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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)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2023

RESULTS

The board (the “**Board**”) of directors (the “**Directors**”) of Haichang Ocean Park 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 months ended 30 June 2023, together with the comparative financial data as follows:

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2023

		2023	2022
	<i>Notes</i>	(Unaudited)	(Unaudited)
		RMB'000	RMB'000
REVENUE	<i>5</i>	748,727	257,763
Cost of sales		<u>(545,790)</u>	<u>(399,907)</u>
Gross profit/(loss)		202,937	(142,144)
Other income and gains		65,120	56,558
Selling and marketing expenses		(22,952)	(26,600)
Administrative expenses		(188,560)	(204,326)
Impairment losses on financial and contract assets, net		(807)	(21,899)
Other expenses		(2,714)	(55,761)
Finance costs		<u>(149,580)</u>	<u>(153,735)</u>
LOSS BEFORE TAX		(96,556)	(547,907)
Income tax credit/(expense)	<i>6</i>	<u>11,845</u>	<u>(568)</u>
LOSS FOR THE PERIOD		<u>(84,711)</u>	<u>(548,475)</u>
Attributable to:			
Owners of the parent		(88,990)	(539,272)
Non-controlling interests		<u>4,279</u>	<u>(9,203)</u>
		<u>(84,711)</u>	<u>(548,475)</u>
LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	<i>8</i>		
Basic and diluted			
– For loss for the period (RMB cents)		<u>(1.10)</u>	<u>(6.73)</u>

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2023

	2023 (Unaudited) RMB'000	2022 (Unaudited) RMB'000
LOSS FOR THE PERIOD	(84,711)	(548,475)
OTHER COMPREHENSIVE LOSS		
Other comprehensive loss that may be reclassified to profit or loss in subsequent periods:		
Exchange differences:		
Exchange differences on translation of foreign operations	<u>(123,105)</u>	<u>(156,461)</u>
Net other comprehensive loss that may be reclassified to profit or loss in subsequent periods	<u>(123,105)</u>	<u>(156,461)</u>
Other comprehensive income that will not be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	<u>121,139</u>	<u>146,545</u>
Net other comprehensive income that will not be reclassified to profit or loss in subsequent periods	<u>121,139</u>	<u>146,545</u>
OTHER COMPREHENSIVE LOSS FOR THE PERIOD, NET OF TAX	(1,966)	(9,916)
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD	(86,677)	(558,391)
Attributable to:		
Owners of the parent	<u>(90,956)</u>	(549,188)
Non-controlling interests	<u>4,279</u>	(9,203)
	(86,677)	(558,391)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2023

	30 June 2023	31 December 2022
	(Unaudited)	(Audited)
<i>Notes</i>	RMB'000	RMB'000
NON-CURRENT ASSETS		
Property, plant and equipment	5,351,394	5,166,069
Investment properties	121,677	122,477
Right-of-use assets	1,504,113	1,476,716
Intangible assets	25,398	11,683
Financial assets at fair value through profit or loss	56,820	54,900
Deferred tax assets	35,508	14,263
Long-term prepayments, receivables and deposits	196,914	217,648
Properties under development	299,789	299,789
	<hr/>	<hr/>
Total non-current assets	7,591,613	7,363,545
CURRENT ASSETS		
Completed properties held for sale	22,498	22,498
Inventories	39,042	31,743
Biological assets	7,001	6,980
Trade receivables	83,242	47,597
Prepayments, other receivables and other assets	716,433	990,898
Investment properties classified as held for sale	387,836	387,836
Financial assets at fair value through profit or loss	113,360	110,120
Pledged deposits	5,075	5,075
Cash and cash equivalents	1,672,447	1,244,633
	<hr/>	<hr/>
Total current assets	3,046,934	2,847,380
CURRENT LIABILITIES		
Trade payables	715,549	649,989
Other payables and accruals	623,637	444,302
Advances from customers	11,778	10,847
Interest-bearing bank and other borrowings	1,004,321	1,461,220
Lease liabilities	36,041	25,833
Government grants	14,630	15,329
Tax payable	40,579	33,459
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Total current liabilities	2,446,535	2,640,979
NET CURRENT ASSETS	600,399	206,401
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TOTAL ASSETS LESS CURRENT LIABILITIES	8,192,012	7,569,946
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	30 June 2023 (Unaudited) <i>RMB'</i>	31 December 2022 (Audited)
<i>Notes</i>		

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2023

1. BASIS OF PREPARATION

The interim condensed consolidated financial information for the six months ended 30 June 2023 has been prepared in accordance with International Accounting Standard (“IAS”) 34 *Interim Financial Reporting*. The interim condensed consolidated 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 annual consolidated financial statements for the year ended 31 December 2022.

2. BASIS OF PRESENTATION

The Group incurred a net loss of approximately RMB85 million during the six-month period ended 30 June 2023. The directors consider that the Group has taken various measures and will have adequate funds available to enable it to operate as a going concern, after taking into account the past operating performance of the Group, the availability of the existing banking and credit facilities, and the continuing financial support by the major shareholder and a director of the Company, Mr. Qu Cheng. The Group continues to monitor capital expenditure to balance and relieve cash resource to support park operations and take action to tighten cost controls over various operating expenses and is actively seeking new investment and business opportunities with an aim to attain profitable and positive cash flow operations.

