORS

Wang Xuguang (王旭光), aged 48, was appointed to the Board on 19 July 2012 and designated as an executive Director on 23 February 2014. Mr. Wang is also the Chief Executive Officer of the Company, primarily responsible for the overall management of the Group. Mr. Wang obtained a bachelor's degree in economics and investment management at Dongbei University of Finance and Economics (東北財經大學) in Dalian in July 1990. He was awarded a master's degree in international laws by Dalian Maritime University (大連海事大學) in April 2002.

After graduation from university, Mr. Wang worked in the Dalian Branch of the China Construction Bank for more than 16 years until he became the deputy branch manager, during which he developed his extensive knowledge and experience in real estate financing. Mr. Wang then joined Dalian Haichang (Group) Co., Ltd ("Haichang Group Co") in February 2007 as a director and the president. He was further appointed as a director and the general manager of Dalian Haichang Corporation Development Co., Ltd. ("Haichang Corporation Development") in February 2010. From October 2010 to February 2012, he also served as the president of Dalian Haichang Real Estate Group Co., Ltd. ("Haichang Real Estate"). Mr. Wang was appointed as a director of Haichang (China) Co., Ltd. ("Haichang China") in October 2011 and was promoted to the chairman of the Board in July 2012 and President of the Company in April 2013. In July 2012, he was also appointed as a director of Haichang Holdings (Asia) Ltd. ("Haichang Asia BVI") and Haichang Holdings (Hong Kong) Limited ("Haichang Holdings HK"). Currently, he is also serving as a non-executive director of Haichang Group Co and Haichang Corporation Development. Mr. Wang is the vice president of the Chamber of Commerce in Dalian (大連市總商會) and a representative of the People's Congress of Dalian Municipality (大連市人民代表大會).

Qu Cheng (曲程), aged 29, was appointed to the Board and designated as an executive Director on 25 May 2016. Mr. Qu Cheng is the son of Mr. Qu Naijie, a non-executive Director and Chairman of the Board. Mr. Qu obtained a bachelor's degree in geography from King's College the University of London in July 2010, and he is fluent in Chinese, English, French and Latin. While in college, Mr. Qu had internships at a number of well-known international financial institutions. From December 2012 to October 2013, he served at the headquarters of the Global Commercial and Alternative Investment of Orix Group, mainly responsible for fund management, fund investment, strategic and financial investment, project financing and financial consultancy, etc.. From November 2013, he started to familiarize himself with the business segments of the Company and its subsidiaries, and mainly participated in discussions about corporate development strategy and project investment.

Gao Jie (高杰), aged 44, has been appointed as Executive Director and the executive president since May 2016. He is primarily responsible for business development and management of daily operation. Mr. Gao obtained a bachelor's degree in management information system from Dalian Maritime University (大連海事大學) in Dalian in July 1995 and a master's degree in industrial economics from Dongbei University of Finance and Economics (東北財經大學) in Dalian in November 1999.

Mr. Gao has over 20 years of experience in finance, banking and investment. Mr. Gao was appointed as general manager of the investment strategy department of Dalian Haichang (Group) Co., Ltd. and Dalian Haichang Corporation Development Co., Ltd. in November 2007 and March 2010, respectively, and his main duties ranged from strategy development, analysis of the investment market, maintenance of relationships with financial institutions and investors to exploration of new areas for investment. From April 2013 to November 2015, he served as Chief Investment Officer of the Company and concurrently the General Manager of the Corporation Development Department, responsible for strategy formation, investment management, investor relations and legal and internal control compliance.

NON-EXECUTIVE DIRECTORS

Qu Naijie (曲乃杰), aged 56, was appointed to the Board on 21 November 2011 and designated as a non-executive Director on 23 February 2014. Qu Naijie is the father of Mr. Qu Cheng, an executive Director of the Company. Qu Naijie is the founder of the Group, Chairman of the Board and the controlling shareholder of the Company. He is primarily responsible for the overall strategic planning, the general corporate and financial and compliance affairs of the Group. Qu Naijie obtained a bachelor's degree in Chinese Language from Liaoning University (遼寧大學) in Shenyang in December 1992 and completed a research master's degree program in enterprise management at Dongbei University of Finance and Economics (東北財經大學) in Dalian in July 1998.

Qu Naijie has over 19 years of experience in corporation management and operations. Qu Naijie commenced oil trading business in 1993 and in order to get involved in the real estate development industry, he established Haichang Group Co in 1998. From November 1996 to July 2012, Qu Naijie had been serving as the chairman of the board of directors of Haichang China and has been a director since then. In December 2000, he was appointed as a director of Dalian Laohutan. In 2002, Haichang Group Co and Hutan Park through Dalian Laohutan together developed Dalian Laohutan Polar Aquarium, which was rated as a 5A tourist attraction by CNTA in June 2007 and drove the development of the tourist attractions development industry in Dalian. Following the success of the Dalian Laohutan Polar Aquarium, from 2002 to 2012, Qu Naijie further led the development of seven different theme parks across the PRC. He was appointed as a director of Haichang Asia BVI and Haichang Holdings HK in 2011 and the chairman of the boards of directors of both companies in September 2013. Qu Naijie is also serving as an executive director of Haichang Group Co and Haichang Corporation Development, as well as a director of most of our operating subsidiaries, including Yantai Fishermen's Wharf Investment Co., Ltd. ("Yantai Fishermen"), Tianjin Polar Tourism Co., Ltd. ("Tianjin Polar"), Wuhan Polar and Chengdu Polar.

Makoto Inoue (井上亮), aged 64, was appointed to the Board on 19 July 2012 and designated as a non-executive Director on 23 February 2014. He is primarily responsible for the strategic planning for and overseeing of the general corporate, financial and compliance affairs of the Group. Mr. Inoue obtained a bachelor's degree in law from the Faculty of Law of Chuo University in Japan in March 1975.

Mr. Inoue has over 40 years of experience in leasing and finance, investment banking, and alternative investment in a global context. He joined ORIX Corporation (formerly known as "Orient Leasing Co., Ltd.") in April 1975 and is currently a director, representative executive officer and president of ORIX Corporation, a company listed on the Tokyo Stock Exchange, Osaka Securities Exchange and New York Stock Exchange. Mr. Inoue had been serving a director of Lanka ORIX Leasing Company PLC, a company listed on the Colombo Stock Exchange, Sri Lanka, from 2009 to 2011 and he had also been serving a director of EnTie Commercial Bank Co. Ltd., a company listed on the Taiwan Stock Exchange Corporation, from 2007 to 2012; during his appointments, he took part in the overall strategic management and planning of both companies. In January 2010, Mr. Inoue was appointed as a director of Haichang Corporation Development. Currently, he is also serving as a non-executive director of China Water Affairs Group Limited (Stock Code: 0855), a company listed on the Main Board of the Stock Exchange.

Yuan Bing (袁兵), aged 48, was appointed to the Board on 24 August 2012 and designated as a non-executive Director on 23 February 2014. He is primarily responsible for the strategic planning for and overseeing of the general corporate, financial and compliance affairs of the Group. Mr. Yuan graduated with a bachelor's degree in English from Nanjing University (南京大學) in July 1990. In June 1993 and October 1998, Mr. Yuan obtained a master's degree in international relations and a doctorate degree in law from Yale University in the United States, respectively.

Mr. Yuan has extensive experience in corporate finance and investment banking. Mr. Yuan joined Credit Suisse First Boston (Hong Kong) Limited in September 2001 as a vice president of its investment banking division. From April 2004 to June 2006, Mr. Yuan worked at Morgan Stanley Asia Limited. He rejoined the company in October 2006 and stayed until February 2009, where he served as a managing director in the fixed income division. Mr. Yuan joined the Hong Kong office of Hony Capital Limited in April 2009 as a director and has been serving as a managing director since January 2010, in charge of cross-border transactions as well as direct investments in financial services and environmental protection sectors in Hong Kong. He is a non-executive director and a member of the audit committee of Hydoo International Holdings Limited (Stock Code: 1396) and Hospital Corporation of China Limited (Stock Code: 3869) (listed on 16 March 2017), which are both listed on the Main Board of the Stock Exchange. Currently, Mr. Yuan is also serving as a director of Haichang Asia BVI, Haichang Holdings HK and Haichang China.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Chen Guohui (陳國輝), aged 61, was appointed as an independent non-executive Director on 25 January 2017. He is mainly responsible for supervision and providing independent judgment to the Board of Directors. He is currently the principal of Dalian University of Finance and Economics of China, as well as a professor and a doctoral supervisor of the School of Accounting in Dongbei University of Finance and Economics of China. He is also the vice president of the Account Society of Liaoning, China, entitled to the special government allowances of the State Council of China. He currently serves as an independent director for YTO Express Group Co., Ltd. (formerly known as Dalian Dayang Trands Co., Ltd.) and Dalian Energas Gas-system Co., Ltd., both of which are listed on the Shanghai Stock Exchange. Prof. Chen has been working in Dongbei University of Finance and Economics for more than 30 years since he started his career in 1982. He was the deputy director of the Department of Accounting of Dongbei University of Finance and Economics from 1988 to 1995, and the director of the Dean's Office of the same school from 1995 to 2001. From 2001 to 2013, he was the secretary and dean for the Jinqiao Commercial College of Dongbei University of Finance & Economics. From 2013 until now, he has been the principal of Dalian University of Finance and Economics. Prof. Chen has been principally engaged in the teaching and administration of accounting for years and made a series of achievements in teaching and scientific research. He has published more than 100 academic essays on the journals such as Accounting Research, Research on Financial and Economic Issues, and Finance & Accounting and has published 4 master works. He also published certain textbooks, led and completed certain research programs at the provincial level, and participated in and completed three major programs including National Natural Science Foundation of China and National Social Science Foundation of China as a main participant. In recent years, he won certain provincial prizes and was awarded as the outstanding educator for several times. In 2003, Basic Accountancy, a course launched by Prof. Chen, was recognized as the first batch of national essential courses by the Ministry of Education of China, and became a model for a number of universities and colleges in China.

Sun Jianyi (孫建一), aged 64, was appointed as an independent non-executive Director on 23 February 2014. He is primarily responsible for supervising and providing independent judgment to the Board. Mr. Sun obtained a diploma in finance at Zhongnan University of Economics and Law (中南財經政法大學) in December 1975. He was recognised as a senior economist by the Guangdong Province (廣東省人事廳) in July 1999. Mr. Sun is currently the vice-chairman of the board, executive vice president and executive director of Ping An Insurance (Group) Company of China, Ltd (中國平安保險（集團）股份有限公司) (Stock Code: 2318.HK and 601318.SH), a company listed on the Stock Exchange and Shanghai Stock Exchange. Furthermore, he is also a director of China Vanke Co., Ltd (萬科企業股份有限公司) (Stock Code: 2202.HK and 000002.SZ), which is listed on the Stock Exchange and the Shenzhen Stock Exchange. Since June 2008, he has been serving as a council member of the Association for Relations Across the Taiwan Straits (海峽兩岸關係協會).

Zhang Meng (張夢), aged 53, was appointed as an independent non-executive Director on 25 January 2017. She is mainly responsible for supervision and providing independent judgment to the Board of Directors. Prof. Zhang is a doctor, a professor and a doctoral supervisor of economics, and the dean of the Research Institute of Tourism Management of the Southwestern University of Finance and Economics of China. She currently acts as a member of the Consultative Committee for the Tourism Management Profession under the Ministry of Education of China, an academic and technology leader of the Sichuan Province of China, an invited expert of the Research Department of the Sichuan Provincial People's Government of China and a member of the Academic Committee of Tourism Research of Sichuan. She is also an evaluation expert of the National Natural Science Foundation of China, the China Scholarship Council and the China Academic Degrees and Graduate Education Development Center as well as an expert reviewer of the Tourism Tribune, a domestic leading core journal pertaining to tourism management. Prof. Zhang obtained a Bachelor of Science degree from the Physics Faculty of Southwest China Normal University in 1986 and obtained a master's degree and a doctor's degree of economics from the School of Economics (the Faculty of Economics) of the Southwestern University of Finance and Economics of China in 1997 and 2005. From 1998 to present, she has been principally engaged in the teaching and research of tourism management and has produced a series of influential research results in fields such as the competitiveness of the regional tourism industry, the behaviors of tourism consumers and the intercultural comparison of tourism, thereby winning wide recognition in the domestic academic industry. Currently, she leads certain scientific researches such as a (general) programme of National Natural Science Foundation of China, a project of the Humanities and Social Sciences Planning Fund under the Ministry of Education of China, a project of the Soft Science Fund of the Department of Science of Sichuan of China, a project of the Fund of Philosophy and Social Sciences of Sichuan of China (including major tender projects) and a project of the Fundamental Research Funds for the Central Universities of China. Prof. Zhang has published one master work and one translated work respectively and has issued certain academic essays in domestic core journals such as the Finance & Trade Economics and the China Tourism News in succession, including several journals which were reproduced with full texts by the Tourism Management and the Enterprise Management and Research under the Information Center for Social Sciences of the Renmin University of China. She has obtained research achievement awards for social sciences in Sichuan, China for several times. The doctoral dissertation written by her was awarded as an "Excellent Doctoral Dissertation in Sichuan" by the Academic Degrees Committee of the Sichuan Provincial People's Government of China and the Department of Education of Sichuan of China. Prof. Zhang is devoted to construction of the platform for high-level decision and consultation of tourism management, including being responsible for construction of the tourism research bases such as universities and colleges and tourism bureaus in Sichuan, China and their respective teams. She has completed certain research reports for the governmental departments and enterprises such as the tourism bureaus in the cities in Sichuan, China successively in the recent three years and been actively providing policy recommendations and decision consultations for local governments and enterprises. Meanwhile, as the person in charge of the base for cultivation of doctors in tourism management, Prof. Zhang continues to innovate the means for teaching, and follow the latest developments and research methods for the theories on tourism research at home and abroad. She is also proactively engaged in international and domestic academic exchange, including participating in academic visits, exchange, meetings and cooperation research held in the countries in Europe and the United States.

SENIOR MANAGEMENT

The senior management is responsible for the day-to-day management of the business. The following table sets out certain information concerning the senior management:

Name	Age	Position/Title
Li Xin (李昕)	44	Chief Financial Officer
Liu Jiabin (劉家斌)	47	Chief Operation Officer and Senior Business Management Director
Tan Guangyuan (譚廣元)	44	Senior Operation Director
Zheng Fang (鄭芳)	39	Senior Marketing Director
Li Changxia (李昌霞)	36	Senior Product Director

Li Xin (李昕), aged 44, had been serving as the financial controller since April 2013, and was appointed as the chief financial officer in November 2015. He is primarily responsible for financial management. Mr. Li obtained a bachelor's degree in industrial economics from Dongbei University of Finance and Economics (東北財經大學) in Dalian in July 1995. He also obtained a master's degree in law from Jilin University (吉林大學) in Jilin in July 2003. Mr. Li is the husband of Ms. Zheng Fang, the senior marketing director of the Group.

Mr. Li has over 20 years of experience in finance and taxation. Mr. Li had been serving as an officer in the first investigation bureau of the Dalian Municipal Local Taxation Bureau between August 1995 and August 2002, where he was responsible for the investigation and examination works. In June 2002, Mr. Li became the general manager of the planning and finance department of Haichang Group Co. His responsibilities include, financial management system development, budget formation, assets management, investment and financial reporting and management. In March 2010, Mr. Li was appointed as the general manager of the planning and finance department of Haichang Corporation Development, where he also started to serve as the chief financial officer in December 2010. In April 2013, he was appointed as the chief financial officer and the general manager of the planning and finance department of Haichang China.

Liu Jiabin (劉家斌), aged 47, had been serving as the project construction director since April 2013 and was appointed as the chief operation officer and senior business management director in November 2015. He is primarily responsible for the daily operation management of the direct value-add business of the Company, and also responsible for the overall management of the Company's goods, restaurants, hotels, secondary development of entertainment project management and commercial rental management as well as staff management of the center. Mr. Liu completed Executive Master in Business Administration at Dongbei University of Finance and Economics (東北財經大學) in Dalian in December 2014.

Mr. Liu has over 10 years of experience in property development and management experience. Mr. Liu joined Haichang Group Co in September 2002 as the deputy manager of the resources department and he was responsible for establishing the supply chain for the company. He later had been serving as the general manager of Jiamusi Haixin Housing Development Co., Ltd. (佳木斯海新房屋開發有限公司) from March 2005 to April 2007 and he was responsible for the daily management of the project companies. In April 2007, he rejoined Haichang Group Co as the general manager of the tourism development and management department and from November 2007 to July 2009, he had been serving as the general manager of Chengdu Polar, where he was responsible for establishing the strategic goals and operation model for the company. From March 2010 to February 2013, Mr. Liu had been serving as the general manager of Dalian Fisherman's Wharf Development and Construction Co., Ltd. (大連漁夫碼頭開發建設有限公司), a project company owned by Haichang Real Estate. Since May 2012, Mr. Liu has been serving as the vice president of Haichang Real Estate and he is responsible for overseeing the commercial operation department. Since April 2013, he has been serving as the project construction director and the general manager of the engineering management department of Haichang China.

Tan Guangyuan (譚廣元), aged 44, had been serving as the technical director since April 2013 and was appointed as the senior operation director in November 2015. He is primarily responsible for the overall management of the Company's existing project operation, commercial street properties, animal husbandry and performing & arts management as well as staff management of the operation centre. Mr. Tan obtained a bachelor's degree in thermal turbine from the Dalian University of Technology (大連理工大學) in July 1993. He later completed a PhD course in law at the China University of Political Science and Law (中國政法大學) in May 2009 and a research Master in Public Administration (MPA) program at the Party School of Liaoning Provincial Party Committee of the Communist Party of China (中國遼寧省委黨校) in December 2009. In 2006 and 2013, Mr. Tan attended the training courses in the job duties of general manager and senior management organized by CNTA. He was awarded the respective professional training certificates by CNTA in August 2006 and August 2013.

Mr. Tan has over 16 years of experience in the tourism industry. From 1993 to 1999, Mr. Tan had been working as a technician at the Dalian City Construction and Management Bureau (大連城市建設管理局) and from 1999 to 2000, he had been working as an office manager of the reconstruction headquarters at the Laohutan Bay in Dalian where he was responsible for coordinating the daily works of the reconstruction office. Mr. Tan joined Hutan Park in January 2000 as an office manager and was then appointed as the deputy general manager of Dalian Laohutan as a representative of Hutan Park in March 2003 to oversee the operation and administration of Dalian Laohutan Polar Aquarium, facilities engineering and animal management. He was later promoted as the general manager in March 2008 and was responsible for the overall management of the company. Meanwhile, he also became a director of Dalian Laohutan and has been involved in making strategic decisions for the company since then. From 2011 to 2013, Mr. Tan had been serving as the vice president of Haichang Travel and he was responsible for making strategic decisions and managing the human resources, strategic planning and procurement departments. Since April 2013, Mr. Tan has been serving as the technical director of Haichang China. Mr. Tan became the vice group leader of the aquarium standards development leading small group of the National Aquatic Wildlife Conservation Association (全國水生野生動物保護分會) in March 2010, the vice president of the same Association in April 2011 and a guest member of the European Union of Acquisition Curators in October 2011. He also serves as an advisor to the Japanese Cetaceans Center (日本海豚中心).

Zheng Fang (鄭芳), aged 39, had been serving as the marketing director since April 2013 and was appointed as the senior marketing director in November 2015. She is primarily responsible for the management of the sales and marketing centre. Ms. Zheng obtained a bachelor's degree in investment economics from Liaoning University (遼寧大學) in Shenyang in July 1999. Ms. Zheng is the wife of Mr. Li Xin, the chief financial officer of the Group.

Ms. Zheng has over 15 years of experience in investment, corporate finance and management. Ms. Zheng joined Haichang Group Co in June 2000 as the finance manager of the capital department, where she served until March 2006 and was responsible for the coordination, control and tracing of cash, development and implementation of financing plans, development and enhancement of financing channels and provision of supporting skills. In March 2006, she joined Dalian Laohutan as the deputy general manager. She had then become a director of Dalian Laohutan since March 2008 and was promoted as the general manager in April 2011. During her employment, her duties were to develop and implement the annual operation plan and to promote our company to the market. Since April 2013, she has been appointed as the marketing director of Haichang China. In August 2011, she was appointed as a director of the Liaoning Province Wildlife Conservation Association (遼寧省野生動物保護協會). Furthermore, in December 2012, she was appointed as a committee member of the 9th committee of the Chinese People's Political Consultative Conference of Zhongshan District, Dalian City.

Li Changxia (李昌霞), aged 36, was appointed as Senior Product Director since Nov 2016. She is mainly responsible for the overall management over planning and researching and developing of the Company's travel and leisure products, cultural products and technology interactive products as well as management of the in-house staff in the Centre. Ms. Li received a bachelor's degree of economic geography from the Urban and Regional Economics Department of East China Normal University in 2003, and subsequently the Master Degree of Human Geography from the Urban and Regional Planning Department of Peking University in 2006. She won the ASLA International Award in 2015, the AECOM Annual Design Award in 2009 and the Youth Award of the Global Academic Conference of Chinese Geographers and she has published 13 professional papers on the core journals in China.

Ms. Li joined the Company in February 2016 and was appointed as Director of the Institute of Cultural Tourism. Ms. Li has more than 10 years of work experience in one of the world's top-class planning and design consultancy companies, and participated and led dozens of urban planning and tourism development planning projects. She is proficient at market analysis and evaluation on economic feasibility, function and operating status positioning, product design, finance/profitability of tourist resort and theme park development projects of different scales, and has accumulated abundant team management experience.

COMPANY SECRETARY

Xing Jun (邢軍), aged 39, has been appointed as the company secretary (the "Company Secretary") and the authorised representative of the Company with effect from 27 March 2015.

Mr. Xing joined the Company in July 2014 and is currently the board secretary and investor relations director. He is mainly responsible for corporate governance, compliance, information disclosure, investor relations management and other aspects of the Company. Mr. Xing is an associate member of the Hong Kong Institute of Chartered Secretaries and the Institute of Chartered Secretaries and Administrators in the United Kingdom and a charter holder of Chartered Financial Analyst. Mr. Xing holds a master's degree in financial management from Loughborough University in the United Kingdom and he had served various Hong Kong listed companies and has extensive experience in corporate governance, investor relations management and other aspects.

DIRECTORS' REPORT

The Directors are pleased to present their report together with the audited consolidated financial statements of the Group for the year ended 31 December 2016.

PRINCIPAL ACTIVITIES

The Group is principally engaged in development and operation of theme parks and ancillary commercial properties in the PRC. There were no significant changes in the nature of the principal activities of the Group during the year ended 31 December 2016.

SUBSIDIARIES

Particulars of the Company's subsidiaries as at 31 December 2016 are set out in note 1 to the consolidated financial statements.

BUSINESS REVIEW

A business review of the Group for the year ended 31 December 2016 and a discussion on the Group's future business development are provided in the Chairman's Statement on pages 8 to 9 and the Management Discussion and Analysis on pages 10 to 17 of this annual report.

An analysis of the Group's performance during the reporting period using key financial performance indicators is provided in the Financial Highlights on pages 4 to 5 of this annual report. A discussion on the Company's environmental policies and performance is set out in the 2016 Environmental, Social and Governance Report on pages 18 to 42 of this annual report.

The discussions referred to above form part of this Directors' Report.

HUSBANDRY AND CARE OF ANIMALS

1. International and domestic standards serving as the basis for the purchase of animals

In the process of importing animals from abroad, the Group has fully complied with relevant laws and regulations of the PRC and the animal exporting countries (regions) in strict accordance with the procedures as required by the competent authorities.

The following table shows the procedures to be followed and the qualification documents to be obtained in the course of importing animals.

Animal importing procedures	Name of document	Institution to review and approve
Obtaining import and export permits	Provincial or national approvals	Reporting to the national department in charge of forestry and fishery for administrative review and approval upon review and approval by the provincial department in charge of forestry and fishery

Animal importing procedures	Name of document	Institution to review and approve
	"CITES Permit" or "Certificate for Non-regulated Species"	The Endangered Species Import and Export Management Office or jurisdictional office to issue the certificates
Obtaining import quarantine certificate	"Certificate for Animal Quarantine Premises"	Municipal animal quarantine departments to verify, review and approve post-entry animal quarantine premises
	"Import Quarantine Certificate"	Upon review and approval by the provincial department in charge of animal quarantine, reporting to the General Administration of Quality Supervision, Inspection and Quarantine for review and approval and, when approved, the provincial department in charge of animal quarantine to issue certificates
Obtaining tax exemption certificate	"Tax Exemption Certificate"	Reporting to the Endangered Species Import and Export Management Office for review and approval upon review and approval by the provincial department in charge of forestry and fishery
	"Tax Exemption Certificate for Goods"	Territorial customs office to issue the certificates
Obtaining customs clearance	"Customs Clearance"	The owner to submit a bill of entry when the goods are imported and the inspection and customs department to issue customs clearance upon inspection

2. International and domestic standards serving as the basis for the rearing of animals

In terms of animal rearing administration, the Group has formulated the Haichang Animal Management Standards ("HASM"), taking reference to some sections in the regulations of the U.S. Department of Agriculture (USDA) concerning the administration of marine mammals, and based on the requirements of the industry standards such as rearing facilities and water quality of aquatic mammals issued by the Chinese Ministry of Agriculture. This standard include environment standard, water quality standard, facility standard, feeds and additives standard, body indicator standard, as well as conduct standards such as feeding, training and medical care for animal rearing, setting out regulations on every aspect involved in animal rearing from protection system and service system. HAMS is the existing management standard of the Group in animal rearing management.

