HAICHANG OCEAN PARK HOLDINGS LTD.
海昌海洋公園控股有限公司

(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 2255)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2017

FINANCIAL HIGHLIGHTS

- Revenue from park operations increased by approximately 13.2% to approximately RMB1,617.2 million
- Ticket revenue increased by approximately 10.6% to approximately RMB1,182.7 million
- Non-ticket revenue increased by approximately 20.8% to approximately RMB434.5 million
- Asset-light businesses revenue increased by approximately 24.1% to approximately RMB53.1 million
- Net profit increased by approximately 33.8% to approximately RMB291.5 million
- Net profit attributable to parent company increased by approximately 39.2% to approximately RMB279.8 million

RESULTS

The board of directors (the "**Board**" or the "**Directors**") of Haichang Ocean Park Holdings Ltd. (the "**Company**") is pleased to announce the audited consolidated results of the Company and its subsidiaries (collectively the "**Group**") for the year ended 31 December 2017, together with the comparative figures for 2016.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 December 2017

	Notes	2017 RMB'000	2016 RMB'000
REVENUE	4	**1,680,221**	1,649,710
Cost of sales		**(770,560)**	(748,325)
GROSS PROFIT		**909,661**	901,385
Other income and gains	4	**162,840**	111,309
Selling and marketing expenses		**(142,420)**	(119,709)
Administrative expenses		**(367,034)**	(314,079)
Other expenses		**(6,793)**	(14,051)
Finance costs	5	**(149,065)**	(145,570)
Share of loss of an associate		**(30)**	(857)
PROFIT BEFORE TAX		**407,159**	418,428
Income tax expense	6	**(115,616)**	(200,501)
PROFIT FOR THE YEAR		**291,543**	217,927
Attributable to:			
Owners of the parent		**279,792**	200,972
Non-controlling interests		**11,751**	16,955
		291,543	217,927
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
– Basic and diluted (RMB cents)	7	**6.99**	5.02

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2017

	Notes	31 December 2017 RMB'000	31 December 2016 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment		**4,892,988**	3,014,867
Investment properties		**2,387,030**	2,418,890
Prepaid land lease payments		**1,704,584**	1,239,908
Intangible assets		**12,193**	12,127
Available-for-sale investments		**90,203**	19,170
Deferred tax assets		**25,063**	35,730
Investment in an associate		**79,113**	47,143
Long-term prepayments and deposits		**532,935**	163,377
Total non-current assets		**9,724,109**	6,951,212
CURRENT ASSETS			
Completed properties held for sale		**228,514**	260,399
Properties under development		**514,718**	512,563
Gross amount due from a contract customer		**5,166**	12,938
Inventories		**18,941**	22,337
Trade receivables		**170,542**	128,274
Available-for-sale investments		**200**	200
Prepayments, deposits and other receivables		**149,187**	418,503
Due from related companies		**14,207**	12,649
Pledged bank balances	*8*	**1,149**	6,548
Cash and cash equivalents	*8*	**1,305,108**	873,499
Total current assets		**2,407,732**	2,247,910
CURRENT LIABILITIES			
Trade and bills payables	*9*	**1,086,381**	289,583
Other payables and accruals		**391,372**	318,175
Due to related companies		**26,540**	1,929
Advances from customers		**33,774**	24,366
Interest-bearing bank and other borrowings	*10*	**1,775,257**	1,322,063
Government grants		**124,014**	22,540
Deferred revenue		**19,957**	15,993
Tax payables		**212,853**	276,447
Total current liabilities		**3,670,148**	2,271,096
NET CURRENT LIABILITIES		**(1,262,416)**	(23,186)
TOTAL ASSETS LESS CURRENT LIABILITIES		**8,461,693**	6,928,026

	Note	31 December 2017 RMB'000	31 December 2016 RMB'000
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	*10*	**2,957,133**	1,579,546
Government grants		**896,811**	926,466
Deferred tax liabilities		**184,815**	203,180
Total non-current liabilities		**4,038,759**	2,709,192
NET ASSETS		**4,422,934**	4,218,834
EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT			
Share capital		**2,451**	2,451
Reserves		**4,306,503**	4,029,377
		4,308,954	4,031,828
Non-controlling interests		**113,980**	187,006
TOTAL EQUITY		**4,422,934**	4,218,834

NOTES TO FINANCIAL STATEMENTS

Year ended 31 December 2017

1. CORPORATE AND GROUP INFORMATION

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

The Company's subsidiaries are principally engaged in the development, construction and operation of theme parks, property development 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 2017.