The directors of the Company have reviewed the Group’s cash flow forecast covering a period of twelve months from the end of the reporting period ended 30 June 2023. The directors are of the opinion that, taking into account the above-mentioned plans and measures, the Group will have sufficient working capital to finance its operations and meet its financial obligations as and when they fall due in the foreseeable future. Accordingly, the directors believe it is appropriate to prepare the interim condensed consolidated financial information of the Group for the six months ended 30 June 2023 on a going concern basis.

3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The accounting policies adopted in the preparation of the interim condensed consolidated financial information are consistent with those applied in the preparation of the Group’s annual consolidated financial statements for the year ended 31 December 2022, except for the adoption of the following new and revised International Financial Reporting Standards (“IFRSs”) for the first time for the current period’s financial information.

IFRS 17	<i>Insurance Contracts</i>
Amendments to IFRS 17	<i>Insurance Contracts</i>
Amendment to IFRS 17	<i>Initial Application of IFRS 17 and IFRS 9 – Comparative Information</i>
Amendments to IAS 1 and IFRS Practice Statement 2	<i>Disclosure of Accounting Policies</i>
Amendments to IAS 8	<i>Definition of Accounting Estimates</i>
Amendments to IAS 12	<i>Deferred Tax related to Assets and Liabilities arising from a Single Transaction</i>
Amendments to IAS 12	<i>International Tax Reform – Pillar Two Model Rules</i>

The nature and impact of the new and revised IFRSs that are applicable to the Group are described below:

- (a) Amendments to IAS 1 require entities to disclose their material accounting policy information rather than their significant accounting policies. Accounting policy information is material if, when considered together with other information included in an entity’s financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. Amendments to IFRS Practice Statement 2 provide non-mandatory guidance on how to apply the concept of materiality to accounting policy disclosures. The Group has applied the amendments since 1 January 2023. The amendments did not have any impact on the Group’s interim condensed consolidated financial information but are expected to affect the accounting policy disclosures in the Group’s annual consolidated financial statements.

3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

- (b) Amendments to IAS 8 clarify the distinction between changes in accounting estimates and changes in accounting policies. Accounting estimates are defined as monetary amounts in financial statements that are subject to measurement uncertainty. The amendments also clarify how entities use measurement techniques and inputs to develop accounting estimates. The Group has applied the amendments to changes in accounting policies and changes in accounting estimates that occur on or after 1 January 2023. Since the Group's policy of determining accounting estimates aligns with the amendments, the amendments did not have any impact on the financial position or performance of the Group.
- (c) Amendments to IAS 12 *Deferred Tax related to Assets and Liabilities arising from a Single Transaction* narrow the scope of the initial recognition exception in IAS 12 so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences, such as leases and decommissioning obligations. Therefore, entities are required to recognise a deferred tax asset (provided that sufficient taxable profit is available) and a deferred tax liability for temporary differences arising from these transactions. The Group has applied the amendments on temporary differences related to leases as at 1 January 2022, with any cumulative effect recognised as an adjustment to the balance of retained profits or other component of equity as appropriate at that date. In addition, the Group has applied the amendments prospectively to transactions other than leases that occurred on or after 1 January 2022, if any.

The adoption of amendments to IAS 12 did not have any impact on the interim condensed consolidated statement of financial position, interim condensed consolidated statement of profit or loss, basic and diluted earnings per share attributable to ordinary equity holders of the parent, other comprehensive income and the interim condensed consolidated statements of cash flows for the six months ended 30 June 2023 and 2022.

- (d) Amendments to IAS 12 *International Tax Reform – Pillar Two Model Rules* introduce a mandatory temporary exception from the recognition and disclosure of deferred taxes arising from the implementation of the Pillar Two model rules published by the Organisation for Economic Co-operation and Development. The amendments also introduce disclosure requirements for the affected entities to help users of the financial statements better understand the entities' exposure to Pillar Two income taxes, including the disclosure of current tax related to Pillar Two income taxes separately in the periods when Pillar Two legislation is effective and the disclosure of known or reasonably estimable information of their exposure to Pillar Two income taxes in periods in which the legislation is enacted or substantively enacted but not yet in effect. Entities are required to disclose the information relating to their exposure to Pillar Two income taxes in annual periods beginning on or after 1 January 2023, but are not required to disclose such information for any interim periods ending on or before 31 December 2023. The Group has applied the amendments retrospectively. Since the Group did not fall within the scope of the Pillar Two model rules, the amendments did not have any impact to the Group.

4. OPERATING SEGMENT INFORMATION

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

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

4. OPERATING SEGMENT INFORMATION (continued)

Operating segments

The following table presents revenue and loss information of the Group's operating segments for the six-month period from 1 January to 30 June 2023 and the six-month period from 1 January to 30 June 2022.

Six months ended 30 June 2023	Park operations RMB'000 (Unaudited)	Operation as a service RMB'000 (Unaudited)	Property development RMB'000 (Unaudited)	Total RMB'000 (Unaudited)
Segment revenue (note 5)				
Sales to external customers and total revenue	697,599	51,128	–	748,727
Revenue				748,727
Segment results	195,841	7,096	–	202,937
<i>Reconciliation:</i>				
Unallocated income and gains				65,120
Corporate and other unallocated expenses				(215,033)
Finance costs				(149,580)
Loss before tax				(96,556)
 Six months ended 30 June 2022				
Segment revenue (note 5)				
Sales to external customers and total revenue	241,341	16,422	–	257,763
Revenue				257,763
Segment results	(146,443)	4,299	–	(142,144)
<i>Reconciliation:</i>				
Unallocated income and gains				56,558
Corporate and other unallocated expenses				(308,586)
Finance costs				(153,735)
Loss before tax				(547,907)

4. OPERATING SEGMENT INFORMATION (continued)

Operating segments (continued)

The following table presents the asset and liability information of the Group's operating segments as at 30 June 2023 and 31 December 2022.

