



**Hainan Dadonghai Tourism Centre (Holdings) Co.,  
Ltd.**

**Financial Report**

**Semi-Annual 2020**

**Hainan Dadonghai Tourism Centre (Holdings) Co., Ltd.****Financial Report**

(1 January 2020 to 30 June 2020)

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**I. Financial Statement**

Expressed in Renminbi unless otherwise stated

**1. Balance sheet**

Prepared by HAINAN DADONGHAI Tourism Centre (HOLDINGS) CO., LTD.

2020-06-30

In RMB

Item	2020-6-30	2019-12-31
Current assets:		
Monetary funds	17,832,633.21	7,422,939.89
Settlement provisions		
Capital lent		
Tradable financial assets		
Derivative financial assets		
Note receivable		
Account receivable	95,154.01	311,083.92
Receivable financing		
Accounts paid in advance		
Insurance receivable		
Reinsurance receivables		
Contract reserve of reinsurance receivable		
Other account receivable	385,492.93	571,744.52
Buying back the sale of financial assets		
Inventories	257,461.01	254,257.19
Contractual assets		
Assets held for sale		
Non-current asset due within one year		
Other current assets	2,951,509.69	2,574,442.57
<b>Total current assets</b>	<b>21,522,250.85</b>	<b>11,134,468.09</b>
Non-current assets:		
Loans and payments on behalf		
Debt investment		



Other debt investment		
Long-term account receivable		
Long-term equity investment		
Investment in other equity instrument		
Other non-current financial assets		
Investment real estate	7,667,644.09	7,909,956.87
Fixed assets	33,463,950.05	35,075,195.98
Construction in progress	4,074,092.55	488,522.10
Productive biological asset		
Oil and gas asset		
Right-of-use assets		
Intangible assets	20,991,719.30	21,392,861.88
Expense on Research and Development		
Goodwill		
Long-term expenses to be apportioned	10,797,114.62	11,520,179.33
Deferred income tax asset		
Other non-current asset		
<b>Total non-current asset</b>	<b>76,994,520.61</b>	<b>76,386,716.16</b>
<b>Total assets</b>	<b>98,516,771.46</b>	<b>87,521,184.25</b>
Current liabilities:		
Short-term loans		
Loan from central bank		
Capital borrowed		
Trading financial liability		
Derivative financial liability		
Note payable		
Account payable	382,803.65	1,250,409.75
Accounts received in advance	791,258.55	786,715.42
Contractual liability		
Selling financial asset of repurchase		
Absorbing deposit and interbank deposit		
Security trading of agency		
Security sales of agency		



Wage payable	1,835,302.47	2,552,996.37
Taxes payable	334,957.93	307,257.85
Other account payable	2,011,273.02	2,647,515.86
Commission charge and commission payable		
Liability held for sale		
Non-current liabilities due within one year	3,358,196.37	
Other current liabilities		
<b>Total current liabilities</b>	<b>8,713,791.99</b>	<b>7,544,895.25</b>
Non-current liabilities:		
Insurance contract reserve		
Long-term loans	16,458,140.89	
Bonds payable		
Lease liability		
Long-term account payable		
Long-term wages payable		
Accrual liability	1,489,685.04	1,489,685.04
Other non-current liabilities		
<b>Total non-current liabilities</b>	<b>17,947,825.93</b>	<b>1,489,685.04</b>
<b>Total liabilities</b>	<b>26,661,617.92</b>	<b>9,034,580.29</b>
Owner's equity:		
Share capital	364,100,000.00	364,100,000.00
Other equity instrument		
Capital public reserve	54,142,850.01	54,142,850.01
Less: Inventory shares		
Other comprehensive income		
Reasonable reserve		
Surplus public reserve		
Provision of general risk		
Retained profit	-346,387,696.47	-339,756,246.05
Total owner's equity attributable to parent company	71,855,153.54	78,486,603.96
Minority interests		
<b>Total owner's equity</b>	<b>71,855,153.54</b>	<b>78,486,603.96</b>
<b>Total liabilities and owner's equity</b>	<b>98,516,771.46</b>	<b>87,521,184.25</b>



Legal Representative: Yuan Xiaoping

Accounting Principal: Fu Zongren

Accounting Firm's Principal: Fu Zongren

**2. Balance sheet of parent company**

In RMB

Item	2020-6-30	2019-12-31
Current assets:		
Monetary funds	17,831,539.29	7,421,452.59
Trading financial assets		
Derivative financial assets		
Note receivable		
Account receivable	95,154.01	311,083.92
Receivable financing		
Accounts paid in advance		
Other account receivable	385,492.93	571,744.52
Inventories	257,461.01	254,257.19
Contractual assets		
Assets held for sale		
Non-current assets maturing within one year		
Other current assets	2,951,509.69	2,574,442.57
<b>Total current assets</b>	<b>21,521,156.93</b>	<b>11,132,980.79</b>
Non-current assets:		
Debt investment		
Other debt investment		
Long-term receivables		
Long-term equity investments	1,000,000.00	1,000,000.00
Investment in other equity instrument		
Other non-current financial assets		
Investment real estate	7,667,644.09	7,909,956.87
Fixed assets	33,463,950.05	35,075,195.98
Construction in progress	4,074,092.55	488,522.10
Productive biological assets		
Oil and natural gas assets		
Right-of-use assets		



Intangible assets	20,991,719.30	21,392,861.88
Research and development costs		
Goodwill		
Long-term deferred expenses	10,797,114.62	11,520,179.33
Deferred income tax assets		
Other non-current assets		
<b>Total non-current assets</b>	<b>77,994,520.61</b>	<b>77,386,716.16</b>
<b>Total assets</b>	<b>99,515,677.54</b>	<b>88,519,696.95</b>
Current liabilities		
Short-term borrowings		
Trading financial liability		
Derivative financial liability		
Notes payable		
Account payable	382,803.65	1,250,409.75
Accounts received in advance	791,258.55	786,715.42
Contractual liability		
Wage payable	1,835,302.47	2,552,996.37
Taxes payable	334,957.93	307,210.05
Other accounts payable	2,011,273.02	2,647,515.86
Liability held for sale		
Non-current liabilities due within one year	3,358,196.37	
Other current liabilities	999,468.70	999,468.70
<b>Total current liabilities</b>	<b>9,713,260.69</b>	<b>8,544,316.15</b>
Non-current liabilities:		
Long-term loans	16,458,140.89	
Bonds payable		
Lease liability		
Long-term account payable		
Long term employee compensation payable		
Accrued liabilities	1,489,685.04	1,489,685.04
Deferred income		
Deferred income tax liabilities		
Other non-current liabilities		



Total non-current liabilities	17,947,825.93	1,489,685.04
Total liabilities	27,661,086.62	10,034,001.19
Owners' equity:		
Share capital	364,100,000.00	364,100,000.00
Other equity instrument		
Capital public reserve	54,142,850.01	54,142,850.01
Less: Inventory shares		
Other comprehensive income		
Special reserve		
Surplus reserve		
Retained profit	-346,388,259.09	-339,757,154.25
Total owner's equity	71,854,590.92	78,485,695.76
Total liabilities and owner's equity	99,515,677.54	88,519,696.95

### 3. Consolidated Profit Statement

In RMB

Item	2020 semi-annual	2019 semi-annual
I. Total operating income	4,981,872.00	14,241,961.04
Including: Operating income	4,981,872.00	14,241,961.04
Interest income		
Insurance gained		
Commission charge and commission income		
II. Total operating cost	11,529,626.87	13,646,017.49
Including: Operating cost	5,052,678.43	5,514,477.93
Interest expense		
Commission charge and commission expense		
Cash surrender value		
Net amount of expense of compensation		
Net amount of withdrawal of insurance contract reserve		
Bonus expense of guarantee slip		
Reinsurance expense		
Tax and extras	182,132.20	383,479.50





Sales expense	2,095,194.24	2,809,991.94
Administrative expense	4,200,935.35	5,071,800.21
R&D expense		
Financial expense	-1,313.35	-133,732.09
Including: Interest expenses	76,128.55	
Interest income	89,077.69	152,697.12
Add: other income	262,840.35	
Investment income (Loss is listed with “-”)		
Including: Investment income on affiliated company and joint venture		
The termination of income recognition for financial assets measured by amortized cost(Loss is listed with “-”)		
Exchange income (Loss is listed with “-”)		
Net exposure hedging income (Loss is listed with “-”)		
Income from change of fair value (Loss is listed with “-”)		
Loss of credit impairment (Loss is listed with “-”)		
Losses of devaluation of asset (Loss is listed with “-”)		
Income from assets disposal (Loss is listed with “-”)		
<b>III. Operating profit (Loss is listed with “-”)</b>	<b>-6,284,914.52</b>	<b>595,943.55</b>
Add: Non-operating income	2,593.62	160,030.46
Less: Non-operating expense	349,129.52	
<b>IV. Total profit (Loss is listed with “-”)</b>	<b>-6,631,450.42</b>	<b>755,974.01</b>
Less: Income tax expense		
<b>V. Net profit (Net loss is listed with “-”)</b>	<b>-6,631,450.42</b>	<b>755,974.01</b>
(i) Classify by business continuity		
1.continuous operating net profit (net loss listed with “-”)	-6,631,450.42	755,974.01
2.termination of net profit (net loss listed with “-”)		
(ii) Classify by ownership		
1.Net profit attributable to owner’s of parent company	-6,631,450.42	755,974.01
2.Minority shareholders’ gains and losses		
<b>VI. Net after-tax of other comprehensive income</b>		
Net after-tax of other comprehensive income attributable to owners of parent company		
(I) Other comprehensive income items which will not be reclassified		



subsequently to profit of loss		
1.Changes of the defined benefit plans that re-measured		
2.Other comprehensive income under equity method that cannot be transfer to gain/loss		
3.Change of fair value of investment in other equity instrument		
4.Fair value change of enterprise's credit risk		
5. Other		
(ii) Other comprehensive income items which will be reclassified subsequently to profit or loss		
1.Other comprehensive income under equity method that can transfer to gain/loss		
2.Change of fair value of other debt investment		
3.Amount of financial assets re-classify to other comprehensive income		
4.Credit impairment provision for other debt investment		
5.Cash flow hedging reserve		
6.Translation differences arising on translation of foreign currency financial statements		
7.Other		
Net after-tax of other comprehensive income attributable to minority shareholders		
<b>VII. Total comprehensive income</b>	<b>-6,631,450.42</b>	<b>755,974.01</b>
Total comprehensive income attributable to owners of parent Company	-6,631,450.42	755,974.01
Total comprehensive income attributable to minority shareholders		
<b>VIII. Earnings per share:</b>		
(i) Basic earnings per share	-0.0182	0.0021
(ii) Diluted earnings per share	-0.0182	0.0021

Legal Representative: Yuan Xiaoping

Accounting Principal: Fu Zongren

Accounting Firm's Principal: Fu Zongren

**4. Profit statement of parent Company**

In RMB

Item	2020 semi-annual	2019 semi-annual
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I. Operating income	4,981,872.00	14,241,961.04
Less: Operating cost	5,052,678.43	5,514,477.93
Taxes and surcharge	182,132.20	383,479.50
Sales expenses	2,095,194.24	2,809,991.94
Administration expenses	4,200,735.35	5,071,800.21
R&D expenses		
Financial expenses	-1,458.93	-133,233.30
Including: interest expenses	76,128.55	
Interest income	89,063.27	151,938.33
Add: other income	262,840.35	
Investment income (Loss is listed with “-”)		
Including: Investment income on affiliated Company and joint venture		
The termination of income recognition for financial assets measured by amortized cost (Loss is listed with “-”)		
Net exposure hedging income (Loss is listed with “-”)		
Changing income of fair value (Loss is listed with “-”)		
Loss of credit impairment (Loss is listed with “-”)		
Losses of devaluation of asset (Loss is listed with “-”)		
Income on disposal of assets (Loss is listed with “-”)		
II. Operating profit (Loss is listed with “-”)	-6,284,568.94	595,444.76
Add: Non-operating income	2,593.62	160,030.46
Less: Non-operating expense	349,129.52	
III. Total Profit (Loss is listed with “-”)	-6,631,104.84	755,475.22
Less: Income tax		
IV. Net profit (Net loss is listed with “-”)	-6,631,104.84	755,475.22
(i) continuous operating net profit (net loss listed with “-”)	-6,631,104.84	755,475.22
(ii) termination of net profit (net loss listed with “-”)		
V. Net after-tax of other comprehensive income		
(I) Other comprehensive income items which will not be reclassified subsequently to profit or loss		
1.Changes of the defined benefit plans that re-measured		
2.Other comprehensive income under equity method that cannot be transfer to gain/loss		



3.Change of fair value of investment in other equity instrument		
4.Fair value change of enterprise's credit risk		
5. Other		
(II) Other comprehensive income items which will be reclassified subsequently to profit or loss		
1.Other comprehensive income under equity method that can transfer to gain/loss		
2.Change of fair value of other debt investment		
3.Amount of financial assets re-classify to other comprehensive income		
4.Credit impairment provision for other debt investment		
5.Cash flow hedging reserve		
6.Translation differences arising on translation of foreign currency financial statements		
7.Other		
<b>VI. Total comprehensive income</b>	<b>-6,631,104.84</b>	<b>755,475.22</b>
VII. Earnings per share:		
(i) Basic earnings per share	-0.0182	0.0021

## 5. Consolidated Cash Flow Statement

In RMB

Item	2020 semi-annual	2019 semi-annual
I. Cash flows arising from operating activities:		
Cash received from selling commodities and providing labor services	5,200,787.10	14,988,120.25
Net increase of customer deposit and interbank deposit		
Net increase of loan from central bank		
Net increase of capital borrowed from other financial institution		
Cash received from original insurance contract fee		
Net cash received from re insurance business		
Net increase of insured savings and investment		
Cash received from interest, commission charge and commission		
Net increase of capital borrowed		
Net increase of returned business capital		