RESULTS

The results of the Group for the year ended 31 December 2016 are set out in the consolidated statement of profit or loss on page 97 of this annual report.

FINAL DIVIDEND

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

USE OF NET PROCEEDS FROM LISTING

The net proceeds from the listing (the "Listing") of the Shares of the Company on the Stock Exchange, after deducting underwriting fees and related expenses, amounted to approximately HK$2,374.4 million and they were applied in the manner disclosed in the prospectus (the "Prospectus") of the Company dated 28 February 2014.

The balance of the unutilised proceeds, deposited in normal interest bearing saving accounts, is expected to be applied by the Company as stated in the section headed "Future Plans and Use of Proceeds" of the Prospectus. Based on the current progress of Shanghai Haichang Polar Ocean Park and Sanya Haichang Dream World projects, including site selection, land grant, the planning and design, and construction works, the Company has used part of the proceeds to pay part of the land transferring fees and construction costs for Shanghai Haichang Polar Ocean Park and Sanya Haichang Dream World projects. In addition, the Directors will consider utilising the unused portion of proceeds from the Listing to repay the Company's existing bank loans and other borrowings and interests accrued thereon if they are of the view that it is commercially desirable and in the interests of the shareholders as a whole for the Company to do so. The Company is also negotiating with related banks regarding the facility arrangements to ensure sufficient financial support to Shanghai Haichang Polar Ocean Park and/or Sanya Haichang Dream World if necessary.

MAJOR CUSTOMERS AND SUPPLIERS

During the year ended 31 December 2016, the percentage of purchases attributable to the Group's major suppliers are as follows:

– the largest supplier: 4.3%

– five largest suppliers in aggregate: 12.9%

The percentages of sales for the year attributable to the Group's major customers are as follows:

– the largest customer: 9%

– five largest customers in aggregate: 19%

As far as the Company is aware, none of the Directors nor his connected persons and none of the shareholders possessing over 5% of the interest in the capital of the Company possessed any interest in the abovementioned suppliers and customers.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Company and the Group during the year ended 31 December 2016 are set out in note 12 to the consolidated financial statements in this annual report.

SHARE CAPITAL

Details of movements in the share capital of the Company during the year ended 31 December 2016 are set out in note 34 to the consolidated financial statements in this annual report.

SHARE OPTION SCHEME

The Company conditionally adopted a share option scheme by the written resolutions of the shareholders of the Company on 23 February 2014 (the "Share Option Scheme"). Pursuant to the Share Option Scheme, the Directors may, at its absolute discretion, invite any eligible person to take up options to subscribe for Shares subject to the terms and conditions of the Share Option Scheme. The purposes of the Share Option Scheme is to grant options to selected participants as incentives or rewards for their contribution to the Company.

The maximum number of Shares which may be issued upon the exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option scheme adopted by the Company must not in aggregate exceed 30% of the share capital of the Company in issue from time to time.

The total number of the Shares which may be allotted and issued upon the exercise of all options (excluding, for this purpose, options which have lapsed in accordance with the terms of the Share Option Scheme and any other share option scheme of the Company) to be granted under the Share Option Scheme and any other share option scheme of the Company must not in aggregate exceed 2% of the Shares in issue on the date of the Listing, being 80,000,000 Shares ("General Scheme Limit").

The total number of Shares issued and which may fall to be issued upon the exercise of the options granted under the Share Option Scheme and any other share option scheme of the Company (including both exercised or outstanding options) to each grantee in any 12-month period shall not exceed 1% of the issued share capital of the Company for the time being ("Individual Limit"). Any further grant of options in excess of the Individual Limit in any 12-month period up to and including the date of such further grant must be separately approved by the Shareholders in general meeting of the Company with such grantee and his close associates (or his associates if he is a connected person) abstaining from voting.

The subscription price for the Shares under the Share Option Scheme shall be a price determined by the Directors, but shall not be less than the highest of (i) the closing price of the Shares as stated in the Stock Exchange's daily quotation sheet for trade in one or more board lots of the Shares on the date of the offer for the grant, which must be a business day; (ii) the average closing price of Shares as stated in the Stock Exchange's daily quotation sheet for the five business days immediately preceding the date of the offer for the grant; and (iii) the nominal value of a Share.

The Share Option Scheme will remain in force for a period of 10 years commencing on the date on which the Share Option Scheme is adopted.

An option may be accepted by a participant within 21 days from the date of the offer of grant of the option. An option may be exercised in accordance with the terms of the Share Option Scheme at any time during a period to be determined and notified by the Directors to each grantee, which period may commence from the date of the offer for the grant of options is made, but shall end in any event not later than 10 years from the date of grant of the option subject to the provisions for early termination thereof. Unless otherwise determined by the Directors and stated in the offer for the grant of options to a grantee, there is no minimum period required under the Share Option Scheme for the holding of an option before it can be exercised. A nominal consideration of HK$1.00 is payable on acceptance of the grant of an option.

No share options were granted, exercised, cancelled or lapsed under the Share Option Scheme for the year ended 31 December 2016 and no expenses were recognised by the Group for 2016 (2015: nil).

MANAGEMENT TRUST

Mr. Qu Naijie set up a management trust (the "Management Trust") in January 2014. The Management Trust is a revocable discretionary trust settled by Mr. Qu Naijie as settlor with Cantrust (Far East) Limited as trustee for the purposes of recognising and rewarding the contributions of certain eligible persons (the "Beneficiaries"). Speedy Journey Investment Limited is holding the Shares as nominee for Cantrust (Far East) Limited as trustee of the Management Trust and Speedy Journey Investment Limited is 100% owned by Cantrust (Far East) Limited as trustee of the Management Trust. As at 31 December 2016, Speedy Journey Investment Limited is interested in 127,756,000 Shares, representing approximately 3.19% of the issued share capital of the Company.

It is the intention of Mr. Qu Naijie and the trustee that the Beneficiaries of the Management Trust include Mr. Qu Naijie himself and a group of eligible persons who had contributed or will contribute to the development and operations of the Group. The group of eligible persons comprises persons who are currently employees of the Group and any such persons who have contributed or will contribute to the operations and development of the Group, and these Beneficiaries may hold up to approximately 3.19% of the issued share capital of the Company. Cantrust (Far East) Limited as trustee has the discretionary powers to, among others, allocate all or a portion of the trust fund of the Management Trust (including the Shares held by Speedy Journey Investment Limited), but Mr. Qu Naijie, as settlor of the Management Trust, may request Cantrust (Far East) Limited as trustee to make distributions of such Shares to one or more Beneficiaries, including himself. For the year ended 31 December 2016, no decision had been made by Mr. Qu Naijie or the trustee with respect to any such distribution.

RESERVES

Details of movement in the reserves of the Company and the Group during the year ended 31 December 2016 are set out in the consolidated statement of changes in equity of this annual report and in note 36 and note 45 to the consolidated financial statements in this annual report.

DISTRIBUTABLE RESERVES

Distributable reserves of the Company as at 31 December 2016, calculated under the Companies Law, amounted to RMB2,739,024,000 representing share premium and capital reserves of RMB2,800,122,000, setting off by accumulated losses of RMB61,098,000.

BANK LOANS AND OTHER BORROWINGS

Particulars of bank loans and other borrowings of the Company and the Group as at 31 December 2016 are set out in note 30 to the consolidated financial statements in this annual report.

DIRECTORS

The Directors in office during the financial year and as at the date of this annual report were as follows:

Executive Directors

Wang Xuguang (王旭光) *(Chief Executive Officer)*	
Qu Cheng (曲程)	(appointed on 25 May 2016)
Gao Jie (高杰) *(Executive President)*	(appointed on 25 May 2016)
Zhao Wenjing (趙文敬) *(Joint President)*	(resigned on 25 May 2016)
Qu Naiqiang (曲乃強) *(Joint President)*	(resigned on 25 May 2016)

Non-executive Directors

Qu Naijie (曲乃杰) *(Chairman)*
Makoto Inoue (井上亮)
Yuan Bing (袁兵)

Independent Non-executive Directors

Chen Guohui (陳國輝)	(appointed on 25 January 2017)
Sun Jianyi (孫建一)	
Zhang Meng (張夢)	(appointed on 25 January 2017)
Fang Hongxing (方紅星)	(resigned on 25 January 2017)
Xie Yanjun (謝彥君)	(resigned on 25 January 2017)

In accordance with article 16.18 of the Articles of Association, one-third of the Directors for the time being (or if their number is not a multiple of three, the number nearest to but not less than one-third) will retire from office by rotation at the forthcoming annual general meeting of the Company and shall be eligible to offer themselves for re-election.

BOARD OF DIRECTORS AND SENIOR MANAGEMENT

Biographical details of the Directors and senior management of the Group are set out on pages 43 to 51 of this annual report.

CONFIRMATION OF INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received the annual confirmation of each of the independent non-executive Directors of his or her independence pursuant to Rule 3.13 of the Listing Rules. The Company considers all of the independent non-executive Directors to be independent in accordance with Rule 3.13 of the Listing Rules.

PERMITTED INDEMNITY PROVISION

The Articles of Association provides that every Director shall be entitled to be indemnified out of the assets of the Company against all losses or liabilities incurred or sustained by him as a Director in defending any proceedings, whether civil or criminal, in which judgment is given in his or her favour, or in which he or she is acquitted, and against any loss in respect of his or her personal liability for the payment of any sum primarily due from the Company.

The Company has arranged liability insurance for the Directors and senior management of the Company to protect them from any possible litigations.

SERVICE CONTRACTS OF DIRECTORS

None of the Directors has any unexpired service contracts which is not determinable by the Company or its subsidiaries within one year without payment of compensation, other than statutory compensation.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS AND CONTRACTS

Save as disclosed in this annual report, no transaction, arrangement or contract of significance in relation to the Group's business to which the Company, or its subsidiaries, fellow subsidiaries or its parent companies were a party and in which a Director had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year ended 31 December 2016.

CONTROLLING SHAREHOLDERS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

Save as disclosed in this annual report, Mr. Qu Naijie and Haichang Group Limited (collectively, the "Controlling Shareholders") do not have any material interest, either directly or indirectly, in any contract of significance to the Group's business to which the Company, any of its subsidiaries, fellow subsidiaries or its parent companies were a party subsisted at the end of the year or at any time during the year ended 31 December 2016.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year ended 31 December 2016.

REMUNERATION OF DIRECTORS AND FIVE HIGHEST PAID INDIVIDUALS

Details of the emoluments of the Directors and the five highest paid individuals are set out in note 9 to the consolidated financial statements in this annual report.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITION IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 December 2016, the interests and short positions of the Directors and chief executive of the Company in the Shares, underlying Shares and debentures of the Company or its associated corporations, within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO"), which (a) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO); or (b) were required, pursuant to Section 352 of the SFO, to be recorded in the register referred to therein; or (c) were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules (the "Model Code"), were as follows:

Name of Director	Capacity/Nature of Interest	Number of Shares	Approximate Percentage of Total Issued Shares
Mr. Qu Naijie (Note 1)	Beneficiary of a trust and founder of a trust	2,011,848,524(L)	50.30%
Mr. Qu Cheng (Note 2)	Beneficiary of a trust	1,884,092,524(L)	47.10%
	Beneficial owner	2,310,327(L)	0.06%
Mr. Wang Xuguang	Beneficial owner	8,000,000 (L)	0.20%
Mr. Gao Jie	Beneficial owner	4,295,000(L)	0.11%

Notes:

1. (a) Mr. Qu Naijie is the protector of a discretionary family trust (the "Family Trust") under which BNP Paribas Singapore Trust Corporation Limited ("BNP Trustee") is the trustee. Manmount Limited is wholly and beneficially owned by BNP Paribas Corporate Services Pte. Ltd. ("BNP Corporate Services"), which is the nominee for the Family Trust and a sole director of Manmount Limited. BNP Corporate Services is wholly and beneficially owned by BNP Trustee. The trust properties of the Family Trust mainly includes, the entire issued share capital of Haichang Group Limited, which beneficially owned 1,684,092,524 Shares, representing approximately 42.10% of the total issued share capital of the Company. Haichang Group Limited is wholly owned by Manmounted Limited.

   (b) Haichang Group Limited was granted a call option to purchase from ORIX Asia Capital Limited and granted ORIX Asia Capital Limited a put option to require Haichang Group Limited to purchase from ORIX Asia Capital Limited 200,000,000 Shares, representing approximately 5.00% of the total issued share capital of the Company, which would be lapsed on 1 February 2017. Haichang Group Limited was interested in the 200,000,000 Shares, being the subject of the call option and the put option.

(c) Mr. Qu Naijie is the settlor and a beneficiary of the Management Trust (as defined below). Cantrust (Far East) Limited is the trustee of the Management Trust and wholly owns the entire equity interest of Speedy Journey Investment Limited. Speedy Journey Investment Limited beneficially owned 127,756,000 Shares, representing approximately 3.19% of the total issued share capital of the Company.

Therefore, Mr. Qu Naijie was deemed to be interested in (i) the 1,884,092,524 Shares held and interested by Haichang Group Limited as disclosed in Notes 1(a) and 1(b) above and (ii) the 127,756,000 Shares held by Speedy Journey Investment Limited in the Company as disclosed in Note 1(c) above, together representing approximately 50.30% of the total issued share capital of the Company.

2. Mr. Qu Cheng is a beneficiary of the Family Trust. Accordingly, Mr. Qu Cheng is deemed to be interested in 1,884,092,524 Shares as disclosed in Notes 1(a) and 1(b) above.

(L) denotes a long position in the Shares.

Save as disclosed above, as at 31 December 2016, none of the Directors and chief executive of the Company had any interests or short positions in the Shares, underlying Shares or debentures of the Company or its associated corporations, within the meaning of Part XV of the SFO, which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO), or were required, pursuant to Section 352 of the SFO, to be recorded in the register referred to therein, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES

As at 31 December 2016, so far as was known to the Directors or chief executive of the Company, the following persons (not being a Director or chief executive of the Company) had interests or short positions in the Shares or underlying Shares as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO:

Name	**Capacity/Nature of Interest**	**Number of Shares**	**Approximate Percentage of Total Issued Shares**
BNP Paribas Singapore Trust Corporation Limited (Note 1)	Interest in a controlled corporation	1,884,092,524(L)	47.10%
BNP Paribas Corporate Services Pte. Ltd. (Note 1)	Interest in a controlled corporation	1,884,092,524(L)	47.10%
Manmount Limited (Note 1)	Interest in a controlled corporation	1,884,092,524(L)	47.10%
Haichang Group Limited (Note 1)	Beneficial owner	1,884,092,524(L)	47.10%

Name	Capacity/Nature of Interest	Number of Shares	Approximate Percentage of Total Issued Shares
ORIX Corporation (Note 2)	Interest in a controlled corporation	593,384,000 (L)	14.83%
		200,000,000(S)	5.00%
ORIX (China) Investment Company Limited (Note 2)	Interest in a controlled corporation	393,384,000(L)	9.83%
Oriental Camellia Investment Limited (Note 2)	Beneficial owner	393,384,000(L)	9.83%
ORIX Asia Capital Limited (Note 2)	Beneficial owner	200,000,000(L)	5.00%
	Interest in a controlled corporation	200,000,000(S)	5.00%
Zhao John Huan (Note 3)	Interest in a controlled corporation	400,444,000(L)	10.01%
Exponential Fortune Group Limited (Note 3)	Interest in a controlled corporation	400,444,000(L)	10.01%
Hony Managing Partners Limited (Note 3)	Interest in a controlled corporation	400,444,000(L)	10.01%
Hony Group Management Limited (Note 3)	Interest in a controlled corporation	400,444,000(L)	10.01%
Hony Capital Fund V GP Limited (Note 3)	Interest in a controlled corporation	400,444,000(L)	10.01%
Hony Capital Fund V GP, L.P. (Note 3)	Interest in a controlled corporation	400,444,000(L)	10.01%
Hony Capital Fund V L.P. (Note 3)	Interest in a controlled corporation	400,444,000(L)	10.01%
Time Dynasty Limited (Note 3)	Beneficial owner	400,444,000(L)	10.01%

Notes:

1. (a) BNP Trustee is the trustee of the Family Trust. Manmount Limited is wholly and beneficially owned by BNP Corporate Services, which is the nominee for the Family Trust and a sole director of Manmount Limited. BNP Corporate Services is wholly and beneficially owned by BNP Trustee. The trust properties of the Family Trust mainly included, the entire issued share capital of Haichang Group Limited, which beneficially owned and was interested in 1,684,092,524 Shares, representing approximately 42.10% of the total issued share capital of the Company. Haichang Group Limited is wholly owned by Manmount Limited.

   (b) Haichang Group Limited was granted a call option to purchase from ORIX Asia Capital Limited and granted ORIX Asia Capital Limited a put option to require Haichang Group Limited to purchase from ORIX Asia Capital Limited 200,000,000 Shares, representing approximately 5.00% of the total issued share capital of the Company, which would be lapsed on 1 February 2017. Haichang Group Limited was interested in the 200,000,000 Shares, being the subject of the call option and the put option.

   Accordingly, BNP Trustee, BNP Corporate Services and Manmount Limited were deemed to be interested in the 1,884,092,524 Shares held and interested by Haichang Group Limited.

2. (a) Oriental Camellia Investment Limited holds 393,384,000 Shares. Oriental Camellia Investment Limited is wholly-owned by ORIX (China) Investment Company Limited, which is in turn wholly owned by ORIX Corporation.

   (b) ORIX Asia Capital Limited is wholly owned by ORIX Corporation. ORIX Asia Capital Limited was granted a put option to require Haichang Group Limited to purchase from it and granted a call option to purchase from it 200,000,000 Shares, representing approximately 5.00% of the total issued share capital of the Company, which would be lapsed on 1 February 2017.

   Accordingly, ORIX Corporation is deemed to be interested in the 393,384,000 Shares held by Oriental Camellia Investment Limited and the call option and put option in relation to 200,000,000 Share of ORIX Asia Capital Limited.

3. These 400,444,000 Shares are held by Time Dynasty Limited. The entire issued share capital of Time Dynasty Limited is wholly-owned by Hony Capital Fund V, L.P., which in turn is controlled by its sole general partner, Hony Capital Fund V GP, L.P.. Hony Capital Fund V GP, L.P is wholly-owned by Hony Capital Fund V GP Limited, which is wholly owned by Hony Group Management Limited. Hony Group Management Limited is controlled as to approximately 80.00% by Hony Managing Partners Limited, which is wholly-owned by Exponential Fortune Group Limited. Exponential Fortune Group Limited is 49.00% controlled by Mr. Zhao John Huan. Accordingly, Mr. Zhao John Huan, Exponential Fortune Group Limited, Hony Managing Partners Limited, Hony Group Management Limited, Hony Capital Fund V GP Limited, Hony Capital Fund V GP, L.P. and Hony Capital Fund V, L.P. are deemed to be interested in the 400,444,000 Shares were held by Time Dynasty Limited.

(L) denotes a long position in the Shares.

(S) denotes a short position in the Shares.

Other than as disclosed above, as at 31 December 2016, the Directors had not been notified by any person (not being the Directors or chief executive of the Company) who had interests or short positions in the Shares or underlying Shares as recorded in the register required to be kept pursuant to Section 336 of the SFO.

PRE-EMPTIVE RIGHTS

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

DEED OF NON-COMPETITION FROM THE CONTROLLING SHAREHOLDERS

Each of the Controlling Shareholders has confirmed to the Company of his/its compliance with the non-competition undertakings provided to the Company under a deed of non-competition (the "Deed of Non-competition") in favour of the Company entered into on 27 February 2014. Details of the Deed of Non-competition were disclosed in the Prospectus under the section headed "Relationship with our Controlling Shareholders".

An independent board committee (the "Independent Board Committee") consisting exclusively of independent non-executive Directors was set up to monitor the execution and the performance of obligations of the Deed of Non-competition by the Controlling Shareholders. For the year ended 31 December 2016, the Independent Board Committee has reviewed the status of compliance, and none of the Controlling Shareholders, nor any of its subsidiaries or associates were found by the Group contravening the non-competition undertakings during the reporting period.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

Save as described in the Prospectus and this annual report, during the year ended 31 December 2016, none of the Directors or their respective associates had engaged in or had any interest in any business which competes or is likely to compete with the businesses of the Group and which is required to be disclosed pursuant to the Listing Rules.

CONNECTED TRANSACTIONS

Among the related party transactions disclosed in note 41 to the consolidated financial statements, the following transactions constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules and are required to be disclosed in this annual report in accordance with Chapter 14A of the Listing Rules.

As at 31 December 2016, the Group had entered into the following continuing connected transactions which are required to be disclosed in this annual report pursuant to Chapter 14A of the Listing Rules.

(1) Property Management Agreements

On 19 September 2014, the Group entered into the five management agreements (the "Property Management Agreements") with Dalian Haichang Property Management Co., Ltd. (大連海昌物業管理有限公司) ("Dalian Property Management"), Tianjin Haichang Polar Property Management Co., Ltd. (天津海昌極地物業管理有限公司) ("Tianjin Property Management"), Wuhan Haichang Property Management Co., Ltd. (武漢海昌物業管理有限公司) ("Wuhan Property Management") and Yantai Haichang Property Management Co., Ltd. (煙台海昌物業管理有限公司) ("Yantai Property Management") (collectively, the "Management Companies"), pursuant to which the Management Companies agreed to provide property management services to some of the subsidiaries of the Group in relation to certain unsold or unleased ancillary commercial properties owned by the Group in Dalian, Tianjin, Wuhan and Yantai of the PRC for a term of three years commencing from 19 September 2014.

As at 19 September 2014, Mr. Qu Naijie, the Controlling Shareholder and a Director, held 60% equity interests in Haichang Group Co. Hence, Haichang Group Co is an associate of Mr. Qu Naijie and a connected person of the Company. As Dalian Property Management is a direct subsidiary of Haichang Group Co and Tianjin Property Management, Wuhan Property Management and Yantai Property Management are indirect subsidiaries of Haichang Group Co, each of the Management Companies is an associate of Mr. Qu Naijie and a connected person of the Company. Accordingly, the transactions contemplated under the Property Management Agreements constitute continuing connected transactions of the Company under Rule 14A.31 of the Listing Rules.

The major terms of the Property Management Agreements are as follows:

a) (i) Management Company: Dalian Property Management.
   (ii) Property being managed: the ancillary commercial properties owned by the Group in Haichang Xincheng, Dalian. The property management services to be provided include (i) facilities maintenance and fire and public safety management; (ii) road traffic and car park management; (iii) daily hygiene maintenance and regular cleaning and (iv) greening and gardening of the areas.
   (iii) Management fee: The management fee is calculated by reference to the total gross floor area of the unleased or unsold ancillary commercial properties and Haichang China shall pay a management fee of RMB2.5 per square metre per month. As at 21 September 2014, the total gross floor area of the unleased or unsold ancillary commercial properties in Haichang Xincheng is approximately 12,392.03 square metres and the management fee payable by Haichang China is approximately RMB371,761 (approximately HK$468,419) per year.

b) (i) Management Company: Dalian Property Management.
   (ii) Property being managed: the ancillary commercial properties owned by the Group in Dalian Laohutan Fishermen's Wharf, Dalian. The property management services to be provided include (i) facilities maintenance and fire and public safety management; (ii) road traffic and car park management; (iii) daily hygiene maintenance and regular cleaning and (iv) greening and gardening of the areas.
   (iii) Management fee: The management fee is calculated by reference to the total gross floor area of the unleased or unsold ancillary commercial properties and Haichang China shall pay a management fee of RMB3.9 per square metre per month. As at 21 September 2014, the total gross floor area of the unleased or unsold ancillary commercial properties in Dalian Laohutan Fishermen's Wharf is approximately 5,825.87 square metres and the management fee payable by Haichang China is approximately RMB272,651 (approximately HK$343,540) per year.

c) (i) Management Company: Tianjin Property Management.
   (ii) Property being managed: the unsold or unleased ancillary commercial properties owned by the Group in Tianjin. The ancillary commercial properties in Tianjin comprise commercial street properties, commercial properties beneath serviced apartments and serviced apartments. The property management services to be provided include (i) repairing, maintenance and management of common areas and public facilities; (ii) maintenance of hygiene and cleanliness of common areas, rubbish collection and rain water and sewage pipes clearance; (iii) maintenance and management of public greening; (iv) vehicles parking management; (v) maintenance and management of public safety and security; (vi) decoration and refurbishment management and (vii) management of documents in connection with the properties.

(iii) Management fee: The management fee is calculated by reference to the total gross floor area of the unleased or unsold ancillary commercial properties and Tianjin Polar shall pay a management fee of (i) RMB2.23 per square metre per month in respect of commercial street properties and commercial properties beneath serviced apartments; (ii) RMB2.73 per square metre per month in respect of unsold serviced apartments and (iii) RMB1.46 per square metre per month in respect of sold serviced apartments (as subsidies to purchasers of serviced apartments). As at 21 September 2014, the total gross floor area of the unleased and unsold commercial street properties, unleased and unsold commercial properties beneath serviced apartments, unsold serviced apartments and sold serviced apartments are approximately 18,517 square metres, 1,232 square metres, 957 square metres and 11,768 square metres, respectively. As such, the management fee payable by Tianjin Polar is approximately RMB766,010 (approximately HK$965,173) per year. In addition, a property management activation fee of RMB15 per square metre is agreed to be paid by Tianjin Polar with respect to the properties with a total gross floor area of approximately 66,552.06 square metres.

d) (i) Management Company: Wuhan Property Management.