30 June 2023	Park operations RMB'000 (Unaudited)	Operation as a service RMB'000 (Unaudited)	Property development RMB'000 (Unaudited)	Total RMB'000 (Unaudited)
Segment assets	7,474,907	227,210	322,287	8,024,404
<i>Reconciliation:</i>				
Corporate and other unallocated assets				<u>2,614,143</u>
Total assets				<u><u>10,638,547</u></u>
Segment liabilities	139,096	135,353	–	274,449
<i>Reconciliation:</i>				
Corporate and other unallocated liabilities				<u>7,781,577</u>
Total liabilities				<u><u>8,056,026</u></u>
31 December 2022	Park operations RMB'000 (Audited)	Operation as a service RMB'000 (Audited)	Property development RMB'000 (Audited)	Total RMB'000 (Audited)
Segment assets	7,316,913	135,320	322,287	7,774,520
<i>Reconciliation:</i>				
Corporate and other unallocated assets				<u>2,436,405</u>
Total assets				<u><u>10,210,925</u></u>
Segment liabilities	51,928	81,383	–	133,311
<i>Reconciliation:</i>				
Corporate and other unallocated liabilities				<u>7,401,287</u>
Total liabilities				<u><u>7,534,598</u></u>

4. OPERATING SEGMENT INFORMATION (continued)

Operating segments (continued)

Other segment information

The following table presents expenditure information of the Group's operating segments for the six-month period from 1 January to 30 June 2023 and the six-month period from 1 January to 30 June 2022.

Six months ended 30 June 2023	Park operations RMB'000 (Unaudited)	Operation as a service RMB'000 (Unaudited)	Property development RMB'000 (Unaudited)	Total RMB'000 (Unaudited)
Impairment losses in the statement of profit or loss	807	–	–	807
Depreciation and amortisation				4,891
Unallocated				
Segment	175,600	11,312	–	186,912
Capital expenditure*				18,606
Unallocated				
Segment	449,352	16,611	–	465,963
Six months ended 30 June 2022	Park operations RMB'000 (Unaudited)	Operation as a service RMB'000 (Unaudited)	Property development RMB'000 (Unaudited)	Total RMB'000 (Unaudited)
Impairment losses in the statement of profit or loss	57,398	–	–	57,398
Depreciation and amortisation				1,692
Unallocated				
Segment	150,313	1,890	–	152,203
Capital expenditure*				747
Unallocated				
Segment	403,291	–	–	403,291

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

Information about major customers

No information about major customers is presented as there were no sales to a single customer which accounted for 10% or more of the Group's revenue for the six months ended 30 June 2023.

5. REVENUE

An analysis of revenue is as follows:

	For the six months ended 30 June	
	2023	2022
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
<i>Revenue from contracts with customers</i>	733,760	245,114
<i>Revenue from other sources</i>		
Gross rental income	14,967	12,649
	748,727	257,763

Disaggregated revenue information for revenue from contracts with customers

For the six months ended 30 June 2023

Segments	Park operations RMB'000 (Unaudited)	Operation as a service RMB'000 (Unaudited)	Total RMB'000 (Unaudited)
Types of goods or services			
Ticket sales	350,175	–	350,175
Food and beverage sales	110,384	–	110,384
Sale of merchandise	61,526	–	61,526
In-park recreation income	74,552	–	74,552
Income from hotel operations	85,995	–	85,995
Consultancy, management and recreation income	–	51,128	51,128
Total revenue from contracts with customers	682,632	51,128	733,760
Geographical market			
Mainland China	682,632	51,128	733,760
Timing of revenue recognition			
Goods transferred at a point in time	171,910	–	171,910
Services transferred over time	510,722	51,128	561,850
Total revenue from contracts with customers	682,632	51,128	733,760

5. REVENUE (continued)

Disaggregated revenue information for revenue from contracts with customers (continued)

For the six months ended 30 June 2022

Segments	Park operations <i>RMB'000</i> (Unaudited)	Operation as a service <i>RMB'000</i> (Unaudited)	Total <i>RMB'000</i> (Unaudited)
Types of goods or services			
Ticket sales	104,385	–	104,385
Food and beverage sales	40,177	–	40,177
Sale of merchandise	13,071	–	13,071
In-park recreation income	36,811	–	36,811
Income from hotel operations	34,248	–	34,248
Consultancy, management and recreation income	–	16,422	16,422
Total revenue from contracts with customers	<u>228,692</u>	<u>16,422</u>	<u>245,114</u>
Geographical market			
Mainland China	<u>228,692</u>	<u>16,422</u>	<u>245,114</u>
Timing of revenue recognition			
Goods transferred at a point in time	53,248	–	53,248
Services transferred over time	175,444	16,422	191,866
Total revenue from contracts with customers	<u>228,692</u>	<u>16,422</u>	<u>245,114</u>

Set out below is the reconciliation of the revenue from contracts with customers to the amounts disclosed in the segment information:

For the six months ended 30 June 2023

Segments	Park operations <i>RMB'000</i> (Unaudited)	Operation as a service <i>RMB'000</i> (Unaudited)	Total <i>RMB'000</i> (Unaudited)
Revenue from contracts with customers			
External customers	<u>682,632</u>	<u>51,128</u>	<u>733,760</u>

For the six months ended 30 June 2022

Segments	Park operations <i>RMB'000</i> (Unaudited)	Operation as a service <i>RMB'000</i> (Unaudited)	Total <i>RMB'000</i> (Unaudited)
Revenue from contracts with customers			
External customers	<u>228,692</u>	<u>16,422</u>	<u>245,114</u>

6. INCOME TAX

The PRC corporate income tax (“CIT”) has been provided at the rate of 25% (2022: 25%) on the estimated assessable profits arising in Mainland China during the period.