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 (collectively referred to as the "**Group**") for the year ended 31 December 2017. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(a) the contractual arrangement with the other vote holders of the investee;

(b) rights arising from other contractual arrangements; and

(c) the Group's voting rights and potential voting rights.

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

Amendments to IAS 7	*Disclosure Initiative*
Amendments to IAS 12	*Recognition of Deferred Tax Assets for Unrealised Losses*
Amendments to IFRS 12 included in *Annual Improvements to IFRSs 2014-2016 Cycle*	*Disclosure of Interests in Other Entities: Clarification of the Scope of IFRS 12*

The nature and the impact of the amendments are described below:

(a) 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. Disclosure of the changes in liabilities arising from financing activities is provided to the financial statements.

(b) Amendments to IAS 12 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 amendments have had no impact on the financial position or performance of the Group as the Group has no deductible temporary differences or assets that are in the scope of the amendments.

(c) Amendments to IFRS 12 clarify that the disclosure requirements in IFRS 12, other than those disclosure requirements in paragraphs B10 to B16 of IFRS 12, apply to an entity's interest in a subsidiary, a joint venture or an associate, or a portion of its interest in a joint venture or an associate that is classified as held for sale or included in a disposal group classified as held for sale. The amendments have had no impact on the Group's financial statements as there was no subsidiary of the Group classified as a disposal group held for sale as at 31 December 2017 and so no additional information is required to be disclosed.

3. OPERATING SEGMENT INFORMATION

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

(a) the park operations segment engages in the development, construction and operation of theme parks, development of commercial and rental properties surrounding them parks, management of the Group's developed and operating properties for rental income, hotel operation and the provision of services to visitors as well as 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.

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

The Group's liabilities are all managed on a group basis.

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

Operating segments

Year ended 31 December 2017

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

31 December 2017

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

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

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

31 December 2016

	Park operations *RMB'000*	Property development *RMB'000*	Total *RMB'000*
Segment assets	6,938,431	785,900	7,724,331
Reconciliation:			
Corporate and other unallocated assets			1,474,791
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.

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 2017.

4. REVENUE, OTHER INCOME AND GAINS

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

	2017	2016
	RMB'000	*RMB'000*
Revenue		
Ticket sales	**1,182,739**	1,069,517
Property sales	**63,017**	220,596
Food and beverage sales	**119,074**	92,431
Sale of merchandise	**57,410**	43,921
Rental income	**95,935**	86,991
In-park recreation income	**93,394**	78,254
Income from hotel operations	**15,577**	15,249
Consultancy and management service income	**53,075**	42,751
	1,680,221	1,649,710
Other income		
Government grants	**89,560**	69,072
Bank interest income	**2,874**	3,893
Other interest income	**37,176**	–
Income from insurance claims	**5,355**	14,597
Dividend income	**–**	20,712
Foreign exchange gains	**760**	–
Others	**26,372**	2,318
	162,097	110,592
Gains		
Gain on revaluation upon reclassification from completed properties held for sale to investment properties, net	**–**	717
Gain on disposal of an investment property	**743**	–
	743	717
	162,840	111,309

5. FINANCE COSTS

	2017 *RMB'000*	2016 *RMB'000*
Interest on bank loans and other loans	**203,594**	155,033
Interest on finance leases	**360**	555
Total interest expenses on financial liabilities not at fair value through profit or loss	**203,954**	155,588
Less: Interest capitalised	**(54,889)**	(10,018)
	149,065	145,570

6. INCOME TAX

Provision for PRC corporate income tax has been provided at the applicable income tax rate of 25% for the year ended 31 December 2017 (2016: 25%) on the assessable profits of the Group's subsidiaries in Mainland China.

