HAICHANG HOLDINGS LTD.
海昌控股有限公司
(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 2255)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2014

FINANCIAL HIGHLIGHTS

- Revenue increased by approximately 17.8% to approximately RMB451.2 million
- Profit/(loss) for the period improved from a loss of approximately RMB60.0 million for the six-month period ended 30 June 2013 to a profit of approximately RMB73.2 million for the six-month period ended 30 June 2014
- Profit/(loss) for the period attributable to owners of the parent improved from a loss of approximately RMB59.9 million for the six-month period ended 30 June 2013 to a profit of approximately RMB73.6 million for the six-month period ended 30 June 2014

RESULTS

The board of directors (the "Board" or the "Directors") of Haichang Holdings Ltd. (the "Company") is pleased to announce the unaudited condensed consolidated interim results of the Company and its subsidiaries (collectively, the "Group") for the six-month period ended 30 June 2014, together with the comparative financial information as follows:

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENTS OF PROFIT OR LOSS

For the six months ended 30 June 2014

		For the six months ended 30 June	
		2014	2013
	Notes	***RMB'000***	*RMB'000*
		(Unaudited)	(Unaudited)
REVENUE	*5*	**451,202**	382,990
Cost of sales		**(292,097)**	(244,417)
GROSS PROFIT		**159,105**	138,573
Other income and gains	*5*	**233,588**	107,996
Selling and marketing expenses		**(48,502)**	(30,093)
Administrative expenses		**(109,911)**	(56,402)
Other expenses		**(50)**	(224)
Finance costs	*6*	**(108,769)**	(191,962)
PROFIT/(LOSS) BEFORE TAX		**125,461**	(32,112)
Income tax expenses	*7*	**(52,228)**	(27,930)
PROFIT/(LOSS) FOR THE PERIOD		**73,233**	(60,042)
Attributable to:			
Owners of the parent		**73,623**	(59,887)
Non-controlling interests		**(390)**	(155)
		73,233	(60,042)
EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
– Basic (RMB cents)	*8*	**2.04**	(2.00)

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

For the six months ended 30 June 2014

	For the six months ended 30 June 2014 RMB'000 (Unaudited)	2013 RMB'000 (Unaudited)
PROFIT/(LOSS) FOR THE PERIOD	**73,233**	(60,042)
OTHER COMPREHENSIVE INCOME/(LOSS)		
Other comprehensive income to be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	**9,532**	576
Net other comprehensive income to be reclassified to profit or loss in subsequent periods	**9,532**	576
Items not to be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	**12,180**	(8,361)
Net other comprehensive income/(loss) not to be reclassified to profit or loss in subsequent periods	**12,180**	(8,361)
Other comprehensive income/(loss)	**21,712**	(7,785)
TOTAL COMPREHENSIVE INCOME/(LOSS)	**94,945**	(67,827)
Attributable to:		
Owners of the parent	**95,335**	(67,672)
Non-controlling interests	**(390)**	(155)
	94,945	(67,827)

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

As at 30 June 2014

	Notes	30 June 2014 RMB'000 (Unaudited)	31 December 2013 RMB'000 (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment		**1,836,100**	1,865,012
Investment properties		**1,659,000**	1,376,000
Prepaid land lease payments		**299,760**	304,692
Intangible assets		**397**	376
Available-for-sale investment		**19,170**	19,170
Deferred tax assets		**69,890**	63,090
Long-term prepayments		**14,896**	19,005
Total non-current assets		**3,899,213**	3,647,345
CURRENT ASSETS			
Completed properties held for sale		**462,871**	527,651
Properties under development		**410,648**	476,257
Inventories		**6,703**	8,200
Trade receivables		**40,896**	26,791
Available-for-sale investment		**10,200**	200
Prepayments, deposits and other receivables		**61,007**	54,348
Due from the ultimate holding company		**–**	610
Due from related companies		**509**	1,460,891
Due from a non-controlling equity holder		**4,468**	59,675
Pledged bank balances		**894,883**	2,292
Cash and cash equivalents		**1,839,207**	495,936
Total current assets		**3,731,392**	3,112,851
CURRENT LIABILITIES			
Gross amount due to a contract customer		**59,138**	13,417
Trade and bills payables		**274,841**	360,175
Other payables and accruals		**225,561**	227,709
Due to related companies		**5**	787,292
Advances from customers		**65,421**	145,838
Interest-bearing bank and other borrowings	9	**1,446,051**	931,448
Government grants		**12,122**	9,516
Deferred revenue		**7,269**	5,354
Tax payables		**233,283**	232,049
Total current liabilities		**2,323,691**	2,712,798
NET CURRENT ASSETS		**1,407,701**	400,053
TOTAL ASSETS LESS CURRENT LIABILITIES		**5,306,914**	4,047,398

	Notes	**30 June 2014** *RMB'000* **(Unaudited)**	31 December 2013 *RMB'000* (Audited)
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	*9*	**1,793,821**	2,440,333
Government grants		**549,353**	585,703
Deferred tax liabilities		**120,323**	77,842
Total non-current liabilities		**2,463,497**	3,103,878
NET ASSETS		**2,843,417**	943,520
EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT			
Issued capital		**2,451**	72
Reserves		**2,706,193**	805,520
		2,708,644	805,592
Non-controlling interests		**134,773**	137,928
TOTAL EQUITY		**2,843,417**	943,520

NOTES TO THE UNAUDITED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2014

1. CORPORATE INFORMATION

The Company was incorporated in the Cayman Islands on 21 November 2011 with limited liability. The registered office address of the Company is PO Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands.

The Group is principally engaged in the development, construction and operation of theme parks, property development and investment and hotel operations in Mainland China. 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 30 June 2014.

2.1 BASIS OF PREPARATION

The unaudited interim financial information for the six-month period ended 30 June 2014 (the "Interim Financial Information") has been prepared in accordance with International Accounting Standard ("IAS") 34 "Interim Financial Reporting" issued by the International Accounting Standards Board ("IASB").

The Interim Financial Information does not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's audited financial statements for the year ended 31 December 2013.

2.2 BASIS OF PRESENTATION

Pursuant to the group reorganisation (the "Reorganisation") as more fully explained in the section "History, Reorganisation and Corporate Structure" in the Company's prospectus dated 28 February 2014 for the listing of the shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), the Company became the holding company of the companies now comprising the Group in January 2014.