(ii) Property being managed: the unsold or unleased commercial street properties owned by the Group in the commercial street (phase 1) in Wuhan. The property management services to be provided include (i) repairing, management and maintenance of public ground structures and their ancillary facilities; (ii) operation, management, maintenance and repairing of public facilities; (iii) automated systems maintenance and management; (iv) fire and public safety management; (v) road traffic and car park management; (vi) daily hygiene maintenance and regular cleaning; (vii) greening and gardening of the areas; (viii) development of good communication with tenants of the properties and (ix) maintenance of documents in connection with the properties and development of tenants records.

(iii) Management fee: The management fee is calculated by reference to the total gross floor area of the unleased or unsold commercial street properties and Wuhan Polar shall pay a management fee of RMB2.5 per square metre per month. As at 21 September 2014, the total gross floor area of the unleased or unsold commercial street properties in the commercial street (phase 1) in Wuhan is approximately 33,700 square metres and the management fee payable by Wuhan Polar is approximately RMB1,011,000 (approximately HK$1,273,860) per year. If commercial street properties are sold or leased during the term of this Management Agreement, the management fee shall be adjusted in accordance with the above monthly rate per square metre with reference to the actual time of the sale or leasing.

e) (i) Management Company: Yantai Property Management.

(ii) Property being managed: the unsold or unleased commercial street properties owned by the Group in Yantai Fishermen's Wharf. The property management services to be provided include (i) repairing, maintenance and management of common areas and public facilities; (ii) maintenance of hygiene and cleanliness of common areas, rubbish collection and rain water and sewage pipes clearance; (iii) maintenance and management of public greening; (iv) vehicles parking management; (v) maintenance and management of public safety and security; (vi) decoration and refurbishment management and (vii) management of documents in connection with the properties.

(iii) Management fee: The management fee is calculated by reference to the total gross floor area of the unleased or unsold commercial street properties and Yantai Fishermen shall pay a management fee of RMB1.5 per square metre per month. As at 21 September 2014, the total gross floor area of the unleased or unsold commercial street properties in Yantai Fishermen's Wharf is approximately 4,406 square metres and the management fee payable by Yantai Fishermen is approximately RMB79,308 (approximately HK$99,928) per year. If commercial street properties are sold or leased during the term of this Management Agreement, the management fee shall be adjusted in accordance with the above monthly rate per square metre with reference to the actual time of the sale or leasing.

Further details of the above continuing connected transactions are disclosed in the Company's announcement dated 21 September 2014.

(2) Property Leasing Agreements

On 14 October 2014, the Group entered into the five property leasing agreements (the "Property Leasing Agreements") with Dalian Shibo Real Estate Development Co., Ltd. (大連世博房地產開發有限公司) ("Shibo Real Estate"), Tianjin Polar Tourism Co., Ltd. (天津極地旅遊有限公司) ("Tianjin Real Estate"), Wuhan Chuangfu Real Estate Development Co., Ltd. (武漢創富房地產開發有限公司) ("Wuhan Real Estate") and Yantai Fishermen's Wharf Investment Co., Ltd. (煙台漁人碼頭投資有限公司) ("Yantai Tourism Development") (collectively, the "Connected Counterparties"), pursuant to which certain vacant ancillary commercial properties owned by the Group in Dalian, Tianjin, Wuhan and Yantai of the PRC are leased by the Group to the Connected Counterparties for a term of three years commencing from 19 September 2014.

As at 14 October 2014, Mr. Qu Naijie, the Controlling Shareholder and a Director, held approximately 62.27% and 60% equity interests in Haichang Corporation Development and Haichang Group Co, respectively. As Shibo Real Estate, Tianjin Real Estate and Wuhan Real Estate are indirect wholly-owned subsidiaries of Haichang Corporation Development and Yantai Tourism Development is a wholly-owned subsidiary of Haichang Group Co, each of the Connected Counterparties is an associate of Mr. Qu Naijie and thus a connected person of the Company. Accordingly, the transactions contemplated under the Property Leasing Agreements constituted continuing connected transactions of the Company under Rule 14A.31 of the Listing Rules.

On 15 September 2015, the Group, Shibo Real Estate and Dalian East Water City Development Limited (大連東方水城發展有限公司) ("Dalian East Water City") entered into a supplemental agreement (the "Supplemental Agreement") to the relevant Property Leasing Agreement dated 14 October 2014. Pursuant to Supplemental Agreement, East Water City replaced Shibo Real Estate as the lessee of the relevant Property Leasing Agreement. From the date of the Supplemental Agreement, Shibo Real Estate has ceased to enjoy any rights and have any obligations and Dalian East Water City has inherited such rights and obligations for the rest of the term under the relevant Property Leasing Agreement.

As at 15 September 2015, Mr. Qu Naijie, the Controlling Shareholder and a Director, held approximately 62.27% equity interests in Haichang Corporation Development. As Dalian East Water City is indirect wholly-owned subsidiary of Haichang Corporation Development, Dalian East Water City is an associate of Mr. Qu Naijie and thus a connected person of the Company. Accordingly, the transactions contemplated under the Supplemental Agreement fell within the continuing connected transaction contemplated under the relevant Property Leasing Agreement of the Company under Rule 14A.31 of the Listing Rules.

The major terms of the Property Leasing Agreements are as follows:

Connected Counterparty:	Shibo Real Estate/ Dalian East Water City (Note 1)	Tianjin Real Estate (Note 2)	Wuhan Real Estate (Note 3)	Wuhan Real Estate	Yantai Tourism Development
Leased property:	Shop No.701 in Dalian Laohutan Fishermen's Wharf, with a gross floor area of approximately 1,717.25 square metres	Shops No. 25-2, 25-3, 25-4 and 25-5 of Building No.25 in the commercial streets adjacent to Tianjin Polar Ocean World, with a total gross floor area of approximately 1,830.61 square metres	Shop No.301 in the commercial streets (phase 1) adjacent to Wuhan Polar Ocean World, with a gross floor area of approximately 4,920.00 square metres	Units No.01 and 02 of Shop No.409 in the commercial streets (phase 1) adjacent to Wuhan Polar Ocean World, with a total gross floor area of approximately 470.40 square metres	Shop No.14 (eastern section) in Yantai Fishermen's Wharf, Yantai, with a gross floor area of approximately 1,373.58 square metres
Usage:	Office	Office	Office	Office or other usage to be agreed between the Group and Wuhan Real Estate	Office
Rental:	RMB4 per square metre per day (exclusive of property management fee and utilities), subject to a 5% increment for every twelve-month period. Accordingly, the monthly rentals payable in the first, second and third year are approximately RMB208,932, RMB219,379 and RMB230,348, respectively	RMB3 per square meter per day (exclusive of property management fee and utilities) in 2014 and subject to monthly rental charge of RMB122,423 from 1 January 2015 to 31 December 2016	RMB1.8 per square metre per day (exclusive of property management fee and utilities), subject to a 5% increment for every twelve-month period. Accordingly, the monthly rentals payable in the first, second and third year are approximately RMB269,370, RMB282,839 and RMB296,981, respectively	RMB1.8 per square metre per day (exclusive of property management fee and utilities), subject to a 5% increment for every twelve-month period. Accordingly, the monthly rentals payable in the first, second and third year are approximately RMB25,754, RMB27,042 and RMB28,394, respectively	RMB2.5 per square metre per day (exclusive of property management fee and utilities), subject to a 5% increment for every twelve-month period. Accordingly, the monthly rentals payable in the first, second and third year are approximately RMB104,449, RMB109,672 and RMB115,155, respectively

Notes:

1. Before the date of the Supplemental Agreement, i.e. 15 September 2015, the connected counterparty had been Shibo Real Estate. Since the date of the Supplemental Agreement, the connected counterparty had been Dalian East Water City.

2. This agreement was terminated in advance on 18 September 2016.

3. This agreement was terminated in advance on 18 December 2016.

The agreements with Tianjin Real Estate and Wuhan Real Estate were terminated in advance on 18 September 2016 and 18 December 2016, respectively.

Further details of the above continuing connected transactions were disclosed in the Company's announcements dated 14 October 2014 and 15 September 2015.

(3) Office Lease

On 18 April 2016, Haichang China, as landlord, entered into a lease (the "Office Lease") with Haichang Corporation Development, as tenant, pursuant to which, Haichang Corporation Development agreed to lease from Haichang China (i) No.137 Huale Street, Zhongshan District, Dalian City for office use for a term commencing from 1 January 2016 to 31 March 2017 and (ii) No.151 Huale Street, Zhongshan District, Dalian City for office use for a term commencing from 1 April 2017 to 31 December 2018, respectively. As at 31 December 2016, Mr. Qu Naijie, the Controlling Shareholder and a Director, held approximately 62.27% of the equity interests of Haichang Corporation Development indirectly. As such, Haichang Corporation Development is an associate of Mr. Qu Naijie and a connected person of the Company for the purpose of the Listing Rules.

Accordingly, the transactions contemplated under the Office Lease constituted continuing connected transactions for the Company under Rule 14A.31 of the Listing Rules.

The monthly rent under the Office Lease is in an amount of RMB400,000 and was determined by Haichang China in consultation with the property valuer based on the prevailing market rent. The annual caps for the Office Lease for each of the year ended 31 December 2016 and the year ending 31 December 2017 are RMB4,800,000 and RMB4,800,000 respectively. During the year ended 31 December 2016, the rental income from Haichang Corporation Development was RMB4,629,000 and the annual cap for the Office Lease has not been exceeded.

Further details of the above continuing connected transaction were fully disclosed in the Company's announcement dated 18 April 2016.

A summary of the related party transactions entered into by the Group during the year ended 31 December 2016 is contained in note 41 to the consolidated financial statements in this annual report.

The Directors (including the independent non-executive Directors) have reviewed the continuing connected transactions as contemplated under the Office Lease, the Property Leasing Agreements and the Property Management Agreements as described above and confirmed that during the year ended 31 December 2016, such transactions have been entered into:

(i) in the ordinary and usual course of business of the Group;

(ii) on normal commercial terms or better; and

(iii) in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

The auditors of the Company have confirmed in a letter to the Board that, with respect to the aforesaid continuing connected transactions:

(i) nothing has come to their attention that causes the auditors to believe that the disclosed continuing connected transactions have not been approved by the Board;

(ii) for transactions involving the provision of goods or services by the Group, nothing has come to their attention that causes them to believe that the transactions were not, in all material respects, in accordance with the pricing policies of the Company;

(iii) nothing has come to their attention that causes them to believe that the transactions were not entered into, in all material respects, in accordance with the relevant agreements governing such transactions; and

(iv) with respect to the aggregate amount of each of the continuing connected transactions, nothing has come to their attention that causes them to believe that the disclosed continuing connected transactions have exceeded the maximum aggregate annual value disclosed in the Prospectus and the relevant announcements of the Company in respect of each of the disclosed continuing connected transactions.

The Company has complied with the disclosure requirements, to the extent they are not waived by the Stock Exchange, in accordance with Chapter 14A of the Listing Rules with respect to the connected transactions and continuing connected transactions entered into by the Group during the year ended 31 December 2016.

POST BALANCE SHEET EVENTS

Please see the section headed "Management Discussion and Analysis" in this annual report for a summary of the major events in relation to the Company that have occurred since the balance sheet date.

DONATION

Details of the charitable and other donations made by the Group are set out in the 2016 Environmental, Social and Governance Report on pages 40 to 42 of this annual report.

AUDITORS

The consolidated financial statements of the Company for the year ended 31 December 2016 have been audited by Ernst & Young, the auditors of the Company.

During the preceding three years, there has been no change in the Company's auditors.

AUDIT COMMITTEE

As at the date of this annual report, the audit committee (the "Audit Committee") of the Company comprises three independent non-executive Directors, namely Professor Chen Guohui, Mr. Sun Jianyi and Professor Zhang Meng, all of whom were independent non-executive Directors. Professor Chen Guohui was 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.

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.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available and within the knowledge of the Directors as at the date of this annual report, the Company had maintained sufficient public float as required under the Listing Rules during the year ended 31 December 2016.

On behalf of the Board
Mr. Wang Xuguang
Executive Director and Chief Executive Officer

22 March 2017

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE PRACTICES

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 "CG Code") contained in Appendix 14 to the Listing Rules as its own code of corporate governance.

The Company has been in compliance with the CG code provisions of the CG Code during the year ended 31 December 2016 except as disclosed below.

Under code provision A.1.1 of the CG 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 CG Code in future.

Under code provision A.6.7 of the CG 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 CG Code, the chairman of the Board should attend annual general meetings of the Company and invite the chairmen of the audit, remuneration, nomination and any other committees (as appropriate) of the Company to attend. Mr. Qu Naijie, being the chairman of the Board, was absent from the AGM due to a pre-arranged business commitment. The chairmen of all the board committees of the Company were also absent from the AGM due to pre-arranged business commitments. Mr. Wang Xuguang, an executive Director, the Chief Executive Officer and a member of the remuneration committee of the Company, was chosen as the chairman of the AGM. Mr. Qu Cheng, an executive Director, as the duly appointed delegate of the chairman of the Board, also attended the AGM. Both Mr. Wang Xuguang and Mr. Qu Cheng were available to answer questions at the AGM.

The key corporate governance principles and practices of the Company are outlined later in this annual report.

THE BOARD OF DIRECTORS

Responsibilities

The Board is responsible for the overall leadership of the Group, oversees the Group's strategic decisions and monitors business and performance. The Board has delegated the authority and responsibility for day-to-day management and operation of the Group to the senior management of the Group.

To oversee particular aspects of the Company's affairs, the Board has established five Board committees, namely the Audit Committee, the Remuneration Committee, the Nomination Committee, the Risk Management and Corporate Governance Committee and the Independent Board Committee (together, the "Board Committees"). The Board has delegated to the Board Committees responsibilities as set out in their respective terms of reference.

Board composition

As at the date of this annual report, the Board comprised nine members, consisted of three executive Directors, three non-executive Directors and three independent non-executive Directors, whose information is set out in the following table.

Name of Director	Position	Date of first appointment to the Board	Date of last re-election as Director
Wang Xuguang (王旭光)	Executive Director and Chief Executive officer	19 July 2012	25 June 2015
Qu Cheng (曲程)	Executive Director	25 May 2016	27 June 2016
Gao Jie (高杰)	Executive Director	25 May 2016	27 June 2016
Qu Naijie (曲乃杰)	Chairman and Non-executive Director	21 November 2011	27 June 2016
Makoto Inoue (井上亮)	Non-executive Director	19 July 2012	27 June 2016
Yuan Bing (袁兵)	Non-executive Director	24 August 2012	27 June 2016
Chen Guohui (陳國輝)	Independent Non- executive Director	25 January 2017	n/a
Sun Jianyi (孫建一)	Independent Non- executive Director	23 February 2014	25 June 2014
Zhang Meng (張夢)	Independent Non- executive Director	25 January 2017	n/a

The biographical information of the Directors are set out in the section headed "Directors and Senior Management" on pages 43 to 51 of this annual report. the relationships between the members of the Board are also disclosed under that section.

All Directors, including non-executive Directors and independent non-executive Directors, have brought a wide spectrum of valuable business experience, knowledge and professionalism to the Board for its efficient and effective functioning. Independent non-executive Directors are invited to serve on the Audit Committee, the Remuneration Committee, the Nomination Committee, the Risk Management and Corporate Governance Committee and the Independent Board Committee.

INDUCTION AND CONTINUING PROFESSIONAL DEVELOPMENT

The Directors have been provided with the relevant training to ensure that they have a proper understanding of the business and operations of the Company and that they are fully aware of their responsibilities and obligations as a director of a listed company as well as the compliance practice under the Listing Rules. The Company from time to time updates and provides written training materials to the Directors, and organises seminars on the latest development of the Listing Rules, applicable laws, rules and regulations relating to directors' duties and responsibilities. The Directors may request the Company, pursuant to the policy for Directors to seek independent professional advice, to provide independent professional advice at the expense of the Company to discharge his duties to the Company.

According to records provided by the Directors, a summary of training attended by the Directors during the year ended 31 December 2016 is as follows:

Directors	Attendance
Wang Xuguang (王旭光)	January 2016
Qu Cheng (曲程)	January 2016
Gao Jie (高杰)	January 2016
Qu Naijie (曲乃杰)	January 2016
Makoto Inoue (井上亮)	January, February, April and September 2016
Yuan Bing (袁兵)	March, October and November 2016
Fang Hongxing (方紅星)	Nil
Sun Jianyi (孫建一)	February, April and October 2016
Xie Yanjun (謝彥君)	Nil

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

As required by code provision A.2.1 of the CG Code, the roles of chairman and chief executive officer should be separate and performed by different individuals. The chairman of the Board and the chief executive officer of the Company are currently two separate positions held by Mr. Qu Naijie and Mr. Wang Xuguang, respectively, in order to reinforce their independence and accountability. There are clear demarcations of responsibility and authority between the chairman and the chief executive officer which ensure an appropriate balance of power, increased accountability and greater capacity of the Board for independent decision-making.

The chairman of the Board is responsible for overall strategic planning and overseeing the general corporate, financial and compliance affairs of the Group. The chief executive officer is primarily responsible for the strategic decision making and the management of the Group.

NON-EXECUTIVE DIRECTORS – TERM OF APPOINTMENT

None of the non-executive Directors are appointed for a specific term of longer than three years.

INDEPENDENT NON-EXECUTIVE DIRECTORS

During the year ended 31 December 2016, the Company was in compliance with the requirements of Rules 3.10(1) and 3.10(2) of the Listing Rules relating to the appointment of at least three independent non-executive directors with at least one independent non-executive director possessing appropriate professional qualifications or accounting or related financial management expertise.

The Company was also in compliance with the requirement of Rule 3.10A of the Listing Rules relating to the appointment of independent non-executive directors representing at least one-third of the board.

The Company has received written annual confirmation from each of the independent non-executive Directors on his independence pursuant to Rule 3.13 of the Listing Rules and the Company considers each of them to be independent.

DIRECTORS' SERVICE AGREEMENTS

None of the Directors who is proposed for re-election at the forthcoming annual general meeting has any service agreement which is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

The rules and procedures governing the appointment, retirement, re-election and removal of Directors are set out in the Articles of Association. The Nomination Committee is responsible for reviewing the Board structure, size and composition and making recommendations to the Board on the appointment and re-appointment of Directors and succession planning for Directors.

NOMINATION, APPOINTMENT, RETIREMENT AND RE-ELECTION

In accordance with the Articles of Association, at least one-third of the Directors for the time being (or, if their number is not three or a multiple of three, then the number nearest to, but not less than, one-third) shall retire from office by rotation and shall be eligible for re-election and re-appointment at every annual general meeting provided that each Director shall be subject to retirement by rotation at least once every three years and any new Director appointed to fill a causal vacancy or as an addition to the Board shall submit himself/herself for re-election by shareholders at the next general meeting after appointment.

BOARD MEETINGS

The Board intends to hold board meetings regularly at least four times a year at approximately quarterly intervals which are normally scheduled in the fourth quarter of the preceding year. Notices of not less than fourteen days will be given for all regular board meetings to provide all Directors with an opportunity to attend and include matters in the agenda for regular board meetings. The Board will also hold meeting on other occasions when a board-level decision on a particular matter is required. Reasonable notice will generally be given.

During the year ended 31 December 2016, three Board meetings and one general meeting had been held. The attendance records of the Directors at these meetings are set out below:

Directors	**No. of Board meetings attended/ No. of Board meetings held**	**No. of general meetings attended/ No. of general meetings held**
Executive Directors		
Wang Xuguang (王旭光)	3/3	1/1
Zhao Wenjing (趙文敬) (resigned on 25 May 2016)	1/1	0/0
Qu Naiqiang (曲乃強) (resigned on 25 May 2016)	1/1	0/0
Qu Cheng (曲程) (appointed on 25 May 2016)	2/2	1/1
Gao Jie (高杰) (appointed on 25 May 2016)	2/2	0/1
Non-executive Directors		
Qu Naijie (曲乃杰)	3/3	0/1
Makoto Inoue (井上亮)	2/3	0/1
Yuan Bing (袁兵)	2/3	0/1
Independent Non-executive Directors		
Fang Hongxing (方紅星)	2/3	0/1
Sun Jianyi (孫建一)	2/3	0/1
Xie Yanjun (謝彥君)	2/3	0/1

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code as its own code of conduct regarding Directors' securities transactions. Having made specific enquiry of all Directors, the Company confirmed that the Directors have complied with the required standard set out in the Model Code throughout the year of 2016.

DELEGATION BY THE BOARD

The Board reserves for its decision all major matters of the Company, including: approval and monitoring of all policy matters, overall strategies and budgets, internal control and risk management systems, material transactions (in particular those that may involve conflict of interests), financial information, appointment of Directors and other significant financial and operational matters. Directors could have recourse to seek independent professional advice in performing their duties at the Company's expense and are encouraged to access and to consult with the Company's senior management independently.

The daily management, administration and operation of the Group are delegated to the senior management. The delegated functions and responsibilities are periodically reviewed by the Board. Approval has to be obtained from the Board prior to any significant transactions entered into by the management.

CORPORATE GOVERNANCE FUNCTION

The Board recognises that corporate governance should be the collective responsibility of the Directors and has delegated the corporate governance duties to the Audit Committee which include:

- to monitor the Company's corporate governance, to report to the Board on the Company's compliance with the CG Code and to review disclosure in this report;

- to develop and review the Company's policies and practice on corporate governance and make recommendations to the Board;

- to review and monitor the Company's policies and practice on compliance with the legal and regulatory requirements;

- to develop, review and monitor the code of conduct and business ethics for the Directors and employees of the Company; and

- to review and monitor the training and continuous professional development of Directors and senior management.

NOMINATION COMMITTEE

The Nomination Committee was established on 23 February 2014. During the year of 2016 and up to the date of this annual report, the Nomination Committee had consisted of three members, being Mr. Qu Naijie, our non-executive Director, Mr. Sun Jianyi and Professor Xie Yanjun (resigned on 25 January 2017) or Professor Zhang Meng (appointed on 25 January 2017), our independent non-executive Directors. Mr. Qu Naijie is the chairman of the Nomination Committee. The primary duties of the Nomination Committee are to make recommendations to our Board on the appointment and removal of Directors of our Company.

The principal duties of the Nomination Committee include the following:

- to review, at least once a year, the structure, size and composition (including the skills, knowledge and experience) of the Board and to make recommendation on any proposed changes to the Board due to the implementation of the corporate strategies of the Company;

- to identify individual who has the suitable qualifications to become a Director and to nominate such person to act as a Director or to provide recommendation to the Board in relation to this;

- to assess the independence of independent non-executive Directors;

- to make recommendation to the Board on the appointment or re-appointment of Directors and the succession plan of Directors (particularly, the chairman of the Board and the President of the Group/Chief Executive Officer);

- to review and monitor the training and continuous professional development of Directors and senior management; and

- to formulate a policy concerning the diversity of Board members and to disclose such policy or a summary of such in the corporate governance report.

The written terms of reference of the Nomination Committee are available on the websites of the Stock Exchange and the Company. The Company believes that the increasing diversity at the board level is one of the essential elements in supporting the attainment of its strategic objectives and its sustainable development. Therefore, the Company has adopted a Board diversity policy in accordance with the requirement set out in the CG Code. Diversity of Board members can be achieved through consideration of a number of factors, including but not limited to gender, age, cultural background and ethnicity, in addition to educational background, professional experience, skills, knowledge and length of service. All Board appointments will be based on meritocracy, and candidates will be considered against appropriate criteria, having due regard for the benefits of diversity on the Board.

During the year ended 31 December 2016, a meeting of the Nomination Committee was held in March 2016 to review the structure, size, composition and diversity of the Board. The attendance record of each member at the Nomination Committee meeting is set out below:

Directors	**No. of meetings attended/ No. of meetings held**
Qu Naijie (曲乃杰)	1/1
Sun Jianyi (孫建一)	1/1
Xie Yanjun (謝彥君)	1/1

REMUNERATION COMMITTEE

The Remuneration Committee was established on 23 February 2014. During the year of 2016 and up to the date of this annual report, the Remuneration Committee had consisted of three members, being Mr. Wang Xuguang, our executive Director, Mr. Sun Jianyi and Professor Fang Hongxing (resigned on 25 January 2017) or Professor Chen Guohui (appointed on 25 January 2017), our independent non-executive Directors. Mr. Sun Jianyi is the chairman of the Remuneration Committee.

The principal duties of the Remuneration Committee include the following:

- to consult the chairman and/or chief executive officer for their remuneration proposals for other Executive Directors and senior management. The Remuneration Committee should have access to independent professional advice if necessary;

- to make recommendation to the Board on the Company's policy and structure for remuneration of all Directors and senior management (including grant of share options to employees pursuant to the Company's Share option Scheme) and on the establishment of a formal and transparent procedure for developing the remuneration policy;

- to review and approve the remuneration proposals for senior management with reference to the corporate goals and objectives established by the Board;

- to determine, when the Board delegates its responsibilities, the remuneration packages for a particular Executive Director and senior management, including non-pecuniary benefits, pension rights and amount of compensation (including compensation payable for loss or termination of office or appointment);

- to make recommendation to the Board on the remuneration of the Non-executive Directors;
- to consider the salaries paid by and the time commitment and responsibilities requested by companies of similar nature and the employment criteria for other positions of the Group;
- to review and approve the compensation payable to the Executive Directors and senior management for loss or termination of office or appointment such that it is consistent with the contractual terms or is otherwise fair, reasonable and not excessive;
- to review and approve the compensation arrangements in relation to dismissal or removal of Directors for misconduct such that they are consistent with the contractual terms or are otherwise reasonable and appropriate; and
- to ensure that no Director or any of his associates shall be involved in deciding his own remuneration.

The written terms of reference of the Remuneration Committee are available on the websites of the Stock Exchange and the Company.