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

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

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

	2017 *RMB'000*	2016 *RMB'000*
Current – Mainland China:		
Charge for the year	**119,883**	127,353
LAT	**3,431**	17,404
	123,314	144,757
Deferred tax	**(7,698)**	55,744
Total tax charge for the year	**115,616**	200,501

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

The calculation of the basic earnings per share amount is based on the profit attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 4,000,000,000 (2016: 4,000,000,000) in issue during the year.

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

	2017	2016
	RMB'000	*RMB'000*
Earnings		
Profit attributable to ordinary equity holders of the parent, used in the basic earnings per share calculation	**279,792**	200,972

	Number of ordinary shares	
	2017	2016
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	**4,000,000,000**	4,000,000,000

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

8. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

	31 December 2017	31 December 2016
	RMB'000	*RMB'000*
Cash and bank balances	**1,306,257**	850,038
Time deposits with original maturity of less than three months	**–**	30,009
	1,306,257	880,047
Less: Pledged for interest-bearing bank loans	**(644)**	(588)
Pledged for bills payable	**(505)**	(5,960)
	(1,149)	(6,548)
Unpledged cash and cash equivalents	**1,305,108**	873,499
Less: Restricted cash and bank balances*	**(94)**	(94)
Unpledged and unrestricted cash and cash equivalents	**1,305,014**	873,405

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

9. TRADE AND BILLS PAYABLES

	31 December 2017 *RMB'000*	31 December 2016 *RMB'000*
Within one year	**985,514**	154,749
Over one year	**100,867**	134,834
	1,086,381	289,583

10. INTEREST-BEARING BANK AND OTHER BORROWINGS

	31 December 2017 *RMB'000*	31 December 2016 *RMB'000*
Analysed into:		
Bank loans repayable:		
Within one year or on demand	**1,775,257**	1,251,137
In the second year	**467,763**	723,279
In the third to fifth years, inclusive	**626,012**	610,027
Beyond five years	**1,413,358**	246,240
	4,282,390	2,830,683
Other borrowings repayable:		
Within one year or on demand	**–**	70,926
In the second year	**427,500**	–
In the third to fifth years, inclusive	**22,500**	–
	450,000	70,926
	4,732,390	2,901,609

MANAGEMENT DISCUSSION AND ANALYSIS

Industry Overview

In 2017, China's GDP increased by 6.9% year-on-year, and the growth rate increased by 0.2 percentage point. In particular, the tourism industry, as an important component of the national economy, still maintained steady growth. The comprehensive contribution of tourism to the national economy reached 11.04%.

The steady rise of China's economy provided a sound foundation for the development of the tourism industry, with number of tourists hitting a new high. In 2017, the number of tourists reached 5 billion, representing a year-on-year increase of 12.8% and the travel volume per-capita reached 3.7 times, whilst domestic tourism continues to show strong vitality. According to the estimation of the China National Tourism Administration Information Center, by 2020, the total scale of China's tourism market would reach 6.7 billion. It could be foreseen that in the medium and long term, the tourism market of our country would continue to maintain the growth momentum and the future development of the industry would further accelerate.

As China's disposable income per capita has been steadily rising, the consumption power of Chinese population has increased. Meanwhile, it has also led to a shift in the consumption structure of citizens and a greater emphasis on the pursuit of spiritual life. In the 19th CPC National Congress Report, satisfying people's ever-growing needs for a better life has risen to the national strategic level. Nowadays, spiritual and cultural consumption mainly in the form of tourism and entertainment are gradually becoming significant indicators of citizen's pursuit of a better life. To meet such demand, "Tourism +" business, such as domestic holiday tours, leisure trips and family tours, have been integrated in the market in recent years, whilst new indoor entertainment products, cross-border innovation businesses, family resort hotels and interactive technology experiences have become the new favors. Supported by the increase of household income, the normalization of family trips, the growth of "second child" families and other factors, family tours have become the major driving force for the growth of consumption in the tourism industry and accounted for more than 60% of the market share, with an average annual growth rate of more than 60%, and driven up the demand for the subdivided products such as family entertainment centers, parent-child themed restaurants and the parent-child holiday hotels. Driven by the favorable stimulation of the economic environment, improvement of transport facilities and technological progress, the respective tourism industry will usher in the prime period of the development driven by the large-scale family tour market.