Net cash received by agents in sale and purchase of securities		
Write-back of tax received	12,691.70	
Other cash received concerning operating activities	501,830.36	1,105,441.88
<b>Subtotal of cash inflow arising from operating activities</b>	<b>5,715,309.16</b>	<b>16,093,562.13</b>
Cash paid for purchasing commodities and receiving labor service	2,862,000.80	4,468,726.47
Net increase of customer loans and advances		
Net increase of deposits in central bank and interbank		
Cash paid for original insurance contract compensation		
Net increase of capital lent		
Cash paid for interest, commission charge and commission		
Cash paid for bonus of guarantee slip		
Cash paid to/for staff and workers	5,523,279.64	6,921,639.62
Taxes paid	311,265.46	1,139,283.59
Other cash paid concerning operating activities	1,807,954.18	2,294,495.80
<b>Subtotal of cash outflow arising from operating activities</b>	<b>10,504,500.08</b>	<b>14,824,145.48</b>
<b>Net cash flows arising from operating activities</b>	<b>-4,789,190.92</b>	<b>1,269,416.65</b>
<b>II. Cash flows arising from investing activities:</b>		
Cash received from recovering investment		
Cash received from investment income		
Net cash received from disposal of fixed, intangible and other long-term assets	300.00	68,670.00
Net cash received from disposal of subsidiaries and other units		
Other cash received concerning investing activities		
<b>Subtotal of cash inflow from investing activities</b>	<b>300.00</b>	<b>68,670.00</b>
Cash paid for purchasing fixed, intangible and other long-term assets	4,541,624.47	591,546.00
Cash paid for investment		
Net increase of mortgaged loans		
Net cash received from subsidiaries and other units obtained		
Other cash paid concerning investing activities		
<b>Subtotal of cash outflow from investing activities</b>	<b>4,541,624.47</b>	<b>591,546.00</b>
<b>Net cash flows arising from investing activities</b>	<b>-4,541,324.47</b>	<b>-522,876.00</b>
<b>III. Cash flows arising from financing activities</b>		
Cash received from absorbing investment		



Including: Cash received from absorbing minority shareholders' investment by subsidiaries		
Cash received from loans	19,791,474.22	
Other cash received concerning financing activities		
<b>Subtotal of cash inflow from financing activities</b>	<b>19,791,474.22</b>	
Cash paid for settling debts		
Cash paid for dividend and profit distributing or interest paying	51,265.51	
Including: Dividend and profit of minority shareholder paid by subsidiaries		
Other cash paid concerning financing activities		
<b>Subtotal of cash outflow from financing activities</b>	<b>51,265.51</b>	
<b>Net cash flows arising from financing activities</b>	<b>19,740,208.71</b>	
IV. Influence on cash and cash equivalents due to fluctuation in exchange rate		
<b>V. Net increase of cash and cash equivalents</b>	<b>10,409,693.32</b>	<b>746,540.65</b>
Add: Balance of cash and cash equivalents at the period -begin	7,422,939.89	15,364,355.30
<b>VI. Balance of cash and cash equivalents at the period -end</b>	<b>17,832,633.21</b>	<b>16,110,895.95</b>

## 6. Cash Flow Statement of Parent Company

In RMB

Item	2020 semi-annual	2019 semi-annual
I. Cash flows arising from operating activities:		
Cash received from selling commodities and providing labor services	5,200,787.10	14,988,120.25
Write-back of tax received	12,691.70	
Other cash received concerning operating activities	501,815.94	1,104,683.09
<b>Subtotal of cash inflow arising from operating activities</b>	<b>5,715,294.74</b>	<b>16,092,803.34</b>
Cash paid for purchasing commodities and receiving labor service	2,862,000.80	4,468,726.47
Cash paid to/for staff and workers	5,523,279.64	6,921,639.62
Taxes paid	311,217.66	1,139,283.59
Other cash paid concerning operating activities	1,807,594.18	2,294,235.80
<b>Subtotal of cash outflow arising from operating activities</b>	<b>10,504,092.28</b>	<b>14,823,885.48</b>
<b>Net cash flows arising from operating activities</b>	<b>-4,788,797.54</b>	<b>1,268,917.86</b>
II. Cash flows arising from investing activities:		
Cash received from recovering investment		



Cash received from investment income		
Net cash received from disposal of fixed, intangible and other long-term assets	300.00	68,670.00
Net cash received from disposal of subsidiaries and other units		
Other cash received concerning investing activities		
<b>Subtotal of cash inflow from investing activities</b>	<b>300.00</b>	<b>68,670.00</b>
Cash paid for purchasing fixed, intangible and other long-term assets	4,541,624.47	591,546.00
Cash paid for investment		
Net cash received from subsidiaries and other units obtained		
Other cash paid concerning investing activities		
<b>Subtotal of cash outflow from investing activities</b>	<b>4,541,624.47</b>	<b>591,546.00</b>
<b>Net cash flows arising from investing activities</b>	<b>-4,541,324.47</b>	<b>-522,876.00</b>
III. Cash flows arising from financing activities		
Cash received from absorbing investment		
Cash received from loans	19,791,474.22	
Other cash received concerning financing activities		
<b>Subtotal of cash inflow from financing activities</b>	<b>19,791,474.22</b>	
Cash paid for settling debts		
Cash paid for dividend and profit distributing or interest paying	51,265.51	
Other cash paid concerning financing activities		
<b>Subtotal of cash outflow from financing activities</b>	<b>51,265.51</b>	
<b>Net cash flows arising from financing activities</b>	<b>19,740,208.71</b>	
IV. Influence on cash and cash equivalents due to fluctuation in exchange rate		
V. Net increase of cash and cash equivalents	10,410,086.70	746,041.86
Add: Balance of cash and cash equivalents at the period -begin	7,421,452.59	14,864,055.73
<b>VI. Balance of cash and cash equivalents at the period -end</b>	<b>17,831,539.29</b>	<b>15,610,097.59</b>

Note: The government grants actually received by the company, whether related to assets or income, are listed in the item "Other cash received concerning operating activities".

## 7. Statement of Changes in Owners' Equity (Consolidated)

Current Period

Item	2020 semi-annual											
	Owners' equity attributable to the parent Company										Minority interest	Total owners' equity
	Share capital	Other equity	Capital reserve	L	O	R	S	Pr	Retained profit	O		



	instrument			es: s: Inve nt or y sh ar es	t: h a r v e c o n s i d e r e d a s a n a s s e t	e: u o n s n o n p l i s i o n o f s e r v i c e s	h e r	o r i t y i n t e r e s t s
	Pr efer red stock	Per pet ual ca pi tal sec uri ties	Ot her					
I. Balance at the end of the last year	364,100,000.00		54,142,850.01			-339,756,246.05	78,486,603.96	78,486,603.96
Add: Changes of accounting policy								
Error correction of the last period								
Enterprise combine under the same control								
Other								
II. Balance at the beginning of this year	364,100,000.00		54,142,850.01			-339,756,246.05	78,486,603.96	78,486,603.96
III. Increase/ Decrease in this year (Decrease is listed with "-")						-6,631,450.42	-6,631,450.42	-6,631,450.42
(i) Total comprehensive income						-6,631,450.42	-6,631,450.42	-6,631,450.42
(ii) Owners' devoted and decreased capital								
1. Common shares invested by shareholders								
2. Capital invested by holders of other equity instruments								
3. Amount reckoned into owners equity with share-based payment								
4. Other								





(III) Profit distribution									
1. Withdrawal of surplus reserves									
2. Withdrawal of general risk provisions									
3. Distribution for owners (or shareholders)									
4. Other									
(IV) Carrying forward internal owners' equity									
1. Capital reserves converted to capital (share capital)									
2. Surplus reserves converted to capital (share capital)									
3. Remedying loss with surplus reserve									
4. Carry-over retained earnings from the defined benefit plans									
5. Carry-over retained earnings from other comprehensive income									
6. Other									
(V) Reasonable reserve									
1. Withdrawal in the report period									
2. Usage in the report period									
(VI) Others									
IV. Balance at the end of the report period	364,100,000.00		54,142,850.01				-346,387,696.47	71,855,153.54	71,855,153.54

Last Period

Item	2019 semi-annual										
	Owners' equity attributable to the parent Company								Minority interest	Total owners' equity	
	Share capital	Other equity instrument	Capital reserve	Reserve	Surplus	Profit	Retained profit	Other			Subtotal
	Pr	P	O	L	O	R	S	P			
	er	er	th	e	e	ur	us	lo			
	re	er	er	s	s	r	v				
	pre	er	er	I	o	o	re				
	re	er	er	n	m	n	se				
	re	er	er	v	pr	a	rv				
	re	er	er	e	e	b	e				



	debt	of	of	of	of	of	of
I. Balance at the end of the last year	364,100,000.00	54,142,850.01			-340,454,153.72	77,788,696.29	77,788,696.29
Add: Changes of accounting policy							
Error correction of the last period							
Enterprise combine under the same control							
Other							
II. Balance at the beginning of this year	364,100,000.00	54,142,850.01			-340,454,153.72	77,788,696.29	77,788,696.29
III. Increase/ Decrease in this year (Decrease is listed with "-")					755,974.01	755,974.01	755,974.01
(i) Total comprehensive income					755,974.01	755,974.01	755,974.01
(ii) Owners' devoted and decreased capital							
1.Common shares invested by shareholders							
2. Capital invested by holders of other equity instruments							
3. Amount reckoned into owners equity with share-based payment							
4. Other							
(III) Profit distribution							
1. Withdrawal of surplus reserves							



2. Withdrawal of general risk provisions									
3. Distribution for owners (or shareholders)									
4. Other									
(IV) Carrying forward internal owners' equity									
1. Capital reserves converted to capital (share capital)									
2. Surplus reserves converted to capital (share capital)									
3. Remedying loss with surplus reserve									
4 . Carry-over retained earnings from the defined benefit plans									
5 . Carry-over retained earnings from other comprehensive income									
6. Other									
(V) Reasonable reserve									
1. Withdrawal in the report period									
2. Usage in the report period									
(VI) Others									
IV. Balance at the end of the report period	364,100,000.00		54,142,850.01				-339,698,179.71	78,544,670.30	78,544,670.30

Note: 1. The line item of "Other Comprehensive Income Carried Forward to Retained Earnings" mainly reflects: (1) When the company's designated non-trading equity instrument investment measured at fair value and whose changes are included in other comprehensive income is derecognized, the accumulated gains or losses previously included in other comprehensive income are transferred from other comprehensive income to the amount of retained earnings; (2) When the company's designated financial liabilities measured at fair value and whose changes are included in other comprehensive income are derecognized, the accumulated gains or losses previously caused by changes in the enterprise's own credit risk and included in other comprehensive income are transferred from other comprehensive income to the amount of retained earnings. This item should be filled out based on the analysis of the amount of the relevant detailed subjects of the "Other Comprehensive Income" subject.

## 8. Statement of Changes in Owners' Equity (Parent Company)

Current Period

Item	2020 semi-annual								
	Share capital	Other	Capital public	L	O	R	S	Retained profit	O



		equity instrument		reserve	es: s: In v e n t o r y sh a r e s	thea: er: c: n: o: a: re: m: bl: e: p: r: e: r: e: h: s: e: r: v: e: n: e: s: i: v: e: i: n: c: o: m: e	ur: pl: us: re: se: r: v: e	th: er	equity
		P e r p e t u a l r e f e r e n c e s	O t h e r						
I. Balance at the end of the last year	364,100,000.00			54,142,850.01				-339,757,154.25	78,485,695.76
Add: Changes of accounting policy									
Error correction of the last period									
Other									
II. Balance at the beginning of this year	364,100,000.00			54,142,850.01				-339,757,154.25	78,485,695.76
III. Increase/ Decrease in this year (Decrease is listed with "-")								-6,631,104.84	-6,631,104.84
(i) Total comprehensive income								-6,631,104.84	-6,631,104.84
(ii) Owners' devoted and decreased capital									
1.Common shares invested by shareholders									
2. Capital invested by holders of other equity instruments									
3. Amount reckoned into owners equity with share-based payment									
4. Other									
(III) Profit distribution									
1. Withdrawal of surplus reserves									
2. Distribution for owners (or shareholders)									
3. Other									
(IV) Carrying forward internal owners' equity									
1. Capital reserves conversed to capital (share capital)									



2. Surplus reserves conversed to capital (share capital)								
3. Remedying loss with surplus reserve								
4. Carry-over retained earnings from the defined benefit plans								
5. Carry-over retained earnings from other comprehensive income								
6. Other								
(V) Reasonable reserve								
1. Withdrawal in the report period								
2. Usage in the report period								
(VI) Others								
IV. Balance at the end of the report period	364,100,000.00		54,142,850.01				-346,388,259.09	71,854,590.92

Note: 1. The line item of "Other Comprehensive Income Carried Forward to Retained Earnings" mainly reflects: (1) When the company's designated non-trading equity instrument investment measured at fair value and whose changes are included in other comprehensive income is derecognized, the accumulated gains or losses previously included in other comprehensive income are transferred from other comprehensive income to the amount of retained earnings; (2) When the company's designated financial liabilities measured at fair value and whose changes are included in other comprehensive income are derecognized, the accumulated gains or losses previously caused by changes in the enterprise's own credit risk and included in other comprehensive income are transferred from other comprehensive income to the amount of retained earnings. This item should be filled out based on the analysis of the amount of the relevant detailed subjects of the "Other Comprehensive Income" subject.

Last Period

In RMB

Item	2019 semi-annual					
	Share capital	Other equity instrument	Capital public reserve	Other comprehensive income	Retained profit	Total owners' equity
		Preference shares		Other comprehensive income		
		Other equity instruments		Other comprehensive income		
				Other comprehensive income		
				Other comprehensive income		
				Other comprehensive income		



		es		com		
I. Balance at the end of the last year	364,100,000.00		54,142,850.01		-340,454,153.72	77,788,696.29
Add: Changes of accounting policy						
Error correction of the last period						
Other						
II. Balance at the beginning of this year	364,100,000.00		54,142,850.01		-340,454,153.72	77,788,696.29
III. Increase/ Decrease in this year (Decrease is listed with "-")					755,475.22	755,475.22
(i) Total comprehensive income					755,475.22	755,475.22
(ii) Owners' devoted and decreased capital						
1.Common shares invested by shareholders						
2. Capital invested by holders of other equity instruments						
3. Amount reckoned into owners equity with share-based payment						
4. Other						
(III) Profit distribution						
1. Withdrawal of surplus reserves						
2. Distribution for owners (or shareholders)						
3. Other						
(IV) Carrying forward internal owners' equity						
1. Capital reserves converted to capital (share capital)						
2. Surplus reserves converted to capital (share capital)						
3. Remedying loss with surplus reserve						
4. Carry-over retained earnings from the defined benefit plans						
5. Carry-over retained earnings from other comprehensive income						
6. Other						
(V) Reasonable reserve						
1. Withdrawal in the report period						
2. Usage in the report period						
(VI)Others						



IV. Balance at the end of the report period	364,100,000.00	54,142,850.01	-339,698,678.50	78,544,171.51
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### 3. Company basic information

#### 3.1. Company Profile

Hainan Dadonghai Tourism Centre (Holdings) Co., Ltd. (hereinafter referred to as “the Company”), was founded as a standardized LLC on April 26, 1993, reorganized and incorporated on the basis of the former Hainan Sanya Dadonghai Tourism Centre Development Ltd. and approved by the Hainan Provincial Stock System Experimentation Leading Team Office with a document of Qiong Gu Ban Zi [1993] No. 11. On May 6, 1996, the Company underwent a restructuring and a corresponding division under the approval of the Hainan Provincial Securities Administration Office with a document of Qiong Zheng Ban [1996] No. 58. On October 8, 1996 and January 28, 1997, the Company, with duly approval, went public by issuing 80 million shares of B stock and 14 million shares of A stock respectively on Shenzhen Security Exchange. On June 20, 2007, the Company experienced a reform of non-tradable shares, through which non-tradable share holders of the Company got circulating right of their shares by paying shares to tradable share holders, and tradable share holders got paid three shares for every ten of their shares. The Company operates business in the industry of tourism and catering services.