During the year ended 31 December 2016, a meeting of the Remuneration Committee was held in March 2016 to review the remuneration policy and structure of the Company. The attendance record of each member at the Remuneration Committee meeting is set out below:

Directors	**No. of meetings attended/ No. of meetings held**
Wang Xuguang (王旭光)	1/1
Fang Hongxing (方紅星)	1/1
Sun Jianyi (孫建一)	1/1

AUDIT COMMITTEE

The Audit Committee was established on 23 February 2014. During the year of 2016 and up to the date of this annual report, the Audit Committee consists of three members, namely Mr. Sun Jianyi, Professor Fang Hongxing (resigned on 25 January 2017) and Professor Xie Yanjun (resigned on 25 January 2017) or Professor Chen Guohui (appointed on 25 January 2017) and Professor Zhang Meng (appointed on 25 January 2017), our Independent Non-executive Directors. Professor Fang Hongxing who possessed the appropriate professional qualifications, was the chairman of the Audit Committee up to his resignation on 25 January 2017 and Professor Chen Guohui has been appointed as the Chairman on the same date.

The primary duties of the audit committee include:

Relationship with the external auditor

- to make recommendations to the Board on the appointment, reappointment and removal of the external auditor, and to approve the remuneration and terms of engagement of the external auditor, and to deal with any issues of its resignation or dismissal;

- to review and monitor the independence and objectivity of the external auditor and the effectiveness of the audit process in accordance with applicable standards. The Audit Committee shall discuss with the external auditor the nature and scope of the audit and reporting obligations before the audit process commences;

- to monitor the compliance of the Company's policy on the engagement of the external auditor for the performance of non-audit services and the hiring of employees or former employees of the external auditor;

- to act as the key representative body for overseeing the relationship between the Company and the external auditor;

Financial information for public disclosure

- to monitor the completeness of the Company's interim and annual reports and financial statements, and review significant financial reporting judgments contained in the reports and statements before recommending them to the Board for approval, with particular emphasis on:

    - any changes in the accounting policies and practice of the Group;

    - major judgmental areas (including those in the representation letter from the Company to the external auditor);

    - significant account adjustments resulting from the audit process;

    - the going concern assumptions and any qualifications;

    - compliance with accounting and auditing standards;

    - compliance with the Listing Rules and legal requirements in relation to financial reporting;

- to consider any significant or unusual items that are, or should be, reflected in the reports and financial statements and give due consideration to any matters and reservations that have been raised by the staff of the Company who are responsible for the accounting and financial reporting functions, the Chief Compliance officer of the Group and internal and external auditors;

Monitoring of the financial reporting system and internal control procedures

- to review the Company's financial control, internal control and risk management systems;
- to discuss the internal control system with the management to ensure that the management has performed its duty to establish an effective internal control system. Such discussion should include the adequacy of resources, employees' qualifications and experience in accounting and financial reporting functions, and training programmes for employees and its budget;
- to consider major investigation findings on internal control matters and the management's response to these findings, either on its own initiative or at the request of the management;
- to ensure co-ordination between the internal and external auditors, that the internal audit function is adequately resourced and has appropriate standing within the Company and to review and monitor its effectiveness (including the internal audit plans and procedures);
- to review the Group's financial and accounting policies and practice;
- to review the external auditor's letter to the management, any material queries raised by the auditor to the management with respect to accounting records, financial accounts or control systems and the management's response to such queries;
- to ensure that the Board shall provide a timely response to the issues raised in the external auditor's letter to the management;

Corporate governance functions

- to monitor the Company's corporate governance and to report to the Board on the Company's compliance with the CG Code;
- to develop and review the Company's policies and practice on corporate governance and make recommendations to the Board;
- to review and monitor the Company's policies and practice on compliance with the legal and regulatory requirements;
- to develop, review and monitor the code of conduct and business ethics for the directors and employees of the Company;

General

- to consider other matters, as defined by the Board.

The written terms of reference of the Audit Committee are available on the websites of the Stock Exchange and the Company.

During the year ended 31 December 2016, two meetings of the Audit Committee were held in March and August 2016 respectively, to review interim and annual financial results and reports, consider significant issues on the financial reporting and compliance procedures, internal control and risk management systems, and appoint external auditors. The attendance record of each member at the Audit Committee meeting is set out below:

Directors	No. of meetings attended/ No. of meetings held
Fang Hongxing (方紅星)	2/2
Sun Jianyi (孫建一)	2/2
Xie Yanjun (謝彥君)	2/2

RISK MANAGEMENT AND CORPORATE GOVERNANCE COMMITTEE

The Risk Management and Corporate Governance Committee was established on 23 February 2014. During the year of 2016 and up to the date of this annual report, the Risk Management and Corporate Governance Committee consists of three Directors: namely Mr. Yuan Bing, Professor Fang Hongxing (resigned on 25 January 2017) and Professor Xie Yanjun (resigned on 25 January 2017) or Professor Chen Guohui (appointed on 25 January 2017) and Professor Zhang Meng (appointed on 25 January 2017). Mr. Yuan Bing currently serves as the chairman of the Risk Management and Corporate Governance Committee.

The primary duties of the Risk Management and Corporate Governance Committee include, but are not limited to, the following:

- to review the Company's risk management policies and standards, as well as the fundamental concepts and scope of compliance management;
- to review and provide comments on the overall target and basic policy of the compliance and risk management;
- to supervise and monitor the development of risk and compliance management system of the Company;
- to formulate the Company's corporate governance policies and conventional rules, to monitor its implementation and to make recommendations to the Board;
- to review and provide comment on the organisational structure and responsibilities of the Company's compliance and risk management;
- to review the Company's compliance reports and risk assessment reports that need to be reviewed by the Board, and to make proposals on the improvement of the Company's compliance and risk management;

- to review and monitor the training and continuous professional development of the Directors and senior management;
- to review and monitor the Company's policies and conventional rules regarding compliance with laws and regulatory rules as well as with its implementation;
- to formulate, review and monitor the Professional Practice Code and Compliance Manual (if available) of the employees and Directors;
- to monitor the Company's compliance with the CG Code, together with the disclosure in the Corporate Governance Report;
- to monitor the effective implementation of the risk and compliance management by the management of the Company and to evaluate the performance of the responsible senior management;
- to evaluate and opine on the risk of major decision making and solutions to the major risks of the Company that need to be reviewed by the Board; and
- other matters as authorised by the Board.

The written terms of reference of the Risk Management and Corporate Governance Committee are available on the websites of the Stock Exchange and the Company.

During the year ended 31 December 2016, two meetings of the Risk Management and Corporate Governance Committee were held in March and August 2016 to review the risk management policies and standards, compliance reports and risk assessment reports and to review the compliance of the CG Code by the Company. The attendance record of each member at the Risk Management and Corporate Governance Committee meetings is set out below:

Directors	**No. of meetings attended/ No. of meetings held**
Yuan Bing (袁兵)	2/2
Fang Hongxing (方紅星)	2/2
Xie Yanjun (謝彦君)	2/2

INDEPENDENT BOARD COMMITTEE

The Independent Board Committee was established on 23 February 2014. During the year of 2016 and up to the date of this annual report, the Independent Board Committee comprises all of our Independent Non-executive Directors, namely Mr. Sun Jianyi, Professor Fang Hongxing (resigned on 25 January 2017) and Professor Xie Yanjun (resigned on 25 January 2017) or Professor Chen Guohui (appointed on 25 January 2017) and Professor Zhang Meng (appointed on 25 January 2017). Mr. Sun Jianyi has been appointed as the chairman of the Independent Board Committee.

The primary duties of the Independent Board Committee include:

Undertakings in relation to the development of properties

- When the Controlling Shareholders, in accordance with the Deed of Non-competition, refer to the Group any opportunity to develop, operate, participate and/or otherwise hold any right or interest in any business relating to any properties (the "New Opportunity"), the Independent Board Committee shall consider the New Opportunity in accordance with the terms of the Deed of Non-competition.

- If the Independent Board Committee considers that the pursuit of the New Opportunity would be in the best interests of the Group, the Independent Board Committee shall consent to the pursuit of the New Opportunity by the Group.

- If the Independent Board Committee is of the view that the pursuit of the New opportunity by the Controlling Shareholders will not constitute potential competition with the business of the Group or pursuit of the New Opportunity is not in the interests of our Group, the Independent Board Committee shall consent to the pursuit of the New Opportunity by the Controlling Shareholders and it shall have the power to impose conditions and restrictions on the development of the properties by the Controlling Shareholders in order to prevent any form of potential competition.

- The Independent Board Committee shall disclose the consideration factors and its conclusion in relation to the New Opportunity in the annual report or interim report of the Company.

Undertakings in relation to the sale schedules of residential Properties

- According to the Deed of Non-competition, in any city or region where the Group has developed any serviced apartment projects for sale, the Controlling Shareholders, their subsidiaries or associates shall, in the event that they have plans to launch the sale of any residential projects in the same city or region (the "Sale of Residential Properties"), notify the Group the detailed sale terms and all relevant information in writing and the Independent Board Committee shall have the right to veto the Sale of Residential Properties if it considers that the Sale of Residential Properties would compete against the sale schedule of any projects of the Group.

- If the Group decides to launch its sale of serviced apartment projects in the relevant city or region, the Group shall notify the Controlling Shareholders in writing and the Controlling Shareholders or their subsidiaries or associates can only launch the Sale of Residential Properties after a time gap of six months (the "Time Gap") from the date on which the Group launches its sale of serviced apartment projects in the same city or region.

- If the Independent Board Committee is of the view that a longer period of time is necessary for the Group to complete the sale of a significant portion of its serviced apartments before the Controlling Shareholders or their subsidiaries or associates launch the Sale of Residential Properties, the Independent Board Committee shall have the power to extend the Time Gap.

- the Independent Board Committee shall disclose the consideration and its conclusion in relation to the above in the annual report or interim report of the Company.

Option to purchase and/or operate and manage excluded business

- If the Independent Board Committee considers that the properties developed, operated or owned by the Controlling Shareholders or their subsidiaries or associates (the "Excluded Business") or any part of their new businesses will constitute competition against the Group, the Group shall be entitled to (1) an option to purchase any equity interests, assets or other interests which forms part of such business and/or (2) an exclusive right to operate and manage such business.

- The Independent Board Committee shall review, consider and decide whether the Group should exercise the option to purchase and/or operate and manage the Excluded Business or the new business.

- If the Independent Board Committee decides to exercise the option, it shall have the power to impose conditions and/or restrictions in order to ensure that the exercise of the option is in line with the Group's business strategy and business model.

- The Independent Board Committee shall disclose the consideration and its conclusion to exercise or not to exercise the above rights in the annual report or interim report of the Company.

Corporate governance functions

For corporate governance, the Independent Board Committee shall, on an annual basis:

- review the compliance with and enforcement of the Deed of Non-competition by the Controlling Shareholders. The Independent Board Committee shall disclose the results of its review in the annual report of the Company or by way of announcement to the public; and

- review all of its decisions made pursuant the Deed of Non-competition in such year. The Independent Board Committee shall disclose its decisions and the basis for them in the annual report of the Company or by way of announcement to the public.

The written terms of reference of the Independent Board Committee are available on the websites of the Stock Exchange and the Company.

During the year ended 31 December 2016, two meetings of the Independent Board Committee were held in March and August 2016 to review the compliance and enforcement of the Deed of Non-competition by the Controlling Shareholders. The attendance record of each member at the Independent Board Committee meetings is set out below:

Directors	**No. of meetings attended/ No. of meetings held**
Fang Hongxing (方紅星)	2/2
Sun Jianyi (孫建一)	2/2
Xie Yanjun (謝彥君)	2/2

DIRECTORS' RESPONSIBILITIES FOR FINANCIAL REPORTING IN RESPECT OF FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for preparing the financial statements for the year ended 31 December 2016, in accordance with the basis of presentation set out in note 2.2 and the accounting policies set out in note 3.3 to the consolidated financial statements in this annual report. The Directors are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern.

The management has provided to the Board such explanation and information as are necessary to enable the Board to carry out an informed assessment of the Company's financial statements, which are put to the Board for approval. The Company provides all members of the Board with monthly updates on the Company's performance, positions and prospects.

DIRECTORS' LIABILITY INSURANCE

The Company has arranged appropriate insurance cover in respect of legal action against its Directors. The insurance covers them against costs, charges, expenses and liabilities incurred arising out of the corporate activities.

The Board has conducted a review of the effectiveness of the internal control system of the Company and considers that the internal control system is effective and adequate.

AUDITORS' REMUNERATION

For the year ended 31 December 2016, the total remuneration paid or payable to the Company's auditors, Ernst & Young, for audit services and non-audit services totalling RMB4,685,000 (2015: RMB3,950,000).

An analysis of the remuneration paid or payable to Ernst & Young is set out below:

Items of auditors' services	Amount *(RMB)*	
	2016	2015
Audit services:		
Annual audit service	**3,950,000**	3,950,000
Non-audit service:	**735,000**	–
Total	**4,685,000**	3,950,000

COMPANY SECRETARY

Mr. Xing Jun, the Company Secretary and authorised representative of the Company, is responsible for advising the Board on corporate governance matters and ensuring that Board policy and procedures and applicable laws, rules and regulations were followed.

In compliance with Rule 3.29 of the Listing Rules, Mr. Xing Jun has participated in relevant professional training for not less than 15 hours during the year ended 31 December 2016.

REMUNERATION OF THE SENIOR MANAGEMENT

Details of the remuneration of Directors and the five highest paid employees required to be disclosed under Appendix 16 of the Listing Rules have been set out in note 9 to the consolidated financial statements in this annual report.

COMMUNICATION WITH SHAREHOLDERS AND INVESTOR RELATIONS

The Company considers that effective communication with shareholders is essential for enhancing investor relations and understanding of the Group's business, performance and strategies. The Company also recognises the importance of timely and non-selective disclosure of information, which will enable shareholders and investors to make informed investment decisions.

To promote effective communication with its shareholders and encourage their participation in general meetings, the Company has established a shareholders' communication policy and maintains a website at www.haichangoceanpark.com, where up-to-date information on the Company's business operations and developments are available.

SHAREHOLDERS' RIGHT

The Company intends to avoid bundling of resolutions at general meetings such that a separate resolution shall be proposed for each substantially separate issue at general meetings.

All resolutions put forward at shareholders' meetings will be voted on by poll pursuant to the Listing Rules and poll results will be posted on the websites of the Company and the Stock Exchange in a timely manner after each shareholders' meeting.

CONVENING OF EXTRAORDINARY GENERAL MEETING AND PUTTING FORWARD PROPOSALS

In accordance with the Articles of Association, one or more shareholders of the Company may convene an extraordinary general meeting provided that they deposit a written requisition at the principal office of the Company in Hong Kong and such requisitioning shareholders hold as at the date of deposit of such requisition not less than 10% of the paid up capital of the Company which carries voting rights at general meetings of the Company.

Shareholders may put forward proposals for consideration at a general meeting in accordance with the Companies Law of the Cayman Islands and the Articles of Association.

As regards proposing a person for election as a Director, the procedures are available on the websites of the Company and the Stock Exchange.

PUTTING FORWARD ENQUIRIES TO THE BOARD

Shareholders may send written enquiries to the Company at the principal office of the Company in Hong Kong. The Company will respond to all enquiries on a timely and proper basis.

CONTACT DETAILS

Email: ir@haichangoceanpark.com

Postal address: Suites 2606-2607, 26/F, two Exchange Square, 8 Connaught Place, Central, Hong Kong

CHANGE IN CONSTITUTIONAL DOCUMENTS

There has been no change to the restated memorandum and Articles of Association of the Company during the year ended 31 December 2016.

INVESTOR RELATIONS

The Company believes that maintaining communications with shareholders and potential investors at all times and making timely information disclosure can strengthen the investors' understanding and recognition of the Company, enhance the transparency of the Company and enhance the corporate governance.

The Company attaches great importance to the relationships between the shareholders and potential investors. The Company will treat all the shareholders and the potential investors of the Company equally and avoid selective information disclosure. The Company actively seek the opinions and advice of investors to achieve two-way communication of the Company with its shareholders and potential investors, enabling a constructive interaction between them.

JANUARY

Participated in the conference organised by Bank of America Merrill Lynch, Guosen Securities, Deutsche Bank and Everbright Securities
Arranged investors for site visit in Dalian and Shanghai

FEBRUARY

Participated in the Corporate Day of Consumption Industry organised by Nomura Securities
Arranged investors for site visit in Chengdu

MARCH

Published the results announcement for 2015
Organised the analyst and investor conference in Hong Kong
Organised the media communication meeting in Hong Kong
Arranged investors for site visit in Dalian and Shanghai
Conducted post-result non-deal roadshow in Hong Kong and Shenzhen

APRIL

Conducted post-result non-deal roadshow in Beijing and Shanghai
Arranged investors for site visit in Wuhan, Dalian and Qingdao
Participated in the investment summit organised by CITIC Securities, UBS and Industrial Securities
Held stock commentators luncheon in Hong Kong

MAY

Participated in the conference organised by Macquarie, Everbright Securities, Dongxing Securities, Essence International, Guosen Securities, Shenwan Hongyuan, CITIC Securities and Bank of America Merrill Lynch
Arranged investors for site visit in Dalian and Shanghai

JUNE

Convened the annual general meeting in Hong Kong
Participated in the conference organised by Huatai Securities, Guotai Junan, Haitong Securities, Essence International and Sinolink Securities
Arranged investors for site visit in Tianjin, Shanghai and Dalian
Organised the investors' reverse roadshow in Chongqing and Chengdu

JULY

Participated in the investment summit organised by Essence International and Everbright Securities
Arranged investors for site visit in Dalian and Shanghai

AUGUST

Published the interim results announcement for 2016
Organised the analyst and investor conference in Hong Kong
Organised the media communication meeting in Hong Kong
Conducted post-result non-deal roadshow in Hong Kong and Shenzhen
Arranged investors for site visit in Qingdao and Tianjin

SEPTEMBER

Arranged investors for site visit in Wuhan, Shanghai, Chengdu, Dalian and Qingdao
Participated in the conference organised by Essence International and Industrial Securities
Conducted roadshow in Taipei and Singapore

OCTOBER

Arranged investors for site visit in Shanghai
Participated in the conference organised by Guosen Securities and Industrial Securities
Conducted roadshow in Shanghai, Beijing, New York, Boston and San Francisco

NOVEMBER

Arranged investors for site visit in Sanya
Participated in the conference organised by Bank of America Merrill Lynch, Citibank, Shenwan Hongyuan, Haitong Securities, Industrial Securities and Hua Chuang Securities
Conducted roadshow in Guangzhou and Shenzhen

DECEMBER

Arranged investors for site visit in Dalian
Participated in the conference organised by Huatai Securities and Guosen Securities
Organised the media communication meeting in Hong Kong

INDEPENDENT AUDITOR'S REPORT

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To the shareholders of Haichang Ocean Park Holdings Ltd.
(Incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of Haichang Ocean Park Holdings Ltd. (the "Company") and its subsidiaries (the "Group") set out on pages 97 to 188, which comprise the consolidated statement of financial position as at 31 December 2016, and the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

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 2016, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board (the "IASB") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing ("ISAs") issued by the International Auditing and Assurance Standards Board (the "IAASB"). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for *Accountants' Code of Ethics for Professional Accountants* (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

To the shareholders of Haichang Ocean Park Holdings Ltd.
(Incorporated in the Cayman Islands with limited liability)

KEY AUDIT MATTERS (continued)

Key audit matter	How our audit addressed the key audit matter
Impairment of property, plant and equipment	
The Group is an operator of theme parks in the People's Republic of China and has a material operational asset base which may be vulnerable to impairment when the performance is below expectations. It is a normal trend of tourism industry to suffer losses during the first couple of years since the commencement of operations. Management performed annual impairment tests based on assumptions including revenue forecasts, gross and operating margins and discount rates, which involved significant judgement. Based on the outcome of the impairment tests, which resulted in sufficient headroom, the Group did not recognise any impairment charge for the year ended 31 December 2016. This area was important to our audit due to the size of the carrying value (33% of the total assets as at 31 December 2016) of the assets for production and the judgement involved in determining key assumptions such as future sales growth, profit margins and discount rates, in particular for certain theme parks with an aggregate carrying amount of RMB544,477,000 as at 31 December 2016 which were incurring losses at initial start-up phase. Relevant disclosures are included in Notes 4 and 12 to the consolidated financial statements.	Our audit procedures included an evaluation of the Group's policies and procedures to identify impairment indicators for underperforming theme parks. We reviewed management's impairment tests for those underperforming theme parks with impairment indicators. We have assessed the appropriateness of the assumptions used by management including discount rates and long term growth rates by making reference to the Group's other operated parks and industry peers. We compared cash flow forecast to internal forecasts and long term and strategic plans that were approved by senior management as well as historic trend analysis. When assessing the reasonableness of projected sales growth, we considered the accuracy of historical forecasts and their consistency with other information such as the expected life of each park and the market in which it is located.

To the shareholders of Haichang Ocean Park Holdings Ltd.
(Incorporated in the Cayman Islands with limited liability)

KEY AUDIT MATTERS (continued)

Key audit matter	How our audit addressed the key audit matter
Valuation of investment properties	
The valuation of the investment properties is important to our audit due to the amount of the investment properties' carrying value (26% of the total assets at 31 December 2016) and judgement involved in determining key assumptions such as estimated rental income and capitalisation rates. Relevant disclosures are included in Notes 4 and 13 to the consolidated financial statements.	We reviewed and checked the objectivity, independence and competence of the external valuers. We furthermore checked the accuracy of the property related information and involved our valuation specialists to assist us in reviewing the work of the valuers and challenging the underlying assumptions, such as comparing them to external market rents and yields if available. We also evaluated the adequacy of the disclosures on the valuation of investment properties.
Deferred tax	
The Group has recorded deferred tax assets of RMB171,659,000 in the consolidated financial statements. The Group recognised these deferred tax assets to the extent that it was probable that future taxable profits would be available against which the temporary differences could be utilised. The probability of recovery was impacted by uncertainties regarding the timing and level of future taxable profits together with the Group's tax planning strategies. Relevant disclosures are included in Notes 4 and 17 to the consolidated financial statements.	Our audit procedures included evaluating assumptions and methodologies used by the Group to determine the recoverable amount for each tax jurisdiction based on budgets and business plans. We also ascertained that information used was derived from the Group's business plans that were subject to internal reviews and were approved by those charged with governance. Furthermore, we assessed the historical accuracy of management's profit projections, and the consistency between information used for estimation of future taxable profits and that used for impairment analysis.

To the shareholders of Haichang Ocean Park Holdings Ltd.
(Incorporated in the Cayman Islands with limited liability)

OTHER INFORMATION INCLUDED IN THE ANNUAL REPORT

The directors of the Company are responsible for the other information. The other information comprises the information included in the Annual Report, other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRSs issued by IASB and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors of the Company are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors of the Company either intend to liquidate the Company or to cease operations or have no realistic alternative but to do so.

The directors of the Company are assisted by the Audit Committee in discharging their responsibilities for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Our report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

To the shareholders of Haichang Ocean Park Holdings Ltd.
(Incorporated in the Cayman Islands with limited liability)

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

To the shareholders of Haichang Ocean Park Holdings Ltd.
(Incorporated in the Cayman Islands with limited liability)

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Ho Wai Ling.