As the primary choice of family tour, theme parks have developed rapidly in our country in recent years. According to the "Report on the Development of China Theme Park 2017" issued by the AECOM of the United States, the overall number of visitors to the theme parks in China would reach 221 million by 2020, and would exceed that of the United States and China would become the world's largest theme park market. Under the context of the increasingly fierce competition in the industry, the development of theme parks also showcases new trends such as the increase in consumption, expansion of light assets, integration of new VR technology, and IP implantation. The integration of distinctive IP products and park resources, and the creation and perfection of the diversified theme types and entertainment products have become the mainstream for theme parks in a bid to avoid homogeneous competition and improve core competitiveness. Meanwhile, theme parks have also begun to focus more on business development, improving the theme culture industry chain and increasing in-park spending revenue ratio apart from the ticket sales. As the most distinctive segment of the theme park industry and with its marine culture theme and marine animals features, marine theme parks have a diversified product mix and wide coverage of consumer groups, making them one of the most popular destinations for family tours and outskirts tours.

Business Review

In 2017, the consumption demand from tourism continued to increase and market capacity continued to expand. The industry ushered in an unprecedented development opportunity. The Group continued to forge ahead with innovations and achieved breakthroughs in main business income, management output, and cultural IP landing. The total revenue reached a new high, and exceeded its annual performance targets. During the period under review, the Group had primarily undertaken the following aspects of work:

In 2017, the Group continued to increase its brand influence. Nearly 200 thematic events and more than 30 brand events were organized throughout the year, gaining over 3 billion brand exposures. We participated in 20 domestic and international professional exhibition summits and won 55 honors and awards. We are the only executive member of the travel industry of advertisers committee of the China Advertising Association, and the leading position of our brand in the industry was further highlighted. The Group collaborated with the "Running Man China (奔跑吧!兄弟)" team and "Where Are We Going, Dad? SeasonV (爸爸去哪兒第五季)" and cooperated with CCTV in "Big hands with small hands (大手牽小手)" and "Love Story of Beluga", taking the opportunity of participating in the "2017 Summer Davos Forum" to spread and increase brand influence. The "2017 Haichang Little Explorer" large-scale charity pop-science themed brand activity was carried out, and was reported by "News Simulcast (新聞聯播)" of CCTV.

The Group actively fulfilled its corporate social responsibility and organized more than 10 social welfare activities throughout the year. Among them, the social influence of "Autistic Children Month" continued to increase, and the Haichang Ocean Park Autistic Children Care Base was established during the period. Being the National Aquatic Wildlife Animal Breeding and Popular Science Education Base, the Group also had extensive cooperation with the Institute of Hydrobiology, Chinese Academy of Sciences, the National Laboratory for Marine, the Chinese Academy of Fishery Sciences, the National Aquatic Wildlife Conservation Association, and the Freshwater Fisheries Research Center of China Academy of Fishery Sciences, etc., to implement the duties of ecological protection and polar ocean science education, and to organize the appraisal activity of "Haichang Award" regarding aquatic wild animal protection nationwide to encourage the society to protect aquatic wild animals. In the past five years, a total of 200 people were awarded the "Haichang Technology Award" and "Haichang Dedication Award", etc.. The Group had been awarded the title of "Aviculture Wildlife Protection Charity Public Welfare Enterprise Award" by the Ministry of Agriculture for 5 consecutive years. The Group has continued to focus on the protection of marine life. We have carried out a series of activities with the Ministry of Agriculture, the Chinese Academy of Fishery Sciences and the Wildlife Conservation Association aimed at conserving of finless porpoises which are in jeopardy of extinction.