As at 30 June 2020, the Company's accumulative total issued capital was 364.1 million shares and the Company's registered capital was RMB 364.1 million. Legal representative: Yuan Xiaoping. Unified social credit code: 91460000201357188U. Domicile: Dadonghai, Hedong District, Sanya. Business scope: Accommodation and catering industry (limited to branches); photography; flower bonsai, knitwear, general merchandise, hardware, chemical products (except franchised operations), daily necessities, industrial means of production (except franchised operations), metal materials, machinery equipment; sales of train, bus, vehicle tickets on an agent basis etc. The Company's largest shareholder is Luoniushan Co., Ltd.

#### 3.2. Scope to the consolidated financial statements

As at 30 June 2020, the subsidiary included into the Company's scope of consolidated financial statements is as follows:

Subsidiary Name
Hainan Wengao Tourist Resources Development Co., Ltd( hereinafter referred to as Wengao Tourism)

Scope of consolidated financial statements have no changes in the Period.

The financial statements were approved by all directors of the Company for disclosure on August 20, 2020.



## **4. Basis for the preparation of the financial statements**

### **4.1. Preparation basis**

Based on going concern and according to actually occurred transactions and events, the Company prepared financial statements in accordance with the Accounting Standards for Business Enterprises — Basic Standards and the specific accounting standards, the Accounting Standards for Business Enterprises - Application Guidance, the Accounting Standards for Business Enterprises - Interpretation and other relevant provisions, issued by the Ministry of Finance, (hereinafter referred to collectively as the "Accounting Standards for Business Enterprises"), as well as the disclosure provisions of the Rules for the Compilation and Submission of Information Disclosure by Companies Offering Securities to the Public No.15 - General Requirements for Financial Reports.

### **4.2. Going concern**

The Company currently has sufficient working capital and normal operating conditions. It is estimated that the operating activities of the Company will still continue in the next 12 months.

## **5. Significant accounting policies and accounting estimates**

Specific accounting policies and estimates:

According to relevant regulations of Accounting Standards for Business Enterprises and accounting mechanism, combined with the actual operating characteristics to formulated the corresponding accounting policies and estimates.

### **5.1. Statement on compliance with the Accounting Standards for Business Enterprises**

The financial statements prepared by the Company meet requirements of the Accounting Standards for Business Enterprises, and truly and completely reflect the consolidated and the Company's financial position as of June 30, 2020 as well as operation results and cash flows for the first half year of 2020.

### **5.2. Accounting period**

The accounting year is from January 1 to December 31 in calendar year.

### **5.3. Operating cycle**

The Company's operating cycle is 12 months.

### **5.4. Functional currency**





RMB is adopted as the functional currency.

### 5.5 Accounting treatment methods for business combinations under and not under common control

Business combination under common control: The assets and liabilities acquired by the Company in business combinations are measured at book values of assets and liabilities of the combinee (including the goodwill arising from the acquisition of the combinee by the ultimate controller) in the consolidated financial statements of the ultimate controller on the combination date. The stock premium in the capital reserves is adjusted according to the difference between the book value of the net assets acquired in business combination and the book value of the consideration paid for the combination (or total par value of shares issued). If there is no sufficient stock premium in the capital reserves for write-downs, the retained earnings shall be adjusted.

Business combination not under common control: The Company shall, on the acquisition date, measure the assets surrendered and liabilities incurred or assumed by the Company for a business combination at their fair values. The difference between the fair value and their book value shall be included in the current profit or loss. The Company shall recognize the difference of the combination costs in excess of the fair value of the identifiable net assets acquired from the acquiree as goodwill. The Company shall recognize the difference of the combination costs in short of the fair value of the identifiable net assets acquired from the acquiree in the current profit or loss after review.

The expenses directly related to the enterprise merger (including auditing charge, legal services and intermediate fee as appraisal consultant and other expenses) shall be recorded into the current profit and loss when incurred. The transaction cost of issuing equity securities or debt securities for the purpose of business merger, equity shall be written-off.

### 5.6. Preparation methods of consolidated financial statements

#### 1) Scope of consolidation

The scope of consolidated financial statements of the Company is determined on the basis of control, all subsidiaries (includes the divisible part of the investee that controlled by the Company) are included in consolidate financial statement.

#### 2) Procedures of consolidation

The Company prepares the consolidated financial statements based on financial statements of itself and its subsidiaries and according to other relevant information. Upon preparation of consolidated financial statements, the Company shall deem the whole group as a whole accounting entity, and reflects the overall financial position, operating results and cash flows of the group in accordance with relevant requirements for recognition, measurement and presentation as stated in the Accounting Standards for Business Enterprises as well as uniform accounting policies.



All the subsidiaries within the consolidation scope of consolidated financial statements shall adopt the same accounting policies and accounting periods as those of the Company. If the accounting policies or accounting periods of a subsidiary are different from those of the Company, the consolidated financial statements of the subsidiary, upon preparation of consolidated financial statements, shall be adjusted according to the accounting policies and accounting periods of the Company. For the subsidiaries acquired through business combination not under the same control, adjustments to their financial statements shall be made based on the fair values of net identifiable assets on the acquisition date. For a subsidiary acquired through business combination under common control, adjustment to its financial statements shall be made based on the book values of its assets and liabilities (including goodwill formed in the acquisition of the subsidiary by its ultimate controller) as presented in the financial statements of the ultimate controller.

The share of owners' equity, current net profits and losses, and current comprehensive income of subsidiaries attributable to minority owners shall be respectively and separately listed under the owner's equity item of a consolidated balance sheet, the net profit item of a consolidated income statement, and the total comprehensive income in a consolidated income statement. Where the current losses shared by a minority shareholder of a subsidiary exceeds the balances arising from the shares enjoyed by the minority shareholder in the owners' equity of the subsidiary at the beginning of the period, minority equity shall be written down accordingly.

#### (1) Increase of subsidiaries or business

During the reporting period, if the Company acquired subsidiaries or business from the business combination under common control, the beginning balance in the consolidated statement of financial position shall be adjusted; the revenue, expenses and profits of the newly acquired subsidiaries or business from the beginning to the end of the reporting period shall be included into the consolidated income statement; the cash flows of the newly acquired subsidiaries or business from the beginning to the end of the reporting period shall be included in the consolidated statement of cash flow. Relevant items in the comparative financial statements of the subsidiaries shall be adjusted accordingly, as if the reporting entity after the business combination exists at the time when the ultimate controller has the control power.

Where control can be exercised on the investee under the common control for additional investment or other reasons, adjustment will be made as if all parties involved in the combination exist at the beginning of the control by the ultimate controller. Equity investments held before the control over the combined party is obtained, the related gains and losses, other comprehensive income as well as other changes in net assets recognized from the later of the date when the original equity is obtained or the date when the acquirer and the acquiree are under the same control, to the combination date will respectively write down the retained earnings or current profit or loss in the comparative statements.

During the reporting period, if the Company increased subsidiaries or business from business combinations not under common control, the beginning balance in the consolidated balance sheet shall not be adjusted; the revenue,



expenses and profits of the subsidiaries or business from the acquisition date to the end of the reporting period shall be included in the consolidated income statement; cash flows of the subsidiaries and business from the acquisition date to the end of the reporting period shall be included in the consolidated statement of cash flows.

Where the Company can control the investee not under common control from additional investments, it shall re-measure equity of the acquiree held before the acquisition date at the fair value of such equity on the acquisition date and include the difference of the fair value and book value in the investment income in the year. Where equity of the acquiree held before the acquisition date involves in other comprehensive income accounted for under equity method and other changes in owners' equity other than net profits or losses, other comprehensive income and profit distribution, the relevant other comprehensive income and other changes in owners' equity shall be transferred to investment income in the year which the acquisition date falls in, except for other comprehensive income from changes arising from re-measurement of net liabilities or net assets of defined benefit plan by the investee.

## (2) Disposal of subsidiaries or business

### ① General method of treatment

During the reporting period, where the Company disposes of any subsidiary or business, the revenues, expenses and profits of the subsidiary or business from the beginning period to the disposal date shall be included in the consolidated income statement; cash flows of the subsidiary or business from the beginning period to the disposal date shall be included in the consolidated statement of cash flows.

When the Company loses the control over the investee due to disposal of partial equity investment or other reasons, the remaining equity investment after the disposal will be re-measured by the Company at its fair value on the date of loss of the control. The difference of the sum of the consideration acquired from disposal of equities and the fair value of the remaining equities less the sum of the share calculated at the original shareholding ratio in net assets of the original subsidiary which are continuously calculated as of the acquisition date or the combination date and goodwill shall be included in the investment income of the period in which the control is lost. Other comprehensive incomes associated with the equity investments of the original subsidiary, or the changes in owners' equity other than net profit or loss, other comprehensive income and profit distribution, are transferred into investment income of the period when the control is lost, except for other comprehensive income from the change in net liability or net asset due to the investor's re-measurement of defined benefit plan.

Where the Company loses the control of any subsidiary due to the decline in its shareholding ratio in the subsidiary, caused by the increase of investment in the subsidiary by other investors, the accounting treatment shall be conducted according to the above principles.

### ② Disposal of subsidiaries by stages

If the control is lost due to disposal of the equities in subsidiaries through multiple transactions by stages, and the



terms, conditions and economic impact of the transactions related to the enterprise's disposal of its investment in the subsidiaries meet one or more of the following circumstances, it usually indicates that multiple transactions should be included in a package deal and subject to accounting processing as below:

- i. These transactions are concluded at the same time or under the consideration of mutual effect;
- ii. These transactions as a whole can reach a complete business result;
- iii. The occurrence of a transaction depends on the occurrence of at least one other transaction;
- iv. A single transaction is uneconomical but is economical when considered together with other transactions.

Where various transactions of disposal of equity investments in subsidiaries until loss of the control belong to a package deal, accounting treatment shall be made by the Company on the transactions as a transaction to dispose subsidiaries and lose the control; however, the difference between each disposal cost and net asset share in the subsidiaries corresponding to each disposal of investments before loss of the control should be recognized as other comprehensive income in the consolidated financial statements and should be transferred into the current profit or loss at the loss of the control.

Where various transactions of disposal of equity investments in subsidiaries until loss of the control do not belong to a package deal, before the loss of the control, accounting treatment shall be made according to the relevant policies for partial disposal of equity investments in the subsidiary without losing control; at the loss of the control, accounting treatment shall be made according to general treatment methods for disposal of subsidiaries.

### (3) Purchase of minority interest of subsidiaries

The share premium in the capital reserves under the consolidated balance sheet will be adjusted at the difference between the long-term equity investment acquired by the Company for the purchase of minority interest and the share of net assets calculated constantly from the acquisition date (or combination date) according to the newly increased shareholding ratio. Where the share premium is insufficient to offset, retained earnings will be adjusted.

### (4) Partial disposal of equity investments in subsidiaries without losing control

The share premium in the capital reserves under the consolidated balance sheet will be adjusted at the difference between the proceeds achieved from the partial disposal of long-term equity investments in subsidiaries and the share of net assets of subsidiaries attributable to the Company corresponding to the disposal of long-term equity investments and calculated constantly from the acquisition date or combination date, without losing the control. Where the share premium is insufficient to write down, the retained earnings will be adjusted.

## 5.7 Classification and accounting treatment of joint venture arrangements

Joint venture arrangements are classified into joint operation and joint venture.



Joint operation refers the joint venture arrangement where the Company is a joint venture and enjoys assets relevant the joint venture arrangement and assumes liabilities relevant to the same.

The Company recognizes the following items related to its share of benefits in the joint operation and conduct accounting treatment in accordance with relevant accounting standards for business enterprises:

- (1) Assets peculiar to the Company and assets jointly owned by the Company based on shares held;
- (2) Liabilities undertaken by the Company solely and liabilities jointly undertaken by the Company based on shares held;
- (3) Revenue from the sales of output share enjoyed by the Company in the joint operation;
- (4) Revenue from the sales of the joint operation output based on the shares held by the Company; and
- (5) Separate costs, and costs for the joint operation based on the shares held by the Company.

#### **5.8. Recognition criteria of cash and cash equivalents**

For the purpose of preparing the statement of cash flows, the term “cash” refers to the cash on hand and the unrestricted deposit of the Company. The term “cash equivalents” refers to short-term (maturing within three months from acquisition) and highly liquid investments that are readily convertible to known amounts of cash and subject to an insignificant risk of change in value.

#### **5.9 Foreign currency business and statement translation**

Foreign currency transactions are translated into RMB for recording purpose at the spot exchange rate prevailing on the transaction date.

The balance of foreign currency monetary items are translated at the spot exchange rate on the balance sheet date and the exchange differences arising therefrom shall be included in the current profit and loss, except those exchange differences arising from the special borrowings of foreign currency related to the acquired and constructed assets qualified for capitalization that will be capitalized at the borrowing expenses. Foreign currency non-monetary items measured at historical costs shall still be converted at the spot exchange rates when the transactions occur, without changing the functional currency amount. Foreign currency non-monetary items measured at fair value shall be translated at the spot exchange rates on the day when the fair value is determined. The exchange difference arising therefrom is included in the current profit and loss or capital reserves.

#### **5.10. Financial instruments**



Financial instruments include financial assets, financial liabilities and equity instruments.

## 1) Classification of financial instruments

Upon initial recognition, financial assets and financial liabilities are classified into: financial assets or financial liabilities measured at fair value through current profit and loss, including financial assets or financial liabilities held for trading and financial assets or financial liabilities directly designated to be measured at fair value through current profit and loss; held-to-maturity investments; receivables; available-for-sale financial assets; and other financial liabilities, etc.

## 2) Recognition basis and measurement method of financial instruments

### (1) Financial assets (financial liabilities) measured at fair value through current profit and loss

Financial assets (financial liabilities) measured at fair value through current profit and loss are initially recognized at the fair value upon acquisition (net of cash dividends declared but not yet paid or bond interest due but not yet received) and the related transaction costs are included in current profit and loss.

The interests or cash dividends to be received during the holding period are recognized as investment income. Change in fair values is included in the current profit and loss at the end of the period.