Ernst & Young

Certified Public Accountants
Hong Kong
22 March 2017

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 December 2016

	Notes	2016 RMB'000	2015 RMB'000
REVENUE	6	**1,649,710**	1,416,827
Cost of sales		**(748,325)**	(630,362)
GROSS PROFIT		**901,385**	786,465
Other income and gains	6	**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	8	**(145,570)**	(154,172)
Share of loss of an associate		**(857)**	–
PROFIT BEFORE TAX	7	**418,428**	463,032
Income tax expense	10	**(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)	11	**5.02**	5.77

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2016

	2016 *RMB'000*	2015 *RMB'000*
PROFIT FOR THE YEAR	**217,927**	249,976
OTHER COMPREHENSIVE INCOME		
Other comprehensive income to be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operation	**(191,909)**	(150,587)
Net other comprehensive income to be reclassified to profit or loss in subsequent periods	**(191,909)**	(150,587)
Other comprehensive income not to be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operation	**197,635**	167,578
Net other comprehensive income not to be reclassified to profit or loss in subsequent periods	**197,635**	167,578
OTHER COMPREHENSIVE INCOME FOR THE YEAR	**5,726**	16,991
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**223,653**	266,967
Attributable to:		
Owners of the parent	**206,698**	247,613
Non-controlling interests	**16,955**	19,354
	223,653	266,967

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	12	**3,014,867**	2,619,660
Investment properties	13	**2,418,890**	2,378,740
Prepaid land lease payments	14	**1,239,908**	1,059,520
Intangible assets	15	**12,127**	9,068
Available-for-sale investment	16	**19,170**	19,170
Deferred tax assets	17	**35,730**	51,191
Investment in an associate	18	**47,143**	–
Long-term prepayments and deposits	24	**163,377**	294,668
Total non-current assets		**6,951,212**	6,432,017
CURRENT ASSETS			
Completed properties held for sale	19	**260,399**	373,290
Properties under development	20	**512,563**	318,537
Gross amount due from a contract customer	21	**12,938**	43,667
Inventories	22	**22,337**	14,611
Trade receivables	23	**81,054**	64,438
Available-for-sale investment	16	**200**	200
Prepayments, deposits and other receivables	24	**418,503**	103,748
Due from related companies	25, 41(b)	**12,649**	3,752
Due from a non-controlling equity holder	25, 41(b)	**47,220**	20,000
Pledged bank balances	26	**6,548**	6,497
Cash and cash equivalents	26	**873,499**	970,467
Total current assets		**2,247,910**	1,919,207
CURRENT LIABILITIES			
Trade and bills payables	27	**289,583**	250,264
Other payables and accruals	28	**318,175**	294,186
Due to related companies	25, 41(b)	**1,929**	3,853
Advances from customers	29	**24,366**	104,086
Interest-bearing bank and other borrowings	30	**1,322,063**	763,489
Government grants	32	**22,540**	22,363
Deferred revenue	33	**15,993**	10,311
Tax payables	10	**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

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CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2016

	Notes	**31 December 2016 RMB'000**	31 December 2015 RMB'000
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	30	**1,579,546**	1,602,526
Government grants	32	**926,466**	879,831
Deferred tax liabilities	17	**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	34	**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

Wang Xuguang
Director

Gao Jie
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2016

		Attributable to owners of the parent									
	Note	Share capital RMB'000 (note 34)	Share premium RMB'000	Capital reserve RMB'000 (note 36(a))	Asset revaluation reserve RMB'000	Statutory reserves RMB'000 (note 36(b))	Exchange fluctuation reserve RMB'000	Retained earnings RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 1 January 2015		2,451	2,363,685	731,364	37,105	111,318	(4,365)	335,528	3,577,086	150,916	3,728,002
Profit for the year		-	-	-	-	-	-	230,622	230,622	19,354	249,976
Exchange differences on translation of foreign operations		-	-	-	-	-	16,991	-	16,991	-	16,991
Total comprehensive income for the year		-	-	-	-	-	16,991	230,622	247,613	19,354	266,967
Capital contribution from a shareholder	36(c)	-	-	212	-	-	-	-	212	-	212
Transfer to statutory reserve		-	-	-	-	41,955	-	(41,803)	152	(152)	-
At 31 December 2015 and 1 January 2016		2,451	2,363,685*	731,576*	37,105*	153,273*	12,626*	524,347*	3,825,063	170,118	3,995,181
Profit for the year		-	-	-	-	-	-	200,972	200,972	16,955	217,927
Exchange differences on translation of foreign operations		-	-	-	-	-	5,726	-	5,726	-	5,726
Total comprehensive income for the year		-	-	-	-	-	5,726	200,972	206,698	16,955	223,653
Transfer to statutory reserve		-	-	-	-	38,888	-	(38,821)	67	(67)	-
At 31 December 2016		2,451	2,363,685*	731,576*	37,105*	192,161*	18,352*	686,498*	4,031,828	187,006	4,218,834

* These reserve accounts comprise the consolidated reserves of RMB4,029,377,000 and RMB3,822,612,000 as at 31 December 2016 and 2015, respectively.

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2016

	Notes	2016 RMB'000	2015 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		418,428	463,032
Adjustments for:			
Depreciation of items of property, plant and equipment	12	168,415	174,099
Amortisation of intangible assets	15	2,760	1,523
Amortisation of prepaid land lease payments		14,994	25,437
Impairment/(reversal) of provision for inventories	22	193	(63)
Loss on disposal of items of property, plant and equipment	7	822	2,628
Changes in fair value of investment properties	13	9,261	25,531
Government grant recognised	32	(69,072)	(45,604)
Gain on revaluation upon reclassification from completed properties held for sale to investment properties	19	(717)	(134,067)
Impairment of trade receivables	23	18,716	7,006
Impairment of prepayments, deposits and other receivables	24	323	2,892
Finance costs	8	145,570	154,172
Foreign exchange loss		3,375	13,781
Share of loss of an associate	18	857	–
Interest income	6	(3,893)	(16,768)
		710,032	673,599
Increase in properties under development		(29,382)	(69,785)
Decrease in completed properties held for sale		128,444	72,360
Decrease in a gross amount due from a contract customer		30,729	45,445
(Increase)/decrease in inventories		(7,919)	334
Increase in trade receivables		(35,332)	(13,296)
Increase in prepayments, deposits and other receivables		(310,833)	(15,507)
Decrease in restricted cash and bank balances		2,249	15,973
Increase in amounts due from related companies		(8,897)	(1,950)
Increase in amount due from a non-controlling equity holder		(27,220)	(20,000)
Decrease in amounts due to related companies		(1,924)	(1,182)
(Decrease)/increase in advances from customers		(79,720)	25,859
Increase/(decrease) in trade and bills payables		39,319	(91,624)
Increase in other payables and accruals		23,989	12,863
Increase in government grants		115,884	108,383
Increase in deferred revenue		5,682	2,225
Cash generated from operations		555,101	743,697
Interest received		3,893	16,768
Tax paid		(130,547)	(95,005)
Net cash flows from operating activities		428,447	665,460

continued/...

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2016

	Notes	2016 RMB'000	2015 RMB'000
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of items of property, plant and equipment		**(522,412)**	(157,075)
Increase in long-term prepayments and deposits		**(112,704)**	(276,823)
Increase in prepaid land lease payments		**(170,126)**	(750,003)
Decrease in available-for-sale investments		**–**	45,000
Purchase of intangible assets	*15*	**(5,819)**	(2,936)
Investment in an associate		**(48,000)**	–
Additions to investment properties	*13*	**(46,411)**	(2,651)
Net cash flows used in investing activities		**(905,472)**	(1,144,488)
CASH FLOWS FROM FINANCING ACTIVITIES			
Decrease of finance lease payables		**(952)**	(40,213)
Deemed contribution from shareholders		**–**	212
New bank and other loans		**1,298,000**	900,000
Repayment of bank and other loans		**(761,454)**	(1,263,908)
(Increase)/decrease in pledged deposits		**(51)**	475,602
Interest paid		**(155,588)**	(160,881)
Net cash flows from/(used in) financing activities		**379,955**	(89,188)
NET DECREASE IN CASH AND CASH EQUIVALENTS		**(97,070)**	(568,216)
Cash and cash equivalents at beginning of year		**968,124**	1,533,130
Effect of foreign exchange rate changes, net		**2,351**	3,210
CASH AND CASH EQUIVALENTS AT END OF YEAR		**873,405**	968,124
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances		**843,490**	906,195
Non-pledged deposits with original maturity of less than three months when acquired		**30,009**	64,272
Cash and cash equivalents as stated in the statement of financial position		**873,499**	970,467
Restricted cash and bank balances		**(94)**	(2,343)
Cash and cash equivalents as stated in the statement of cash flows		**873,405**	968,124

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.

Information about subsidiaries

Particulars of the Company's subsidiaries as at the date of this report are set out below:

Name	Place and date of incorporation/ establishment and business	Issued ordinary/ paid-up capital	Percentage of equity attributable to the Company Direct	Percentage of equity attributable to the Company Indirect	Principal activities
Haichang Holdings (Asia) Ltd. ("Haichang Asia") #	British Virgin Islands 22 December 2011	USD1	100%	–	Investment holding
Haichang Holdings (Hong Kong) Limited# ("Haichang Holdings HK")	Hong Kong 5 December 2011	HKD1	–	100%	Investment holding
海昌（中國）有限公司 ("Haichang China") ****#	PRC/Mainland China 11 December 1996	RMB1,600,000,000	–	100%	Investment holding
大連海昌旅遊集團有限公司 ("Dalian Tourism")#	PRC/Mainland China 28 January 2010	RMB10,000,000	–	100%	Investment holding
大連老虎灘海洋公園有限公司 ("LHT")*#	PRC/Mainland China 13 February 2001	RMB240,584,000	–	58.3%	Park operation
青島極地海洋世界有限公司 ("Qingdao Park")#	PRC/Mainland China 26 September 2002	RMB246,148,000	–	100%	Park operation
大連海昌商務有限公司#	PRC/Mainland China 13 May 2003	RMB30,000,000	–	100%	Property development

1. CORPORATE AND GROUP INFORMATION (continued)

Information about subsidiaries (continued)

Name	Place and date of incorporation/ establishment and business	Issued ordinary/ paid-up capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
成都極地海洋實業有限公司 ("Chengdu Park")#	PRC/Mainland China 18 December 2003	RMB30,305,000	–	100%	Park operation, property development and investment
武漢極地海洋世界投資有限公司 ("Wuhan Park")#	PRC/Mainland China 26 October 2004	RMB460,000,000	–	100%	Park operation, property development and investment
煙台漁人碼頭投資有限公司 ("Yantai Park")#	PRC/Mainland China 15 March 2005	RMB30,000,000	–	100%	Park and hotel operations
天津極地旅遊有限公司 ("Tianjin Park")#	PRC/Mainland China 24 September 2007	RMB203,414,800	–	100%	Park operation, property development and investment
大連老虎灘四維影院有有限公司 ("4D Cinema")**#	PRC/Mainland China 25 May 2001	RMB20,000,000	–	49%	Park operation
上海海昌極地海洋世界有限公司 ("Shanghai Haichang")#	PRC/Mainland China 19 July 2011	RMB210,000,000	–	100%	Park development and operation
大連海昌發現王國主題公園有限公司 ("Discoveryland")#	PRC/Mainland China 28 May 2012	USD58,235,294	–	100%	Park operation, property development and investment
重慶海昌加勒比海旅遊發展有限公司 ("Chongqing Caribbean")#	PRC/Mainland China 18 January 2012	RMB10,000,000	–	100%	Park operation, property development and investment

1. CORPORATE AND GROUP INFORMATION (continued)

Information about subsidiaries (continued)

Name	Place and date of incorporation/ establishment and business	Issued ordinary/ paid-up capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
三亞海昌夢幻不夜城發展有限公司 ("Sanya Haichang Dream World")#	PRC/Mainland China 24 December 2013	RMB10,000,000	–	100%	Park development and operation
上海海昌遊樂有限公司 ("Shanghai Amusement")#	PRC/Mainland China 10 June 2015	RMB10,000,000	–	100%	Indoor amusement
上海海昌旅遊諮詢有限公司 ("Tourism Consulting")#	PRC/Mainland China 29 June 2015	RMB10,000,000	–	100%	Tourism consulting, construction project design and consulting
上海海昌文化發展有限公司 ("Cultural Development")#	PRC/Mainland China 14 July 2015	RMB10,000,000	–	100%	Cultural and art communication and planning
海昌(中國)投資有限公司 ("Haichang China Investment")#	PRC/Mainland China 23 November 2015	RMB190,000,000	–	100%	Investment holding
三亞海昌置業有限公司 ("Sanya Haichang Property")#	PRC/Mainland China 12 November 2015	RMB190,000,000	–	100%	Development, construction and operation of commercial properties
北京海昌深藍多媒體技術有限公司 ("Beijing Shenlan")#	PRC/Mainland China 30 November 2015	RMB5,000,000	–	70%	Radio and television production
上海臨阜合同能源管理有限公司 ("Shanghai Linfu")***#	PRC/Mainland China 11 May 2016	RMB10,000,000	–	100%	Energy performance contracting

1. CORPORATE AND GROUP INFORMATION (continued)

Information about subsidiaries (continued)

Name	Place and date of incorporation/ establishment and business	Issued ordinary/ paid-up capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
上海海昌極地生物科技有限公司 ("Shanghai Biotechnology")***#	PRC/Mainland China 30 May 2016	RMB100,000,000	–	100%	Import and export of goods and technology, and marine biotechnology development
上海昌海融資租賃有限公司 ("Changhai Lease")***#	PRC/Mainland China 7 June 2016	RMB170,000,000	–	100%	Financing lease business
鄭州海昌極地海洋公園有限公司 ("Zhengzhou Park")***#	PRC/Mainland China 6 July 2016	RMB50,000,000	–	100%	Park development and operation
上海極地物業服務有限公司 ("Shanghai Property Service")***#	PRC/Mainland China 29 August 2016	RMB5,000,000	–	100%	Property management, and landscaping

* According to the articles of association of LHT, the profit sharing ratios of LHT are not in proportion to their equity ratios but are as defined in the articles of association. Pursuant to the articles of association, Haichang China and the other equity holder share the profits of LHT at a 7:3 ratio.

** 4D Cinema is treated as a subsidiary since the Group has been delegated the equity holder's right from the other equity holder to control and operate 4D Cinema. The profit sharing ratios of 4D Cinema are in proportion to the respective equity ratios of the Group and the equity holder.

*** The subsidiaries were established in 2016.

**** Haichang China is a wholly-owned foreign investment enterprise invested by Haichang HK. As at the end of 2016, the registered capital of Haichang China amounted to RMB1,600 million while there was RMB180 million remaining unpaid.

The subsidiary is a limited liability company.

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.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

(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.

2.3 ISSUED BUT NOT EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS

The Group has not applied the following new and revised IFRSs, that have been issued but are not yet effective, in these financial statements.

Amendments to IFRS 2	*Classification and Measurement of Share-based Payment Transactions*[2]
Amendments to IFRS 4	*Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts*[2]
IFRS 9	*Financial Instruments*[2]
Amendments to IFRS 20 And IAS 28	*Sale or Contribution of Assets between and Investor and its Associate or Joint Venture*[4]
IFRS 15	*Revenue from Contracts with Customers*[2]
Amendments to IFRS 15	*Clarifications to IFRS 15 Revenue from Revenue from Contracts with Customers*[2]
IFRS 16	*Leases*[3]
Amendments to IAS 7	*Disclosure Initiative*[1]
Amendments to IAS 12	*Recognition of Deferred Tax Assets for Unrealised Losses*[1]

1 Effective for annual periods beginning on or after 1 January 2017
2 Effective for annual periods beginning on or after 1 January 2018
3 Effective for annual periods beginning on or after 1 January 2019
4 No mandatory effective date yet determined but available for adoption

2.3 ISSUED BUT NOT EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS (continued)

Further information about those IFRSs that are expected to be applicable to the Group is as follows:

The IASB issued amendments to IFRS 2 in June 2016 that address three main areas: the effects of vesting conditions on the measurement of a cash-settled share-based payment transaction; the classification of a share-based payment transaction with net settlement features for withholding a certain amount in order to meet the employee's tax obligation associated with the share-based payment; and accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash-settled to equity-settled. The amendments clarify that the approach used to account for vesting conditions when measuring equity-settled share-based payments also applies to cash-settled share-based payments. The amendments introduce an exception so that a share-based payment transaction with net share settlement features for withholding a certain amount in order to meet the employee's tax obligation is classified in its entirety as an equity-settled share-based payment transaction when certain conditions are met. Furthermore, the amendments clarify that if the terms and conditions of a cash-settled share-based payment transaction are modified, with the result that it becomes an equity-settled share-based payment transaction, the transaction is accounted for as an equity-settled transaction from the date of the modification. The Group expects to adopt the amendments from 1 January 2018. The amendments are not expected to have any significant impact on the Group's financial statements.

In July 2014, the IASB issued the final version of IFRS 9, bringing together all phases of the financial instruments project to replace IAS 39 and all previous versions of IFRS 9. The standard introduces new requirements for classification and measurement, impairment and hedge accounting. The Group expects to adopt IFRS 9 from 1 January 2018. The Group is currently assessing the impact of the standard.

Amendments to IFRS 10 and IAS 28 address an inconsistency between the requirements in IFRS 10 and in IAS 28 in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require a full recognition of a gain or loss when the sale or contribution of assets between an investor and its associate or joint venture constitutes a business. For a transaction involving assets that do not constitute a business, a gain or loss resulting from the transaction is recognised in the investor's profit or loss only to the extent of the unrelated investor's interest in that associate or joint venture. The amendments are to be applied prospectively. The previous mandatory effective date of amendments to IFRS 10 and IAS 28 was removed by the IASB in December 2015 and a new mandatory effective date will be determined after the completion of a broader review of accounting for associates and joint ventures. However, the amendments are available for application now.

2.3 ISSUED BUT NOT EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS (continued)

IFRS 15 establishes a new five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in IFRS 15 provide a more structured approach for measuring and recognising revenue. The standard also introduces extensive qualitative and quantitative disclosure requirements, including disaggregation of total revenue, information about performance obligations, changes in contract asset and liability account balances between periods and key judgements and estimates. The standard will supersede all current revenue recognition requirements under IFRSs. In April 2016, the IASB issued amendments to IFRS 15 to address the implementation issues on identifying performance obligations, application guidance on principal versus agent and licences of intellectual property, and transition. The amendments are also intended to help ensure a more consistent application when entities adopt IFRS 15 and decrease the cost and complexity of applying the standard. The Group expects to adopt IFRS 15 on 1 January 2018 and is currently assessing the impact of IFRS 15 upon adoption.

IFRS 16 replaces IAS 17 Leases, HK(IFRIC)-Int 4 *Determining whether an Arrangement contains a Lease*, HK(SIC)-Int 15 *Operating Leases – Incentives* and HK(SIC)-Int 27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognise assets and liabilities for most leases. The standard includes two recognition exemptions for lessees – leases of low-value assets and short-term leases. At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). The right-of-use asset is subsequently measured at cost less accumulated depreciation and any impairment losses unless the right-of-use asset meets the definition of investment property in IAS 40. The lease liability is subsequently increased to reflect the interest on the lease liability and reduced for the lease payments. Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset. Lessees will also be required to remeasure the lease liability upon the occurrence of certain events, such as change in the lease term and change in future lease payments resulting from a change in an index or rate used to determine those payments. Lessees will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset. Lessor accounting under IFRS 16 is substantially unchanged from the accounting under IAS 17. Lessors will continue to classify all leases using the same classification principle as in IAS 17 and distinguish between operating leases and finance leases. The Group expects to adopt IFRS 16 on 1 January 2019 and is currently assessing the impact of IFRS 16 upon adoption.

Amendments to IAS 7 require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. The amendments will result in additional disclosure to be provided in the financial statements. The Group expects to adopt the amendments from 1 January 2017.

2.3 ISSUED BUT NOT EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS (continued)

Amendments to IAS 12 were issued with the purpose of addressing the recognition of deferred tax assets for unrealised losses related to debt instruments measured at fair value, although they also have a broader application for other situations. The amendments clarify that an entity, when assessing whether taxable profits will be available against which it can utilise a deductible temporary difference, needs to consider whether tax law restricts the sources of taxable profits against which it may make deductions on the reversal of that deductible temporary difference. Furthermore, the amendments provide guidance on how an entity should determine future taxable profits and explain the circumstances in which taxable profit may include the recovery of some assets for more than their carrying amount. The Group expects to adopt the amendments from 1 January 2017.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation at fair value or at the proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at fair value. Acquisition-related costs are expensed as incurred.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by of the acquiree.

If the business combination is achieved in stages, the previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss.

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability is measured at fair value with changes in fair value recognised in profit or loss. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interests and any fair value of the Group's previously held equity interests in the acquiree over the identifiable net assets acquired and liabilities assumed. If the sum of this consideration and other items is lower than the fair value of the net assets acquired, the difference is, after reassessment, recognised in profit or loss as a gain on bargain purchase.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Business combinations and goodwill (continued)

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill as at 31 December. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Where goodwill has been allocated to a cash-generating unit (or group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on the disposal. Goodwill disposed of in these circumstances is measured based on the relative value of the disposed operation disposed of and the portion of the cash-generating unit retained.

Fair value measurement

The Group measures its investment properties at the end of each reporting period. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair value measurement (continued)

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 – based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly

Level 3 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, properties under development, construction contract assets, properties held for sales, deferred tax assets, financial assets and investment properties), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to the statement of profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

An assessment is made at the end of each reporting period as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to the statement of profit or loss in the period in which it arises, unless the asset is carried at a revalued amount, in which case the reversal of the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Related parties

A party is considered to be related to the Group if:

(a) the party is a person or a close member of that person's family and that person

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

(b) the party is an entity where any of the following conditions applies:

(i) the entity and the Group are members of the same group;

(ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);

(iii) the entity and the Group are joint ventures of the same third-party;

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

(v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;

(vi) the entity is controlled or jointly controlled by a person identified in (a);

(vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and

(viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the statement of profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Park and other buildings	20 to 40 years
Machinery	5 to 10 years
Motor vehicles	4 to 10 years
Office equipment and furniture	3 to 5 years
Live animals	3 years

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in the statement of profit or loss in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Construction in progress represents a building under construction and machinery under installation, which is stated at cost less any impairment losses, and is not depreciated. Cost comprises the direct costs of construction during the period of construction. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investment properties

Investment properties are interests in land and buildings (including the leasehold interest under an operating lease for a property which would otherwise meet the definition of an investment property) held to earn rental income and/or for capital appreciation, rather than for use in the production or supply of goods or services or for administrative purposes; or for sale in the ordinary course of business. Such properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the end of the reporting period.

Gains or losses arising from changes in the fair values of investment properties are included in the statement of profit or loss in the year in which they arise.

For a transfer from investment properties to owner-occupied properties or completed properties held for sale, the deemed cost of a property for subsequent accounting is its fair value at the date of change in use. If a property occupied by the Group as an owner-occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under "Property, plant and equipment and depreciation" up to the date of change in use, and any difference at that date between the carrying amount and the fair value of the property is accounted for as a revaluation in accordance with the policy stated under "Property, plant and equipment and depreciation" above. For a transfer from properties under development to investment properties, any difference between the fair value of the property at that date and its previous carrying amount is recognised in the statement of profit or loss.

Intangible assets (other than goodwill)

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value at the date of acquisition. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are subsequently amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

Amortisation is calculated on the straight-line basis over the estimated useful lives of 5 to 10 years.

Leases

Leases that transfer substantially all the rewards and risks of ownership of assets to the Group, other than legal title, are accounted for as finance leases. At the inception of a finance lease, the cost of the leased asset is capitalised at the present value of the minimum lease payments and recorded together with the obligation, excluding the interest element, to reflect the purchase and financing. Assets held under capitalised finance leases are included in property, plant and equipment, and depreciated over the shorter of the lease terms and the estimated useful lives of the assets. The finance costs of such leases are charged to the statement of profit or loss so as to provide a constant periodic rate of charge over the lease terms.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Leases (continued)

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessor, assets leased by the Group under operating leases are included in non-current assets, and rentals receivable under the operating leases are credited to the statement of profit or loss on the straight-line basis over the lease terms. Where the Group is the lessee, rentals payable under the operating leases are charged to the statement of profit or loss on the straight-line basis over the lease terms.

Prepaid land lease payments under operating leases are initially stated at cost and subsequently recognised on the straight-line basis over the lease terms. When the lease payments cannot be allocated reliably between the land and buildings elements, the entire lease payments are included in the cost of the land and buildings as a finance lease in property, plant and equipment.

Properties under development

Properties under development are intended to be held for sale after completion.

Properties under development are stated at the lower of cost and net realisable value and comprise land costs, construction costs, borrowing costs, professional fees and other costs directly attributable to such properties incurred during the development period.

Properties under development are classified as current assets unless the construction period of the relevant property development project is expected to complete beyond the normal operating cycle. On completion, the properties are transferred to completed properties held for sale.

Construction contracts

Contract revenue comprises the agreed contract amount and appropriate amounts from variation orders, claims and incentive payments. Contract costs incurred comprise direct materials, the costs of subcontracting, direct labour and an appropriation of variable and fixed construction overheads.

Revenue from fixed price construction contracts is recognised on the percentage of completion method, measured by reference to the proportion of costs incurred to date to the estimated total cost of the relevant contract.

Provision is made for foreseeable losses as soon as they are anticipated by management. Where contract costs incurred to date plus recognised profits less recognised losses exceed progress billings, the surplus is treated as an amount due from contract customers. Where progress billings exceed contract costs incurred to date plus recognised profits less recognised losses, the surplus is treated as an amount due to contract customers.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments and other financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as available-for-sale financial investments and loan and receivables as appropriate. When financial assets are recognised initially, they are measured at fair value plus transaction costs that are attributable to the acquisition of the financial assets.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such assets are subsequently measured at amortised cost using the effective interest rate method less any allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and includes fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in other income and gains in the statement of profit or loss. The loss arising from impairment is recognised in the statement of profit or loss in finance costs for loans and in other expenses for receivables.

Available-for-sale financial investments

Available-for-sale financial investments are non-derivative financial assets in listed and unlisted equity investments. Equity investments classified as available for sale are those which are neither classified as held for trading nor designated as at fair value through profit or loss.

After initial recognition, available-for-sale financial investments are subsequently measured at fair value, with unrealised gains or losses recognised as other comprehensive income in the available-for-sale investment revaluation reserve until the investment is derecognised, at which time the cumulative gain or loss is recognised in the statement of profit or loss in other income, or until the investment is determined to be impaired, when the cumulative gain or loss is reclassified from the available-for-sale investment revaluation reserve to the statement of profit or loss in other gains or losses. Interest and dividends earned whilst holding the available-for-sale financial investments are reported as interest income and dividend income, respectively and are recognised in the statement of profit or loss as other income in accordance with the policies set out for "Revenue recognition" below.

When the fair value of unlisted equity investments cannot be reliably measured because (a) the variability in the range of reasonable fair value estimates is significant for that investment or (b) the probabilities of the various estimates within the range cannot be reasonably assessed and used in estimating fair value, such investments are stated at cost less any impairment losses.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments and other financial assets (continued)

Available-for-sale financial investments (continued)

The Group evaluates whether the ability and intention to sell its available-for-sale financial assets in the near term are still appropriate. When, in rare circumstances, the Group is unable to trade these financial assets due to inactive markets, the Group may elect to reclassify these financial assets if management has the ability and intention to hold the assets for the foreseeable future or until maturity.

For a financial asset reclassified from the available-for-sale category, the fair value carrying amount at the date of reclassification becomes its new amortised cost and any previous gain or loss on that asset that has been recognised in equity is amortised to profit or loss over the remaining life of the investment using the effective interest rate. Any difference between the new amortised cost and the maturity amount is also amortised over the remaining life of the asset using the effective interest rate. If the asset is subsequently determined to be impaired, then the amount recorded in equity is reclassified to the statement of profit or loss.