The Group continued to enhance its core competitiveness related to animal conservation. During the year, the Group successfully bred 9 species, approximately 100 large marine and polar animals, making the total animals conserved amounting to nearly 63,000, and also blazed the first successful case in China to breed a grey seal through artificial rearing. The Group continued to strengthen its technological advantages and successfully developed a remote monitoring system for biological environments to safeguard animal health. The Group's independently researched and developed nutritional compound health products for rare polar marine life were put into use, and the marketization application is launched to comprehensively improve the nutritional benefits of feeding animals. The Group has strengthened its knowledgeable workforce and now equipped with a team of nearly 1,000 professionals for animals. During the period, we published the only supplementary guidance series in the country which is suitable for full-time university teaching and achieved breakthroughs in teaching in the professional field. We continued to promote school-industry joint education to cultivate professional marine and biological technology personnel for the society. The first batch of undergraduate graduates have already started their career. During the period, we successfully organized domestic and international technical exchanges and training events such as the World Jellyfish Conference and the Aquarium Academic Annual Conference with nearly 2,000 participants from the same industry both domestic and abroad. The Group also carried out a number of research collaborations with the Chinese Academy of Sciences, the National Laboratory for Marine, and the China Academy of Fishery Sciences and other scientific research institutions, such as the research on bionics of polar marine animals, genetic engineering and breeding genetics.

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

Pursuant to the established development strategy, in 2017, the Group continued to optimize and upgrade the existing projects and expedite the research and development and implementation of new entertainment products and new projects with the marine culture theme. During the year, the Tianjin Haichang Polar Ocean Park ("**Tianjin Project**"), Qingdao Haichang Polar Ocean Park ("**Qingdao Project**"), Chengdu Haichang Polar Ocean Park ("**Chengdu Project**"), Dalian Haichang Discovery Land Theme Park ("**Discover Land**") and Wuhan Haichang Polar Ocean Park ("**Wuhan Project**") were upgraded. The new product series include the jellyfish pavilion and family entertainment center. Among them, Haichang Interactive Technology's multimedia innovation technology application, the "Jellyfish Fantasy" in jellyfish museum, has been further upgraded and successfully introduced in the Tianjin Project, Chengdu Project and Wuhan Project. A number of interactive high-tech derivative entertainment projects were also added to the existing projects to effectively enhance the quality and attractiveness of the theme park products. In terms of performance management, we actively researched and developed new storyline scenarios, and enhanced the overall quality of stage elements in costumes, props, lighting effects, etc., which achieved remarkable results and enhanced visitors' visual satisfaction. In terms of operational services, the operation strategy plan was sorted out and implemented, and the operation was stable. In terms of marketing, various types of product strategy conferences and partner conferences were organized to strengthen channel cooperation ties and to expand our industry influence. The Group conformed to tourist's online shopping preference, vigorously developed self-operated platform based on comprehensive integration of OTA resources, signed strategic cooperation with well-known e-commerce platforms such as Meituan.com, JD.com and Mafengwo.cn, and developed customized products and upgraded online marketing capabilities. During the "Double-Eleventh" period, large-scale promotion activities were launched on the mainstream e-commerce platforms, achieving the in the sales of annual cards in the industry, ranked first in the store conversion rate, top three in terms of number of buyers paid, and the top three in the industry for comprehensive trading. In addition, the Group innovated and upgraded the parks' derivative consumer products. During the period, we developed 110 proprietary IP themed products, introduced 3 premium specialty store franchises, developed 220 new food and beverage products, and set up a jellyfish theme restaurant. In respect of ancillary commercial property, the Group consolidated the complementary functions between different business segments, and successfully introduced multicommercial activities during the period, such as hot spring, comprehensively meeting the needs of tourists in respect of "dining, lodging, transportation, travel, purchase and entertainment", so as to help develop local projects into regional tourism and leisure destination.

Accelerated development of marine cultural innovation business, to assist the Group to become the top brand of marine cultural industry management service provider or exporter in China