The difference between the fair value and the initial book-entry value is recognized as investment income upon disposal; meanwhile, adjustments are made to profits or losses from changes in fair values.

### (2) Held-to-maturity investments

Held-to-maturity investments are initially recognized at the sum of the fair value (net of bond interest due but not yet received) and related transaction costs upon acquisition.

The interest income is calculated and recognized according to amortized costs and effective interest rates (as per coupon rates if the difference between effective interest rates and coupon rates is small) during the holding period, and is included in the investment income. The effective interest rates are determined upon acquisition and remain unchanged during the expected remaining period, or a shorter period if applicable.

Upon disposal, the difference between the purchase price obtained and the book value of the investment is recognized in investment income.

### (3) Receivables

For creditor's rights receivable arising from external sales of goods or rendering of service by the Company and other creditor's rights of other enterprises (excluding liability instruments quoted in an active market) held by the Company, including accounts receivable, other receivables, notes receivable, prepayment and others, the initial



recognition amount shall be the contract price or agreement price receivable from purchasing party; for those with financing nature, they are initially recognized at their present values.

Upon recovery or disposal, the difference between the purchase price obtained and the book value of the receivables is recognized in current profit and loss.

#### (4) Available-for-sale financial assets

Financial assets (financial liabilities) measured at fair value through current profit and loss are initially recognized at the fair value and related transaction expenses upon acquisition (net of cash dividends declared but not yet paid or bond interest due but not yet received).

The interests or cash dividends to be received during the holding period are recognized as investment income. The interest or cash dividends should be measured at fair value and their changes in fair value should be included in other comprehensive income. However, for an equity instrument investment that has no quoted price in an active market and whose fair value cannot be reliably measured, and for derivative financial asset linked to the said equity instrument investment and settled by delivery of the same equity instrument, they shall be measured at cost.

Difference between the proceeds and the book value of the financial assets is recognized as investment profit or loss upon disposal; meanwhile, amount of disposal corresponding to the accumulated change in fair value which is originally and directly included in other comprehensive income shall be transferred out and recognized as investment gains or losses.

#### (5) Other financial liabilities

Other financial liabilities are initially recognized at the sum of fair value and transaction expenses, and subsequently measured at amortized costs. Subsequent measurement is conducted at the amortized cost.

### 3) Recognition basis and measurement method of the transfer of financial assets

When a financial assets transfer occurs, the financial assets will be derecognized when substantially all the risks and rewards on the ownership of the financial assets have been transferred to the transferee; and they will not be derecognized if substantially all the risks and rewards on the ownership of the financial assets have been retained.

When determining whether the transfer of a financial asset meets the above de-recognition criteria of financial assets, the Company adopts the principle of substance over form. The Company classifies the transfer of a financial asset into the entire transfer and the partial transfer of financial asset. Where the entire transfer of the financial asset meets the de-recognition conditions, the difference of the following two amounts will be included in current profit and loss:

- (1) The book value of the transferred financial asset;
- (2) The sum of the consideration received from the transfer and the accumulated amount of the changes in fair



value originally and directly included in owners' equity (the situation where the financial asset transferred is an available-for-sale financial asset is involved in).

If the partial transfer of financial asset satisfies the criteria for de-recognition, the entire book value of the transferred financial asset shall be split into the derecognized and recognized part according to their respective fair value and the difference between the amounts of the following two items shall be included in the current profit and loss:

(1) The book value of the derecognized part;

(2) The sum of the consideration for the derecognized part and the portion of de-recognition corresponding to the accumulated amount of the changes in fair value originally and directly included in owners' equity (the situation where the financial asset transferred is an available-for-sale financial asset is involved in).

If the transfer of financial assets does not meet the de-recognition criteria, the financial assets shall continue to be recognized, and the consideration received will be recognized as a financial liability

#### 4) De-recognition criteria of financial liabilities

Where the present obligations of financial liabilities have been discharged in whole or in part, the financial liability is derecognized or any part thereof shall be derecognized; if the Company signs an agreement with creditors to replace the existing financial liabilities by undertaking new financial liabilities, and the new financial liabilities are substantially different from the existing ones in terms of contract terms, the existing financial liabilities shall be derecognized, and at the same time, the new financial liability shall be recognized.

Where substantive changes are made to the contract terms of existing financial liability in whole or in part, the existing financial liabilities or part thereof will be derecognized, and the financial liability the terms of which have been modified will be recognized as a new financial liability.

Where financial liabilities are derecognized in whole or in part, the difference between the book value of the financial liabilities derecognized and the consideration paid (including non-cash assets transferred out or new financial liabilities borne) shall be included in the current profit or loss.

Where the Company redeems part of its financial liabilities, it shall, on the redemption date, allocate the entire book value of whole financial liabilities according to the comparative fair value of the part that continues to be recognized and the de-recognized part. The difference between the book value allocated to the derecognized part and the considerations paid (including non-cash assets surrendered and the new financial liabilities assumed) shall be included in the current profit or loss.

#### 5) Determination method of the fair value of financial assets and financial liabilities

The fair value of a financial instrument, for which there is an active market, is the prices quoted for it therein. The fair value of a financial instrument, for which there is no active market, is determined by using valuation techniques. At the time of valuation, the Company adopts the techniques that are applicable in the current situation and supported by enough available data and other information, selects the input values that are consistent with the





features of assets or liabilities as considered by market participants in relevant asset or liability transactions, and gives priority to use relevant observable inputs. Unobservable inputs are used only under the circumstance when it is impossible or unobservable inputs to obtain relevant observable inputs.

#### 6) Test method and accounting treatment for impairment of financial assets

Accounting policies applicable as of 1 January 2019

The Company estimates, individually or in combination, the expected credit losses of financial assets measured at amortized cost and financial assets (debt instruments) measured at fair value whose changes are included in other comprehensive income, taking into account all reasonable and evidence-based information, including forward-looking information. The measurement of expected credit losses depend on whether the credit risk of financial assets has increased significantly since the initial recognition.

If the credit risk of the financial instruments has increased significantly since the initial recognition, the Company shall measure the loss provision at the amount equivalent to the expected credit loss of the financial instrument for the entire life of the instrument. If the credit risk of the financial instruments has not increased significantly since the initial recognition, the Company shall measure the loss provision at the amount equivalent to the expected credit loss of the financial instrument in the next 12 months. The increase or rollover amount of the loss provision resulting therefrom shall be recorded in the current profit and loss as an impairment loss or gain.

The credit risk of the instrument is generally deemed to have increased significantly if the default is more than 30 days, unless there is conclusive evidence that the credit risk of the instrument has not increased significantly since the initial confirmation.

If the credit risk of the financial instrument is low on the balance sheet date, the Company considers that the credit risk of the financial instrument has not increased significantly since the initial recognition.

If there is objective evidence that the credit impairment of a financial asset has occurred, the Company shall make provision for the impairment of the financial asset on a single basis.

#### **5.11. Note receivable**

Consistent with the accounting policy of account receivable

#### **5.12. Account receivable**

For account receivables, whether or not they contain significant financing elements, the Company measures the loss provisions according to the expected credit loss for the whole duration. For account receivables having objective evidence that there is an impairment and applicable to a single assessment, shall be subjected to an impairment test, to confirm the expected credit loss, and make a single impairment provision. For account



receivables without objective evidence of impairment, or when a single financial asset cannot be evaluated the credit loss at a reasonable cost, the Company divides account receivables into several portfolios according to the credit risk characteristics, to calculate the expected credit loss on the basis of the portfolios. The basis for determining the portfolios is as follows:

Portfolio Name	Basis
Account Receivables Portfolio 1	External Customers for Account Receivables
Account Receivables Portfolio 2	Consolidated Related Party Customers for Account Receivables

For the account receivables divided into portfolios, the Company refers to the history of credit loss experience, combined with the current situation and the forecast of the future economic situation, to prepare tables of aging of account receivables and comparison tables of expected credit loss rate of the entire duration, and to calculate the expected credit loss

For lease receivables, long-term receivables formed by the Company through the sale of goods or the provision of services, the Company chooses to always measure its loss provisions at an amount equal to the expected credit loss for the entire duration.

For other receivables, if the credit risk has not significantly increased since the initial recognition, it is in the first stage. The Company shall measure the loss provision according to the expected credit loss in the next 12 months. If the credit risk has increased significantly since the initial recognition, but the credit impairment has not occurred, it is in the second stage. If the credit impairment has occurred since the initial recognition, it is in the third stage. The Company shall measure the loss provision according to the expected credit loss of the instrument throughout its life.

### 5.13. Receivable financing

Consistent with the Accounting Standards for Business Enterprise

### 5.14. Other receivable

Methods of determining for expected credit losses of other receivable and accounting treatment

Methods of determining for expected credit losses of other receivable and accounting treatment

The Company divides other receivables into several portfolios based on the credit risk characteristics. The basis for determining the portfolio is as follows:

Portfolio Name	Basis
Other Receivables Portfolio 1	Deposit, Security Deposit and Reserve Receivables
Other Receivables Portfolio 2	Receivables of Advance Payment for Another Party



Other Receivables Portfolio 3

Other advances receivable

For other receivables divided into portfolios, the Company refers to historical experience in credit loss, combined with the current situation and forecast future economic situation, and by default risk exposure and the credit loss rate within next 12 months or the whole duration, to calculate the expected credit losses.

## 5.15 Inventory

### 1. Classification of inventories

The inventories are classified into: raw materials, commodity stocks, low-value consumables, food materials, fuels, etc.

### 2. Measurement of inventories dispatched

The commodity stocks are accounted for based on their selling prices, and the difference between the commodity purchasing price and the selling price is adjusted monthly by the comprehensive spread rate method. The inventory materials are measured at actual cost when purchased and warehoused, and measured using the first-in first-out method when applied for use and dispatched. Low-value consumables are amortized on a one-off basis when applied for use.

### 3. Determining basis of the net realizable value of inventories and method for inventory depreciation reserve

After the comprehensive check of the inventories at the end of the period, the inventory depreciation reserves are provided or adjusted at their costs or net realizable values, whichever are lower.

For inventories for direct sale, including commodity stocks and materials for sale, their net realizable values shall be recognized at the estimated selling prices minus the estimated selling expenses and the relevant taxes and surcharges in the normal operation process. For inventories held to execute sales contract or service contract, their net realizable values are calculated on the basis of contract price. If the quantities held by the Company are more than the quantities ordered in sales contracts, the net realizable value of the excess portion of inventories shall be based on general selling prices.

The provisions for inventory depreciation reserve are made on an individual basis at the end of the period; for inventories with large quantities and relatively low unit prices, the provisions for inventory depreciation reserve are made on a category basis. For inventories related to the product portfolios manufactured and sold in the same area, and of which the final usage or purpose is identical or similar thereto, and which is difficult to separate from other items for measurement purposes, the provisions for inventory depreciation reserve are made on a portfolio basis.

Where the previous factors affecting the written-down of the value of inventory have disappeared, the amount of write-down shall be resumed and be reversed from the original provision for inventory devaluation with the reversal being included in current profit and loss.

### 4. Inventory system

Perpetual inventory system is adopted.

### 5. Amortization method for low-cost consumables and packaging materials

(1) Low-cost consumables are amortized in a lump sum;



(2) Packaging materials are amortized in a lump sum.

### **5.16 Contractual assets**

Consistent with the Accounting Standards for Business Enterprises

### **5.17 Contractual costs**

Consistent with the Accounting Standards for Business Enterprises

### **5.18 Assets holding for Sale**

The Company classifies non-current assets or disposal groups that meet the following conditions as holding for sale:

- (1) Subject to the practice of selling such assets or disposal groups in similar transactions, the sale can be effected immediately under the current circumstances;
- (2) A sale is highly likely to occur, that is, the Company has made a decision on a sale plan and obtained a firm purchase commitment, and the sale is expected to be completed within one year. Where the relevant provisions require the approval of the relevant authority or regulatory authority of the company before the sale, the approval has been obtained.

### **5.19 Investment in debt obligations**

Consistent with the Accounting Standards for Business Enterprises

### **5.20 Other investment in debt obligations**

Consistent with the Accounting Standards for Business Enterprises

### **5.21 Long-term account receivable**

Consistent with the Accounting Standards for Business Enterprises

### **5.22 Long-term equity investment**

#### **Judgment criteria for joint control and significant influence**

Joint control refers to the control shared over an arrangement in accordance with the relevant stipulations, and the decision-making of related activities of the arrangement should not be made before the party sharing the control right agrees the same. Where the Company exercises joint control over the investee together with other parties to the joint venture and enjoys the right on the investee's net assets, the investee is a joint venture of the Company.

Significant influence refers to the power to participate in making decisions on the financial and operating policies



of an enterprise, such as appointing representative to the board of directors or similar organs of authority of the investee, but not the power to control the investee, or jointly control, the formulation of such policies with other parties. Where an investing enterprise is able to have significant influences on an investee, the investee is its associate.

### **Determination of initial investment cost**

#### **(1) Long-term equity investments acquired through business combination**

Business combination under common control: if the Company pays a consideration to the combinee in cash, by transferring non-cash assets or by assuming debts and issuing equity securities, the share of book value of its owners' equity in the combinee in the consolidated financial statements of the ultimate controller shall be recognized, on the combination date, as the initial cost of the long-term equity investment. If the invested entity under the same control can be controlled due to additional investment and other reasons, the initial investment cost of long-term equity investment shall be determined according to the share of the net assets of the merged party in the carrying value of the consolidated financial statements of the ultimate controlling party after the merger. The difference between the initial investment cost of the long-term equity investment on the date of the merger and the sum of the book value of the long-term equity investment before the merger together with the book value of the further acquisition of the newly paid consideration of the shares on the date of the merger shall be adjusted for the equity premium.

For long-term equity investments acquired from business combinations under common control, the investment initial cost thereof shall be recognized at the share of book value of the combinee's net assets in the consolidated financial statements of the ultimate controller on the combination date. The stock premium should be adjusted at the difference between the initial investment cost of long-term equity investments on the combination date and the sum of the book value of long-term equity investments before the combination and the book value of consideration newly paid for additional shares; if there is no sufficient stock premium to be written down, the retained earnings are adjusted.

Business combination not under common control: the Company recognizes the combination cost determined on the combination date as the initial cost of long-term equity investments. Where the Company can control the investee not under common control from additional investments, the initial investment cost should be changed to be accounted for under the cost method and recognized at the sum of the book value of equity investments originally held and newly increased investment cost.

#### **(2) Long-term equity investments acquired by other means**

For long-term equity investments acquired from cash payment, the initial investment cost is the actually paid purchasing cost.

For the long-term equity investments acquired through issuing the equity securities, the fair value of equity



securities issued shall be recognized as the initial investment cost.