The consolidated financial information has been prepared by applying the principle of pooling of interest method accounting as if the Reorganisation had been completed as at the beginning of the year ended 31 December 2013 because the Company's acquisition of the companies now comprising the Group should be regarded as a business combination under common control as the Company and the companies now comprising the Group were under common control both before and after the completion of the Reorganisation.

The consolidated financial information has incorporated the financial information of the Company and its subsidiaries for the six months ended 30 June 2014 and the year ended 31 December 2013. Although 上海海昌極地海洋世界有限公司("Shanghai Haichang") and the property holding and investment business of 大連世博房地產開發有限公司(a related company of the Company) were acquired by the Company through the Reorganisation and completed in January 2014, their acquisitions were accounted for using the pooling of interest method accounting.

The consolidated statements of profit or loss, statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group for the six months ended 30 June 2014 and 2013 include the results and cash flows of all companies now comprising the Group from the earliest date presented or since the date when the subsidiaries and/or businesses first came under the common control of the controlling shareholders, where this is a shorter period. The consolidated statements of financial position of the Group as at 30 June 2014 and 31 December 2013 have been prepared to present the assets and liabilities of the subsidiaries and/or businesses using the existing book values from the controlling shareholders' perspective. No adjustments are made to reflect fair values, or recognise any new assets or liabilities as a result of the Reorganisation.

Equity interests in subsidiaries and/or businesses held by parties other than the controlling shareholders prior to the Reorganisation are presented as non-controlling interests in equity in applying the principles of merger accounting.

All intra-group transactions and balances have been eliminated on consolidation.

3. CHANGES IN THE GROUP'S ACCOUNTING POLICIES

The accounting policies adopted in the preparation of the interim financial information are consistent with those followed in the preparation of the Group's financial statements for the year ended 31 December 2013, except for the adoption of new standards and interpretations effective as of 1 January 2014.

The Group applied the below new standards and amendments for the first time in 2014. However, they do not impact the interim condensed consolidated financial information of the Group.

The nature and impact of each new standard/amendment are described below:

Investment Entities (Amendments to IFRS 10, IFRS 12 and IAS 27)

These amendments provide an exception to the consolidation requirement for entities that meet the definition of an investment entity under IFRS 10 *Consolidated Financial Statements*. The exception to consolidation requires investment entities to account for subsidiaries at fair value through profit or loss. These amendments have had no impact on the Group, since none of the entities in the Group qualifies to be an investment entity under IFRS 10.

Offsetting Financial Assets and Financial Liabilities – Amendments to IAS 32

These amendments clarify the meaning of "currently has a legally enforceable right to set-off" and the criteria for non-simultaneous settlement mechanisms of clearing houses to qualify for offsetting. These amendments have had no impact on the Group.

Novation of Derivatives and Continuation of Hedge Accounting – Amendments to IAS 39

These amendments provide relief from discontinuing hedge accounting when novation of a derivative designated as a hedging instrument meets certain criteria. These amendments have had no impact on the Group.

Recoverable Amount Disclosures for Non-Financial Assets – Amendments to IAS 36

These amendments remove the unintended consequences of IFRS 13 *Fair Value Measurement* on the disclosures required under IAS 36 *Impairment of Assets*. In addition, these amendments require disclosure of the recoverable amounts for the assets or cash-generating units (CGUs) for which an impairment loss has been recognised or reversed during the period. These amendments have had no significant impact on the Group.

IFRIC 21 *Levies*

IFRIC 21 is effective for annual periods beginning on or after 1 January 2014 and is applied retrospectively. It is applicable to all levies imposed by governments under legislation, other than outflows that are within the scope of other standards (e.g., IAS 12 *Income Taxes*) and fines or other penalties for breaches of legislation.

The interpretation clarifies that an entity recognises a liability for a levy no earlier than when the activity that triggers payment, as identified by the relevant legislation, occurs. It also clarifies that a levy liability is accrued progressively only if the activity that triggers payment occurs over a period of time, in accordance with the relevant legislation. For a levy that is triggered upon reaching a minimum threshold, no liability is recognized before the specified minimum threshold is reached. The interpretation requires these same principles to be applied in interim financial information. These amendments have had no impact on the Group.

The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

4. OPERATING SEGMENT INFORMATION

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

(a) the park operations segment engages in the development, construction and operation of theme parks;

(b) the property development and holding segment engages in the sale of properties and management of the Group's developed and operating properties for rental income potential and for capital appreciation; and

(c) the others segment engages in hotel operations and the provision of services to guests.

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, an amount due from the ultimate holding company, amounts due from related companies, an amount due from a non-controlling equity holder, cash and cash equivalents and pledged deposits as these assets are managed on a group basis.

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

No further geographical segment information is presented as over 90% of the Group's revenue from external customers is derived from its operation in Mainland China and over 90% of the Group's non-current assets are located in Mainland China.

Operating segments

The following tables present revenue, profit and certain asset, liability and expenditure information for the Group's business segments for the six-month period from 1 January to 30 June:

Six months from 1 January to 30 June 2014 (Unaudited)	**Parks operations** *RMB'000*	**Property development and holding** *RMB'000*	**Others** *RMB'000*	**Total** *RMB'000*
Segment revenue				
Sales to external customers and total revenue	**283,142**	**149,777**	**18,283**	**451,202**
Revenue from continuing operations				**451,202**
Segment results	**108,819**	**50,286**	**–**	**159,105**
Reconciliations:				
Unallocated income				**233,588**
Unallocated expenses				**(158,463)**
Finance costs				**(108,769)**
Profit before tax				**125,461**

30 June 2014 (Unaudited)	**Parks operations** *RMB'000*	**Property development and holding** *RMB'000*	**Others** *RMB'000*	**Total** *RMB'000*
Segment assets	**2,167,383**	**2,532,519**	**–**	**4,699,902**
Reconciliation:				
Corporate and other unallocated assets				**2,930,703**
Total assets				**7,630,605**
Segment liabilities	**–**	**–**	**59,138**	**59,138**
Reconciliation:				
Corporate and other unallocated liabilities				**4,728,050**
Total liabilities				**4,787,188**
Other segment information				
Impairment losses recognized/(reversed) in the statement of profit or loss	**(97)**	**3,703**	**–**	**3,606**
Depreciation and amortization				
Unallocated				**27**
Segment	**62,379**	**–**	**–**	**62,379**
Capital expenditure*				
Unallocated				**48**
Segment	**29,404**	**21,878**	**–**	**51,282**