In 2017, the innovative business of ocean culture has gradually become the new profit growth point and business growth engine of the Group. The management service of the Group has experienced more than three years of exploration and development. Our management service has established a good reputation in the industry, and the business scale and service categories continued to expand. As of 31 December, 2017, the Group successfully managed 29 export projects across the country, with a cumulative contract value of RMB330 million. All the management service projects under implementation were operating in good cooperation and received high recognition from the market. During the period, the Group further developed and actively expanded its business types and gradually formed a "3+" full-coverage model, which was based on in-depth exploration of the types of services for "large, medium and small micro-tourism projects/products". The Group also continued to actively develop "Brand Authorization" and other multi-product stacking service categories, and built multiple service channels, covering the entire chain of project design service package, pre-preparatory consultation, post-operation management and other full-chain service models. The Group's management service team continued to penetrate the theme park market, optimize the cooperation model, enrich team building to improve service quality, and improve related qualifications to achieve integrated business process protection. In respect of the cultural IP business, the Group formulated "Haichang's self-developed IP medium and long term 369 development strategic plan". Through three years of market development, six years of rapid expansion, and nine years of enhanced development, we have gradually established the Haichang Ocean Culture IP System from "incubation-product-promotion-authorization". During the period, the establishment of the IP product development system, world view, and story framework with the core of the "Seven Guardians (七萌團)" was clearly defined, and the characters of the Haichang IP Seven Guardians and its visual system settings were completed. In terms of products, the Group had initiated the development of excellent products, picture books, animations, stage plays and other projects, and had also vigorously promoted the use of IP in various areas of the parks, and had attempted to carry out the Seven Guardians mission packaging at the brand event of the Chengdu Ice and Snow Festival with good response. We also planned for the launch of the Seven Guardians Boutique Store in the Shanghai Project and the landmark sculpture of Seven Guardians in the Wuhan Project in 2018. The Group had already started to register related trademark and patent intellectual property, and also cooperated with well-known brands in the IP industry, and made initial achievements, which also provided effective support for the brand management and export business cooperation.

Upcoming new projects to improve the nationwide strategic layout

During the period, preparations for the overall construction and operation of the new projects had been advancing in an orderly manner. The Group's Shanghai Haichang Ocean Park ("**Shanghai Project**") had entered the construction phase. In a bid to welcome the opening of the project, the headquarters of the Group was officially relocated to Shanghai. The project's core management team is already in place and trained by a team of international professionals. In a bid to welcome the opening of the Shanghai Project, a series of marketing activities were held, such as the global launch, the naming of the park, and the release of the logo of the park. The Group also received strong support from the government, including transportation guides, car parking facilities and special funds for the development of cultural and creative industries. At the same time, the Sanya Haichang Fantasy Town ("**Sanya Project**"), which is listed as a key project in the Hainan Province, is also in progress. The project is a domestic immersive marine recreation complex built with the theme of "maritime silk road", which integrates cultural tourism, leisure and vacation, entertainment experience and innovative business. The project features the first domestic zerodistance human-shark interaction, ocean central theater show, water cruise, silk road themed flying theater, ferris wheel, dolphin bay, whale shark museum, more than 20 family-child themed entertainment projects, submarine restaurants and diversified thematic cuisine. The structural works of the Sanya Project have been fully completed. The exhibition center of the Sanya Project was officially opened to the public. The operation preparatory team is fully established to identify operational strategies, promote marketing and other tasks in various aspects such as catering, entertainment, leisure, and innovation. In addition, the Group successfully obtained the right to use the land of the Zhengzhou Haichang Ocean Park ("**Zhengzhou Project**") in June 2017, laying out the Central Plains and improving the nationwide network layout. Located in Zhengzhou Zhongmu County International Cultural and Creative Industry Park, Zhengzhou Project is a regional national center city. It encompasses two major ocean and polar regions and integrates innovative and interactive technological elements. It is positioned as the sole flagship marine theme park and resort, and the Central Plains city group international marine cultural tourism destination in the Central Plains region. During the period, we have completed the overall planning of the Zhengzhou Project and the design of all the main stadiums and entered the detailed design stage.