On the premise that non-monetary asset trade is of commercial nature and the fair value of the asset traded in or out can be measured reliably, the initial cost of a long-term equity investment traded in with non-monetary asset should be determined according to the fair value of the asset traded out and relevant taxes and surcharges payable, unless any unambiguous evidence indicates that the fair value of the asset traded in is more reliable; as to the non-monetary asset trade not meeting the aforesaid premise, the book value of the asset traded out and relevant taxes and surcharges payable should be recognized as the initial cost of the long-term equity investment.

For the long-term equity investment obtained through debt restructuring, its recorded value shall be determined by the fair value of the abandoned creditor's rights and the taxes directly attributable to the assets and other costs, and the difference between the fair value and book value of the abandoned creditor's rights shall be recorded into the current profit and loss.

### **Subsequent measurements and recognition of profit or loss**

#### **(1) Long-term equity investments accounted for under cost method**

Long-term equity investments of the Company in its subsidiaries are accounted for by the cost method. Except for the actual price paid for acquisition of investment or the cash dividends or profits contained in the consideration which have been declared but not yet distributed, the Company recognizes the current investment income based on the cash dividends or profits enjoyed by the Company and declared to be distributed by the investee.

#### **(2) Long-term equity investments accounted for under the equity method**

The Company's long-term equity investments in its associates and joint ventures are calculated under the equity method. If the cost of initial investment is in excess of the proportion of the fair value of the net identifiable assets in the investee when the investment is made, the difference will not be adjusted to the initial cost of long-term equity investment; if the cost of initial investment is in short of the proportion of the fair value of the net identifiable assets in the investee when the investment is made, the difference will be included in the current profit and loss.

The Company shall, in accordance with its attributable share of the net profit or loss and other comprehensive income realized by the investee, respectively recognize the investment income and other comprehensive income and simultaneously adjust the book value of the long-term equity investment. The Company shall, in the light of the profits or cash dividends that the investee declares to distribute, reduce the book value of the long-term equity investment correspondingly. As to any change in owners' equity of the investee other than net profit or loss, other comprehensive income and profit distribution, the Company shall adjust the book value of the long-term equity investment and include such change into the owners' equity.

When recognizing the attributable share of net profit or loss of the investee, the Company shall, based on the fair



value of identifiable net asset of the investee when it obtains the investment, recognize its attributable share of the net profit or loss of the investee after the adjustment according to the Company's accounting policy and accounting period. When holding the investment, the investee should prepare the consolidated financial statements, it shall account for the investment income based on the net profit, other comprehensive income and the changes in other owner's equity attributable to the investee.

The Company calculates its attributable profit or loss of internal transactions that are not realized arising among itself, associates and joint ventures based on its attributable percentage and offset it, and determines the investment income on that basis. Unrealized internal transaction loss incurred between the Company and the investee shall be recognized in full amount if such loss belongs to the asset impairment. For the asset investment or sale transactions with associated enterprises or joint ventures, according to the notes regarding to "3.5 Accounting treatment methods for business combinations under and not under common control" and "3.6 Preparation methods of consolidated financial statements" which should be carried out in accordance with the relevant policies if the asset forms a part of the Company's business.

When the Company confirms that it should share losses of the investee, treatment shall be done in following sequence: first, writing down the book value of long-term equity investments. Secondly, if the book value of the long-term equity investments is insufficient to be offset, the Company shall continue to recognize the investment loss to the extent of the book value of long-term interests which substantially form the net investment in the investee and offset the book value of the long-term receivable items and other items. Finally, after all the above treatments, if the Company is still responsible for any additional liability in accordance with the provisions stipulated in the investment contracts or agreements, provisions are recognized and included into current investment loss according to the obligations estimated to undertake. If the investee achieves profit in subsequent periods, the Company shall, after deducting any unrecognized investment losses, reduce book value of estimated liabilities recognized, restore book values of other long-term equity which form net investment in the investee in substance, and of long-term equity investment according to the reversed sequence described above, and recognize investment income at the same time.

### (3) Disposal of long-term equity investments

For the disposal of long-term equity investments, the difference between the book value and the actual price thereof shall be included in the current profit or loss.

Where a long-term equity investment is accounted for under the equity method, accounting treatment should be made on the part which is originally included in other comprehensive income according to corresponding ratio by using the same basis for the investee to directly dispose of the relevant assets or liabilities when the investments are disposed of. Owner's equity recognized from changes in other owner's equity of the investee other than net profit and loss, other comprehensive income and the profit distribution should be included in the current profit and loss according to the proportion.



In case the joint control or significant influence over the investee is lost for disposing part of equity investments or other reasons, the remaining equity will be changed to be accounted for according to the recognition and measurement principles of financial instruments, while the difference between the fair value and the book value on the date of the loss of joint control or significant influence should be included in the current profit or loss. As to other comprehensive income recognized based on measurement of the original equity investment under the equity method, accounting treatment shall be made on the same basis as would be required if the investee had directly disposed of the assets or liabilities related thereto when measurement under the equity method is terminated. Owner's equity recognized from the investee's changes in other owner's equity other than net profit or loss, other comprehensive income and profit distribution should all transferred to the current profit and loss when the equity method is no longer adopted.

Where the Company loses the control over the investee due to disposal of partial equity investments or other reasons, when it prepares separate financial statements, the remaining equity after disposal that can jointly control or have significant influence on the investee will be measured at the equity method, and the remaining equity should be deemed to have been adjusted at equity method on acquisition.

If the remaining equity after disposal cannot exercise joint control or significant influence over the investee, such remaining equity shall be subject to the accounting treatment according to the recognition and measurement standards of financial instruments, and the difference between its fair value and book value on the date when control losses is included in current profit or loss.

Where the equity disposed of are acquired through business combination as a result of additional investment and other reasons, if the remaining equities after disposal are calculated under the cost method or equity method upon preparation of separate financial statements, other comprehensive income and other owners' equities recognized in equity investments held before the acquisition date as a result of employment of equity method for accounting shall be carried forward pro rata; if the remaining equities after disposal are calculated according to the provisions on Recognition and Measurement of Financial Instruments, other comprehensive income and other owners' equities will all be carried forward.

### **5.23 Investment properties**

Measurement mode

Measured by cost method

Depreciation or amortization method

The investment properties refer to the properties held for earning rentals or/and capital appreciation, including leased land use right, land use right held for transfer upon appreciation, and leased building (including self-built





buildings or buildings developed for renting or buildings under construction or development for future renting).

The Company measures the existing investment properties by using the cost model. For investment property measured by using the cost model, the buildings for lease shall be depreciated by using policies the same as used for fixed assets of the Company, and the land use rights for lease shall be amortized by using the same policies as applicable to intangible assets.

## 5.24 Fixed assets

### (1) Recognition criteria

Fixed assets refer to tangible assets held for the purpose of producing commodities, providing services, renting or business management with useful lives exceeding one year. Fixed assets are recognized when they simultaneously meet the following conditions:(1) It is probable that the economic benefits relating to the fixed assets will flow into the Company; and (2) The costs of the fixed assets can be measured reliably.

### (2) Depreciation method of fixed assets

Asset type	Depreciation method	Year for depreciation	Residual value rate	Yearly depreciation rate
Buildings and constructions	Straight-line method	20-40	5%	4.75%-2.37%
Machinery equipment	Straight-line method	8-20	5%	11.87%-4.75%
Transportation equipment	Straight-line method	5-16	5%	19%-5.93%
Electronic entertainment equipment	Straight-line method	7-12	5%	13.57%-7.91%
Other equipment	Straight-line method	8	5%	11.87

## 5.25 Construction in progress

The book-entry values of the fixed assets are stated at total expenditures incurred before reaching working condition for their intended use. Where a construction in progress reaches the working condition for its intended use but the final account for completion is not made yet, it shall be transferred into fixed assets from the date when it reaches the working condition for intended use at the estimated value according to the project budget, construction price or actual cost, and the depreciation of the said fixed assets shall be accrued according to the Company's depreciation policies applicable to fixed assets. After the final account for completed project is done, the Company adjusts the original estimated value of the fixed asset in accordance with the actual cost, but does not adjust the provision for such depreciation that had been accrued.



## 5.26 Borrowing costs

### 1. Recognition principles of capitalization of borrowing costs

Borrowing costs include interest thereon, amortization of discounts or premiums, ancillary expenses and exchange differences incurred on account of foreign currency borrowings, etc.

The borrowing costs incurred to the Company and directly attributable to the acquisition and construction or production of assets eligible for capitalization should be capitalized and recorded into relevant asset costs; other borrowing costs should be recognized as costs according to the amount incurred and be included into current profit and loss.

Assets meeting the capitalization requirements refer to fixed assets, investment properties and inventories, etc. that need to be purchased, constructed or produced for a long time to be available for intended use or sale.

Borrowing costs may be capitalized only when all the following conditions are met:

- (1) Asset disbursements, which include those incurred by cash payment, the transfer of non-cash assets or the undertaking of interest-bearing debts for acquiring and constructing or producing assets eligible for capitalization, have already been incurred;
- (2) Borrowing costs have already been incurred; and
- (3) The acquisition and construction or production activities which are necessary to prepare the assets for their intended use or sale have already been started.

### 2. Capitalization period of borrowing costs

Capitalization period refers to the period from the beginning of capitalization to the cease of capitalization, excluding the period of capitalization suspension of borrowing costs.

Capitalization of borrowing costs should cease when the acquired and constructed or produced assets eligible for capitalization have reached the working condition for their intended use or sale.

When some projects among the acquired and constructed or produced assets eligible for capitalization are completed and can be used separately, the capitalization of borrowing costs of such assets should be ceased.

When some projects among the acquired and constructed or produced assets eligible for capitalization are completed and can be used separately, the capitalization of borrowing costs of such projects should be ceased.

### 3. Period of capitalization suspension

If the acquisition, construction or production activities of assets eligible for capitalization are abnormally interrupted and such condition lasts for more than three months, the capitalization of borrowing costs should be suspended; if the interruption is necessary procedures for the acquired, constructed or produced assets eligible for



capitalization to reach the working conditions for their intended use or sale, the borrowing costs continue to be capitalized. Borrowing costs incurred during the interruption are recognized as the current profit or loss and continue to be capitalized until the acquisition, construction or production of the assets restarts.

#### 4. Calculation method of capitalization amount of borrowing costs

As for special borrowings for acquiring, constructing or producing assets eligible for capitalization, borrowing costs of special borrowings actually incurred in the current period less the interest income from undrawn borrowings deposited in the bank or investment income from temporary investment should be recognized as the capitalization amount of borrowing costs.

As for general borrowings used for acquiring and constructing or producing assets eligible for capitalization, the interest of general borrowings to be capitalized should be calculated by multiplying the weighted average of asset disbursements of the part of accumulated asset disbursements exceeding special borrowings at end of each month by the capitalization rate of used general borrowings. The capitalization rate is calculated by weighted average interest rate of general borrowings.

### 5.27 Intangible assets

#### 1) The Company initially measures intangible assets at cost on acquisition:

The costs of externally purchased intangible assets include purchase prices, relevant taxes and surcharges and other directly attributable expenditures incurred to prepare the assets for their intended uses. If the payment for an intangible asset is delayed beyond the normal credit conditions and it is of the financing nature, the cost of the intangible asset shall be determined on the basis of the present value of the purchase price.

The intangible assets acquired which the debtor uses to pay back the debt in debt restructuring should be recognized at the fair value of the intangible assets. The difference between the book value of restructured debts and the fair value of intangible assets used to pay back the debt should be included in the current profit or loss;

When the exchange of non-monetary assets is of commercial nature and the fair value of the assets received or surrendered assets can be measured reliably, the measurement shall be based on the fair value. If the fair value of the assets received or surrendered assets can be measured reliably, the fair value of the surrendered assets and relevant taxes should be paid as the initial investment cost of the intangible assets received, unless there is conclusive evidence that the fair value of the asset received is more reliable. If the exchange of non-monetary assets does not have commercial substance, or the fair value of the assets received or surrendered assets cannot be measured reliably, the book value of the surrendered assets and related taxes should be paid as the initial investment cost of the intangible assets received.

#### 2) Subsequent measurement

The useful lives of the intangible assets are analyzed and determined on acquisition.



Intangible assets with definite useful lives shall be amortized with the straight-line method within the period when the intangible assets generate economic benefits for the Company; if the said period cannot be forecast, the intangible assets shall be deemed as those with indefinite useful lives and shall not be amortized.

### 3) Estimate of the useful life of the intangible assets with definite useful lives

Item	Estimated useful life	Amortization method	Basis
Land use right	50 years	Straight-line amortization method	Useful life prescribed in the Certificate of Land Use Right

## 5.28 Long-term assets impairment

For the long-term equity investments, investment properties, fixed assets, construction in progress, intangible assets, and other long-term assets measured at cost model, if there are signs of impairment, an impairment test will be conducted on the balance sheet date. If the result of the impairment test shows that the recoverable amount of the asset is lower than its book value, the provision for impairment shall be made and included in impairment loss. The recoverable amount is determined at the higher of the net of the fair value less disposal costs and the present value of the expected future cash flows. Provision for assets impairment is made on individual asset basis. If it is difficult to estimate the recoverable amount of the individual asset, the Group shall estimate the recoverable amount of the asset group that the individual asset belongs to. The asset group is the minimum asset group that can independently generate the cash inflow.

Goodwill, intangible assets with uncertain useful life and intangible assets that have not yet reached the usable state shall be tested for impairment at least at the end of each year.

The Company conducts the goodwill impairment test, and the carrying value of the goodwill formed by the enterprise merger shall be allocated to the relevant asset group in a reasonable way from the purchase date. If it is difficult to apportion to the relevant asset group, apportion to the relevant asset group portfolio. When the Company allocates the book value of goodwill, it allocates the goodwill according to the relative benefits that the relevant asset group or asset group portfolio can obtain from the synergetic effect of the enterprise merger, and carries out the goodwill impairment test on this basis.

Goodwill in the relevant asset groups or combination of group assets impairment tests, such as the asset group or combination of group assets related to goodwill there are signs of impairment, the first does not include the goodwill of the asset group or combination of group assets impairment test, calculation of recoverable amount, and compared with the related book value, confirm the corresponding impairment loss. Goodwill to the asset group or combination of group assets for impairment test, compare the book value of the relevant asset groups or



combination of group assets (including the contribution of the book value of the goodwill) with its recoverable amount, such as the relevant asset groups or combination of group assets recoverable amount is lower than its book value, confirm the goodwill impairment loss. The above asset impairment loss shall not be reversed in subsequent accounting periods once recognized.

## 5.29 Long-term deferred expenses

Long-term deferred expenses refer to various expenses which have been already incurred but will be borne in the reporting period and in the future with an amortization period of over one year.