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

Six months from 1 January to 30 June 2013 (Unaudited)	Parks operations *RMB'000*	Property development and holding *RMB'000*	Others *RMB'000*	Total *RMB'000*
Segment revenue				
Sales to external customers	241,183	122,825	18,982	382,990
Revenue from continuing operations				382,990
Segment results	78,407	59,943	223	138,573
Reconciliations:				
Unallocated income				107,996
Unallocated expenses				(86,719)
Finance costs				(191,962)
Loss before tax				(32,112)

31 December 2013 (Audited)	Parks operations *RMB'000*	Property development and holding *RMB'000*	Others *RMB'000*	Total *RMB'000*
Segment assets	2,206,833	2,379,908	–	4,586,741
Reconciliation:				
Corporate and other unallocated assets				2,173,455
Total assets				6,760,196
Segment liabilities	–	–	13,417	13,417
Reconciliation:				
Corporate and other unallocated liabilities				5,803,259
Total liabilities				5,816,676
Six months from 1 January to 30 June 2013 (Unaudited)				
Other segment information				
Impairment losses recognised in the statement of profit or loss	(585)	–	–	(585)
Depreciation and amortisation				
Unallocated				12
Segment	60,919	–	–	60,919
Capital expenditure				
Segment	86,864	–	–	86,864

5. REVENUE, OTHER INCOME AND GAINS

Revenue, which is also the Group's turnover, represents income from the sales of tickets for entertainment theme park operations and the sales of goods for restaurant and store operations, park games fee income, and income from hotel operations, and the sales of properties, and gross rental income received and receivable from investment properties, an appropriate proportion of contract revenue of construction contracts for the six months ended 30 June 2014 and 2013, net of business tax and other surcharges.

	For the six months ended 30 June **2014** ***RMB'000*** **(Unaudited)**	2013 *RMB'000* (Unaudited)
Revenue		
Tickets sales	**251,243**	215,008
Property sales	**128,229**	112,795
Food and beverage sales	**16,352**	13,723
Sale of merchandise and park games fee income	**15,547**	12,453
Rental income	**21,548**	10,030
Construction contracts	**17,246**	17,956
Income from hotel operations	**1,037**	1,025
	451,202	382,990

	For the six months ended 30 June	
	2014	2013
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Other income		
Government grants	**41,367**	5,209
Interest income	**4,438**	2,663
Interest income from related companies	**10,433**	88,118
Income from insurance claims	**6,895**	2,594
Others	**19,761**	3,022
	82,894	101,606
Gain		
Gain on revaluation upon reclassification from completed properties held for sale and investment properties, net	**150,694**	–
Fair value gains on investment properties	**–**	6,390
	150,694	6,390
	233,588	107,996

6. FINANCE COSTS

	For the six months ended 30 June	
	2014	2013
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Interest on bank loans and other borrowings	**118,654**	223,091
Interest on finance leases	**4,828**	8,861
Total interest expenses on financial liabilities not at fair value through profit or loss	**123,482**	231,952
Less: Interest capitalised	**(14,713)**	(39,990)
	108,769	191,962

7. INCOME TAX

Provision for PRC corporate income tax (the "CIT") has been provided at the applicable income tax rate of 25% for the six months ended 30 June 2014 (six months ended 30 June 2013: 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 ("LAT") effective from 1 January 1994, and the Detailed Implementation Rules on the Provisional Regulations of the PRC on LAT effective from 27 January 1995, all income from the sale or transfer of state-owned leasehold interests on land, buildings and their attached facilities in Mainland China is subject to LAT at progressive rates ranging from 30% to 60% of the appreciation value, with an exemption provided for property sales of ordinary residential properties if their appreciation values do not exceed 20% of the sum of the total deductible items.

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

Income tax in the consolidated statement of comprehensive income represents:

	For the six months ended 30 June	
	2014	2013
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Current – Mainland China:		
Charge for the period – CIT	**16,208**	696
LAT	**339**	17,650
	16,547	18,346
Deferred tax	**35,681**	9,584
Total tax charge for the period	**52,228**	27,930

8. EARNINGS/(LOSS) PER SHARE

The calculation of the basic earnings per share amount is based on the profit attributable to ordinary equity holders of the parent for the six months ended 30 June 2014, and the weighted average number of ordinary shares issued during the period on the assumption that the capitalisation issue of 2,885,608,004 shares have been effective on 1 January 2013.

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

	30 June 2014	30 June 2013
	RMB'000	*RMB'000*
Earnings/(loss)		
Profit/(loss) attributable to ordinary equity holders of the parent, used in the basic earnings/(loss) per share calculation:	**73,623**	(59,887)
Shares		
Weighted average number of ordinary shares in issue during the period used in the basic earnings/(loss) per share calculation	**3,605,555,556**	3,000,000,000

There were no potentially dilutive ordinary shares in issue during the periods and therefore the diluted earnings per share is not presented.

9. INTEREST-BEARING BANK AND OTHER BORROWINGS

	30 June 2014 *RMB'000*	31 December 2013 *RMB'000*
Finance lease payables	**40,811**	133,825
Other loans – secured	**402,094**	917,838
Bank loans – secured	**2,796,967**	2,320,118
	3,239,872	3,371,781
Current:		
Finance lease payables	**23,702**	107,914
Other loans – secured	**28,956**	140,743
Bank loans – secured	**843,615**	158,000
Current portion of non-current loans – secured	**549,778**	524,791
	1,446,051	931,448
Non-current:		
Finance lease payables	**17,109**	25,911
Other loans – secured	**373,138**	778,195
Bank loans – secured	**1,403,574**	1,636,227
	1,793,821	2,440,333
Repayable:		
Within one year or on demand	**1,446,051**	931,448
In the second year	**467,876**	525,097
In the third to fifth years, inclusive	**1,114,331**	1,557,838
Over five years	**211,614**	357,398
	3,239,872	3,371,781

10. SUBSEQUENT EVENTS

On 11 July 2014, the Group entered into an agreement with Hutan Park to extend the date of the definitive agreements regarding the original cooperation framework agreement of 大連老虎灘公園 dated 15 April 2014.