Business Outlook

Looking ahead, the Group will actively implement the established strategic development goals. In respect of the existing projects, the Company will continue to promote the upgrade of the existing projects in accordance with the goal of "creating regional tourism destinations". The Group will further consolidate the core competitiveness of biological conservation, optimize its management system, and expand its talent pool. We will comprehensively improve the quality of operations and services, ensure the achievement of annual operating indicators and promote brand upgrading. The Group will also accelerate the development of commercial sites in Wuhan, Chongqing and Tianjin, and accelerate the realization of existing assets to increase cash flow. With respect to the marine culture innovation business, the Group will strengthen the cooperation with relevant strategic partners and optimize the cooperation model so as to achieve high-quality IP and promote mutual benefits. We will also actively carry out innovative urban entertainment and leisure activities – the layout of the MengLong Pradise products in the national commercial complex, and accelerate the development of ocean theme cultural tourism business in the third and fourth-tier cities and promote the implementation of comprehensive cultural and tourism project of a new generation of urban life. At the same time, we will actively implement the national "One Belt and One Road" initiative and actively explore business cooperation. We will strengthen the construction of management service provider or exporter teams, improve relevant qualifications and service quality to build the first brand of China's marine cultural industry management service provider or exporter. The Group will implement Haichang's self-developed IP medium and long term 369 development strategic plan and improve the development of IP series products with Seven Guardians as the core. We will use Shanghai Project as a platform to accelerate the utilization and promotion of self-developed IP. In terms of projects under construction, we will ensure that the Shanghai Project and Sanya Project will successfully commence operations in 2018, ensure a high standard of operation, outperform their goals and establish a national brand reputation.

Financial review

Revenue

Revenue generated from the Group's park operations segment increased by approximately 13.2% from approximately RMB1,429.1 million in 2016 to approximately RMB1,617.2 million in 2017, primarily due to the increase in revenue from park tickets sales and non-ticket business as compared to 2016. Revenue generated from ticket business increased by 10.6% from approximately RMB1,069.5 million in 2016 to RMB1,182.7 in 2017. Revenue generated from non-ticket business increased by approximately 20.8% from approximately RMB359.6 million in 2016 to approximately RMB434.5 million in 2017.

Revenue generated from the Group's property development segment decreased by approximately 71.4% from approximately RMB220.6 million in 2016 to approximately RMB63.0 million in 2017.

In conclusion, for the year ended 31 December 2017, turnover of the Group increased by approximately 1.8% to approximately RMB1,680.2 million (2016: approximately RMB1,649.7 million).

Cost of Sales

The Group's cost of sales increased by approximately 3.0% from approximately RMB748.3 million in 2016 to approximately RMB770.6 million in 2017.

Gross Profit

The Group's overall gross profit increased by approximately 0.9% to approximately RMB909.7 million (2016: approximately RMB901.4 million) and overall gross profit margin declined to approximately 54.1% (2016: approximately 54.6%).

Segment gross profit of the Group's park operations segment increased by approximately 10.0% to approximately RMB878.7 million (2016: approximately RMB798.9 million) and segment gross margin of the Group's park operations segment decreased from approximately 55.9% in 2016 to approximately 54.3% in 2017, primarily due to the change in the revenue structure of the park and the increase in non-ticket revenue ratio, which led to a slight decrease in the gross profit margin of the park operations segment.

Segment gross profit of the Group's property development segment decreased by approximately 69.8% to approximately RMB31.0 million (2016: approximately RMB102.5 million). Segment gross margin of the Group's property sales was approximately 49.2% (2016: approximately 46.5%). The decrease in gross margin of this segment was mainly due to the difference in the types of properties sold.

Other Income and Gains

The Group's other income and gains increased by approximately 46.3% from approximately RMB111.3 million in 2016 to approximately RMB162.8 million in 2017, mainly due to the increase in investment revenue and related subsidies in 2017.

Selling and Marketing Expenses

The Group's selling and marketing expenses increased by approximately 19.0% from approximately RMB119.7 million in 2016 to approximately RMB142.4 million in 2017, which was in line with the increase in park operations revenue. The selling and marketing expenses represented approximately 8.5% of the total revenue (2016: approximately 7.3%).

Administrative Expenses

The Group's administrative expenses increased by approximately 16.9% from approximately RMB314.1 million in 2016 to approximately RMB367.0 million in 2017, 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 21.8% of the total revenue (2016: approximately 19.0%).

Finance Costs

The Group's finance costs increased by approximately 2.4% from approximately RMB145.6 million in 2016 to approximately RMB149.1 million in 2017, mainly due to the increase in the Group's total bank loans as a result of the progress of projects in Shanghai and Sanya. The finance costs represented approximately 8.9% of the total revenue (2016: approximately 8.8%).