### 1. Amortization method

Long-term deferred expenses are amortized evenly over the beneficial period.

### 2. Amortization years

Item	Amortization years
Hotel exterior decoration	4 years
Fire stairs renovation	4 years
Renovation of guest rooms in Building C, Decoration and renovation of Building A	5 years
Villa renovation	5 years
Swimming pool renovation, Pavement modification projects	5 years
Roof waterproofing projects	5 years

## 5.30 Employee compensation

### (1) Accounting method for short-term compensation

During the accounting period when employees serve the Company, the actual short-term compensation is recognized as liabilities and included in current profit and loss or costs associated with assets.

The appropriate amount of employee compensation payable will be determined during the accounting period when the employees provide services for the Company based on the medical insurance, work injury insurance and maternity insurance and other social insurance and housing fund paid by the Company for employees, as well as trade union funds and employee education funds withdrawn according to provisions at the accrual basis and accrual ratio.

The employee benefits in the non-monetary form shall be measured at fair value.



## (2) Accounting method for dismissal welfare

### 1) Defined contribution plans

The Company shall pay the basic endowment insurance and unemployment insurance for the employees according to the relevant provisions of the local government. During the accounting period when the employees provide services for the Company, the amount of payment shall be calculated according to the payment base and proportion stipulated by the local government, which shall be recognized as liabilities and recorded into the current profit and loss or the cost of related assets.

In addition to the basic endowment insurance, the Company has also established the enterprise annuity payment system (supplementary endowment insurance)/enterprise annuity plan according to the relevant policies of the national enterprise annuity system. The Company shall pay the fee to the local social insurance institution/annuity plan according to a certain proportion of the employee's total salary, and the corresponding expenses shall be included in the current profit and loss or related asset cost.

### 2) Defined benefit plans

According to the formula determined by the law of expected accumulative welfare units, the company will attribute the welfare obligations generated by the established benefit plan to the period during which the employee provides services, and record them into the current profit and loss or the cost of related assets.

The deficit or surplus resulting from the present value of the defined benefit plan obligations minus the fair value of the defined benefit plan assets is recognized as the net liability or net asset of a defined benefit plan. If there is a surplus in the defined benefit plan, the company shall measure the net assets of the defined benefit plan by the lower of the surplus and the asset ceiling.

All defined benefit plan obligations, including those expected to be paid within 12 months of the end of the employee's annual reporting period for the provision of services, are discounted by the market rate of return on Treasury bonds or high-quality corporate bonds in the active market that matches the duration and currency of the defined benefit plan obligations on the balance sheet date.

The service costs incurred by the defined benefit plan and the net interest on the net liabilities or net assets of the defined benefit plan are recorded in the current profits and losses or the costs of related assets. The changes caused by the net liabilities or net assets of the defined benefit plan shall be accounted for in other comprehensive income, and shall not be transferred back to the profits and losses in the subsequent accounting period. Upon the termination of the original defined benefit plan, all the parts previously accounted for in other comprehensive income shall be carried forward to the undistributed profit within the scope of equity.



When establishing the settlement of the benefit plan, the difference between the present value of the obligation of the established benefit plan and the settlement price determined on the settlement date shall be used to confirm the settlement gains or losses.

### **(3) Accounting method for post-employment benefits**

The Company pays the basic endowment insurance premiums and unemployment insurance for employees according to the relevant provisions of the local governments. During the accounting period when employees serve the Company, the paid amount which is calculated based on the payment base and proportion as stipulated in the provisions of the local place is recognized as liabilities and included in the current profit or loss or assets-related assets cost.

### **(4) Accounting method for other long-term employee welfare**

#### **5.31 Accrual liability**

When the Company involves in proceedings, debt guarantees, onerous contracts and reorganization events, if such events may require delivery of assets or rendering of services in the future and the amounts of such events can be reliably measured, such events are recognized as Accrual liabilities.

##### **(1) Recognition criteria of Accrual liabilities**

When an obligation relating to a contingency meets all the following conditions at the same time, it is recognized as an estimated liability:

- 1) Such obligation is a present obligation of the Company;
- 2) The performance of this obligation may very probably lead to the flow of economic interests out of the Company; and
- 3) The amount of the obligation can be measured reliably.

##### **(2) Measurement method of Accrual liabilities**

Accrual liabilities of the Company are initially measured as the best estimate of expenses required for the performance of the relevant present obligations.

When determining the best estimates, the Company comprehensively considers the risks, uncertainties, time value of money, and other factors relating to the contingencies. If the time value of money is significant, the best estimates will be determined after discount of relevant future cash outflows.

The best estimates shall be treated as follows in different circumstances:

If there is continuous range (or interval) for the necessary expenses, and probabilities of occurrence of all the



outcomes within this range are equal, the best estimate should be determined at the average amount of upper and lower limits within the range.

If there is no continuous range (or interval) for the necessary expenses, or probabilities of occurrence of all the outcomes within this range are unequal although such a range exists, in case that the contingency involves a single item, the best estimate shall be determined at the most likely outcome; if the contingency involves two or more items, the best estimates should be determined according to all the possible outcomes with their relevant probabilities.

When all or part of the expenses necessary for the settlement of Accrual liabilities of the Company are expected to be compensated by a third party, the compensation shall be separately recognized as an asset only when it is virtually certain to be received. The compensation recognized shall not exceed the book value of the Accrual liabilities.

### 5.32 Revenue

(1) Recognition and measurement principles for revenue from sale of goods

- 1) Revenue from sales of goods is recognized when the Company has transferred to the buyer the significant risks and rewards of ownership of the goods.
- 2) The Company retains neither continuous management rights associated with ownership of the goods sold nor effective control over the goods sold.
- 3) The relevant amount of income can be measured reliably.
- 4) It is highly likely that the economic benefits associated with the transaction will flow into the Company.
- 5) And the relevant amount of cost incurred or to be incurred can be measured reliably.

(2) Recognition criteria of revenue from sale of goods of the Company and specific judgment criteria of recognition time

In the provision of hotel housing services at the same time, the Company provides goods to customers and will prepare daily sales list after confirming with the Rooms Department and the hotel front desk. Based on the sales list, the finance department confirms that the major risks and rewards of ownership of the goods have been transferred to the customer and then the sales revenue is recognized.

(3) Recognition and measurement principles of revenue from rendering of service

- 1) For the hotel rooms, catering (breakfast) and other services to be provided by the Company, after they are provided, and the Company checks with the sales department and the front check, the Company will prepare the daily sales reports and accounts receivable list to the finance department, which will review the same, after which, the revenue will be recognized.
- 2) For the revenue from restaurants and venues contracted out, they will be recognized in accordance with the





period stipulated in the contract or agreement and the collection timing.

#### (4) Recognition of revenue from transferring use right of assets

When the economic benefits relating to the transactions is possible to flow into the Company and the amount of revenue can be measured reliably, revenues should be recognized. Revenues from transfer of right to use assets are recognized under the following circumstances:

- 1) Interest income is determined based on the time when the monetary funds are lent and the effective rate.
- 2) The amount of revenues from usage is determined based on the charging time and method as agreed in relevant contract or agreement.

### 5.33 Government grants

#### (1) Type

Government grants refer to the monetary or non-monetary assets obtained by the Company from the government for free. Government grants are divided into asset-related government grants and income-related government grants.

Asset-related government grants refer to government grants obtained by the Company for forming long-term assets by acquisition, construction or other manners. Income-related government grants refer to government grants excluding the asset-related government grants.

#### (2) Recognition time and measurement

Government grants can be recognized when simultaneously meeting the following conditions:

- 1) The enterprise can meet conditions attached to government grants; and
- 2) The enterprise can receive government grants.

If a government grant is a monetary asset, it shall be measured at the amount received or receivable. Government grants shall be measured at receivables when there is strong evidence at the end of the period that such grants comply with the relevant conditions prescribed by the financial support policies and the financial support funds are expected to be received. Other financial grants shall be confirmed according to the amount of money received.

If government grants are non-monetary assets, they shall be measured at its fair value; and if the fair value cannot be obtained in a reliable way, they shall be measured at a nominal amount.

#### (3) Accounting treatment

Asset-related government grants shall be used to offset the book value of relevant assets or recognized as deferred income. If asset-related government grants are recognized as deferred income, they shall be included in profit or loss by stages by a reasonable and systematic method within the useful lives of relevant assets. (Any government grant related to the daily activities of an enterprise shall be included into other income in accordance with the business nature. Government grants unrelated to the daily activities of enterprises shall be recorded as



non-operating revenues and expenditures.)

For government grants associated with income that are used to recover relevant costs or losses of the enterprise in subsequent period are recognized as deferred income and included in the current profit or loss when relevant costs or losses are recognized. (Any government grant related to the daily activities of an enterprise shall be included into other income in accordance with the business nature. Government grants unrelated to the daily activities of enterprises shall be recorded as non-operating revenues and expenditures.) If government grants related to income are used to compensate the relevant costs and losses that have occurred, such government grants should be directly included in the current profit or loss. (Any government grant related to the daily activities of an enterprise shall be included into other income in accordance with the business nature. Government grants unrelated to the daily activities of enterprises shall be recorded as non-operating revenues and expenditures.)

The discount interest of preferential policy loans obtained by the Company shall be divided into the following two cases for accounting treatment:

- 1) If the finance department allocates the discount interest fund to the lending bank, and the lending bank provides the loan to the Company at the preferential policy interest rate, the Company shall take the actual amount of the loan received as the book value of the loan, and calculate the relevant borrowing costs according to the loan principal and the preferential policy interest rate.
- 2) If the finance department directly allocates the discount interest funds to the Company, the Company shall deduct the corresponding discount interest from the relevant borrowing costs.

### **5.34 Deferred tax assets and deferred tax liabilities**

Deferred tax assets are recognized for deductible temporary differences to the extent that it shall not exceed the taxable income probably obtained in future period that can be used for deducting the deductible temporary differences.

Taxable temporary differences are recognized as deferred tax liabilities in addition to special circumstances.

Special circumstances in which deferred income tax assets or deferred income tax liabilities shall not be recognized include: the initial recognition of goodwill; other transactions or matters excluding business combinations, which affect neither accounting profits nor the taxable income (or deductible losses) when occurred.

When the Company has the statutory right to do settlement with the net amounts, and has the intention to do so or the recovery of assets and the settlement of liabilities are achieved simultaneously, the Company shall present its



current income tax assets and current income tax liabilities at the net amounts as the result of one offsetting another.

When the Company has the legal rights to balance income tax assets and income tax liabilities for the current period with net settlement, and deferred income tax assets and deferred income tax liabilities are related to the income tax which are imposed on the same taxpaying subject by the same tax collection authority or on different taxpaying subjects, but, in each important future period in connection with the reverse of deferred income tax assets and liabilities, the involved taxpaying subject intends to balance income tax assets and liabilities for the current period with net settlement at the time of obtaining assets and discharging liabilities, deferred income tax assets and deferred income tax liabilities shall be presented based on the net amount after offset.

### 5.35 Lease

#### (1) Accounting treatment of operating lease

1) The rental fees paid for the asset leased by the Company will be amortized over the entire lease term without deducting rent-free period according to the straight-line method and included in the expenses for the current period. The initial direct costs related to the lease transactions paid by the Company are included in the current expenses.

When assets lessor bears costs related to the lease borne by the Company, the Company shall deduct the part of expenses from the total rents and amortize the rents after deduction over the lease term and include them in current expenses.

2) Lease fees received by the Company from leasing assets shall be amortized at straight-line method over the whole lease period including rent-free period, and shall be recognized as lease income. Initial direct costs relating to lease transactions incurred by the Company shall be recognized as the current expenses; if the amounts are significant, they shall be capitalized and included in the current income on the same basis as the recognition of lease income.

When the Company bears costs related to the lease borne by the lessee, the Company shall deduct the part of expenses from the total rents and amortize the rents after deduction over the lease term.

#### (2) Accounting treatment of finance lease

1) Financial leased assets: on the start date of leasing, the Company takes the lower of the fair value of the leased assets and the present value of the minimum lease payment as the book value of the leased assets, takes the minimum lease payment as the book value of the long-term payable, and the difference as the unrecognized financing expenses. The Company adopts the effective interest rate method to amortize the unrecognized financing expenses during the lease period and record them into financial expenses. The initial direct expenses incurred by the Company shall be included in the value of the leased assets.



2) Financial leasing assets: the Company shall, at the beginning of the lease, recognize the difference between the sum of the receivable financial leasing payments, the unsecured residual value and its present value as unrealized financing income, which shall be recognized as lease income within the period of receiving the rent in the future. The initial direct expenses incurred by the company in connection with the lease transaction shall be included in the initial measurement of the finance lease receivable and shall reduce the amount of income recognized during the lease term.

### 5.36 Other significant accounting policies and accounting estimates

#### Termination of business

Termination of business is a separately identifiable component that meets one of the following conditions and has been disposed of by the Company or placed by the Company as a holding for sale:

- (1) The component represents a separate principal business or a separate principal area of business.
- (2) The component is part of a related plan to dispose of a separate principal business or a separate principal area of business.
- (3) The component is a subsidiary acquired exclusively for resale.