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or

- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third-party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of financial assets

The Group assesses at the end of each reporting period whether there is any objective evidence that a financial asset or a group of financial assets is impaired. An impairment exists if one or more events that occurred after the initial recognition of the asset have an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that a debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Group first assesses whether impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

The amount of any impairment loss identified is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition).

The carrying amount of the asset is reduced through the use of an allowance account and the loss is recognised in the statement of profit or loss. Interest income continues to be accrued on the reduced carrying amount using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans and receivables together with any associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group.

If, in a subsequent period, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is credited to other expenses in the statement of profit or loss.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of financial assets (continued)

Assets carried at cost

If there is objective evidence that an impairment loss has been incurred on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, or on a derivative asset that is linked to and must be settled by delivery of such an unquoted equity instrument, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Impairment losses on these assets are not reversed.

Available-for-sale financial investments

For available-for-sale financial investments, the Group assesses at the end of each reporting period whether there is objective evidence that an investment or a group of investments is impaired.

If an available-for-sale asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in the statement of profit or loss, is removed from other comprehensive income and recognised in the statement of profit or loss.

In the case of equity investments classified as available for sale, objective evidence would include a significant or prolonged decline in the fair value of an investment below its cost. "Significant" is evaluated against the original cost of the investment and "prolonged" against the period in which the fair value has been below its original cost. Where there is evidence of impairment, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in the statement of profit or loss – is removed from other comprehensive income and recognised in the statement of profit or loss. Impairment losses on equity instruments classified as available for sale are not reversed through the statement of profit or loss. Increases in their fair value after impairment are recognised directly in other comprehensive income.

The determination of what is "significant" or "prolonged" requires judgement. In making this judgement, the Group evaluates, among other factors, the duration or extent to which the fair value of an investment is less than its cost.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as loans and borrowings, as appropriate.

All financial liabilities are recognised initially at fair value and in the case of loans and borrowings, net of directly attributable transaction costs.

The Group's financial liabilities include trade and bills payables, other payables and accruals, amounts due to related companies and interest-bearing bank and other borrowings.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial liabilities (continued)

Subsequent measurement

The subsequent measurement of financial liabilities depends on their classification as follows:

Loans and borrowings

After initial recognition, interest-bearing loans and other borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in the statement of profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in the statement of profit or loss.

Financial guarantee contracts

Financial guarantee contracts issued by the Group are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified debtor fails to make a payment when due in accordance with the terms of a debt instrument. A financial guarantee contract is recognised initially at its fair value less transaction costs that are directly attributable to the acquisition or issue of the financial guarantee contract. Subsequent to initial recognition, the Group measures the financial guarantee contract at the higher of (i) the amount of the best estimate of the expenditure required to settle the present obligation at the end of the reporting period; and (ii) the amount initially recognised less, when appropriate, cumulative amortisation.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in the statement of profit or loss.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Inventories

Inventories are merchandise goods and stated at the lower of cost and net realisable value. Cost is determined on the first-in, first-out basis. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the consolidated statement of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, which are not restricted as to use.

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in "finance costs" in the statement of profit or loss.

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income tax (continued)

Deferred tax assets are recognised for all deductible temporary differences, the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, the carryforward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the costs, which it is intended to compensate, are expensed.

Where the grant relates to an asset, the fair value is credited to a deferred income account and is released to the statement of profit or loss over the expected useful life of the relevant asset by equal annual instalments or deducted from the carrying amount of the asset and released to the statement of profit or loss by way of a reduced depreciation charge.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the following bases:

(a) from the sale of completed properties, when the risks and rewards of ownership of the properties are transferred to the purchasers, that is when the construction of the relevant properties has been completed and the properties have been delivered to the purchasers pursuant to the sale agreement, and the collectability of related receivables is reasonably assured;

(b) from the sale of goods, when the significant risks and rewards of ownership have been transferred to the buyer, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold;

(c) from construction contracts, on the percentage of completion basis, as further explained in the accounting policy for "Construction contracts" above;

(d) from the rendering of services, when the services are rendered;

(e) from ticket sales, when receiving ticket fare or rights to collect money from tourist parties;

(f) rental income, on a time proportion basis over the lease terms;

(g) interest income, on an accrual basis using the effective interest method by applying the rate that discounts the estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial asset; and

(h) income from hotel operations, recognised upon services rendered.

Employee retirement benefits

Pursuant to the relevant regulations of the PRC government, the companies comprising the Group operating in the PRC ("PRC group companies") have participated in a local municipal government retirement benefit scheme (the "Scheme"), whereby the PRC group companies are required to contribute 18% to 20% of the salaries of their employees to the Scheme to fund their retirement benefits. The only obligation of the Group with respect to the Scheme is to pay the ongoing contributions under the Scheme. Contributions under the Scheme are charged to the statement of profit or loss as incurred.

The Group also operates a defined contribution Mandatory Provident Fund retirement benefit scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance for its employees in Hong Kong. Contributions are made based on a percentage of the employees' basic salaries and are charged to the statement of profit or loss as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Where funds have been borrowed generally and used for the purpose of obtaining qualified assets, a capitalisation rate 4.655% has been applied to the expenditure on the individual assets.

Dividends

Final dividends are recognised as a liability when they are approved by the shareholders in a general meeting.

Interim dividends are simultaneously proposed and declared, because the Company's memorandum and articles of association grant the directors the authority to declare interim dividends. Consequently, interim dividends are recognised immediately as a liability when they are proposed and declared.

Foreign currencies

These financial statements are presented in Renminbi ("RMB"). The Company's functional currency is USD. The Group's presentation currency is RMB because the Group's principal operations are carried out in Mainland China. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognised in the statement of profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation difference on the item whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

The functional currencies of certain subsidiaries are currencies other than RMB. As at the end of the reporting period, the assets and liabilities of these entities are translated into the RMB at the exchange rates prevailing at the end of the reporting period and their statements of profit or loss are translated into RMB at the weighted average exchange rates for the year.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currencies (continued)

The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in the statement of profit or loss.

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on acquisition are treated as assets and liabilities of the foreign operation and translated at the closing rate.

For the purpose of the consolidated statement of cash flows, the cash flows of certain subsidiaries are translated into RMB at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of certain subsidiaries which arise throughout the year are translated into RMB at the weighted average exchange rates for the year.

4. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements:

(i) Operating lease commitments – Group as lessor

The Group has entered into commercial property leases on its investment property portfolio. The Group has determined that it retains all the significant risks and rewards of ownership of these properties which are leased out on operating leases.

(ii) Sale and finance lease back – Group as lessee

The Group has entered into a sale and finance lease back arrangements on certain of the Group's motor vehicles. The Group has determined that it retains all the significant risks and rewards of ownership of these items motor vehicles under such sale and finance lease back arrangement.

4. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

Judgements (continued)

(iii) Classification between investment properties and owner-occupied properties

The Group determines whether a property qualifies as an investment property, and has developed criteria in making that judgement. Investment property is a property held to earn rentals or for capital appreciation or both. Therefore, the Group considers whether a property generates cash flows largely independently of the other assets held by the Group. Some properties comprise a portion that is held to earn rentals or for capital appreciation and another portion that is held for use in the production or supply of goods or services or for administrative purposes. If these portions could be sold separately (or leased out separately under a finance lease), the Group accounts for the portions separately. If the portions could not be sold separately, the property is an investment property only if an insignificant portion is held for use in the production or supply of goods or services or for administrative purposes. Judgement is made on an individual property basis to determine whether ancillary services are so significant that a property does not qualify as an investment property.

(iv) Classification between investment properties and properties held for sale

The Group develops properties held for sale and properties held to earn rentals and/or for capital appreciation. Judgement is made by management in determining whether a property is designated as an investment property or a property held for sale. The Group considers its intention of holding the properties at the early development stage of the related properties. During the course of construction, the related properties under construction are accounted for as properties under development included in current assets if the properties are intended for sale after its completion, whereas, the properties are accounted for as investment properties under construction included in non-current assets and are subject to revaluation at the reporting date if the properties are intended to be held to earn rentals and/or for capital appreciation. Upon completion of the properties, the properties held for sale are transferred to completed properties held for sale and are stated at the lower of cost or net realisable value, while the properties held to earn rentals and/or for capital appreciation are transferred to investment properties and are subject to revaluation at each reporting date.

(v) Consolidation of entity in which the Group holds less than a majority of voting rights

The Group considers that it controls 大連老虎灘四維影院有限公司 (“4D Cinema”) even though it owns less than 50% of the voting rights. This is because the other equity holder of 4D Cinema has delegated its equity holder’s right to the Group to control and operate 4D Cinema.

4. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

(i) Valuation of properties under development and properties held for sale

Properties under development and properties held for sale are stated at the lower of cost and net realisable value. The cost of each unit in each phase of development is determined using the weighted average method. The estimated net realisable value is the estimated selling price less selling expenses and the estimated cost of completion (if any), which are estimated based on the best available information.

(ii) Allocation of construction cost on properties under development, investment properties and construction in progress

When developing properties, the Group typically divides the development projects into phases and categories. Costs directly related to the development of a phase and categories are recorded as the cost of such phase and categories. Costs that are common to each phase and categories are allocated to each phase based on the saleable/usable floor area of each phase and categories as a percentage of the total saleable/usable floor area of the entire project. The cost of the unit sold subsequent to the completion of the properties is determined by the floor area in square meters sold during the year multiplied by the average cost per square meter of that particular phase or category of the project.

(iii) PRC corporate income tax ("CIT")

The Group is subject to income taxes in Mainland China. As a result of the fact that certain matters relating to income taxes have not been confirmed by the local tax bureau, objective estimate and judgement based on currently enacted tax laws, regulations and other related policies are required in determining the provision for income taxes. Where the final tax outcome of these matters is different from the amounts originally recorded, the differences will impact on the income tax and tax provisions in the period in which the differences realise.

(iv) PRC land appreciation tax ("LAT")

The Group is subject to LAT in Mainland China. The provision for LAT is based on management's best estimate according to its understanding of 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 the completion of the property development projects. The Group has not finalised its LAT calculation and payments with the tax authorities for certain property development projects. The final outcome could be different from the amounts that were initially recorded, and any differences will have impact on the land appreciation tax expense and the related provision in the period in which the differences realise.

4. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

Estimation uncertainty (continued)

(v) Deferred tax assets

Deferred tax assets are recognised for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. The amount of unrecognised tax losses at 31 December 2016 was RMB842,909,000 (2015: RMB621,929,000). Further details are contained in note 17 to the financial statements.

(vi) Estimation of fair value of investment properties

In the absence of current prices in an active market for similar properties, the Group considers information from a variety of sources, including:

(a) current prices in an active market for properties of a different nature, condition or location, adjusted to reflect those differences;

(b) recent prices of similar properties on less active markets, with adjustments to reflect any changes in economic conditions since the date of the transactions that occurred at those prices; and

(c) discounted cash flow projections based on reliable estimates of future cash flows, supported by the terms of any existing lease and other contracts and (when possible) by external evidence such as current market rents for similar properties in the same location and condition, and using discount rates that reflect current market assessments of the uncertainty in the amount and timing of the cash flows.

The carrying amount of investment properties at 31 December 2016 was RMB2,418,890,000 (2015: RMB2,378,740,000). Further details, including the key assumptions used for fair value measurements and a sensitivity analysis, are set out in note 13 to the financial statements.

(vii) Impairment of available-for-sale financial assets

The Group classifies certain assets as available for sale and recognises movements of their fair values in equity. When the fair value declines, management makes assumptions about the decline in value to determine whether there is an impairment that should be recognised in the statement of profit or loss. The carrying amount of available-for-sale assets was RMB19,370,000 (2015: RMB19,370,000).

4. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

Estimation uncertainty (continued)

(viii) Impairment of non-financial assets

The Group assesses whether there are any indicators of impairment for all non-financial assets at the end of each reporting period. Indefinite life intangible assets are tested for impairment annually and at other times when such an indicator exists. Other non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. As at 31 December 2016, the carrying amount of non-financial assets with impairment indicators was RMB544,477,000 (2015: RMB385,440,000), which represented property, plant and equipment used by certain theme parks which were at initial start-up phase.

An impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The calculation of the fair value less costs of disposal is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

(ix) Provision for impairment of receivables

Provision for impairment of receivables is made based on the ageing and past repayment pattern of the receivables. The assessment of the impairment amount required involves management judgement and estimates. Where the actual outcome or expectation in future is different from the original estimate, the differences will impact on the carrying value of receivables and impairment charge/write-back of impairment in the period in which the estimate has been changed.

(x) Provision for completed properties held for sale and properties under development

The Group recognised a provision for the completed properties held for sale and properties under development when the cost of the properties exceeded the net realisable value. The assessment of the provision requires management estimates on the future selling price and future cost to be incurred of the properties. Where the actual outcome or expectation in future is different from the original estimate, the differences will impact on the carrying value of properties and provision charge/write-back of impairment in the period in which the estimate has been changed.

5. 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.

5. OPERATING SEGMENT INFORMATION (continued)

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

5. OPERATING SEGMENT INFORMATION (continued)

Operating segments (continued)

31 December 2016

	Park operations *RMB'000*	Property development *RMB'000*	Total *RMB'000*
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.

5. OPERATING SEGMENT INFORMATION (continued)

Operating segments (continued)

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

5. OPERATING SEGMENT INFORMATION (continued)

Operating segments (continued)

31 December 2015

	Park operations *RMB'000*	Property development *RMB'000*	Total *RMB'000*
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.

6. 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.

	Notes	**2016** ***RMB'000***	2015 *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	*7*	**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	*32*	**69,072**	45,604
Bank interest income	*7*	**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	*19*	**717**	134,067
		111,309	263,057

7. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging/(crediting):

	Notes	2016 RMB'000	2015 RMB'000
Cost of properties sold		**118,123**	50,780
Cost of merchandise sold		**23,570**	18,071
Cost of services provided		**606,632**	561,511
Depreciation	12	**168,415**	174,099
Amortisation of intangible assets	15	**2,760**	1,523
Direct operating expenses arising on rental earning properties		**2,660**	5,573
Impairment of trade receivables	23	**18,716**	7,006
Impairment of prepayments and other receivables	24	**323**	2,892
Amortisation of prepaid land lease payments		**14,994**	25,437
Minimum lease payments under operating leases in respect of properties		**10,437**	6,624
Auditors' remuneration		**4,400**	4,400
Employee benefit expense (excluding directors and chief executive's remuneration):			
Wages and salaries		**183,394**	156,010
Bonuses		**50,303**	47,092
Retirement benefit scheme contributions		**30,134**	25,869
		263,831	228,971
Direct operating expenses			
Foreign exchange differences, net		**3,375**	13,781
Impairment/(reversal) of provision for inventories	22	**193**	(63)
Fair value loss on investment properties	13	**9,261**	25,531
Gain on revaluation upon reclassification from completed properties held for sale to investment properties	19	**(717)**	(134,067)
Rental income	6	**(86,991)**	(58,604)
Bank interest income	6	**(3,893)**	(16,768)
Government grants recognised	32	**(69,072)**	(45,604)
Loss on disposal of items of property, plant and equipment		**822**	2,628

8. FINANCE COSTS

	2016 RMB'000	2015 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

9. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION AND FIVE HIGHEST PAID EMPLOYEES' REMUNERATION

Directors' and chief executive's remuneration for 2016 and 2015, disclosed pursuant to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"), section 383(1)(a), (b), (c) and (f) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation, is as follows:

	2016 RMB'000	2015 RMB'000
Fees	2,040	2,040
Other emoluments:		
Salaries, allowances and benefits in kind	2,025	3,400
Retirement benefit scheme contributions	86	66
	2,111	3,466
	4,151	5,506

9. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION AND FIVE HIGHEST PAID EMPLOYEES' REMUNERATION (continued)

(a) Independent non-executive directors

The fees paid to independent non-executive directors during the year were as follows:

	2016	2015
	RMB'000	*RMB'000*
Mr. Sun Jianyi	**100**	100
Mr. Fang Hongxing	**100**	100
Mr. Xie Yanjun	**100**	100
	300	300

There were no other emoluments payable to the independent non-executive directors during the year (2015: Nil).

9. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION AND FIVE HIGHEST PAID EMPLOYEES' REMUNERATION (continued)

(b) Chief executive, executive directors and non-executive directors

	Fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Retirement benefit scheme contributions RMB'000	Total remuneration RMB'000
Year ended 31 December 2016				
Chief executive:				
Mr. Wang Xuguang	**400**	**1,200**	**36**	**1,636**
Executive directors:				
Mr. Zhao Wenjing	**167**	**150**	**–**	**317**
Mr. Qu Naiqiang	**167**	**150**	**14**	**331**
Mr. Qu Cheng	**233**	**–**	**–**	**233**
Mr. Gao Jie	**233**	**525**	**36**	**794**
	800	**825**	**50**	**1,675**
Non-executive directors:				
Mr. Qu Naijie	**180**	**–**	**–**	**180**
Mr. Makoto Inoue	**180**	**–**	**–**	**180**
Mr. Yuan Bing	**180**	**–**	**–**	**180**
	540	**–**	**–**	**540**
Year ended 31 December 2015				
Chief executive:				
Mr. Wang Xuguang	400	1,200	33	1,633
Executive directors:				
Mr. Zhao Wenjing	400	1,100	–	1,500
Mr. Qu Naiqiang	400	1,100	33	1,533
	800	2,200	33	3,033
Non-executive directors:				
Mr. Qu Naijie	180	–	–	180
Mr. Makoto Inoue	180	–	–	180
Mr. Yuan Bing	180	–	–	180
	540	–	–	540

There was no arrangement under which a director or the chief executive waived or agreed to waive any remuneration during the year.

9. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION AND FIVE HIGHEST PAID EMPLOYEES' REMUNERATION (continued)

(c) Five highest paid employees

Details of the remuneration of the five highest paid employees for the years ended 31 December 2016 and 2015 who were neither a director nor chief executive of the Company are as follows:

	2016	2015
	RMB'000	*RMB'000*
Salaries, allowances and benefits in kinds	**3,263**	3,450
Performance-related bonuses	**915**	1,275
Retirement benefit scheme contributions	**180**	165
	4,358	4,890

The remuneration of all the non-director and non-chief executive highest paid employees fell within the band of nil to HKD1,000,000.

10. 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.

10. INCOME TAX (continued)

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

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

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:

	2016 RMB'000	2015 RMB'000
Profit before tax	**418,428**	463,032
Tax at the statutory income tax rate	**104,607**	115,758
Tax losses not recognised	**55,245**	40,572
Income not subject to tax	**(5,482)**	(1,710)
Withholding tax on distributable profits of the Group's PRC subsidiaries	**24,458**	29,424
Expenses not deductible for tax	**8,620**	17,894
Sub-total	**187,448**	201,938
Provision for LAT	**17,404**	14,824
Tax effect on LAT	**(4,351)**	(3,706)
Tax charge for the year at the effective rate	**200,501**	213,056

10. INCOME TAX (continued)

Tax payables in the consolidated statement of financial position represent:

	31 December 2016 ***RMB'000***	31 December 2015 *RMB'000*
PRC corporate income tax	**241,336**	211,415
LAT	**35,111**	50,822
	276,447	262,237

11. 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 ***RMB'000***	2015 *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.

12. PROPERTY, PLANT AND EQUIPMENT

	Park and other buildings RMB'000	Machinery RMB'000	Motor vehicles RMB'000	Office equipment and furniture RMB'000	Live animals RMB'000	Construction in progress RMB'000	Total RMB'000
Cost							
At 1 January 2015	2,616,138	957,075	33,961	92,741	135,019	60,027	3,894,961
Additions	8,921	13,965	1,748	7,805	6,888	117,748	157,075
Transfers	39,880	4,581	–	6,828	–	(51,289)	–
Disposals	–	(7,514)	(305)	(1,455)	(7,452)	–	(16,726)
At 31 December 2015 and 1 January 2016	**2,664,939**	**968,107**	**35,404**	**105,919**	**134,455**	**126,486**	**4,035,310**
Additions	**10,040**	**19,786**	**2,736**	**13,179**	**7,012**	**511,691**	**564,444**
Transfers	**63,173**	**16,236**	**–**	**16,959**	**–**	**(96,368)**	**–**
Disposals	**–**	**(950)**	**(2,527)**	**(3,033)**	**(2,484)**	**–**	**(8,994)**
At 31 December 2016	**2,738,152**	**1,003,179**	**35,613**	**133,024**	**138,983**	**541,809**	**4,590,760**
Accumulated depreciation							
At 1 January 2015	(472,902)	(573,206)	(25,076)	(69,084)	(115,381)	–	(1,255,649)
Depreciation for the year	(79,773)	(68,980)	(3,608)	(9,941)	(11,797)	–	(174,099)
Disposals	–	6,273	223	1,335	6,267	–	14,098
At 31 December 2015 and 1 January 2016	**(552,675)**	**(635,913)**	**(28,461)**	**(77,690)**	**(120,911)**	**–**	**(1,415,650)**
Depreciation for the year	**(77,949)**	**(64,395)**	**(2,811)**	**(13,193)**	**(10,067)**	**–**	**(168,415)**
Disposals	**–**	**859**	**2,245**	**2,666**	**2,402**	**–**	**8,172**
At 31 December 2016	**(630,624)**	**(699,449)**	**(29,027)**	**(88,217)**	**(128,576)**	**–**	**(1,575,893)**
Net carrying amount							
At 31 December 2016	**2,107,528**	**303,730**	**6,586**	**44,807**	**10,407**	**541,809**	**3,014,867**
At 31 December 2015	2,112,264	332,194	6,943	28,229	13,544	126,486	2,619,660

The Group's parcels of land where the hotel buildings, parks and other buildings are situated in Mainland China are held under medium term leases.

12. PROPERTY, PLANT AND EQUIPMENT (continued)

Included in the property, plant and equipment as at 31 December 2016 was certain machinery with a net carrying amount of RMB324,000 (2015: RMB1,427,000) which was held under finance leases.

The Group's office buildings of Haichang China and pavilions in Yantai Park, Tianjin Park, Wuhan Park, Chengdu Park, LHT, Chongqing Caribbean and Discoveryland with a carrying value of RMB1,153,518,000 (2015: RMB1,142,838,000) were pledged to secure banking facilities granted to the Group at 31 December 2016 (note 30).

13. INVESTMENT PROPERTIES

	RMB'000
At 31 December 2015 and 1 January 2016	**2,378,740**
Additions	**46,411**
Reclassification from completed properties held for sale (note 19)	**3,000**
Net loss from fair value adjustments (note 7)	**(9,261)**
At 31 December 2016	**2,418,890**

	RMB'000
At 31 December 2014 and 1 January 2015	1,935,000
Additions	2,651
Write-off	(4,070)
Reclassification from completed properties held for sale (note 19)	470,690
Net loss from fair value adjustments (note 7)	(25,531)
At 31 December 2015	2,378,740

Certain investment properties are leased to third parties under operating leases, the summary details of which are included in note 39(a).

Investment properties are stated at fair value, which has been determined with reference to the valuations performed by DTZ Debenham Tie Leung Limited – Beijing Branch ("DTZ"), independent firms of professionally qualified valuers, on the income approach, as at 31 December 2016. The fair value represents the amount of market value at which the assets could be exchanged between a knowledgeable, willing buyer and a knowledgeable, willing seller in an arm's length transaction at the date of valuation. The Group's management has discussions with the valuer on the valuation assumptions and valuation results once a year when the valuation is performed for annual financial reporting.

13. INVESTMENT PROPERTIES (continued)

Investment properties of approximately RMB2,418,890,000 (31 December 2015: RMB2,378,740,000) as at 31 December 2016 are located in Mainland China under medium term leases.

In 2016 and 2015, the Group transferred certain completed properties held for sale to investment properties. The properties were revalued at the dates of change in use by DTZ. The differences between the fair values of the properties at those dates and their then carrying amounts of RMB717,000 and RMB134,067,000 were recognised in the statement of profit or loss for the years ended 31 December 2016 and 2015, respectively.

Included in the investment properties were certain buildings with a carrying value of RMB354,100,000 (2015: RMB310,530,000), of which the property certificates have not been obtained as at 31 December 2016.

The Group's investment properties with a carrying value of RMB717,044,000 (2015: RMB262,406,000) were pledged to secure general banking facilities granted to the Group as at 31 December 2016 (note 30).

Fair value hierarchy

The following table illustrates the fair value measurement hierarchy of the Group's investment properties:

	Fair value measurement as at 31 December 2016 using			
	Quoted prices in active markets (Level 1)	**Significant observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**	**Total**
	RMB'000	***RMB'000***	***RMB'000***	***RMB'000***
Recurring fair value measurement for:				
Commercial properties	**–**	**–**	**2,418,890**	**2,418,890**

	Fair value measurement as at 31 December 2015 using			
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Recurring fair value measurement for:				
Commercial properties	–	–	2,378,740	2,378,740

During the year ended 31 December 2016 (2015: Nil), there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3.