MANAGEMENT DISCUSSION AND ANALYSIS

Industry review

Due to China's economic development, increase in disposable income of its citizens, infrastructure improvement, change in holiday policies and gradual development of transport infrastructure in China, public consumption in the tourism industry in China is experiencing a fast growth period. Many Chinese citizens have adopted traveling as part of their lifestyles.

According to the National Bureau of Statistics of China, domestic tourist visits increased from 1,712.0 million in 2008 to 3,262.0 million in 2013 and the total national tourism receipts increased from RMB874.9 billion in 2008 to RMB2,627.6 billion in 2013. In 2013, the number of domestic tourists increased by 10.3% year-on-year to 3,262.0 million. Despite rapid growth in recent years, China's per capita spending on travel is still significantly lower than developed countries. In 2013, the annual per capita spending on travel was RMB805.5 in China, representing approximately 1.9% of China's GDP per capita, as compared with USD1,685 and USD831 in the United States and France in 2003, respectively (both exceeding 5% of its GDP per capita at the same year). The relatively low per capita spending creates a significant room for growth in the PRC tourism industry.

The table below sets out selected information on China's tourism industry for the years indicated:

	2009	2010	2011	2012	2013
Nominal GDP (RMB in billions)	34,090.3	40,151.3	47,310.4	51,947.0	56,884.5
National Tourism Receipts (RMB in billions)	1,018.4	1,258.0	1,930.5	2,270.6	2,627.6
Growth Rate (%)	16.4%	23.5%	53.5%	17.6%	15.7%
Tourism Earnings as of GDP (%)	3.0%	3.1%	4.1%	4.4%	4.6%

Source: National Bureau of Statistics of China

Rising urbanization rate

From 2008 to 2013, China's urbanization rate increased from 47.0% to 53.7%. Urbanization is a key driver of the theme park industry growth as urban residents have significantly higher per capita disposal income than rural residents. As an increasing number of people migrate from rural to urban areas, the consumption pattern of these migrants is expected to change, leading to the growth in number of domestic tourist and demand in the tourism market. Also, it is expected that the transformation and steady growth of China's economy will be favourable to the development of the tourism industry in the long run.

Regulatory and Government Support

It is expected that the PRC government will continue to attach great importance to the tourism industry. For example, the PRC government has enacted a series of policies, laws and regulations such as the National Travel Leisure Outline (2013-2020) (《國民旅遊休閒綱要(2013-2020年)》) and the Tourism Law of the PRC (《中華人民共和國旅遊法》) issued on 25 April 2013 and effective as of 1 October 2013 to promote the domestic tourism, to improve transportation and ancillary infrastructure, and to provide financial support to tourism enterprises. The continued growth of China's domestic tourism industry is expected to fuel the growth of the theme park industry. On 21 August 2014, the Opinions on Promoting the Reform and Development of the Tourism Industry《關於促進旅遊業改革發展的若干意見》(the "Opinions") were issued by the State Council to facilitate the reform and development of the tourism industry in China. The Opinions set out the priority missions in the reform and development of the tourism industry in the forthcoming period, such as, to strengthen the momentum of tourism development, expand the space for tourism development and optimize the environment for tourism development. Focusing on the prevailing challenges and problems identified in the reform and development of the tourism industry in China, measures have been introduced to implement the paid leave system, strengthen the tourism infrastructure development, implement fiscal and financial policies which can support tourism development under the new market conditions, improve the land use management system of tourism land and optimize the system for tourism-related personnel development. These measures have strengthened the support under the government policies and it is expected that the prosperity of the tourism industry will be enhanced.

Local governments in the PRC also encourage the development and expansion of theme parks, and some of them have offered attractive incentives and preferential policies to attract international and large domestic players. The government has a strong incentive to continually support the industry.

Business review

The Group is a leading developer and operator of theme parks and ancillary commercial properties in the PRC. The Group's theme parks provide a comprehensive theme park, leisure, dining and shopping experience to its customers through both the in-park offerings and the complementary services offered by the ancillary commercial properties adjacent to the theme parks. The Group currently operates six marine theme parks with a focus on polar animals across the PRC located in Dalian, Qingdao, Tianjin, Yantai, Wuhan and Chengdu. The key assets of the Group are its large and diverse animal collection showcased in the theme parks. The Group will complete the acquisitions of Dalian Discoveryland and Chongqing Caribbean Water Park (the "Additional Theme Parks") by the end of 2014. Prior to the acquisitions, the Additional Theme Parks had been operated by the senior management team of the Group, together with the other marine theme parks of the Group, since their inception.

The Group has recorded an increase in the unaudited admission attendance and unaudited ticket attendance of the six theme parks for the first six-month period ended 30 June 2014 as compared with the corresponding period in 2013, the admission attendance (measured by the number of visitors based on actual admissions) of the six theme parks of the Group increased by 18.1% from approximately 2,835,138 visitors for the six months ended 30 June 2013 to approximately 3,347,559 visitors for the same period in 2014. The ticket attendance (measured by the number of visitors based on ticket sales) of the six theme parks of the Group increased by 10.1% from approximately 2,200,176 visitors for the six months ended 30 June 2013 to approximately 2,422,838 visitors for the same period in 2014.

Furthermore, in order to tie in with the changes of the spending habits in the market, the Group has expanded its online ticketing channels and adopted a series of online marketing strategies. As a result, the Group has recorded an increase in the unaudited online ticket sales revenue, unaudited number of online transactions and unaudited average price per ticket sold online of the six theme parks it currently owns and operates in the first half of 2014. The online ticket sales revenue for the six months ended 30 June 2014 increased by 39.3% as compared to that for the six months ended 30 June 2013. The number of online transactions for the six months ended 30 June 2014 increased by 24.0% as compared to that for the six months ended 30 June 2013. The average price per ticket sold online increased by 12.3% as compared to that for the six months ended 30 June 2013.

As to branding and marketing, the Group continued to strengthen and promote the *Haichang Holdings* brand and to improve its branding management system. The Group has preliminary set up and been operating different platforms in order to expand its existing online sales channels, such as official website, new media platform, online sales platform, tour guide mobile application and in-park public Wi-Fi network. In January and March 2014, the Group launched the "South Pole Fairytale Village (南極童話村)" and the "Haichang Little Explorer (海昌小小旅行家)" activities. Later in the summer of 2014, the Group further cooperated with Taomee Holdings Ltd. (NYSE: TAOM) and jointly presented the "Haichang Little Magician – Mole World Adventure (海昌小小魔法師－摩爾莊園大冒險)" activity. Through these activities, the Group aroused the attention of the market and media and attracted more visitors to its theme parks, especially families and children visitors.