Income Tax Expenses

The Group's income tax expenses decreased by approximately 42.3% from approximately RMB200.5 million in 2016 to approximately RMB115.6 million in 2017, mainly due to a decrease in land value-added tax as a result of the decline in property sales revenue and the decrease in the Company's accrued dividend tax rate from 10% to 5%.

Profit for the Year

As a result of the foregoing, the profit of the Group for the year increased by approximately 33.8% from approximately RMB217.9 million in 2016 to approximately RMB291.5 million in 2017, and the net profit margin increased from approximately 13.2% in 2016 to approximately 17.4% in 2017. During the same period, the profit attributable to equity holders of the parent increased by approximately 39.2% from approximately RMB201.0 million in 2016 to approximately RMB279.8 million in 2017.

Liquidity and Financial Resources

As at 31 December 2017, the Group had current assets of approximately RMB2,407.7 million (2016: approximately RMB2,247.9 million). The Group had cash and bank deposits of approximately RMB1,305.1 million (2016: approximately RMB873.5 million) and its pledged bank balances amounted to approximately RMB1.1 million (2016: approximately RMB6.5 million).

Total equity of the Group as at 31 December 2017 was approximately RMB4,422.9 million (2016: approximately RMB4,218.8 million). The increase in total equity was mainly due to an increase in the profit after tax in 2017. As at 31 December 2017, the total interest-bearing bank and other borrowings of the Group were approximately RMB4,732.4 million (2016: approximately RMB2,901.6 million).

As at 31 December 2017, the Group had a net gearing ratio of approximately 77.8% (as at 31 December 2016: approximately 47.8%). 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 net gearing ratio as of 31 December 2017 was mainly due to the increase in principal amounts of loans as a result of the smooth progress of projects in Shanghai and Sanya in 2017.

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 2017.

Contingent Liabilities

	31 December 2017 *RMB'000*	31 December 2016 *RMB'000*
Guarantees in respect of mortgage facilities granted to the purchasers of the Group's properties*	**15,423**	76,556

* 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 (2016: 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 2017, the Group had capital commitments of approximately RMB1,205.4 million (2016: RMB1,505.4 million), which shall be funded through a variety of means, including cash generated from operations, bank financing etc..

Staff Policy

The Group had approximately 2,990 full-time employees (2016: 2,758 full-time employees) as at 31 December 2017. The Group offers a comprehensive and competitive remuneration, retirement schemes and benefit package to its employees. Discretionary bonus is offered to the Group's staff depending on their performance. The Group and its employees are required to make contribution to a social insurance scheme. The Group and its employees are required to make contribution to fund the endowment insurance and unemployment insurance at the rates specified in the relevant laws and regulations.

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

Purchase, 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 2017.

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 "**CG Code**") contained in Appendix 14 to the Rules (the "**Listing Rules**") Governing the Listing of Securities on The Stock Exchange (the "**Stock Exchange**") as its own code of corporate governance.

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

Under code provision A.6.7 of the CG Code, all non-executive Directors are recommended to attend general meetings of the Company. Ms. Zhang Meng, independent non-executive Director, attended the annual general meeting of the Company held on 23 June 2017 (the "**AGM**"). However, the remaining non-executive Directors (including the remaining independent non-executive Directors) were absent from the AGM due to pre-arranged business commitments.

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

Model Code for Securities Transactions by Directors of Listed Issuers

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

Audit Committee

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

The Audit Committee, together with the directors and the Company's external auditors, has reviewed the audited annual results of the Group for the year ended 31 December 2017.

Dividend

The Board does not recommend payment of any dividend for the year ended 31 December 2017.

Forward Looking Statements

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

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

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

This annual results announcement of the Company for the year ended 31 December 2017 is published on the website of the Stock Exchange at www.hkexnews.hk and the website of the Company at www.haichangoceanpark.com. The Annual Report 2017 will be dispatched to shareholders and published on the websites of the Stock Exchange and the Company in due course.

Appreciation

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

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

Shanghai, the People's Republic of China, 26 March 2018

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