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

	For the six months ended 30 June	
	2023	2022
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Current – Mainland China:		
CIT charge for the period	5,710	26,718
Overprovision in prior years	(2,218)	–
Deferred	(15,337)	(26,150)
	<hr/>	<hr/>
Total tax (credit)/charge for the period	(11,845)	568
	<hr/> <hr/>	<hr/> <hr/>

7. DIVIDEND

No interim dividend was paid, declared or proposed during the six months ended 30 June 2023 (six months ended 30 June 2022: Nil).

8. LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of the basic loss per share amounts is based on the loss for the period attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 8,104,201,502 (2022: 8,012,666,888) in issue during the period.

The calculation of the basic loss per share amount is based on:

	2023	2022
	(Unaudited)	(Unaudited)
Loss		
Loss attributable to ordinary equity holders of the parent, used in the basic loss per share calculation (RMB'000)	(88,990)	(539,272)
	<hr/> <hr/>	<hr/> <hr/>
Shares		
Weighted average number of ordinary shares in issue during the period used in the basic loss per share calculation	8,104,201,502	8,012,666,888*
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* The number of issued shares in 2022 has been adjusted for the effect of subdivision of every one share of the Company with par value of US\$0.0001 of the Company into two subdivided shares of US\$0.00005 each on 10 November 2022.

There were no potentially dilutive ordinary shares in issue during the periods and therefore the amounts of diluted loss per share were the same as the basic loss per share amounts.

9. TRADE RECEIVABLES

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

	30 June 2023 RMB'000 (Unaudited)	31 December 2022 RMB'000 (Audited)
Within 90 days	76,116	9,436
Over 90 days and within one year	6,812	6,534
Over one year	314	31,627
	83,242	47,597

10. TRADE PAYABLES

An ageing analysis of the trade payables as at the end of the reporting period, based on the invoice date, is as follows:

	30 June 2023 RMB'000 (Unaudited)	31 December 2022 RMB'000 (Audited)
Within 1 year	331,488	374,345
Over 1 year	769,035	802,493
	1,100,523	1,176,838
Less: Non-current portion	384,974	526,849
Current portion	715,549	649,989

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

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

BUSINESS REVIEW

The Group is a leading platform in China specialising in providing integrated oceanic culture-based tourism and leisure services. As at 30 June 2023, the Group owned and operated six large-scale marine culture-based theme parks under the brand name of “Haichang” and had one theme park under construction in China. While improving visitors’ experience and product offerings in theme parks, the Group gradually diversified its business to tourism and leisure services and solutions and IP operation new consumption. As we continue to deliver our comprehensive tourism and leisure resources and premium IP merchandises across China, more consumers are able to fully enjoy our wide range of high-quality culture-based tourism and leisure consumer products. Our goal is to allow people to have fun to the fullest and create a place filled with “dream, love, joy”, which can continue to satisfy consumers’ demand for high-quality tourism and leisure products.

In the first half of 2023, as the entire tourism and leisure market witnessed a rebound, our business also experienced a rapid recovery. The Group’s revenue increased by approximately 190.4% to RMB748.7 million for the six months ended 30 June 2023 from RMB257.8 million for the six months ended 30 June 2022. For the six months ended 30 June 2023, the Group recorded a gross profit of RMB202.9 million, an adjusted EBITDA profit of RMB231.2 million and a net loss attributable to shareholders of RMB84.7 million, respectively, representing a significant improvement as compared to gross loss of RMB142.1 million, adjusted EBITDA loss of RMB165.5 million and net loss attributable to shareholders of RMB548.5 million, respectively, for the corresponding period last year.

	For the six months ended 30 June	
	2023	2022
	<i>RMB’000</i>	<i>RMB’000</i>
	(Unaudited)	(Unaudited)
Revenue by business		
Park operation	697,599	241,341
Ticket sales	350,175	104,385
In-park spendings ^(Note)	246,462	90,059
Rental income	14,967	12,649
Income from hotel operations	85,995	34,248
Income from tourism & leisure services and solutions	51,128	16,422
Total	748,727	257,763

Note: In-park spendings include revenue from sales of food and beverages, sales of merchandises, and in-park recreation income.

Park Operation

As at 30 June 2023, the Group owned six theme parks in operation and one park under construction.