The Group proactively implemented various measures to optimize and increase the revenue from in-park spending and profitability, the results of which were obvious during the first half of 2014. In particular, the Group has established and implemented systems to maintain the standard of its catering services and to unify the working process. The Group has also implemented effective incentive scheme and costs control system to increase its revenue and profit, carried out scientific adjustments to its business and profit-sharing models and gradually retrieved projects with higher profit margin to operate on its own in order to increase its gross profit margin. The Group has also enhanced the location and image of its in-park spending points based on the spending patterns of its visitors and has devoted more effort in innovation in order to develop creative products and new projects with interactive experience.

In order to expand its existing strategic cooperation and maintain a diversified development, the Group entered into a strategic cooperation framework agreement with Characters Inc. on 11 June 2014, pursuant to which, the Group will be authorized to use the Japanese cartoon character "Doraemon" for a series of activities and promotions at its theme parks, the Group will develop retail shops with the theme of Doraemon within its theme parks with the assistance of Characters Inc., sell themed products in its theme parks, be able to include the image of Doraemon in its marketing and promotional activities. The parties will also jointly develop media shows and products which will consist of the brand names of the Group and Doraemon and promote the development of the "Town of Doraemon" game or theme park. The Group also entered into a strategic cooperation framework agreement with China Huiyuan Juice Group Limited (Stock Code: 1886) ("Huiyuan Juice") on 24 June 2014, pursuant to which the beverage products of Huiyuan Juice will be sold across the theme parks of the Group to enrich its portfolio of services and products, the parties will also jointly organize promotional events in the theme parks.

To offer the park visitors an integrated travel experience and benefit from the potential appreciation in value of the properties adjacent to the theme parks, the Group develops, sells and selectively holds ancillary commercial properties adjacent to the theme parks. The Group facilitated the sales of its properties held for sale through taking a forward-looking approach to identify the positioning of its products, reinforcing the expansion of sales channels and strengthening the management of sales revenue. Therefore, the Group reached the expected sales target of its properties held for sale for the six months ended 30 June 2014. By analyzing the structure of its product portfolio, carrying out regular assessment and selection of its tenants, consolidating the complementary functions between different business segments and standardising the standard of its property services, the Group successfully adjusted the combination of the tenants base of its properties held for investment and developed a more diversified tenants base with a higher rental income level. The commercial leasing business of the Group improved in the first half of 2014 as compared to the same period in 2013 as rental income recorded a substantial growth. Meanwhile, the product positioning and planning proposal for the Group's ancillary commercial properties project (phase II) located in Wuhan were completed.

The Group has always been endeavored to establish good investor relations and public relations in order to increase the public awareness, understanding and monitoring of the Group. On one hand, the Group actively engaged in communication with investors by one-to-one/group meetings and teleconferences upon the listing of the shares of the Company (the "Shares") on the Mainboard of the Stock Exchange (the "Listing"). During the period from April to June 2014, in addition to investors from Hong Kong and Europe, the Group has also communicated with a number of other visiting investors. On the other hand, the Group established a two-way communication mechanism with the media in China and Hong Kong, organized a number of reverse roadshow activities in Hong Kong and the places in which its projects are located with the media in China and Hong Kong, it also actively participated in industry exchange activities and tourism seminars.

With respect to industry exchange activities, the Group participated in the 42nd Annual Symposium of the European Association for Aquatic Mammals (EAAM) held in Spain in March 2014 and the 45th Annual Conference of the International Association for Aquatic Animal Medicine (IAAAM) held in Australia in May 2014, at which the Group exchanged and shared views and experiences on international exchange, global marine theme parks growth trends, establishment of animal pedigree, animal species management and animal medical care with its industry peers. The Group, as an organizer, cooperated with the Aquarium Special Committee of the Chinese Association of Natural Science Museums, Hong Kong Ocean Park and International Marine Animal Trainer's Association, and they jointly launched an animal trainer training program in May 2014. In mid-May 2014, the Group was further appointed to organize the annual meeting of the Polar Science Education Centre of the State Oceanic Administration. Through the above exchanges and cooperation, the Group has strengthened its influence in the marine theme park industry. Regarding animal breeding and scientific research, for the six months ended 30 June 2014, the Company bred more than 20 polar marine animals including sea lions, dolphins, seals and penguins. The Group also enhanced the technical knowledge and performance of its staff by circulating internal technical journals covering areas such as animal management, medical care and training and establishing mechanisms for internal exchange on animal scientific research.

Business outlook

The Group will continue to focus on the development of its two pipeline projects, Shanghai Haichang Polar Ocean World and Sanya Haitang Bay Dream World, as well as the cooperation with Dalian Laohutan Marine Park ("Hutan Park") (the state-owned enterprise which holds 41.7% interests in Dalian Laohutan Ocean Park Co., Ltd ("Dalian Laohutan"), a subsidiary of the Group which operates Dalian Laohutan Ocean Park).

Shanghai Haichang Polar Ocean World

Shanghai Haichang Polar Ocean World is expected to be developed into a flagship marine theme park with ancillary commercial properties. The marine theme park will showcase marine animals from the north and south poles, marine fish and marine wildlife together with large-scale amusement equipment, special effects films, animal performances and water-borne parades.

As disclosed in the announcement of the Company dated 3 July 2014 in relation to the update on the recent development of Shanghai Haichang Polar Ocean World, according to the investment agreement and the supplemental agreement to the investment agreement with Shanghai Harbor City Development (Group) Co., Ltd. (上海港城開發(集團)有限公司) ("Harbor City", a Shanghai government-owned enterprise responsible for primary land development), the park portion of Shanghai Haichang Polar Ocean World will be relocated to a land plot (the "New Land Plot") in the north-west side of Dishui Lake, Lingang New City of Shanghai, with a site area of approximately

297,000 sq.m. and an estimated total gross floor area of approximately 146,000 sq.m.. The Shanghai Lingang Development and Construction Management Committee (上海臨港地區開發建設管理委員會) has reached a decision on the proposed uses and planning of the New Land Plot. In its public consultation document in connection with the New Land Plot published on 11 August 2014, it is proposed that the New Land Plot shall be for tourism and recreation uses and public views are invited on its proposals in connection with the New Land Plot. Terms and arrangements in relation to the land plot on which the ancillary commercial properties of Shanghai Haichang Polar Ocean World shall be situated will be further negotiated between the Group and Harbor City separately.