### 5.37 Changes in significant accounting policies and accounting estimates

Significant accounting policies and accounting estimates have no changes in the Period

## 6. Taxation

### 6.1 Major tax types and tax rates

Taxes	Basis for tax assessment	Tax rate
Value added tax (VAT)	Output VAT is calculated based on taxable sales revenue and service revenue calculated in accordance with tax laws and VAT payable or taxable sales revenue shall be the difference after deducting the input VAT deductible in the same period	5%, 6%, 10%, 9%, 16%, 13%
Consumption tax		7%
Urban maintenance and construction tax	Levied based on VAT payable	25%, 20%
Enterprise income tax	Levied based on the taxable income	25%, 20%
Education surtax	Levied based on VAT payable	3%
Local education surtax	Levied based on VAT payable	2%
Housing property tax	Remaining value after deducting 30% from the original value of the house (including the occupied land price), and rent revenue	1.2% or 12%
Land use tax	Land area	RMB 18 / m <sup>2</sup>

**7. Notes to the items of consolidate financial statements****7.1 Monetary funds**

In RMB/CNY

Item	Ending balance	Beginning balance
Cash on hand	149,010.82	302,077.12
Bank deposits	17,683,622.39	7,120,862.77
Other monetary funds		
<b>Total</b>	<b>17,832,633.21</b>	<b>7,422,939.89</b>
Including:total funds deposited abroad		
Total amount of funds restricted by mortgage, pledge or freeze		

**7.2 Accounts receivable****(1) Disclosure of account receivables by category**

In RMB/CNY

Category	Ending balance					Beginning balance				
	Book balance		Bad debt provision		Book value	Book balance		Bad debt provision		Book value
	Amount	Proportion	Amount	Provision ratio		Amount	Proportion	Amount	Provision ratio	
Accounts receivable with provision for bad debts based on a single item	-	-	-	-	-	-	-	-	-	-
Accounts receivable with provision for bad debts based on portfolios	204,919.84	100%	109,765.83	53.57%	95,154.01	420,849.75	100%	109,765.83	26.08%	311,083.92
<b>Total</b>	<b>204,919.84</b>	<b>100%</b>	<b>109,765.83</b>	<b>53.57%</b>	<b>95,154.01</b>	<b>420,849.75</b>	<b>100%</b>	<b>109,765.83</b>	<b>26.08%</b>	<b>311,083.92</b>

Disclosed by account age

In RMB/CNY

Account age	Ending balance
-------------	----------------



Within one year (one year included)	111,851.84
1-2 years	2,259.00
2-3 years	566.00
Over 3 years	90,243.00
3-4 years	785.00
4-5 years	18,633.00
Over 5 years	70,825.00
<b>Total</b>	<b>204,919.84</b>

**(4) Top five accounts receivable in terms of ending balance collected by the debtor**

In RMB/CNY

Name of entity	Ending balance of account receivable	Proportion in the total accounts receivable at period-end	Ending balance of the bad debt provision
Shanghai Hecheng International Travel Service Co., Ltd.	63,857.66	31.16%	3,558.30
Guangzhou Design Institute	38,980.00	19.02%	38,980.00
Tianjin Watermelon Tourism Limited Liability Company	22,516.62	10.99%	3,566.61
Yangpu Huayu Road and Bridge Technology Co., Ltd.	18,633.00	9.09%	9,316.50
China International Travel Service Limited, Head Office (Beijing) China International Travel Service Limited, Head Office (Beijing)	13,540.20	6.61%	13,540.00
<b>Total</b>	<b>157,527.48</b>	<b>76.87%</b>	

**7.3 Other receivable**

In RMB/CNY

Item	Ending balance	Beginning balance
Interest receivable		
Dividend receivable		
Other receivable	385,492.93	571,744.52
<b>Total</b>	<b>385,492.93</b>	<b>571,744.52</b>

**1) Other account receivable disclosed by nature**

In RMB/CNY

Nature	Ending book balance	Opening book balance
Utility bills	130,643.99	76,534.42
Petty cash	169,993.97	394,313.63
Individual social insurance, provident fund	45,784.79	61,826.29
Deposit	600.00	600.00
Litigation fee	68,562.00	68,562.00
<b>Total</b>	<b>415,584.75</b>	<b>601,836.34</b>

**2) Accrual of bad debt provision**

In RMB/CNY

Bad debt provision	First stage	Second stage	Third stage	Total
	Expected credit loss in next 12 months	Expected credit loss for the whole duration (no credit impairment)	Expected credit loss for the whole duration (credit impairment has occurred)	
Balance as on 1 Jan. 2020	30,091.82			30,091.82
Balance as on January 1. 2020 in current period	—	—	—	—
--Transfer in second stage				
--Transfer in third stage				
--Reverse to second stage				
--Reverse to first stage				
Accrual in the Period				
Reverse in the Period				
Charge off in the Period				
Write-off in the Period				
Other changes				
<b>Balance on 30 June 2020</b>	<b>30,091.82</b>			<b>30,091.82</b>

Disclosed by account age

In RMB/CNY

Account age	Ending balance
-------------	----------------



Within one year (one year included)	413,348.75
1-2 years	
2-3 years	
Over 3 years	2,236.00
3-4 years	
4-5 years	
Over 5 years	2,236.00
<b>Total</b>	<b>415,584.75</b>

### 3) Accrual, reversal or collection of bad debt provision in the Period

Accrual of bad debt provision in the Period:

In RMB/CNY

Category	Beginning balance	Amount changed in the period				Ending balance
		Accrual	Collection or reversal	Write-off	Other	
Other receivable	30,091.82					30,091.82
<b>Total</b>	<b>30,091.82</b>					<b>30,091.82</b>

### 4) Top five other accounts receivable in terms of ending balance collected by the debtor

In RMB/CNY

Name of entity	Nature	Ending balance	Account age	Proportion in total amount of other accounts receivable at period-end	Ending balance of the bad debt provision
Bright moon pavilion music restaurant	Utility bills	87,323.92	Within one year	21.01%	3,356.74
Sanya suburban people's court	Litigation fee	68,562.00	Within one year	16.50%	3,428.10
Individual social insurance premium	Disbursements	45,784.79	Within one year	11.02%	2,468.92
Guo Yubo	Petty cash	38,300.26	Within one year	9.22%	4,718.33
Chen Gang	Petty cash	34,340.20	Within one year	8.26%	3,949.84
<b>Total</b>	--	<b>274,311.17</b>	--	<b>66.01%</b>	<b>17,921.93</b>



**7.4 Inventory****(1) Category**

In RMB/CNY

Item	Ending balance			Beginning balance		
	Book balance	Inventory falling price reserves	Book value	Book balance	Inventory falling price reserves	Book value
Raw materials	529,861.78	310,465.94	219,395.84	843,199.89	615,322.99	227,876.90
Commodity stocks	22,771.38	11,102.41	11,668.97	22,771.38	11,102.41	11,668.97
Fuel	26,396.20		26,396.20	14,711.32		14,711.32
<b>Total</b>	<b>579,029.36</b>	<b>321,568.35</b>	<b>257,461.01</b>	<b>880,682.59</b>	<b>626,425.40</b>	<b>254,257.19</b>

**(2) Provision for inventory depreciation or provision for impairment of contract performance costs**

In RMB/CNY

Item	Beginning balance	Current increase		Current decrease		Ending balance
		Accrual	Other	Reversal or charge off	Other	
Raw materials	615,322.99			304,857.05		310,465.94
Commodity stocks	11,102.41					11,102.41
<b>Total</b>	<b>626,425.40</b>			<b>304,857.05</b>		<b>321,568.35</b>

In RMB/CNY

**7.5 Other current assets**

In RMB/CNY

Item	Ending balance	Beginning balance
Prepaid enterprise income tax	1,702,702.80	1,702,702.80
Prepaid individual income tax	2,837.74	4,778.06
Input tax of the VAT to be deducted	1,209,125.14	808,143.62
Prepaid for newspaper, insurance, etc.	36,844.01	56,413.98
Other		2,404.11
<b>Total</b>	<b>2,951,509.69</b>	<b>2,574,442.57</b>

**7.6 Investment properties****Investment properties measured at cost**

In RMB/CNY

Item	Buildings and constructions	Land use rights	Total
I. Original book value			
1.Beginning balance	18,856,504.44	5,662,740.59	24,519,245.03
2.Current increase			
3.Current decrease			
4.Ending balance	18,856,504.44	5,662,740.59	24,519,245.03
II. Accumulated depreciation and accumulated amortization			
1.Beginning balance	11,025,767.10	2,276,066.45	13,301,833.55
2.Current increase	214,142.78	28,170.00	242,312.78
(1)Accrual or amortization	214,142.78	28,170.00	242,312.78
3.Current decrease			
4.Ending balance	11,239,909.88	2,304,236.45	13,544,146.33
III. Provision for impairment			
1.Beginning balance	1,404,400.47	1,903,054.14	3,307,454.61
2.Current increase			
3、 Current decrease			
4.Ending balance	1,404,400.47	1,903,054.14	3,307,454.61
IV. Book value			
1.Ending book value	6,212,194.09	1,455,450.00	7,667,644.09
2.Opening book value	6,426,336.87	1,483,620.00	7,909,956.87

**7.7 Fixed assets**

In RMB/CNY

Item	Ending balance	Beginning balance
Fixed assets	33,463,950.05	35,075,195.98
Disposal of fixed assets		
Total	33,463,950.05	35,075,195.98



Note: the "Fixed assets" above listed refers to the fixed assets after deducted the disposal of fixed assets

**(1) Fixed assets**

In RMB/CNY

Item	Buildings and constructions	Machinery equipment	Transportation facility	Electronic equipment	Other equipment	Total
I. Original book value:						
1.Beginning balance	136,789,501.82	9,613,076.54	2,130,663.57	2,266,121.24	3,125,353.67	153,924,716.84
2.Current increase				44,530.33		44,530.33
(1) Purchase				44,530.33		44,530.33
3.Current decrease			388,598.00			388,598.00
(1) Disposal or obsolescence			388,598.00			388,598.00
4.Ending balance	136,789,501.82	9,613,076.54	1,742,065.57	2,310,651.57	23,125,353.67	153,572,270.17
II. Accumulated depreciation						
1.Beginning balance	74,674,779.38	7,248,649.94	1,498,327.87	1,526,121.21	1,263,700.50	86,211,578.90
2.Current increase	1,087,717.44	143,528.88	77,827.21	108,069.51	219,203.70	1,636,346.74
(1) Accrual	1,087,717.44	143,528.88	77,827.21	108,069.51	219,203.70	1,636,346.74
3.Current decrease			369,168.48			369,168.48
(1) Disposal or obsolescence			369,168.48			369,168.48
4.Ending balance	75,762,496.82	7,392,178.82	1,206,986.60	1,634,190.72	1,482,904.20	87,478,757.16
III. Provision for impairment						
1.Beginning balance	31,072,788.17	1,565,153.79				32,637,941.96
2.Current increase						
3.Current decrease						
4.Ending balance	31,072,788.17	1,565,153.79				32,637,941.96
IV. Book value						
1.Ending book value	29,954,216.83	655,743.93	535,078.97	676,460.85	1,642,449.47	33,463,950.05
2.Opening book value	31,041,934.27	799,272.81	632,335.70	740,000.03	1,861,653.17	35,075,195.98

**7.8 Construction in process**

In RMB/CNY

Item	Ending balance	Beginning balance
Construction in process	4,074,092.55	488,522.10



Construction material		
<b>Total</b>	<b>4,074,092.55</b>	<b>488,522.10</b>

Note: the "Construction in process" mentioned in the above table refers to the construction in process after deducting construction materials.

### (1) Construction in process

In RMB/CNY

Item	Ending balance			Beginning balance		
	Book balance	Depreciation reserves	Book value	Book balance	Depreciation reserves	Book value
Staff dormitory renovation project				348,873.78		348,873.78
Central air-conditioning system and hot water system comprehensive renovation	139,648.32		139,648.32	139,648.32		139,648.32
Renovation of the guest rooms in Building-B	3,934,444.23		3,934,444.23			
<b>Total</b>	<b>4,074,092.55</b>		<b>4,074,092.55</b>	<b>488,522.10</b>		<b>488,522.10</b>

### (2) Change of important construction in process in the Period

In RMB/CNY

Item	Budget	Beginning balance	Current increase	Amount transferred into fixed assets in the Period	Other amount reduction in the Period	Ending balance	Proportion of accumulative project investments in the budget	Project progress	Accumulated capitalization amount of interest	Including: capitalization amount of interest in the Period	Capitalization rate of the interest in 2019(%)	Sources of funds
Renovation of the guest rooms in Building-B	12,000,000		3,934,444.23			3,934,444.23	32.79%	40%				Loans from financial institution



Central air-conditioning system and hot water system comprehensive renovation		139,648.32				139,648.32						Other
Staff dormitory renovation project		348,873.78					100%					Other
<b>Total</b>	<b>12,000,000</b>	<b>488,522.10</b>	<b>3,934,444.23</b>			<b>4,074,092.55</b>	<b>--</b>	<b>--</b>				<b>--</b>

## 7.9 Intangible assets

### (1) Intangible assets

In RMB/CNY

Item	Land use rights	Patent right	Non-patents technology	Total
<b>I. Original book value</b>				
1.Beginning balance	81,653,137.15			81,653,137.15
2.Current increase				
3.Current decrease				
4.Ending balance	81,653,137.15			81,653,137.15
<b>II. Accumulated amortization</b>				
1.Beginning balance	32,819,438.43			32,819,438.43
2.Current increase	401,142.58			401,142.58
(1) Accrual	401,142.58			401,142.58
3.Current decrease				
4.Ending balance	33,220,581.01			33,220,581.01
<b>III. Provision for impairment</b>				
1.Beginning balance	27,440,836.84			27,440,836.84
2.Current increase				
3.Current decrease				



4. Ending balance	27,440,836.84			27,440,836.84
<b>IV. Book value</b>				
1. Ending book value	20,991,719.30			20,991,719.30
2. Opening book value	21,392,861.88			21,392,861.88

## 7.10 Long-term deferred expenses

In RMB/CNY

Item	Beginning balance	Current increase	Amortization in the Period	Amount of other decreases	Ending balance
Reconstruction of fire-fighting stairway	28,559.56		8,567.82		19,991.74
Swimming pool reconstruction	164,977.48		29,995.90		134,981.58
Reconstruction of guest rooms in Building C	528,951.38		96,172.96		432,778.42
Villa reconstruction	963,555.84		175,191.94		788,363.90
Building A renovation project	9,028,874.38		934,021.50		8,094,852.88
Pavement modification project	435,168.94		45,017.46		390,151.48
Roof waterproofing project	370,091.75		37,009.20		333,082.55
Staff dormitory renovation project		657,722.26	54,810.19		602,912.07
<b>Total</b>	<b>11,520,179.33</b>	<b>657,722.26</b>	<b>1,380,786.97</b>		<b>10,797,114.62</b>

Other description

## 7.11 Accounts payable

### Presentation of accounts payable

In RMB/CNY

Item	Ending balance	Beginning balance
Payment for purchase	310,395.42	947,770.85
Accounts payable provisionally estimated	57,041.13	191,232.86
Service charges		84,838.93
Payment for projects	14,274.10	14,274.10
Elevator maintenance fee		7,200.00
Consignment sales	1,093.00	1,093.00



Others		4,000.01
<b>Total</b>	<b>382,803.65</b>	<b>1,250,409.75</b>

## 7.12 Advance from customers

### (1) Presentation of advances from customers

In RMB/CNY

Item	Ending balance	Beginning balance
Room and meal fees	791,258.55	786,715.42
<b>Total</b>	<b>791,258.55</b>	<b>786,715.42</b>

### (2) Significant advances from customers with aging over one year

In RMB/CNY

Item	Ending balance	Reasons for repayment failure or carry-forward
PEGAS Zheng Qingbo	32,243.02	Unsettlement
Hainan Xiangyuan Tourism Development Co., Ltd.	28,131.00	Unsettlement
Hainan Qiongzong Ecological Investment Guarantee Co. LTD	21,950.00	Unsettlement
Ren Kaiyu	9,774.00	Unsettlement
Hainan Chenda International Travel Service Co. LTD	8,779.00	Unsettlement
<b>Total</b>	<b>100,877.02</b>	<b>--</b>