Park	Theme	Location	Year of opening	Site area	Scenic rating
Shanghai Haichang Ocean Park	Polar ocean and amusement facilities	Shanghai	2018	Approximately 297,000 square metres	4A
Dalian Haichang Discoveryland Theme Park	Amusement facilities	Dalian	2006	Approximately 71,000 square metres	5A
Sanya Haichang Fantasy Town	Immersive cultural and recreational complex	Sanya	2019	Approximately 98,000 square metres	<i>To be determined</i>
Dalian Laohutan Ocean Park	Polar ocean	Dalian	2002	Approximately 38,000 square metres	5A
Chongqing Haichang Caribbean Water Park	Water park	Chongqing	2009	Approximately 65,000 square metres	4A
Yantai Haichang Ocean Park	Polar ocean	Yantai	2011	Approximately 32,000 square metres	4A
Zhengzhou Haichang Ocean Tourist Resort (under construction)	Polar ocean and amusement facilities	Zhengzhou	Expected to open in 2023	Approximately 425,000 square metres	<i>To be determined</i>

Despite a relatively long period of adversity in the past, we remained committed to improving our visitors' experience and product quality. Therefore, as the cultural and tourism industry approaches an inflection point, we have been able to achieve a rapid recovery because of the soaring demand of tourists for quality cultural and tourism products. For the six months ended 30 June 2023, the Group's parks recorded a significant increase by 127.4% in total admission attendance as compared with the corresponding period of 2022 and an increase by 12.4% as compared with that of the same parks in 2019. For the six months ended 30 June 2023, the park operation segment recorded a revenue of approximately RMB697.6 million, representing a significant increase by 189.1% as compared with the corresponding period of 2022 and an increase by 12.2% as compared with that of the same parks in the corresponding period of 2019. The business of our park operation is subject to seasonality. The revenue generated from the park operation segment for the first half of 2019 only accounted for 39% of the revenue for the full year. In July 2023, which is the summer holiday peak season, our parks were particularly popular among tourists. In July, our parks recorded a significant increase by 53.2% in total admission attendance as compared with the corresponding period of 2022 and an increase by 24.4% as compared with that of the same parks in the corresponding period of 2019, and recorded a significant increase by 91.5% in segment revenue as compared with the corresponding period of 2022 and an increase by 26.2% as compared with that of the same parks in 2019.

We further strengthened our IP strategy in our park segment. In January 2023, we officially opened the world's first Ultraman-themed hotel in the Shanghai Park, which has been well received by visitors, reflected in its 100% occupancy from time to time. In addition to the Ultraman IP, we continued to launch well-known IP products such as the One Piece-themed Treasure Area and Babyshark in our Shanghai Park. In May 2023, we continued to establish an Ultraman-themed pavilion in the Dalian Discoveryland, maintaining our position in leading the trend for local culture and tourism. We will constantly introduce outstanding IPs and promote the implementation of quality IPs in other theme parks, which will greatly broaden the revenue sources of our park operation segment and optimize our revenue structure.

Shanghai Project: The Shanghai Park, being our flagship project, has become a benchmark of marine culture experience. We have also seen a significant recovery in park admission attendance and revenue, which was attributable to the tourism recovery as a result of the normalized external environment and the growth in per capita secondary spending due to our ongoing efforts to improve visitor experience. For the six months ended 30 June 2023, the Shanghai Park recorded a significant increase by 285.2% in total admission attendance as compared with the corresponding period of 2022 and an increase by 29.7% as compared with the corresponding period of 2019. For the six months ended 30 June 2023, the Shanghai Park recorded a significant increase by 212.6% in revenue as compared with the corresponding period of 2022 and an increase by 20.1% as compared with the corresponding period of 2019. In July 2023, the Shanghai Park recorded a significant increase by 57.8% in total admission attendance as compared with the corresponding period of 2022 and an increase by 32.1% as compared with the corresponding period of 2019, and recorded a significant increase by 119.4% in revenue as compared with the corresponding period of 2022 and an increase by 31.2% as compared with the corresponding period of 2019.

It proved our efforts in providing high quality tourism and leisure experience and our competitive edge on business model: the high quality and sophisticated Shanghai park will bring a sustainable and stable cash return.

Our Shanghai Park is adjacent to Dishui Lake, located in Lin-Gang cultural, commercial and tourism cluster, with a number of well-known cultural and tourism experience projects in the vicinity, including the Yaoxue Ice World, Shanghai Astronomical Museum and the China Maritime Museum. We are expecting such area to become a world-class cultural and sports tourism destination and a carrier of international consumption centre in Shanghai. Our Shanghai Park, as a benchmark of marine culture experience, is expected to become one of the local core destinations of urban leisure and vacation. To this end, we will further promote the expansion of the Shanghai Park to meet the needs of more tourists for quality cultural tourism. We are expanding the phase II development of the Shanghai Haichang Ocean Park through asset-light approach, which will incorporate elements such as a hot spring hotel, an ocean-themed hotel, an ocean discovery centre and themed commerce, which is expected to open in 2025.

Zhengzhou Project: Zhengzhou Haichang Ocean Tourist Resort is located in Zhengzhou, an important national transportation hub city in the Central Plains, with two hours of traffic circle covering 450 million people, the potential tourist market is huge. Phase I of Zhengzhou Project is currently in the final stage of construction and is expected to open in the third quarter of 2023, and phase II is expected to open in 2024. The size of the entire Zhengzhou theme park is 140% of that of the Shanghai Park, with associated facilities including ocean-themed parks, hotels and commercial strip. We will also construct our IP-themed town in the Zhengzhou Park. In the future, the Zhengzhou Project will become another important source of revenue for the Group.

Tourism & Leisure Services and Solutions Segment

Nearly 20 years of cultural tourism operation has enabled us to accumulate experience and insight in the industry. Therefore, we intensify the development of our tourism & leisure services and solutions business. The Group has set up a strategic product system for the provision of a full cycle of management delivery services under the OAAS (OPERATION AS A SERVICE) model, to precisely develop boutique projects in the “marine tourism + science exploration + family entertainment” three-in-one composite business format.