The Group has engaged international design firms and completed a detailed product positioning strategy and has commenced the conceptual planning. The Group expects that the adjusted planning of the project will be examined and approved by the relevant government authority(ies) in the PRC by the end of September 2014. The Group has been consulting with the relevant local government authorities and Harbor City and understands that the land tender, auction or listing-for-sale procedures for the land plot for the park portion of the project are expected to be completed by the end of 2014. If the Group can obtain the relevant land use rights in such procedures, the construction of the park portion of the project is expected to commence before the end of December 2014.

Furthermore, in order to strengthen the ability of the operation and management team for Shanghai Haichang Polar Ocean World, the Group has already started to interview candidates with working experiences in leading international management companies and suitable candidate(s) will be invited to join the team.

Sanya Haitang Bay Dream World

Sanya Haitang Dream World is planned to be an international tourist destination situated on the "national seashore" of the Sanya Haitang Bay of approximately 980,000 sq.m. The project is expected to provide entertainment programs to visitors and be positioned as a large-scale integrated project that blends leisure, dining, shopping, culture and entertainment. In respect of the project land for the tourism-related part of the project, the Group entered into a land lease contract with the local government authority on 16 January 2014. As of 30 June 2014, the design firm engaged by the Group completed the conceptual planning for the land use of the project and passed the preliminary reporting stage with the relevant local municipal government authority in Sanya. In July 2014, China Academy of Urban Planning and Design, the organisation responsible for the examination and approval of the overall planning of the Sanya Haitang Bay area, approved the guidelines for a gross floor area of approximately 100,000 sq.m. of the project. The Group and the Sanya Haitang Bay Management Committee (三亞市海棠灣管理委員會) have entered into an agreement in connection with the construction work of the project land for the tourism-related portion of the project, the greening and road construction work of a portion of the project land has commenced on 8 August 2014 pursuant to the agreement.

In respect of the project land for the ancillary commercial properties, the Group expects the local government authority to announce the land tender, auction or listing-for-sale procedures for the relevant project land in phases in 2014. The Group will continue to communicate with the relevant government authorities in order to push forward with the acquisitions of the land for the tourism-related portion and the ancillary commercial properties of the project.

Dalian Laohutan Park

As disclosed in the announcement of the Company dated 16 April 2014 regarding the cooperation framework agreement in relation to Dalian Laohutan Park, Haichang (China) Co., Ltd., Dalian Laohutan and Hutan Park entered into a cooperation framework agreement (the "Cooperation Framework Agreement") on 15 April 2014 to strengthen and extend the scope of the existing cooperation between the Group and Hutan Park in relation to the operation and management of Dalian Laohutan Park. Pursuant to the Cooperation Framework Agreement, subject to the approval of the PRC government and the terms of any definitive agreement(s) which the parties may separately enter into within 90 days upon the date of the Cooperation Framework Agreement, Hutan Park shall solely appoint Dalian Laohutan to manage Dalian Laohutan Park and Dalian Laohutan shall have the right to develop, operate and manage any new attractions in the park. As further disclosed in the announcement of the Company dated 14 July 2014 in relation to the Cooperation Framework Agreement, despite the parties have already reached consensus on the details of the material terms and conditions in relation to the proposed cooperation stipulated under the Cooperation Framework Agreement, they require additional time to finalise the definitive agreement(s) and the Board expects that all the terms and conditions of the definitive agreement(s) will be finalised on or before 31 October 2014.

The Group plans to continue growing its portfolio of theme parks as a leading integrated theme park developer and operator in China focusing on marine theme parks and will adhere to its established strategies to expand its businesses, its strategies include the followings:

Strengthen Sales and Marketing and Continue to Promote Its National Theme Park Brand

The core branding strategy of the Group is to establish the *Haichang Holdings* brand as the leading PRC provider of leisure tourism products. Through identifying and observing the e-commerce development trends and characteristics, the Group can effectively implement measures to manage the price of and integrate the sales of its online sales. In order to provide scientific basis for refined sales channels management and marketing decisions, the Group will establish a comprehensive sales database which will allow it to retrieve and analyse data more effectively. The Group plans to enhance its resource integration ability, launch different themed marketing activities for different categories of customers and increase the utilization rate of the space and time in the park portions of its projects. The Group further plans to enhance the recognition and reputation of its brand by conducting its branding and marketing activities on the internet, new media and traditional media and by continually developing its official website, new media platform and online sales system.

Optimize Operating Model and Revenue Structure, Expand Strategic Cooperation and Increase Revenue Proportion from In-park Spending

Leverage on the Group's experience in the theme park industry, the Group endeavors to optimize the operating model in order to offer more enriching entertainment experiences to its visitors. At the same time, the Group also plans to optimize its revenue structure by increasing the revenue proportion from in-park spending, the Group will continue to entering into strategic cooperation with domestic or international companies with renowned brand names and leading corporations in the theme park industry with an aim to expand its in-park product and service portfolios.

Expand and Optimize its Portfolio

Going forward, the Group will focus on the development of a product portfolio primarily comprising marine theme parks and supplemented by water parks, outdoor interactive theme parks, ancillary commercial properties and provision of small and medium-sized aquariums management services. The Group will devote more effort in innovation and proactively explore opportunities to develop new products and services, such as marine-themed entertainment products for children and star products to be jointly developed by the Group and internationally renowned brand names or leading corporations in the theme park industry. The Group will also attempt to integrate its theme park business with products from the creative cultural sector such as online games and movies in order to raise its public awareness.

Further Strengthen Ancillary Commercial Property Development

The Group is committed to provide its visitors with an integrated travel experience by combining a memorable theme park visit with the complementary services supplied by the businesses in the ancillary commercial properties adjacent to its theme parks. The Group will continue to adjust and control the types of businesses offered in its ancillary commercial properties in such a way that the businesses in the ancillary commercial properties and the creative products and services in the theme park can complement each other, this will provide the Group with an opportunity to maximize the synergy between the theme parks and ancillary commercial properties. Meanwhile, the Group targets to develop its newly completed ancillary commercial properties into "integrated travel experience properties".