13. INVESTMENT PROPERTIES (continued)

Fair value hierarchy (continued)

Reconciliation of fair value measurements categorised within Level 3 of the fair value hierarchy:

	31 December 2016 RMB'000	31 December 2015 RMB'000
Carrying amount at 1 January	**2,378,740**	1,935,000
Additions	**46,411**	2,651
Write-off	**–**	(4,070)
Reclassification from completed properties held for sale	**3,000**	470,690
Net loss from fair value adjustments recognised in other income in profit or loss	**(9,261)**	(25,531)
Carrying amount at 31 December	**2,418,890**	2,378,740

Below is a summary of the valuation technique used and the key inputs to the valuation of investment properties:

	Valuation technique	Significant unobservable inputs	Range or weighted average 2016	2015
Commercial properties	Income method	Market monthly rental (RMB/sq.m.)	**34–124**	39–124
		Capitalisation rate	**2.5%-6.5%**	3.0%-6.5%

Under the income method, fair value is estimated using assumptions regarding the benefits and liabilities of ownership over the asset's life including an exit or terminal value. This method involves the projection of a series of cash flows on a property interest. A market-derived discount rate is applied to the projected cash flow in order to establish the present value of the income stream associated with the asset. The exit yield is normally separately determined and differs from the discount rate.

The duration of the cash flows and the specific timing of inflows and outflows are determined by events such as rent reviews, lease renewal and related reletting, redevelopment or refurbishment. The appropriate duration is driven by market behaviour that is a characteristic of the class of property. The periodic cash flow is estimated as gross income less vacancy, non-recoverable expenses, collection losses, lease incentives, maintenance costs, agent and commission costs and other operating and management expenses. The series of periodic net operating income, along with an estimate of the terminal value anticipated at the end of the projection period, is then discounted.

13. INVESTMENT PROPERTIES (continued)

Fair value hierarchy (continued)

A significant increase (decrease) in the estimated rental value and the market rent growth rate per annum in isolation would result in a significant increase (decrease) in the fair value of the investment properties. A significant increase (decrease) in the long term vacancy rate and the discount rate in isolation would result in a significant decrease (increase) in the fair value of the investment properties. Generally, a change in the assumption made for the estimated rental value is accompanied by a directionally similar change in the rent growth per annum and the discount rate and an opposite change in the long term vacancy rate.

14. PREPAID LAND LEASE PAYMENTS

	31 December 2016 *RMB'000*	31 December 2015 *RMB'000*
Carrying amount at beginning of the year	**1,087,184**	362,618
Additions	**215,286**	750,003
Amortised during the year	**(30,653)**	(25,437)
Carrying amount at end of year	**1,271,817**	1,087,184
Current portion included in prepayments, deposits and other receivables (note 24)	**(31,909)**	(27,664)
Non-current portion	**1,239,908**	1,059,520

The leasehold interests in land of RMB924,790,000 (2015: RMB213,141,000) were pledged for certain borrowings granted to the Group as at 31 December 2016 (note 30).

The Group experienced delay in the commencement of construction of certain parcels of land in Mainland China with a carrying value at 31 December 2016 of RMB33,627,000 (2015: RMB34,747,000). Under the relevant PRC laws, the Group might be subject to penalties from relevant government authorities as a result of the delay in commencement of construction. Having taken into account the Company's legal counsel advice, the directors of the Company are of opinion that the payment of a penalty would be remote and no provision is required. As at 31 December 2016, the construction of the relevant parks and ancillary facilities on the parcels of land was completed.

15. INTANGIBLE ASSETS

Intangible assets comprised computer software and copyright with useful lives of 5 to 10 years. The movements in intangible assets are analysed as follows:

	2016 *RMB'000*	2015 *RMB'000*
Software and copyright		
At 1 January:		
Cost	**17,060**	14,124
Accumulated amortisation	**(7,992)**	(6,469)
Net carrying amount	**9,068**	7,655
Cost at 1 January, net of accumulated amortisation	**9,068**	7,655
Additions	**5,819**	2,936
Amortisation provided during the year	**(2,760)**	(1,523)
At 31 December, net of accumulated amortisation	**12,127**	9,068
At 31 December:		
Cost	**22,879**	17,060
Accumulated amortisation	**(10,752)**	(7,992)
Net carrying amount	**12,127**	9,068

16. AVAILABLE-FOR-SALE INVESTMENTS

	31 December 2016 ***RMB'000***	31 December 2015 *RMB'000*
Current		
Bank structured product, at fair value	**200**	200

The balance represented principal-protected structured products with maturity within one year.

	31 December 2016 ***RMB'000***	31 December 2015 *RMB'000*
Non-current		
Unlisted equity investment, at cost	**19,170**	19,170

The Group holds a 9% equity interest in an unlisted company, 成都忠捷置業有限公司 in Mainland China with registered capital of RMB213,000,000. The principal business of 成都忠捷置業有限公司 is the development and sale of properties.

The unlisted equity investment was stated at cost less impairment loss because the range of reasonable fair value estimates is so significant that the directors are of the opinion that its fair value cannot be measured reliably.

17. DEFERRED TAX ASSETS/LIABILITIES

The movements in deferred tax liabilities and assets are as follows:

Deferred tax liabilities

	Withholding tax RMB'000	Interest capitalised RMB'000	Rental income recognised RMB'000	Depreciation allowance of investment properties RMB'000	Depreciation allowance in excess of related depreciation RMB'000	Change in fair value of investment properties RMB'000	Total RMB'000
As at 1 January 2015	23,857	36,126	6,020	27,643	725	144,015	238,386
Charged/(credited) to the statement of profit or loss (note 10)	29,424	(2,346)	224	12,260	(532)	27,134	66,164
As at 31 December 2015 and 1 January 2016	53,281	33,780	6,244	39,903	193	171,149	304,550
Charged/(credited) to the statement of profit or loss (note 10)	24,458	(4,082)	37	16,360	(78)	(2,136)	34,559
As at 31 December 2016	**77,739**	**29,698**	**6,281**	**56,263**	**115**	**169,013**	**339,109**

Deferred tax assets

	Advances from customers on presale of properties RMB'000	Government grants RMB'000	Impairment of assets RMB'000	Accruals and other payables RMB'000	Total RMB'000
As at 1 January 2015	4,112	166,963	216	33,019	204,310
Credited/(charged) to the statement of profit or loss (note 10)	1,194	(9,305)	(216)	(3,139)	(11,466)
As at 31 December 2015 and 1 January 2016	5,306	157,658	–	29,880	192,844
Credited/(charged) to the statement of profit or loss (note 10)	(4,649)	(13,297)	–	(3,239)	(21,185)
As at 31 December 2016	**657**	**144,361**	**–**	**26,641**	**171,659**

17. DEFERRED TAX ASSETS/LIABILITIES (continued)

Deferred tax assets (continued)

For the purpose of the financial statement presentation, certain deferred tax assets and liabilities have been offset. The following is an analysis of the deferred tax balances of the Group for financial reporting purposes:

	31 December 2016	31 December 2015
	RMB'000	*RMB'000*
Net deferred tax assets recognised in the consolidated statement of financial position	**35,730**	51,191
Net deferred tax liabilities recognised in the consolidated statement of financial position	**(203,180)**	(162,897)
	(167,450)	(111,706)

Deferred tax assets have not been recognised in respect of the following items:

	31 December 2016	31 December 2015
	RMB'000	*RMB'000*
Tax losses not recognised for deferred tax assets	**842,909**	621,929

In accordance with the PRC laws and regulations, tax losses arising in Mainland China could be carried forward for a period of five years to offset against future taxable profits.

Deferred tax assets have not been recognised in respect of the above item as it is not considered probable that taxable profits will be available against which the above item can be utilised.

Pursuant to the PRC Corporate Income Tax Law, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in Mainland China. The requirement is effective from 1 January 2008 and applies to earnings after 31 December 2007. A lower withholding tax rate may be applied if there is a tax treaty between Mainland China and the jurisdiction of the foreign investors. For the Group, the applicable rate is 10%. The Group is liable for withholding taxes on dividends distributed by those subsidiaries established in Mainland China in respect of earnings generated from 1 January 2008.

17. DEFERRED TAX ASSETS/LIABILITIES (continued)

At 31 December 2016, deferred tax liabilities of RMB24,458,000 (2015: RMB29,424,000) have been recognised for withholding taxes that would be payable on the unremitted earnings that are subject to withholding taxes of the Group's subsidiaries established in Mainland China. Pursuant to a resolution of the board of directors of the Company, these subsidiaries will not distribute such earnings derived up to 31 December 2013. The aggregate amount of temporary differences associated with investments in subsidiaries in Mainland China for which deferred tax liabilities have not been recognised totalled approximately was RMB217,633,000 as at 31 December 2016 (2015: RMB217,633,000).

18. INVESTMENT IN AN ASSOCIATE

	2016	2015
	RMB'000	*RMB'000*
Share of net assets	**47,143**	–

The following table illustrates the summarised financial information of the Group's associate that is not individually material:

	2016	2015
	RMB'000	*RMB'000*
Share of the associate's loss for the year	**(857)**	–
Share of the associate's total comprehensive loss	**(857)**	–
Aggregate carrying amount of the Group's investment in an associate	**47,143**	–

19. COMPLETED PROPERTIES HELD FOR SALE

	31 December 2016 *RMB'000*	31 December 2015 *RMB'000*
Carrying amount at 1 January 2016	**373,290**	474,457
Transfer from properties under development (note 20)	**17,836**	307,816
Fair value change on completed properties held for sale (note 7)	**717**	134,067
Reclassification to investment properties (note 13)	**(3,000)**	(470,690)
Recognised in the current year	**(118,123)**	(50,780)
Others	**(10,321)**	(21,580)
Carrying amount at 31 December	**260,399**	373,290

Included in the completed properties held for sale were certain properties with a carrying value of nil (31 December 2015: RMB4,549,000) of which the property certificates have not been obtained as at 31 December 2016.

Certain of the Group's completed properties held for sale with a carrying value at 31 December 2016 of RMB84,308,000 (2015: nil) were pledged to secure bank loans granted to the Group at 31 December 2016 (note 30).

20. PROPERTIES UNDER DEVELOPMENT

	31 December 2016 *RMB'000*	31 December 2015 *RMB'000*
Carrying amount at 1 January	**318,537**	549,859
Additions	**211,862**	76,494
Transfer to completed properties held for sale (note 19)	**(17,836)**	(307,816)
Carrying amount at 31 December	**512,563**	318,537

The properties under development are located in Mainland China with lease terms ranging from 40 to 70 years.

Certain of the Group's properties under development with a carrying value at 31 December 2016 of RMB43,616,000 (2015: RMB43,616,000) were pledged to secure bank loans granted to the Group at 31 December 2016 (note 30).

21. CONSTRUCTION CONTRACTS

	31 December 2016 *RMB'000*	31 December 2015 *RMB'000*
Gross amounts due from a contract customer	**12,938**	43,667

	31 December 2016 *RMB'000*	31 December 2015 *RMB'000*
Contract costs incurred plus recognised profits less recognised losses to date	**286,191**	286,191
Less: Progress billings	**(273,253)**	(242,524)
	12,938	43,667

22. INVENTORIES

	31 December 2016 RMB'000	31 December 2015 RMB'000
Merchandise	**23,333**	15,414
Provision for impairment	**(996)**	(803)
	22,337	14,611

23. TRADE RECEIVABLES

	31 December 2016 RMB'000	31 December 2015 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.

23. TRADE RECEIVABLES (continued)

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 (note 7)	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.

23. TRADE RECEIVABLES (continued)

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 (note 30).

24. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	31 December 2016 RMB'000	31 December 2015 RMB'000
Dividends	20,712	–
Prepayments	168,840	303,110
Deposits and other receivables	360,419	67,642
Current portion of prepaid land lease payments (note 14)	31,909	27,664
	581,880	398,416
Less: Non-current portion	(163,377)	(294,668)
	418,503	103,748

24. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES (continued)

The movements in provision for impairment of prepayments and other receivables are as follows:

	31 December 2016	31 December 2015
	RMB'000	*RMB'000*
At 1 January	**13,807**	10,915
Impairment losses recognised (note 7)	**323**	2,892
	14,130	13,807

Other receivables are unsecured, non-interest-bearing and have no fixed terms of repayment.

The carrying amounts of deposits and other receivables approximate to their fair values due to their relatively short maturity terms.

25. AMOUNTS DUE FROM/TO RELATED COMPANIES/A NON-CONTROLLING EQUITY HOLDER

Balances with related companies and a non-controlling equity holder are interest-free, unsecured and repayable on demand. The carrying amounts of these balances approximate to their fair values due to their relatively short maturity terms.

26. 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 (note 30)	**(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.

At the end of the reporting period, the cash and bank balances and the time deposits of the Group denominated in RMB amounted to RMB837,525,000 (31 December 2015: RMB962,524,000). 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.

27. 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

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

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

28. OTHER PAYABLES AND ACCRUALS

	31 December 2016 *RMB'000*	31 December 2015 *RMB'000*
Other payables	**294,100**	265,234
Accruals	**24,075**	28,952
	318,175	294,186

All other payables are unsecured, interest-free and repayable on demand.

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

29. ADVANCES FROM CUSTOMERS

Advances from customers mainly represented sales proceeds received from buyers in connection with the Group's pre-sale properties.

30. INTEREST-BEARING BANK AND OTHER BORROWINGS

	2016			2015		
	Effective interest rate (%)	Maturity	RMB'000	Effective interest rate (%)	Maturity	RMB'000
Current						
Finance lease payables* (note 31)	23	2017	1,553	23	2016	985
Other loans – secured	7	2017	69,373	7	2016	58,865
Bank loans – secured	4-5	2017	692,834	5	2016	200,000
Current portion of non-current loans – secured	5-8	2017	558,303	5-8	2016	503,639
			1,322,063			763,489
Non-current						
Finance lease payables* (note 31)	–	–	–	23	2017	1,520
Other loans – secured	–	–	–	7	2017	69,295
Bank loans – secured	5-8	2018-2026	1,579,546	5-8	2017-2025	1,531,711
			1,579,546			1,602,526
			2,901,609			2,366,015

* Included in the finance lease payable was an amount of RMB1,553,000 due to 龐大歐力士汽車租賃有限公司 ("Orix Lease") at 31 December 2016 (31 December 2015: RMB2,505,000) which bore interest at 22.6% per annum.

30. INTEREST-BEARING BANK AND OTHER BORROWINGS (continued)

	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

The Group's bank and other loans were secured by the pledges of the Group's assets with carrying values at 31 December 2016 and 2015 as follows:

	Notes	**31 December 2016** ***RMB'000***	31 December 2015 *RMB'000*
Pavilions and office buildings	*12*	**1,153,518**	1,142,838
Investment properties	*13*	**717,044**	262,406
Prepaid land lease payments	*14*	**924,790**	213,141
Completed properties held for sale	*19*	**84,308**	–
Properties under development	*20*	**43,616**	43,616
Trade receivables	*23*	**55,119**	44,553
Pledged bank balances	*26*	**588**	542

Tianjin Park pledged its trade receivables arising from sales for certain borrowings of RMB169,639,000 granted to the Group at 31 December 2016 (2015: RMB223,296,000). As at 31 December 2016, the related trade receivables amounted to RMB1,969,000 (2015: RMB5,986,000) (note 23).

30. INTEREST-BEARING BANK AND OTHER BORROWINGS (continued)

Yantai Park pledged its income received and park operation rights and Qingdao Park pledged its 100% equity interest in and income from property rights for certain borrowings of RMB69,374,000 granted to the Group at 31 December 2016 (2015: RMB128,161,000).

Wuhan Park pledged its trade receivables arising from sales for certain borrowings of RMB193,500,000 granted to the Group at 31 December 2016 (2015: RMB285,322,000). As at 31 December 2016, the related trade receivables amounted to RMB6,643,000 (2015: RMB6,562,000) (note 23).

Chengdu Park pledged its trade receivables arising from sales for certain borrowings of RMB195,570,000 granted to the Group at 31 December 2016 (2015: RMB291,093,000). As at 31 December 2016, the related trade receivables amounted to RMB31,013,000 (2015: RMB16,796,000) (note 23).

Qingdao Park pledged its trade receivables arising from sales from January 2010 to January 2025 for certain borrowings of RMB396,140,000 granted to the Group at 31 December 2016 (2015: RMB395,640,000). As at 31 December 2016, the related trade receivables amounted to RMB15,494,000 (2015: RMB15,209,000) (note 23).

All the Group's borrowings are denominated in RMB and HKD.

The bank and other borrowings balances of the Group bear interest at floating rates, except for bank and other borrowings of RMB621,000,000 as at 31 December 2016 (2015: RMB400,000,000) that bear interest at fixed rates.

31. FINANCE LEASE PAYABLES

The Group carried out sale and lease back transactions for certain of its machinery to obtain borrowings. The sale and lease back transactions are classified as finance leases and have remaining lease terms of three years.

	Minimum lease payments 31 December 2016 *RMB'000*	**Present value of minimum lease payments 31 December 2016 *RMB'000***	Minimum lease payments 31 December 2015 *RMB'000*	Present value of minimum lease payments 31 December 2015 *RMB'000*
Amounts payable:				
Within one year	**2,014**	**1,553**	1,504	985
In the second year	**–**	**–**	2,014	1,520
Total minimum finance lease payments	**2,014**	**1,553**	3,518	2,505
Future finance charges	**(461)**		(1,013)	
Total net finance lease payables (note 30)	**1,553**		2,505	
Portion classified as current liabilities (note 30)	**(1,553)**		(985)	
Non-current portion (note 30)	**–**		1,520	

The fair value of the Group's finance lease payables approximated to RMB1,870,000 at 31 December 2016 (2015: RMB2,880,000).

The finance lease payable of RMB1,553,000 to Orix Lease at 31 December 2016 (2015: RMB2,505,000) was unsecured, bore interest at 22.6% per annum, with maturity date on 31 December 2017.

32. GOVERNMENT GRANTS

	31 December 2016 RMB'000	31 December 2015 RMB'000
Carrying amount at 1 January	**902,194**	839,415
Received during the year	**115,884**	108,383
Recognised in profit or loss (note 6)	**(69,072)**	(45,604)
Carrying amount at 31 December	**949,006**	902,194
Current	**22,540**	22,363
Non-current	**926,466**	879,831
	949,006	902,194

Government grants have been received either for the construction of certain items of property, plant and equipment, properties under development, investment properties or for business development of the Group subsidiaries. There are no unfulfilled conditions and contingencies relating to these grants.

33. DEFERRED REVENUE

Deferred revenue represents the pre-sale of park tickets.

34. SHARE CAPITAL

Shares

	31 December 2016 RMB'000	31 December 2015 RMB'000
Issued and fully paid:		
4,000,000,000 (2015: 4,000,000,000) ordinary shares	**2,451**	2,451

35. SHARE AWARD SCHEME

Mr. Qu, a director and a controlling shareholder of the Company, adopted a management share purchase scheme on 13 January 2015 to allow eligible participants to purchase a total of 83,084,476 shares, representing approximately 2.08% of the total issued share capital of the Company, at a price of HKD1.36 per shares (being the average of closing prices of the Shares as stated in The Stock Exchange of Hong Kong Limited (the "Stock Exchange") daily quotation sheets for the 23 business days immediately preceding 1 January 2015) from an intermediary which is an associate of Mr. Qu for the purpose of providing incentives and rewards to eligible participants who contributed to the success of the Group's operations.

During the year ended 31 December 2015, Mr. Qu sold 83,084,476 shares of the Company at a price of HKD1.36 per shares to the eligible persons of the Company.

36. RESERVES

The amounts of the Group's reserves and the movements therein are presented in the consolidated statement of changes in equity.

(a) Capital reserve

The amounts represent deemed contribution from equity holders less deemed distribution to equity holders, consideration paid by the Group to non-controlling equity holders over their then share of net assets of subsidiaries acquired, and dilution upon capital contribution by the non-controlling equity holders.

(b) Statutory reserves

In accordance with the PRC Company Law and the PRC subsidiaries' articles of association, each subsidiary registered in the PRC as a domestic company is required to appropriate 10% of its annual statutory net profit as determined under PRC GAAP (after offsetting any prior years' losses) to the statutory surplus reserve. When the balance of this reserve fund reaches 50% of the entity's capital, any further appropriation is optional. The statutory reserve can be utilised to offset prior years' losses or to increase capital. However, the balance of the statutory surplus reserve must be maintained at a minimum of 25% of the capital after these usages.

(c) Deemed distribution to the equity holders

In March 2015, previous equity holders of Discoveryland and Chongqing Caribbean further repaid the Company RMB212,000 for the cash received by them in connection with the sale of Discoveryland and Chongqing Caribbean. The repayment was accounted for as a capital contribution from the equity holders.

37. PARTLY-OWNED SUBSIDIARIES WITH MATERIAL NON-CONTROLLING INTERESTS

Details of the Group's subsidiary that has material non-controlling interests are set out below:

LHT

	2016	2015
Percentage of equity interest held by non-controlling interests*	**41.7%**	41.7%

	2016 ***RMB'000***	2015 *RMB'000*
Profit for the year allocated to non-controlling interests	**17,386**	17,688
Accumulated balances of non-controlling interests at the reporting date	**164,123**	146,737

The following tables illustrate the summarised financial information of the above subsidiary. The amounts disclosed are before any inter-company eliminations:

	2016 ***RMB'000***	2015 *RMB'000*
Revenue	**174,722**	171,767
Other income and gains	**4,348**	6,107
Cost of sales	**(71,772)**	(69,292)
Total expense	**(29,905)**	(29,859)
Income tax expense	**(19,441)**	(19,764)
Net profit and total comprehensive income for the year	**57,952**	58,959
Current assets	**343,976**	302,075
Non-current assets	**136,742**	110,616
Current liabilities	**(28,317)**	(18,046)
Non-current liabilities	**–**	(196)
Net cash flows from/(used in) operating activities	**40,895**	(39,241)
Net cash flows used in investing activities	**(38,998)**	(7,161)
Net cash flows used in financing activities	**–**	–
Net increase/(decrease) in cash and cash equivalents	**1,897**	(46,402)

* According to the articles of association of LHT, the profit sharing ratio of LHT is not in proportion to its equity ratio but is as defined in the articles of association. Pursuant to the articles of association, Haichang China and the other equity holder share the profits of LHT at a 7:3 ratio.

38. CONTINGENT LIABILITIES

	31 December 2016 ***RMB'000***	31 December 2015 *RMB'000*
Guarantees in respect of mortgage facilities granted to the purchasers of the Group's properties*	**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 mortgage loan and ends after the execution of the 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.

39. OPERATING LEASE COMMITMENTS

(a) As lessor

The Group leases its properties under operating lease arrangements, with leases negotiated for terms ranging from three months to ten years. The terms of the leases generally also require the tenants to pay security deposits and provide for periodic rent adjustments according to the then prevailing market conditions.

At the end of each reporting period, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	31 December 2016 ***RMB'000***	31 December 2015 *RMB'000*
Within one year	**94,959**	80,038
In the second to fifth years, inclusive	**301,023**	286,955
After five years	**422,502**	355,173
	818,484	722,166

(b) As lessee

The Group leases certain parcels of its land and office buildings under operating lease arrangements.

At the end of each reporting period, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	31 December 2016 ***RMB'000***	31 December 2015 *RMB'000*
Within one year	**7,371**	6,498
In the second to fifth years, inclusive	**6,583**	2,116
	13,954	8,614

40. CAPITAL COMMITMENTS

In addition to the operating lease commitments detailed in note 39 above, the Group had the following capital commitments at the end of the reporting period:

	31 December 2016 ***RMB'000***	31 December 2015 *RMB'000*
Contracted, but not provided for:		
Properties under development, buildings and machinery, live animals, and prepaid land lease payments	**1,505,403**	453,073

41. RELATED PARTY TRANSACTIONS AND BALANCES

The related companies with which the Group had transactions were as follows:

Name of related party	Relationship with the Group
曲乃杰 ("Mr. Qu")	Director and beneficial shareholder of the Company
程春萍 ("Ms. Cheng")	Spouse of Mr. Qu and beneficial shareholder of the Company
大連海昌企業發展有限公司 ("Haichang Corporation Development")	Mr. Qu and Ms. Cheng are beneficial equity holders
天津海昌房地產開發有限公司 ("Tianjin Haichang Property")	Mr. Qu and Ms. Cheng are beneficial equity holders
大連海昌房地產集團有限公司 ("Haichang Property Group")	Mr. Qu and Ms. Cheng are beneficial equity holders
成都海昌置業有限公司 ("Chengdu Haichang Property")	Mr. Qu and Ms. Cheng are beneficial equity holders
武漢海昌物業管理有限公司 ("Wuhan Property Management")	Mr. Qu and Ms. Cheng are beneficial equity holders
武漢創富房地產發展有限公司 ("Wuhan Chuangfu")	Mr. Qu and Ms. Cheng are beneficial equity holders
龐大歐力士汽車租賃有限公司 ("Orix Lease")	A joint venture of a beneficial shareholder of the Company
煙台海昌物業管理有限公司 ("Yantai Property Management")	Mr. Qu and Ms. Cheng are beneficial equity holders
天津海昌極地物業管理有限公司 ("Tianjin Property Management")	Mr. Qu and Ms. Cheng are beneficial equity holders
大連世博房地產開發有限公司 ("Dalian Shibo")	Mr. Qu and Ms. Cheng are beneficial equity holders
大連海昌物業管理有限公司 ("Dalian Property Management")	Mr. Qu and Ms. Cheng are beneficial equity holders
煙台海昌旅游發展有限公司 ("Yantai Haichang Tourism Development")	Mr. Qu and Ms. Cheng are beneficial equity holders
大連東方水城發展有限公司 ("Dalian Oriental Watertown Development")	Mr. Qu and Ms. Cheng are beneficial equity holders
大連老虎灘海洋公園 ("Hutan Park")	Non-controlling equity holder of a subsidiary
重慶加勒比物業服務有限公司 ("Chongqing Property Management")	Mr. Qu and Ms. Cheng are beneficial equity holders
大連瑞昌融資租賃有限公司 ("Dalian Ruichang Lease")	A joint venture of a beneficial shareholder of the Company
長沙歡樂海洋公園有限公司 ("Changsha Park")	An associate of a beneficial shareholder of the Company

41. RELATED PARTY TRANSACTIONS AND BALANCES (continued)

(a) Related party transactions

In addition to the transactions detailed elsewhere in these financial statements, the Group had the following significant transactions with related parties:

		2016 RMB'000	2015 RMB'000
Rental incomes:			
Haichang Corporation Development	*(a)(i)*	**4,629**	4,800
Wuhan Chuangfu	*(a)(i)*	**3,603**	3,722
Dalian Oriental Watertown Development	*(a)(i)*	**2,505**	842
Tianjin Haichang Property	*(a)(i)*	**1,014**	1,469
Yantai Haichang Tourism Development	*(a)(i)*	**1,275**	1,317
Dalian Shibo	*(a)(i)*	**–**	1,793
		13,026	13,943
Consultancy and management service income:			
Changsha Park	*(a)(ii)*	**4,198**	–
Management fee incomes:			
Wuhan Chuangfu	*(a)(iii)*	**–**	4,119
Tianjin Haichang Property	*(a)(iii)*	**–**	1,643
Chengdu Haichang Property	*(a)(iii)*	**–**	1,316
		–	7,078
Management fee expenses:			
Tianjin Property Management	*(a)(iv)*	**593**	830
Dalian Property Management	*(a)(iv)*	**534**	444
Wuhan Property Management	*(a)(iv)*	**245**	1,011
Yantai Property Management	*(a)(iv)*	**–**	39
		1,372	2,324

41. RELATED PARTY TRANSACTIONS AND BALANCES (continued)

(a) Related party transactions (continued)

(i) The Group has leased out office space to Haichang Corporation Development under a lease agreement (the "Lease") dated 24 January 2014, pursuant to which the Group leases the premises to Haichang Corporation Development for a term of two years from 1 January 2014 to 31 December 2015 for RMB400,000 per month. Rental income for the year ended 31 December 2015 from Haichang Corporation Development was RMB4,800,000.