Boutique aquarium is one of our product lines which we are currently advancing in a rapid manner. Embracing the belief of “Every city deserves to have one Haichang Aquarium/Ocean Exploratorium”, we launched two new brands, namely “Haichang Aquarium” and “Haichang Ocean Exploratorium”, during the first half of 2022. We cooperated with potential local aquariums, which we upgraded to some extent to improve the original landscape and enhance the tourism experience. We also provided a full suite of supporting systems of Haichang and dispatched our experienced staff to provide management support. The first 5 Haichang Aquariums/Ocean Exploratoriums opened on 1 May 2022. As of 27 August 2023, we operated 23 marine culture-based and urban family-friendly aquariums in cities such as Changzhou, Yancheng and Xiangtan. We are currently in negotiation of cooperation with about 30 local aquariums, and are preparing to execute contracts for more than 10 aquariums.

These projects serve as a channel to further increase the attendance through consolidation and management of operating small boutique aquariums by capitalising on the Group’s business strengths and experience in marine culture industry. The value, traffic and customers’ experience of the boutique aquariums are further enhanced through integration of Haichang’s premium culture-based tourism and leisure products and sales system, introduction of IP derivatives and leveraging on the cost advantage as a conglomerate and under the scale-up development. For the six months ended 30 June 2023, our boutique aquarium recorded a total revenue of approximately RMB35.1 million. The business of our boutique aquarium is also subject to seasonality. In July 2023, our boutique aquarium recorded a revenue of approximately RMB15 million.

This sufficiently proved the adequacy of our chain aquarium business strategy, given the enormous regional culture-based tourism and leisure market and the demand for high quality tourism and leisure products of the huge regional consumer population in China. Thus, we plan to develop “The Hundred Aquariums” in three to five years to provide a more diversified range of quality products and services for China’s massive family tourism and leisure market and speed up on the extensive expansion of geographical presence across China. Furthermore, we will integrate our new IP merchandises business into the chain aquariums. In the future, we will continue to introduce our premium products of new IP merchandises into our operating projects, endeavouring to further meet the demand for the premium IP products of the consumers in the region, thus enhancing the overall profitability for the projects.

In addition, our other product series, the “Children’s Snow and Ice Center” project, was officially launched in Bao’an District, Shenzhen in late April this year. Covering an area of approximately 2,200 square meters, the project offers a snow-based experience of real ice and snow through the use of patented technology to restore natural snowfall in a purely physical way, differentiating it from the current ice-based ice and snow projects in the market, ensuring a unique experience. Meanwhile, combined with IP operation, the ice and snow park with exotic customs and magical cultural background is created through multiple scene elements, presenting a rich and colorful interactive experience. The opening of the project will mark the launch of the Group’s new product series, which will serve as a starting point for future expansion and deployment of more projects nationwide.

IP Operation New Consumption Business

We have started to shape the landscape of IP operation new consumption in the market segment which we are familiar with. We seek to develop a unique IP operation new consumption platform on which it will, in continued partnership with owners of globally influential IPs, commercialise and integrate such IPs into our theme parks, scenic spots, lifestyle hotels, commercial buildings and other on-ground consumption and entertainment premises for the development of new business formats with IP + new scenarios.

We will strive to further diversify our IP portfolio. Currently, we have been granted the IP license of the Ultraman Series (details of which can be found in the announcements of the Company dated 30 December 2021, 18 April 2022 and 27 June 2022). We have also entered into cooperation with Shangyingyuan (details of which can be found in the announcement of the Company dated 14 December 2022), and obtained the characters-related merchandise development rights of the film *The Monkey King*. We are also in negotiations with a number of extraordinary IP owners for possible cooperation. On the other hand, we are developing Haichang’s proprietary IPs. Other than those charming and oceanic proprietary IPs, we have developed a distinctive oceanic IP, Celestra Queen. These IPs have debuted in the shows at the Ultraman Theatre in the Shanghai Haichang Ocean Park, and received countless commendation after the shows were broadcasted. We will further operate our proprietary IPs in the future.

Besides, we are also exploring other quality tourism and leisure opportunities. For example, we have signed a memorandum of cooperation with the Ministry of Investment of the Kingdom of Saudi Arabia and promptly obtained an investment license from the Ministry of Investment of Saudi Arabia, which is a condition precedent to the establishment of an invested and operational entity in Saudi Arabia by a foreign investor. At present, we are actively negotiating with our local partner and continue to promote this project into reality.

In addition, we also hope to deploy more focus on our operation. We will conduct further in-depth exploration on the path of capitalization to further improve our capital structure. Except for future projects which will be developed under asset-light model in principle, we will also actively pursue an innovative financing model for our existing heavy assets, releasing restricted capital to provide strong financial support for the rapid growth of the Group in the future. Meanwhile, we will explore business models with value-added assets empowered by the Haichang's operations.

FINANCIAL REVIEW

Revenue

For the six months ended 30 June 2023, the Group recorded a turnover of approximately RMB748.7 million (same period of 2022: approximately RMB257.8 million), representing an increase of approximately 190.4% when compared with the corresponding period last year, primarily attributable to the fact that both our park operation business and tourism & leisure services and solutions business recorded a substantial increase in revenue thanks to the rebound of tourism & leisure market.

	For the six months ended 30 June 2023		For the six months ended 30 June 2022	
	RMB'000	%	RMB'000	%
Revenue by business				
Park operation	697,599	93.2%	241,341	93.6%
Tourism & leisure services and solutions	51,128	6.8%	16,422	6.4%
Total	<u>748,727</u>	<u>100.0%</u>	<u>257,763</u>	<u>100.0%</u>

Revenue generated from the Group's park operation segment increased by approximately 189.1% from approximately RMB241.3 million for the six months ended 30 June 2022 to approximately RMB697.6 million for the six months ended 30 June 2023.