Support Species Preservation and Sustainability

One of the Group's corporate missions is to promote a friendly and harmonious relationship with nature through its support of animal-related environmental initiatives and its own principled animal-friendly practices. The Group will endeavour to carry out thorough research on animal preservation technology, strengthen its exchanges and technology cooperation with domestic and overseas industry peers and proactively participate in marine science education and social welfare promotion activities.

Financial review

Revenue

For the six-month period ended 30 June 2014, the Group recorded a turnover of approximately RMB451.2 million (30 June 2013: approximately RMB383.0 million), representing an approximately 17.8% increment compared with the corresponding period of last year. The increase in turnover was attributed to an increase in revenue generated from its park operations and property development and holding segments.

Revenue generated from park operations increased by 17.4% from RMB241.2 million in the six months ended 30 June 2013 to RMB283.1 million in the six months ended 30 June 2014, primarily due to an increase in tickets sales and higher in-park consumption relating to merchandise, food and beverage, which was mainly driven by the increase in the number of ticket attendance. For the six months ended 30 June 2014, the ticket attendance of the six theme parks increased by 10.1% to approximately 2,422,838 visitors in the six months ended 30 June 2014 from approximately 2,200,176 visitors in the six months ended 30 June 2013. Revenue from the sales of tickets therefrom increased by 16.9% from RMB215.0 million in the six months ended 30 June 2013 to RMB251.2 million in the six months ended 30 June 2014. Revenue from food and beverage sales increased by 19.2% from RMB13.7 million in the six months ended 30 June 2013 to RMB16.4 million in the six months ended 30 June 2014. Revenue from sale of merchandise and park games fee income increased by 24.8% from RMB12.5 million in the six months ended 30 June 2013 to RMB15.5 million in the six months ended 30 June 2014.

Revenue generated from its property development and holding segment increased by 21.9% from RMB122.8 million in the six months ended 30 June 2013 to RMB149.8 million in the six months ended 30 June 2014, primarily due to an increase of 13.7% in revenue from property sales from RMB112.8 million to RMB128.2 million and an increase of 114.8% in revenue from rental income from RMB10.0 million to RMB21.5 million during the same period. The Group started to recognize sales of its commercial street properties in Tianjin in December 2013 and the sales stayed relatively stable in the first half of 2014.

Cost of sales

The Group's cost of sales increased by 19.5% from approximately RMB244.4 million for the six-month period ended 30 June 2013 to approximately RMB292.1 for the six-month period ended 30 June 2014, which was in line with the increase in revenue.

Gross Profit

For the six months ended 30 June 2014, the Group's overall gross profit and overall gross profit margin were RMB159.1 million and 35.3% (same period in 2013: RMB138.6 million and 36.2%), respectively. Segment gross profit of the Group's parks operations increased by 38.8% to RMB108.8 million (same period in 2013: RMB78.4 million) and segment margin of the Group's parks operations improved from 32.5% for the six months ended 30 June 2013 to 38.4% for the six months ended 30 June 2014, primarily due to the increase in revenue from its theme parks as a result of the higher admission attendance of its six theme parks in the first half of 2014 and the relatively stable operating expenses of most of its theme parks during the same period.

For the six months ended 30 June 2014, segment gross profit of the Group's property development and holding segment decreased by 16.1% to RMB50.3 million (for the six months ended 30 June 2013: RMB59.9 million). Segment gross margin of the Group's property development and holding segment was 33.6% (same period in 2013: 48.8%). The decrease in gross margin of this segment was mainly due to the difference in the types of properties available for sale compared to the prior period.

Other Income and Gains

The Group's other income and gains increased by 116.3% from approximately RMB108.0 million for the six-month period ended 30 June 2013 to approximately RMB233.6 million for the six-month period ended 30 June 2014, mainly due to the increase in fair value gains on investment properties for the six months ended 30 June 2014.

Selling and Marketing Expenses

The Group's selling and marketing expenses increased by 61.2% from approximately RMB30.1 million for the six-month period ended 30 June 2013 to approximately RMB48.5 million for the six-month period ended 30 June 2014, mainly due to the increase in promotion and advertising expenses on the Group's theme parks for the purpose of the Listing and the increase in commission fees paid to the travel agencies as a result of the increase in revenue from tickets sales in the first half of 2014.

Administrative Expenses

The Group's administrative expenses increased by 94.9% from approximately RMB56.4 million for the six-month period ended 30 June 2013 to approximately RMB109.9 million for the six-month period ended 30 June 2014, mainly due to certain expenses in connection with the Listing incurred in the first half of 2014 and the increase in staff costs as a result of the reorganization of the listed businesses of the Group.

Finance Costs

The Group's finance costs decreased by 43.3% from approximately RMB192.0 million for the six-month period ended 30 June 2013 to approximately RMB108.8 million for the six-month period ended 30 June 2014, mainly due to the settlement of bank loans and other borrowings with high finance costs made by the Group in the first half of 2014. The effective interest rates of the Group's bank and other borrowings decreased from the range of 6.55% to 15.00% for the year ended 31 December 2013 to the range of 2.59% to 8.30% for the six months ended 30 June 2014.

Income Tax Expenses

The Group's income tax expenses increased by 87.0% from approximately RMB27.9 million for the six-month period ended 30 June 2013 to approximately RMB52.2 million for the six-month period ended 30 June 2014, mainly due to an increase in deferred tax arising from the fair value gains on investment properties recognized during the period.

Profit/(Loss) for the Period

As a result of the foregoing, the profit/(loss) of the Group for the period improved from a loss of approximately RMB60.0 million for the six-month period ended 30 June 2013 to a profit of approximately RMB73.2 million for the six-month period ended 30 June 2014, representing an improvement from a net loss margin of 15.68% for the six-month period ended 30 June 2013 to a net profit margin of 16.23% for the six-month period ended 30 June 2014. During the same period, the profit/(loss) attributable to owners of the parent improved from a loss of approximately RMB59.9 million for the six-month period ended 30 June 2013 to a profit of approximately RMB73.6 million for the six-month period ended 30 June 2014.