On 18 April 2016, the Group entered into a new property leasing agreement with Haichang Corporation Development, pursuant to which the Group agreed to lease the premises as office buildings to Haichang Corporation Development for a term of three years from 1 January 2016 to 31 December 2018 for RMB400,000 (tax inclusive) per month. Rental income for the year ended 31 December 2016 from Haichang Corporation Development was RMB4,629,000.

On 14 October 2014, the Group entered into lease agreements to lease out office space to Wuhan Chuangfu, Dalian Shibo, Tianjin Haichang Property and Yantai Haichang Tourism Development for a three-year period commencing from 19 September 2014 and the monthly nominal rental payable was RMB322,000, RMB230,000, RMB184,000 and RMB115,000 (tax inclusive) for the year ended 31 December 2016, respectively. On 19 September 2015, the Group entered into a supplemental agreement with Tianjin Haichang Property to amend certain terms of the previous lease agreement dated 14 October 2014. The monthly nominal rental payable for the year ended 31 December 2016 has been adjusted from RMB184,000 to RMB122,000 (tax inclusive). Tianjin Haichang Property has prematurely terminated the above lease agreement and supplemental agreement with the Group since 18 September 2016. On 15 September 2015, the Group entered into a tripartite agreement with Dalian Shibo and Dalian Oriental Watertown Development, pursuant to which Dalian Oriental Watertown Development executed the contract to replace Dalian Shibo commencing from 19 September 2015. Rental incomes derived by the Group in the year ended 31 December 2016 from Wuhan Chuangfu, Dalian Oriental Watertown Development, Tianjin Haichang Property, Yantai Haichang Tourism Development and Dalian Shibo were RMB3,603,000, RMB2,505,000, RMB1,014,000, RMB1,275,000 and nil, respectively (2015: RMB3,722,000, RMB842,000, RMB1,469,000, RMB1,317,000, and RMB1,793,000 respectively).

In the opinion of the directors of the Company, the transactions between the Group and Haichang Corporation Development, Wuhan Chuangfu, Dalian Oriental Watertown Development, Tianjin Haichang Property and Yantai Haichang Tourism Development were conducted in the ordinary and usual course of business and on terms and conditions similar to those entered into with unrelated parties.

(ii) In December 2016, the Group entered into operation management service agreements with Changsha Park, pursuant to which the Group would provide consultancy service with the total amount of the contracts of RMB16,000,000 for planning and design, construction and making preparations for the scheduled park opening. During the year ended 31 December 2016, consultancy service income was recognised by RMB4,198,000 based on the percentage of the service.

41. RELATED PARTY TRANSACTIONS AND BALANCES (continued)

(a) Related party transactions (continued)

(iii) On 24 January 2014, Haichang Corporation Development and the Group entered into a project management framework agreement (the "Project Management Framework Agreement"), pursuant to which Group would provide project management and quality control services for the real estate projects of Haichang Corporation Development in Mainland China from the date of the Company's shares listing on the Stock Exchange.

On 1 July 2014, Wuhan Chuangfu, Tianjin Haichang Property and Chengdu Haichang Property entered into management service agreements with the Group for the provision of management service at service charges of 1% of their construction contract value per annum for an eighteen-month period commencing from 1 July 2014. The agreements expired on 31 December 2015. Management fee incomes earned from Wuhan Chuangfu, Tianjin Haichang Property and Chengdu Haichang Property for the year ended 31 December 2015 were RMB4,119,000, RMB1,643,000 and RMB1,316,000, respectively.

In the opinion of the directors of the Company, the transactions between the Group and Wuhan Chuangfu, Tianjin Haichang Property and Chengdu Haichang Property were conducted in the ordinary and usual course of business and on terms and conditions agreed mutually.

(iv) In September 2014, the Group and its related parties entered into a series of property management agreements, pursuant to which:

i) Tianjin Property Management agreed to provide management services to the Group at RMB2.23 per square meter per month for the commercial street properties and properties beneath serviced apartments and RMB2.73 per square meter per month for the unsold serviced apartments for a three-year period commencing from 19 September 2014;

ii) Dalian Property Management agreed to provide management services to the Group at RMB2.5 per square meter per month for the unleased or unsold ancillary commercial properties for a three-year period commencing from 19 September 2014;

iii) Wuhan Property Management agreed to provide management services to the Group at RMB2.5 per square meter per month for the unleased or unsold commercial street properties for a three-year period commencing from 19 September 2014; and

iv) Yantai Property Management agreed to provide management services to the Group at RMB1.5 per square meter per month for the unleased or unsold commercial street properties for a three-year period commencing from 19 September 2014.

During the year ended 31 December 2016, management fee expenses paid to Tianjin Property Management, Dalian Property Management, Wuhan Property Management and Yantai Property Management were RMB593,000, RMB534,000, RMB245,000 and nil, respectively (2015: RMB830,000, RMB444,000, RMB1,011,000 and RMB39,000, respectively).

In the opinion of the directors of the Company, the transactions between the Group and Tianjin Property Management, Dalian Property Management, Wuhan Property Management and Yantai Property Management were conducted in the ordinary and usual course of business and on terms and conditions similar to those entered into with unrelated parties.

41. RELATED PARTY TRANSACTIONS AND BALANCES (continued)

(b) Balances with related companies

The Group had the following balances with its related parties at the end of each of the reporting periods:

	31 December 2016 ***RMB'000***	31 December 2015 *RMB'000*
Due from related companies		
Wuhan Chuangfu	**4,493**	1,813
Changsha Park	**4,450**	–
Tianjin Haichang Property	**1,643**	70
Chengdu Haichang Property	**1,316**	1,316
Dalian Property Management	**335**	322
Orix Lease	**300**	231
Tianjin Property Management	**78**	–
Dalian Oriental Watertown Development	**34**	–
	12,649	3,752
Due from a non-controlling equity holder		
Hutan Park	**47,220**	20,000
Due to related companies		
Yantai Haichang Tourism Development	**1,009**	968
Wuhan Property Management	**749**	504
Dalian Ruichang Lease	**100**	–
Chongqing Property Management	**71**	–
Dalian Oriental Watertown Development	**–**	1,877
Tianjin Haichang Property	**–**	294
Dalian Shibo	**–**	210
	1,929	3,853
Finance lease payables		
Orix Lease	**1,553**	2,505

(c) Compensation to the key management

	2016 ***RMB'000***	2015 *RMB'000*
Emoluments:		
Salaries, allowances, bonuses, benefits and other expenses	**9,593**	11,825
Post-employment benefits	**359**	327
	9,952	12,152

42. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of each of the reporting periods are as follows:

31 December 2016

Financial assets

	Loans and receivables *RMB'000*	Available-for-sale financial assets *RMB'000*	Total *RMB'000*
Financial assets included in deposits and other receivables (note 24)	360,419	–	360,419
Available-for-sale investments	–	19,370	19,370
Trade receivables	81,054	–	81,054
Due from related companies	12,649	–	12,649
Due from a non-controlling equity holder	47,220	–	47,220
Pledged bank balances	6,548	–	6,548
Cash and cash equivalents	873,499	–	873,499
	1,381,389	19,370	1,400,759

Financial liabilities

	Financial liabilities at amortised cost *RMB'000*
Financial liabilities included in other payables and accruals (note 28)	318,175
Interest-bearing bank and other borrowings (note 30)	2,901,609
Trade and bills payables	289,583
Due to related companies	1,929
	3,511,296

42. FINANCIAL INSTRUMENTS BY CATEGORY (continued)

31 December 2015

Financial assets

	Loans and receivables *RMB'000*	Available-for-sale financial assets *RMB'000*	Total *RMB'000*
Financial assets included in deposits and other receivables (note 24)	67,642	–	67,642
Available-for-sale investments	–	19,370	19,370
Trade receivables	64,438	–	64,438
Due from related companies	3,752	–	3,752
Due from a non-controlling equity holder	20,000	–	20,000
Pledged bank balances	6,497	–	6,497
Cash and cash equivalents	970,467	–	970,467
	1,132,796	19,370	1,152,166

Financial liabilities

	Financial liabilities at amortised cost *RMB'000*
Financial liabilities included in other payables and accruals (note 28)	294,186
Interest-bearing bank and other borrowings (note 30)	2,366,015
Trade and bills payables	250,264
Due to related companies	3,853
	2,914,318

43. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

The carrying amounts and fair values of the Group's financial instruments, other than those with carrying amounts that reasonably approximate to fair values, are as follows:

31 December 2016

Financial liabilities

	Carrying amount *RMB'000*	**Fair value** *RMB'000*
Financial lease payables	**1,553**	**1,870**
Interest-bearing bank and other borrowings	**426,000**	**415,829**
	427,553	**417,699**

31 December 2015

Financial liabilities

	Carrying amount *RMB'000*	Fair value *RMB'000*
Financial lease payables	2,505	2,880
Interest-bearing bank and other borrowings	400,000	400,000
	402,505	402,880

Management has assessed that the fair values of cash and cash equivalents, pledged deposits, trade receivables, trade and bills payables, financial assets included in deposits and other receivables, financial liabilities included in other payables and accruals, amounts due from related companies, an amount due from a non-controlling equity holder, and amounts due to related companies approximate to their carrying amounts largely due to the short term maturities of these instruments.

Management has assessed that except for the long-term interest-bearing bank loans with fixed interest rate and the finance lease payables, the fair values of interest-bearing bank loans and other borrowings approximate to their carrying amounts largely due to the fact that these borrowings are made between the Group and independent third-party financial institutions or related companies based on prevailing market interest rates.

The fair values of the interest-bearing bank loans with fixed interest rate and the finance lease payables have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The Group's own non-performance risk for finance lease payables as at 31 December 2016 was assessed to be insignificant.

43. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (continued)

The Group's finance department headed by the finance manager is responsible for determining the policies and procedures for the fair value measurement of financial instruments. The finance manager reports directly to the chief financial officer and the board of directors. At each reporting date, the finance department analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation. The valuation is reviewed and approved by the chief financial officer. The valuation process and results are discussed with the board of directors once a year for annual financial reporting.

Fair value hierarchy

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments:

Liabilities for which fair values are disclosed:

As at 31 December 2016

	Fair value measurement using			
	Quoted prices in active markets (Level 1) *RMB'000*	**Significant observable inputs (Level 2)** *RMB'000*	**Significant unobservable inputs (Level 3)** *RMB'000*	**Total** *RMB'000*
Finance lease payables	**–**	**1,870**	**–**	**1,870**
Interest-bearing bank and other borrowings	**–**	**415,829**	**–**	**415,829**
	–	**417,699**	**–**	**417,699**

As at 31 December 2015

	Fair value measurement using			
	Quoted prices in active markets (Level 1) *RMB'000*	Significant observable inputs (Level 2) *RMB'000*	Significant unobservable inputs (Level 3) *RMB'000*	Total *RMB'000*
Finance lease payables	–	2,880	–	2,880
Interest-bearing bank and other borrowings	–	400,000	–	400,000
	–	402,880	–	402,880

During the years ended 31 December 2016 and 2015, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for both financial assets and financial liabilities.

44. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise interest-bearing bank and other borrowings, an amount due from the ultimate holding company, amounts due from/to related companies, an amount due from a non-controlling equity holder, available-for-sale investments, pledged deposits and cash and bank balances. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as trade receivables, trade and bills payables, other receivables and other payables, which arise directly from its operations.

The main risks arising from the Group's financial instruments are interest rate risk, foreign currency risk, credit risk and liquidity risk. The board of directors reviews and agrees policies for managing each of these risks and they are summarised below.

Interest rate risk

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's bank borrowings set out in note 30. The Group has not used any interest rate swaps to hedge its interest rate risk.

The following table demonstrates the sensitivity to a reasonably possible change in interest rate, with all other variables held constant, of the Group's profit before tax (through the impact on floating rate borrowings) and the Group's retained earning.

	Increase/ (decrease) in basis points	Increase/ (decrease) in profit before tax *RMB'000*
For the year ended 31 December 2016	**100**	**(22,791)**
	(100)	**22,791**
For the year ended 31 December 2015	100	(19,635)
	(100)	19,635

Foreign currency risk

The Group's businesses are located in Mainland China and nearly all transactions are conducted in RMB, except for capital injections from shareholders. All of the Group's assets and liabilities are denominated in RMB, except for those owned by the Company and certain subsidiaries which are denominated in USD and HKD.

The following table demonstrates the sensitivity at the end of the reporting period to a reasonably possible change in the USD and HKD exchange rates, with all other variables held constant, of the Group's profit before tax (due to changes in the fair value of monetary assets and liabilities).

44. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Foreign currency risk (continued)

	Increase/ (decrease) in USD/HKD rate %	Increase/ (decrease) in profit before (or after) tax *RMB'000*
2016		
If the RMB weakens against the USD	**10**	**(3,229)**
If the RMB strengthens against the USD	**(10)**	**3,229**
If the RMB weakens against the HKD	**10**	**2,090**
If the RMB strengthens against the HKD	**(10)**	**(2,090)**
2015		
If the RMB weakens against the USD	10	(6,665)
If the RMB strengthens against the USD	(10)	6,665
If the RMB weakens against the HKD	10	882
If the RMB strengthens against the HKD	(10)	(882)

Credit risk

There are no significant concentrations of credit risk within the Group. The credit risk of the Group's other financial assets, which comprise cash and cash equivalents, pledged deposits, trade receivables, deposits and other receivables, available-for-sale investments, an amount due from a non-controlling equity holder, amounts due from related companies arises from default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments.

Liquidity risk

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of interest-bearing bank loans and other borrowings. Cash flows are closely monitored on an ongoing basis.

44. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Liquidity risk (continued)

The maturity profile of the Group's financial liabilities as at the end of reporting period, based on the contractual undiscounted payments, was as follows:

	On demand *RMB'000*	Less than 3 months *RMB'000*	3 to 12 months *RMB'000*	1 to 5 years *RMB'000*	Over 5 years *RMB'000*	Total *RMB'000*
31 December 2016						
Finance lease payables	**–**	**504**	**1,510**	**–**	**–**	**2,014**
Interest-bearing bank borrowings	**–**	**420,485**	**1,033,532**	**1,514,880**	**292,327**	**3,261,224**
Trade and bills payables	**289,583**	**–**	**–**	**–**	**–**	**289,583**
Other payables and accruals	**318,175**	**–**	**–**	**–**	**–**	**318,175**
Due to related companies	**1,929**	**–**	**–**	**–**	**–**	**1,929**
Guarantees in respect of mortgage facilities granted to the purchasers of the Group's properties	**76,556**	**–**	**–**	**–**	**–**	**76,556**
	686,243	**420,989**	**1,035,042**	**1,514,880**	**292,327**	**3,949,481**
31 December 2015						
Finance lease payables	–	376	1,128	2,014	–	3,518
Interest-bearing bank borrowings	–	127,592	789,825	1,579,760	226,416	2,723,593
Trade and bills payables	250,264	–	–	–	–	250,264
Other payables and accruals	294,186	–	–	–	–	294,186
Due to related companies	3,853	–	–	–	–	3,853
Guarantees in respect of mortgage facilities granted to the purchasers of the Group's properties	69,381	–	–	–	–	69,381
	617,684	127,968	790,953	1,581,774	226,416	3,344,795

44. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise equity holders' value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Group is not subject to any externally imposed capital requirements. No changes were made in the objectives, policies or processes during the years ended 31 December 2016 and 2015.

The Group monitors capital using a net debt to total equity ratio. Net debt includes interest-bearing bank and other borrowings, amounts due to related companies, less cash and cash equivalents and amounts due from related companies and a non-controlling equity holder. The gearing ratios as at the end of the reporting periods were as follows:

	31 December 2016 *RMB'000*	31 December 2015 *RMB'000*
Interest-bearing bank and other borrowings	**2,901,609**	2,366,015
Due to the related companies	**1,929**	3,853
Less: Due from related companies	**(12,649)**	(3,752)
Due from a non-controlling equity holder	**(47,220)**	(20,000)
Cash and cash equivalents	**(873,499)**	(970,467)
Net debt	**1,970,170**	1,375,649
Total equity	**4,218,834**	3,995,181
Net debt to total equity ratio	**47%**	34%

45. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

Information about the statement of financial position of the Company at the end of the reporting period is as follows:

	31 December 2016 RMB'000	31 December 2015 RMB'000
CURRENT ASSETS		
Deposits and other receivables	**318**	3,404
Due from subsidiaries	**3,084,652**	2,895,798
Cash and cash equivalents	**7,817**	5,753
Total current assets	**3,092,787**	2,904,955
CURRENT LIABILITIES		
Other payables and accruals	**4,932**	3,670
Total current liabilities	**4,932**	3,670
NET CURRENT ASSETS	**3,087,855**	2,901,285
TOTAL ASSETS LESS CURRENT LIABILITIES	**3,087,855**	2,901,285
NET ASSETS	**3,087,855**	2,901,285
EQUITY		
Share capital	**2,451**	2,451
Other reserves	**3,085,404**	2,898,834
TOTAL EQUITY	**3,087,855**	2,901,285

45. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (continued)

Note:

A summary of the Company's reserves is as follows:

	Share premium *RMB'000*	Capital reserve *RMB'000*	Exchange fluctuation reserve *RMB'000*	Accumulated losses *RMB'000*	Total *RMB'000*
At 1 January 2015	2,373,396	426,514	(18,833)	(39,177)	2,741,900
Loss for the year	–	–	–	(10,856)	(10,856)
Exchange difference on translation of foreign operations	–	–	167,578	–	167,578
Total comprehensive profit for the year	–	–	167,578	(10,856)	156,722
Deemed contribution from shareholders	–	212	–	–	212
At 31 December 2015 and 1 January 2016	2,373,396	426,726	148,745	(50,033)	2,898,834
Loss for the year	–	–	–	(11,065)	(11,065)
Exchange differences on translation of foreign operations	–	–	197,635	–	197,635
Total comprehensive profit for the year	–	–	197,635	(11,065)	186,570
At 31 December 2016	2,373,396	426,726	346,380	(61,098)	3,085,404

46. 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.

47. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 22 March 2017.

MAJOR PROPERTIES HELD BY THE GROUP

City-Phase (Usage)	Address	Status	Actual or Planned Construction Period	Total Actual or Planned GFA (underground GFA, if applicable)[1] (sq.m.)	Total GFA Sold Cumulatively (sq.m.)	Total Actual or Planned GFA Held for Sale (sq.m.)	Total Actual or Planned GFA Held for Investment (sq.m.)	Term of Land	Interest attributable to the Group
Qingdao (Commercial Street)	Qingdao Polar Ocean World, 60 Donghai East Road, Qingdao, Shandong Province, the PRC	Completed	01/2005 – 07/2006	38,345	20,888	Nil	17,457	40 years	100%
Chengdu – Phase 1 (Commercial Street)	Phase 1 of Chengdu Polar Ocean World, Chengdu, Sichuan Province, the PRC	Completed	09/2007 – 07/2011	51,366	18,971	4,292	28,103	40 years	100%
Chengdu – Phase 2 (Clubhouse)	The clubhouse of Phase 2 of Chengdu Polar Ocean World, Chengdu, Sichuan Province, the PRC	Completed	03/2010 – 09/2011	34,198 (11,646)	13,170	Nil	21,028 (11,646)	40 years	100%
Chengdu – Phase 2 (Hotel and Office Complex)	The office building of Phase 2 of Chengdu Polar Ocean World, Chengdu, Sichuan Province, the PRC	Completed	04/2013 – 05/2015	45,351 (11,477)	45,351 (11,477)	Nil	Nil	40 years	100%
Yantai (Commercial Street)	Yantai Fisherman's Wharf, Binhai Road, Yantai, Shandong Province, the PRC	Completed	04/2008 – 06/2012	42,107	31,035	Nil	11,072	40 years	100%
Wuhan – Phase 1 (Commercial Street)	Phase 1 of Wuhan Polar Ocean World, Dongxihu District, Wuhan, Hubei Province, the PRC	Completed	08/2011 – 03/2013	43,518	Nil	Nil	43,518	40 years	100%
Wuhan – Phase 2 (Commercial Street)	Phase 2 of Wuhan Polar Ocean World, Dongxihu District, Wuhan, Hubei Province, the PRC	For future development	07/2017 – 12/2019	97,384 (22,300)	N/A	N/A	N/A	40 years	100%
Wuhan – Phase 3 (Serviced Apartments)	Phase 3 of Wuhan Polar Ocean World, Dongxihu District, Wuhan, Hubei Province, the PRC	For future development	07/2017 – 12/2019	153,158 (35,890)	N/A	N/A	N/A	40 years	100%
Tianjin – Block B (Commercial Street)	Block B, Tianjin Polar Ocean World, east side of Henan Road and south side of Binhe Road, Binhai New District, Tianjin, the PRC	Completed	06/2010 – 11/2013	33,151 (12,783)	1,586	Nil	23,252[2]	40 years	100%
Tianjin – Block D (Commercial Street)	Block D, Tianjin Polar Ocean World, east side of Henan Road and south side of Binhe Road, Binhai New District, Tianjin, the PRC	Completed	08/2010 – 11/2013	36,392 (10,148)	20,735	2,864	2,645	40 years	100%
Tianjin – Block E (Serviced Apartments)	Block E, Tianjin Polar Ocean World, east side of Henan Road and south side of Binhe Road, Binhai New District, Tianjin, the PRC	Completed	09/2010 – (03/2014 – 12/2015)[3]	59,006 (12,118)	16,584	9,110 (8,634)	29,828	40 years	100%

MAJOR PROPERTIES HELD BY THE GROUP

City-Phase (Usage)	Address	Status	Actual or Planned Construction Period	Total Actual or Planned GFA (underground GFA, if applicable)[1] (sq.m.)	Total GFA Sold Cumulatively (sq.m.)	Total Actual or Planned GFA Held for Sale (sq.m.)	Total Actual or Planned GFA Held for Investment (sq.m.)	Term of Land	Interest attributable to the Group
Tianjin – Block A (Serviced Apartments and Commercial Street)	Block A, Tianjin Polar Ocean World, east side of Henan Road and south side of Binhe Road, Binhai New District, Tianjin, the PRC	For future development	11/2017 – 05/2020	120,749 (37,938)	N/A	N/A	N/A	40 years	100%
Dalian (Commercial Street)[4]	Dalian Tiger Beach Fisherman's Wharf, Dalian, Liaoning Province, the PRC	Completed	–	12,671 [4]	–	–	12,671 [4]	40 years	100%
Dalian (Haichang Xincheng)	Haichang Xincheng Commercial Space, 137 Huale Street, Zhongshan District, Dalian, Liaoning Province, the PRC	Completed	–	6,365	–	–	6,365	70 years	100%
Chongqing – Phase 1 (Commercial Street)	Chongqing Caribbean Water Park, Nan An District, Chongqing, the PRC	Completed	04/2008 – 12/2011	32,529	–	8,092	24,437	40 years	100%
Chongqing – Phase 2	Chongqing Caribbean Water Park, Nan An District, Chongqing, the PRC	For future development	11/2016 – 10/2018	54,095 (9,758)	N/A	N/A	N/A	40 years	100%

Notes:

1. Property ownership certificate for underground GFA is usually not available in accordance with the practice of PRC land administrative authorities.

2. This includes 4,470 sq.m. of underground GFA for which property ownership certificate will be available according to the relevant property survey conducted by the land administrative authorities.

3. The development of Block E is expected to be completed in two stages with different construction completion dates.

4. The ancillary commercial properties in Dalian, namely Dalian Fishermen's Wharf, were not developed by us and were acquired by us. As of 31 December 2014, the total GFA of the properties that had been acquired by us was 12,671 sq.m. Therefore, the information about its development is not relevant.