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Gross Profit/(Loss)

For the six months ended 30 June 2023, the Group's overall gross profit was approximately RMB202.9 million (same period of 2022: gross loss of approximately RMB142.1 million), resulting in an overall gross profit margin of 27.1% (same period of 2022: gross loss margin of 55.1%).

Gross profit of the Group's park operation segment was approximately RMB195.8 million (same period of 2022: gross loss of RMB146.4 million) and gross profit/(loss) margin of the Group's park operation segment increased from the gross loss margin of 60.7% for the six months ended 30 June 2022 to the gross profit margin of 28.1% for the six months ended 30 June 2023, primarily attributable to the substantial increase in revenue.

Other Income and Gains

The Group's other income and gains increased by approximately 15.0% from approximately RMB56.6 million for the six months ended 30 June 2022 to approximately RMB65.1 million for the six months ended 30 June 2023, primarily attributable to the gains from financial assets at fair value through profit or loss.

Selling and Marketing Expenses

The Group's selling and marketing expenses decreased by approximately 13.5% from approximately RMB26.6 million for the six months ended 30 June 2022 to approximately RMB23.0 million for the six months ended 30 June 2023, primarily attributable to the Company's strengthened expense control.

Administrative Expenses

The Group's administrative expenses decreased by approximately 7.7% from approximately RMB204.3 million for the six months ended 30 June 2022 to approximately RMB188.6 million for the six months ended 30 June 2023, primarily attributable to the impairment of long-term assets for the corresponding period of 2022.

Finance Costs

The Group's finance costs decreased by approximately 2.7% from approximately RMB153.7 million for the six months ended 30 June 2022 to approximately RMB149.6 million for the six months ended 30 June 2023.

Income Tax Credit/(Expense)

The Group recorded an income tax expense of approximately RMB0.6 million for the six months ended 30 June 2022 and income tax credit of approximately RMB11.8 million for the six months ended 30 June 2023. Such change was primarily attributable to the recognition of deferred income tax on tax losses.

Loss for the Period

As a result of the foregoing, the Group's loss for the period decreased from approximately RMB548.5 million for the six months ended 30 June 2022 to approximately RMB84.7 million for the six months ended 30 June 2023, with net loss margin decreased from approximately 212.8% for the six months ended 30 June 2022 to approximately 11.3% for the six months ended 30 June 2023. Meanwhile, loss attributable to equity holders of the parent decreased from approximately RMB539.3 million for the six months ended 30 June 2022 to approximately RMB89.0 million for the six months ended 30 June 2023.

Non-IFRSs Measures

In order to supplement the Group's interim condensed consolidated financial information, which are presented in accordance with IFRSs, the Group uses adjusted EBITDA profit/(loss) as additional financial measures. The Group presents these financial measures because they are used by the Group's management to evaluate the Group's financial performance by eliminating the impact of certain items that the Group does not consider to be indicative of the Group's performance during the reporting period. The Group also believes that these non-IFRSs measures provide additional information to investors and others in their understanding and evaluating the Group's results of operations in the same manner as they help the Group's management. These non-IFRSs measures provide an unbiased presentation for investors for understanding. However, these non-IFRSs measures do not have the standardized meanings prescribed by IFRSs and therefore they may not be comparable to similar measures presented by other companies listed on the Stock Exchange.

Adjusted EBITDA profit/(loss)

For the six months ended 30 June 2023, adjusted EBITDA profit was RMB231.2 million as compared to loss of RMB165.5 million for the corresponding period last year, primarily attributable to a significant increase in revenue resulting from the rebound of tourism and leisure market. The following table sets out the adjustments to adjusted EBITDA for the periods indicated:

	For the six months ended 30 June 2023 RMB'000	For the six months ended 30 June 2022 RMB'000
Earnings/(loss) before interest and tax	38,590	(407,516)
Depreciation and amortisation	191,803	153,895
Changes in fair value of investment properties	800	52,632
Impairment of property, plant and equipment	–	35,499
Adjusted EBITDA profit/(loss)	231,193	(165,490)

Liquidity and Financial Resources

As at 30 June 2023, the Group had current assets of approximately RMB3,046.9 million (as at 31 December 2022: approximately RMB2,847.4 million). As at 30 June 2023, the Group had cash and cash equivalents of approximately RMB1,672.4 million (as at 31 December 2022: approximately RMB1,244.6 million).

Total equity of the Group as at 30 June 2023 was approximately RMB2,582.5 million (as at 31 December 2022: approximately RMB2,676.3 million). As at 30 June 2023, total interest-bearing bank and other borrowings of the Group amounted to approximately RMB5,551.3 million (as at 31 December 2022: RMB5,149.2 million).

As at 30 June 2023, the Group had a net gearing ratio of 156.6% (as at 31 December 2022: 150.3%). The net liabilities of the Group included interest-bearing bank and other borrowings and lease liabilities, less cash and cash equivalents.

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

CAPITAL STRUCTURE

The share capital of the Company comprised ordinary shares (the “**Shares**”) for the six months ended 30 June 2023.

CONTINGENT LIABILITIES

Certain suppliers of the Group filed claims to the People’s Court of Pudong New Area in Mainland China against the Group for overdue payments of construction costs of approximately RMB5,802,000 and the interest arising from the overdue payments of construction costs of approximately RMB918,000. As at 30 June 2023, certain bank accounts of the Group of RMB18,930,000 were frozen by the People’s Court of Pudong New Area for property preservation. The Group has made full provision for payments of construction costs due to the possibility of the Group taking settlement responsibility on the basis of the available evidence and legal advice taken. The directors of the Company are of the opinion that, the interest claimed is without merits and the possibility for the Group to be subject to additional interest claims was remote and no provision has been made for the interest claimed.