Liquidity and financial resources

As at 30 June 2014, the Group had total current assets of approximately RMB3,731.4 million (as at 31 December 2013: approximately RMB3,112.9 million). The Group had cash and bank deposits of approximately RMB1,839.2 million (as at 31 December 2013: approximately RMB495.9 million). Pledged bank balances amounted to RMB894.9 million (as at 31 December 2013: RMB2.3 million). The increase in cash and bank deposits for the six-month period ended 30 June 2014 was mainly attributable to the proceeds from the Listing and the increase in revenue generated from its parks operations. The current ratio of the Group was approximately 1.61 (as at 31 December 2013: 1.15).

Total equity of the Group as at 30 June 2014 was approximately RMB2,843.4 million (as at 31 December 2013: approximately RMB943.5 million). The increase in total equity was mainly due to the increase in the Share premium of the Company as a result of the Listing. As at 30 June 2014, the total interest-bearing bank and other borrowings of the Group was approximately RMB3,239.9 million (as at 31 December 2013: approximately RMB3,371.8 million).

As at 30 June 2014, the Group had a net gearing ratio of 17.8% (as at 31 December 2013: 233.4%). Net liabilities of the Group include interest-bearing bank and other borrowings, amounts due to related companies, less cash and cash equivalents and amounts due from related companies. The substantial decrease for the six months ended 30 June 2014 was mainly attributable to the increase in total equity as a result of the Listing.

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 be able to obtain additional financing with favourable term.

Capital structure

The share capital of the Company comprises ordinary shares for the six-month ended 30 June 2014.

Contingent Liabilities

	30 June 2014 *RMB'000* **(Unaudited)**	31 December 2013 *RMB'000* (Audited)
Guarantees in respect of mortgage facilities granted to the purchasers of the Group's properties*	**79,508**	87,657
Guarantees given to banks in connection with facilities granted to the related companies**	**–**	449,449

* 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 title 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 purchasers' collateral agreement.

The Group did not incur any material losses during periods 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.

** The Group provided guarantees to banks in connection with bank facilities granted to the related companies as at 31 December 2013. The directors consider that no provision is required in respect of the guarantees.

Foreign Exchange Rate Risk

The Group mainly operates in China. Other than bank deposits and limited amount of bank borrowings denominated in foreign currency, the Group is not exposed to material foreign exchange rate risk. Appreciation in RMB would have a positive effect on the repayment of interest and bank borrowings denominated in foreign currency. During the six months ended 30 June 2014, though the exchange rate of RMB against the United States Dollar and the Hong Kong Dollar decreased slightly, the Directors expect that any fluctuation in the exchange rate of RMB will not have material adverse effect on the operation of the Group.

Staff policy

When taking into account the Additional Theme Parks, the Group had approximately 2,747 full-time employees and approximately 1,567 temporary workers in the PRC and Hong Kong as at 30 June 2014. 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 is required to make contribution to a social insurance scheme in the PRC. The Group and its employees in the PRC are required to make contribution to a social insurance scheme in the PRC. The Group and its employees in the PRC are required to make contribution to fund the endowment insurance and unemployment insurance at the rates specified in the relevant PRC laws and regulations.

Purchases, Redemption or Sale of Listed Securities of the Company

Neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the six-month period ended 30 June 2014.

Pre-Emptive Rights

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

Corporate Governance

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

The Shares were listed on the Main Board of the Stock Exchange with effect from 13 March 2014 and the Code is applicable to the Company since then. The Company has been in compliance with the code provisions of the Code since 13 March 2014 and up to the date of this announcement except as disclosed below.

Under code provision A.6.7 of the Code, all non-executive Directors are recommended to attend general meetings of the Company. Other than Mr. Yuan Bing, all non-executive Directors of the Company (including independent non-executive Directors) were absent from the annual general meeting of the Company held on 25 June 2014 (the "AGM") due to pre-arranged business commitments.

Under code provision E.1.2 of the Code, the chairman of the Board is recommended to attend annual general meetings of the Company and to 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. Mr. Wang Xuguang was chosen as the chairman of the AGM. Other than Mr. Yuan Bing, being the chairman of the risk management and corporate governance committee of the Company, the chairmen of all the other committees of the Company were absent from the AGM due to pre-arranged business commitments.

Non-Compliance with Rules 3.10(1), 3.10A and 3.21 of the Listing Rules

Following the resignation of an independent non-executive Director, Mr. Wei Xiaoan, on 27 May 2014, the number of independent non-executive Directors fell below the minimum number required under Rules 3.10(1) and 3.10A of the Listing Rules. The number of members of the audit committee of the Company (the "Audit Committee") also fell below the minimum number required under Rule 3.21 of the Listing Rules.

Furthermore, the number of members of the nomination committee, the risk management and corporate governance committee and the independent board committee of the Company also fell below the minimum number required under the A.5.1 of the Code and the terms of reference of the respective committees.

The Company has endeavoured to identify a suitable candidate to fill up the roles of Mr. Wei Xiaoan upon his resignation. Prof. Xie Yanjun was appointed as an independent non-executive Director and a member of the Audit Committee, the nomination committee, the risk management and corporate governance committee and the independent board committee of the Company with effect from 22 August 2014, the Company has fulfilled the requirements under Rules 3.10(1), 3.10A, 3.21 of the Listing Rules, the A.5.1 of the Code and the terms of reference of the respective committees.

Model Code for Securities Transactions by Directors of Listed Issuers

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules (the "Model Code") as its own code of conduct for securities transactions by Directors. The Company has made specific enquiries to all Directors and all Directors have confirmed that they have strictly complied with the Model Code during the period under review.

Audit Committee

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

The Audit Committee has reviewed together with the Directors and the Company's external auditor the unaudited interim condensed consolidated financial information of the Group for the six months ended 30 June 2014.

Interim Dividend

The Board does not recommend payment of any interim dividend for the six-month period ended 30 June 2014.

Forward Looking Statements

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

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

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

This interim results announcement of the Company for the six-month period ended 30 June 2014 is published on the website of the Stock Exchange at www.hkexnews.hk and the website of the Company at www.haichangholdings.com.

Appreciation

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

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

Dalian, the PRC, 24 August 2014

As at the date of this announcement, the executive directors of the Company are Mr. Wang Xuguang, Mr. Zhao Wenjing and Mr. Qu Naiqiang; the non-executive directors of the Company are Mr. Qu Naijie, Mr. Makoto Inoue and Mr. Yuan Bing; and the independent non-executive directors of the Company are Prof. Fang Hongxing, Mr. Sun Jianyi and Prof. Xie Yanjun.