FOREIGN EXCHANGE RATE RISK

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

EVENTS AFTER THE REPORTING PERIOD

Mr. Li Hao resigned as a non-executive director of the Company with effect from 3 July 2023.

Mr. Wu Tongtong was appointed as a non-executive director of the Company with effect from 3 July 2023.

CAPITAL COMMITMENTS

For the six months ended 30 June 2023, the Group had capital commitments of approximately RMB1,727.9 million (31 December 2022: RMB608.4 million), which shall be funded through a variety of means including cash generated from operations, bank financing, etc.

STAFF POLICY

As at 30 June 2023, the Group had a total of 3,382 full-time employees (as at 30 June 2022: 2,977 full-time employees). The Group offers comprehensive and competitive remuneration, retirement scheme and benefit packages to its employees. Discretionary bonus may be granted to the Group's staff depending on their work performance. The Group and its employees are required to make contributions to social insurance schemes as well as to pension insurance and unemployment insurance at the rates specified in relevant laws and regulations.

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

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

Save as disclosed in the interim condensed consolidated financial information, neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the six months ended 30 June 2023.

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 code provisions set out in Part 2 of the Corporate Governance Code (the "**CG Code**") contained in Appendix 14 to the Rules Governing the Listing of Securities (the "**Listing Rules**") on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") as its own code of corporate governance.

The Company has been in compliance with the code provisions of the CG Code throughout the six months ended 30 June 2023 except as disclosed below.

Under code provision C.2.1 of the CG Code, the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. Mr. Qu Naijie acts as the chairman of the Board and the chief executive officer of the Company. The Company considers that it is appropriate to deviate from the code provision as taking the roles of both chairman and chief executive officer by Mr. Qu Naijie helps enhance the efficiency of the formulation and implementation of the Company's strategies and allows the Group to grasp business opportunities in a more efficient and timely manner. The Company is of the view that under the supervision of the Board and the independent non-executive Directors, a balancing mechanism exists so that the interests of shareholders are adequately and fairly represented.

Under code provision F.2.2 of the CG Code, the chairman of the Board should attend annual general meetings of the Company and should also invite the chairmen of the audit committee (the “**Audit Committee**”), remuneration committee, nomination committee and any other committees (as appropriate) of the Company to attend. Mr. Qu Naijie, being the chairman of the Board, the chairman of the nomination committee and the chief executive officer of the Company, was absent from the annual general meeting of the Company held on 9 June 2023 (the “**AGM**”) due to pre-arranged business commitments. Mr. Zhang Jianbin, being an executive director and executive president, was elected as the chairman of the AGM. Mr. Zhang Jianbin and the chairmen of the Audit Committee, remuneration committee, risk management and corporate governance committee and independent board committee, respectively, and other members of the nomination committee of the Company attended the AGM.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUERS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) set out in Appendix 10 to the Listing Rules as its own code of conduct for securities transactions by the 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 six months ended 30 June 2023.

AUDIT COMMITTEE

As at the date of this announcement, the Audit Committee comprises two members, namely Zhu Yuchen and Wang Jun, both of whom are independent non-executive Directors. Mr. Zhu Yuchen is the chairman of the Audit Committee.

The Audit Committee has reviewed together with the Directors the unaudited interim financial information of the Group for the six months ended 30 June 2023.

INTERIM DIVIDEND

The Board does not recommend payment of any interim dividend for the six months ended 30 June 2023 (for the six months ended 30 June 2022: Nil).

FORWARD LOOKING STATEMENTS

The forward-looking statements in this announcement 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 the Group’s intentions, beliefs or current expectations concerning, among other things, the Group’s results of operations, financial condition, liquidity, prospects and growth strategies, and the industry in which the Group operates.

By their nature, forward-looking statements involve risks and uncertainties because they relate to events and depend on circumstances that may or may not occur in the future. The Company wishes to caution you that forward-looking statements are not guarantees of future performance and that the Group's actual results of operations, financial position and liquidity and the development of the industry in which the Group operates may differ materially from those made in, or suggested by, the forward-looking statements contained in this announcement. In addition, even if the Group's results of operations, financial position 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 months ended 30 June 2023 is published on the website of the Stock Exchange at www.hkexnews.hk and the website of the Company at www.haichangoceanpark.com.

APPRECIATION

Lastly, on behalf of the Board, Mr. Qu Naijie (being the Chairman of the Board) would like to take this opportunity to express his gratitude to the management and all fellow staff members for their contributions to the Group's development. Also, Mr. Qu would like to extend his deepest appreciation to the shareholders, business partners, customers and professional advisers for their support and confidence in bringing the Group a more prosperous and fruitful future.

By Order of the Board
Haichang Ocean Park Holdings Ltd.
Qu Naijie
Executive Director and Chief Executive Officer

Shanghai, the People's Republic of China, 30 August 2023

As at the date of this announcement, the executive Directors are Mr. Qu Naijie, Mr. Qu Cheng and Mr. Zhang Jianbin; the non-executive Directors are Mr. Wang Xuguang, Mr. Wu Tongtong and Mr. Yuan Bing; and the independent non-executive Directors are Mr. Wang Jun and Mr. Zhu Yuchen.