## 7.13 Employee compensation payable

### (1) Presentation of employee compensation payable

In RMB/CNY

Item	Beginning balance	Current increased	Current decreased	Ending balance
1. Short-term compensation	2,552,996.37	5,027,987.58	5,745,681.48	1,835,302.47
2. Post-employment benefits - defined contribution plans		107,744.29	107,744.29	
3. Dismission welfare				
4. Other welfare due within one year				
<b>Total</b>	<b>2,552,996.37</b>	<b>5,135,731.87</b>	<b>5,853,425.77</b>	<b>1,835,302.47</b>

**(2) Presentation of short-term compensation**

In RMB/CNY

Item	Beginning balance	Current increased	Current decreased	Ending balance
1. Salaries, bonuses, allowances and subsidies	1,434,454.59	3,941,069.64	4,687,425.30	688,098.93
2. Employee welfare expenses		710,453.21	710,453.21	
3. Social insurance premiums		150,036.03	150,036.03	
Including: medical insurance premiums		149,197.23	149,197.23	
Work-related injury insurance premiums		838.80	838.80	
Maternity insurance premiums				
4. Housing provident funds	2,254.00	97,798.00	85,444.00	14,608.00
5. Labor union expenditures and employee education funds	1,116,287.78	128,630.70	112,322.94	1,132,595.54
6. Short-term paid absence				
7. Short-term profit sharing plan				
<b>Total</b>	<b>2,552,996.37</b>	<b>5,027,987.58</b>	<b>5,745,681.48</b>	<b>1,835,302.47</b>

**(3) Presentation of defined contribution plans**

In RMB/CNY

Item	Beginning balance	Current increased	Current decreased	Ending balance
1. Basic endowment insurance premiums		104,142.26	104,142.26	
2. Unemployment insurance premiums		3,602.03	3,602.03	
3. Enterprise annuity payment				
<b>Total</b>		<b>107,744.29</b>	<b>107,744.29</b>	

Other description:

**7.14 Taxes payable**

In RMB/CNY

Item	Ending balance	Beginning balance
Value added tax (VAT)	135,982.62	135,982.62
Consumption tax		
Enterprise income tax		47.80





Individual income tax	35,588.90	18,333.52
Urban maintenance and construction tax	756.67	902.73
Housing property tax	107,793.80	97,050.89
Land use tax	54,295.47	54,295.47
Education surtax	324.28	386.88
Local education surtax	216.19	257.94
<b>Total</b>	<b>334,957.93</b>	<b>307,257.85</b>

Other description:

### 7.15 Other payable

In RMB/CNY

Item	Ending balance	Beginning balance
Interest payable		
Dividend payable		
Other payable	2,011,273.02	2,647,515.86
<b>Total</b>	<b>2,011,273.02</b>	<b>2,647,515.86</b>

Note: the "Other payable" above mentioned refers to the other account payable after deducting interest payable and dividend payable Important dividend payable that without payment over one year, and cause of un-payment that shall be disclosed:

### Presentation of other payable by nature

In RMB/CNY

Item	Ending balance	Beginning balance
Employee dormitory rental fees, etc.	769,700.00	1,219,075.78
Margin	556,241.91	764,598.49
Quality guarantee deposit for projects	540,655.00	512,474.00
Employee deposit	86,520.00	86,520.00
Funds collected and remitted	30,969.08	41,160.31
Electric charges withheld	27,187.03	23,687.28
<b>Total</b>	<b>2,011,273.02</b>	<b>2,647,515.86</b>

### 7.16 Non-current liability due within one year

In RMB/CNY

Item	Ending balance	Beginning balance
------	----------------	-------------------



Long-term borrowings due within one year	3,358,196.37	
Bond payable due within one year		
Long-term account payable due within one year		
Leasing liability due within one year		
<b>Total</b>	<b>3,358,196.37</b>	

Other description:

## 7.17 Long-term borrowing

### (1) Category of long-term borrowing

In RMB/CNY

Item	Ending balance	Beginning balance
Secured borrowings		
Mortgage loan	16,458,140.89	
Guaranteed loan		
Debt of honour		
<b>Total</b>	<b>16,458,140.89</b>	

Description on category of long-term borrowing:

On 10 April 2020, with the villa property of the Hotel as collateral, applying a loan of 20 million yuan to Haikou Branch of Industrial Bank, term of loans is three years. As of end of the Period, a loan of 19,791,474.22 yuan has been drawn.

## 7.18 Accrual liabilities

In RMB/CNY

Item	Ending balance	Beginning balance	Reasons
Provisions for arrears of electricity tariffs	1,489,685.04	1,489,685.04	The power company miscalculated the costs of electricity
<b>Total</b>	<b>1,489,685.04</b>	<b>1,489,685.04</b>	--

Other description: found more in Note 10

## 7.19 Share capital

In RMB/CNY

	Beginning balance	Changes ("+" for increase and "-" for decrease)					Ending balance
		Issuance of	Share donation	Conversion of reserves into	Others	Sub-total	



		new shares		share			
Total shares	364,100,000.00						364,100,000.00

Other description:

## 7.20 Capital reserves

In RMB/CNY

Item	Beginning balance	Current increased	Current decreased	Ending balance
Capital premium (equity premium)	33,336,215.58			33,336,215.58
Other capital reserves	20,806,634.43			20,806,634.43
Total	54,142,850.01			54,142,850.01

Other description:including changes in the period and reasons:

## 7.21 Undistributed profit

In RMB/CNY

Item	Current Period	Last Period
Undistributed profit as at the end of the previous period before adjustment	-339,756,246.05	-340,453,921.99
Total adjustment to undistributed profit as at the beginning of the period ("+" for increase and "-" for decrease)		
Undistributed profit as at the beginning of the period after adjustment	-339,756,246.05	-340,453,921.99
Plus: net profit attributable to owners of the parent company in the current period	-6,631,450.42	755,974.01
Less: withdrawal legal surplus		
Withdrawal other common accumulation fund		
Withdrawal general risk provision 备		
Common stock dividends payable		
Dividends transferred to capital		
Undistributed profit as at the end of the period	-346,387,696.47	-339,698,678.50

## 7.22 Operating revenue and operating cost

In RMB/CNY

Item	Current Period		Last Period	
	Revenue	Cost	Revenue	Cost



Primary business	4,089,491.05	4,815,416.65	12,671,008.66	5,277,216.15
Other business	892,380.95	237,261.78	1,570,952.38	237,261.78
<b>Total</b>	<b>4,981,872.00</b>	<b>5,052,678.43</b>	<b>14,241,961.04</b>	<b>5,514,477.93</b>

Revenue:

### 7.23 Taxes and surcharges

In RMB/CNY

Item	Current Period	Last Period
Urban maintenance and construction tax	8,585.55	31,410.84
Education surtax	6,132.53	22,436.31
Housing property tax	107,793.75	215,587.50
Land use tax	54,295.47	108,590.94
Vehicle and vessel use tax	3,720.00	5,220.00
Stamp tax	1,604.90	233.91
<b>Total</b>	<b>182,132.20</b>	<b>383,479.50</b>

Other description:

### 7.24 Selling expenses

In RMB/CNY

Item	Current Period	Last Period
Employee salaries and welfare	1,399,453.28	1,834,677.00
Social insurance premiums and provident fund	108,743.06	302,950.00
Depreciation	304,221.29	259,401.60
Utility bills	58,581.48	99,980.13
Repair charges	42,286.85	95,930.17
Other	181,908.28	217,053.04
<b>Total</b>	<b>2,095,194.24</b>	<b>2,809,991.94</b>

Other description:

### 7.25 Administrative expenses

In RMB/CNY

Item	Current Period	Last Period
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Employee salaries and welfare	2,519,772.34	2,789,891.55
Social insurance premiums and provident fund	169,611.23	321,053.70
Entertainment expenses	179,012.82	219,787.57
Travel expenses	97,323.85	149,081.98
Depreciation and amortization of land use rights	567,872.48	567,140.44
Fee of announcement and agency	405,900.00	655,420.00
Other	261,442.63	369,424.97
<b>Total</b>	<b>4,200,935.35</b>	<b>5,071,800.21</b>

Other description:

## 7.26 Financial expenses

In RMB/CNY

Item	Current Period	Last Period
Interest expenses	76,128.55	
Less: interest income	-89,077.69	-152,697.12
Profit or loss on exchange		
Handling charges	11,635.79	18,965.03
<b>Total</b>	<b>-1,313.35</b>	<b>-133,732.09</b>

Other description:

## 7.27 Other income

In RMB/CNY

Sources of other income	Current Period	Last Period
Government grants	150,000.00	
VAT input tax gross deduction	112,840.35	

## 7.28 Credit impairment loss

In RMB/CNY

Item	Current Period	Last Period
Bad debt loss of other receivable		
Impairment loss on debt investment		
Impairment loss on other debt investment		
Bad debt loss of long-term receivable		



Bad debt loss of contractual assets		
<b>Total</b>		

Other description:

### 7.29 Asset impairment loss

In RMB/CNY

Item	Current Period	Last Period
1.Losses from bad debts		
2. Inventory falling price loss and impairment loss of contract performance cost		
3. Impairment loss of long-term equity investment		
4. Impairment loss of investment property		
5. Impairment loss of fixed assets		
6. Impairment loss of construction materials		
7. Impairment loss of construction in process		
8. Impairment loss of productive biological assets		
9. Impairment loss of oil-and-gas assets		
10. Impairment loss of intangible assets		
11. Impairment loss of goodwill		
12. Other		
<b>Total</b>		

Other description:

### 7.30 Non-operating revenue

In RMB/CNY

Item	Current Period	Last Period	Amount included in the current non-recurring profit or loss
Other	2,593.62	160,030.46	2,593.62
<b>Total</b>	<b>2,593.62</b>	<b>160,030.46</b>	<b>2,593.62</b>

Government grants reckoned into current gains/losses:

**7.31 Non-operating expenses**

In RMB/CNY

Item	Current Period	Last Period	Amount included in the current non-recurring profit or loss
Loss from disposal of fixed assets	19,129.52		19,129.52
Compensation loss of early termination of the contract	330,000.00		330,000.00
<b>Total</b>	<b>349,129.52</b>		<b>349,129.52</b>

Other description:

**7.32 Items of cash flows statement****(1) Cash received from other operating activities**

In RMB/CNY

Item	Current Period	Last Period
Interest income	89,077.69	152,697.12
Water, electrical and gas fees collected	256,746.31	679,120.76
Government tourism marketing incentive funds	150,000.00	
Deposits		200,000.00
Other	6,006.36	73,624.00
<b>Total</b>	<b>501,830.36</b>	<b>1,105,441.88</b>

Cash received from other operating activities:

**(2) Cash paid for other operating activities**

In RMB/CNY

Item	Current Period	Last Period
Social intercourse fees	179,012.82	221,362.57
Auditing charge to agency	390,000.00	400,000.00
Announcement fee	12,900.00	238,420.00
Expenses for business trips	98,590.03	151,940.09
Promotion fee	25,341.72	92,705.15
Repair charges	93,463.88	211,454.36
Other	1,008,645.73	978,613.63



Total	1,807,954.18	2,294,495.80
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Cash paid for other operating activities:

### 7.33 Supplementary information to the cash flows statement

In RMB/CNY

Supplementary information	Current Period	Last Period
<b>1. Net profit adjusted to cash flows from operating activities</b>	--	--
Net profit	-6,631,450.42	755,974.01
Plus: Provision for impairment of assets		
Depreciation of fixed assets, depreciation and depletion of oil and gas assets and depreciation of productive biological assets	1,850,489.52	1,726,440.52
Depreciation of use right assets		
Amortization of intangible assets	429,312.58	434,363.58
Amortization of long-term deferred expenses	1,380,786.97	602,113.32
Losses from disposal of fixed assets, intangible assets and other long-term assets		
Losses from write-off of fixed assets ("-" for gains)		
Losses from fair value changes ("-" for gains)		
Financial expenses ("-" for gains)		
Investment loss("-" for gains)		
Decrease of deferred income tax assets ("-" for increased)		
Increase of deferred income tax assets ("-" for decreased)		
Decrease of inventory ("-" for increased)	-3,203.82	29,696.62
Decreases in operating receivable ("-" for increases)	402,181.50	-513,490.92
Increases in operating payable ("-" for decreases)	-2,217,307.25	-1,765,680.48
Other		
Net cash flow from operating activities	-4,789,190.92	1,269,416.65
<b>2. Significant investing and financing activities not involving cash receipts and payments:</b>	--	--
Conversion of debt into capital		
Convertible bonds due within one year		
Fixed assets under financing lease		
<b>3. Net changes in cash and cash equivalents:</b>	--	--





Ending balance of cash	17,832,633.21	16,110,895.95
Less: beginning balance of cash	7,422,939.89	15,364,355.30
Plus: ending balance of cash equivalent		
Less: beginning balance of cash equivalent		
Net increase in cash and cash equivalents	10,409,693.32	746,540.65

### Breakdowns of cash and cash equivalents

In RMB/CNY

Item	Ending balance	Beginning balance
I. Cash	17,832,633.21	7,422,939.89
Including: cash on hand	149,010.82	302,077.12
Bank deposits available for payment at any time	17,683,622.39	7,120,862.77
Other monetary funds available for payment at any time		
Deposit of central bank funds available for payment		
Deposits in other banks		
Interbank lending		
II. Cash equivalent		
Including: bond investment due within three months		
III. Balance of cash and cash equivalents at end of the period	17,832,633.21	7,422,939.89
Including: restricted use of cash and cash equivalent in parent company or subsidiary in Group		

Other description:

### 7.34 Government grant

#### Government grant

In RMB/CNY

Types	Amount	Presentation item	Amount entry in current gains/losses
Government tourism marketing incentive funds	150,000.00	Other income	150,000.00

### 8. Change of the consolidation scope

In reporting period, consolidation scope of the Company has no changes

**9. Rights and interests in other entities****1. Equity in subsidiaries****(1) Structure of the enterprise group**

Name of subsidiary	Principal place of business	Registration place	Business nature	Shareholding ratio (%)		Method of acquisition
				Direct	Indirect	
Hainan Wengao Tourist Resources Development Co., Ltd	Sanya, Hainan	Block B, Main Building, Hainan Dadonghai Tourism Centre (Holdings) Co., Ltd., No. 2, Yuhai Road, Jiyang District, Sanya City, Hainan Province	Leasing and commercial service industries	100.00%		Establishment

Other description:

**10. Related parties and related party transactions****10.1. Parent company**

Name of the parent company	Registration place	Business nature	Registered capital	Shareholding ratio in the Company	Voting ratio in the Company
Luoniushan Co., Ltd.	Haikou	Planting and breeding industry	115115	17.55%	19.80%

As of 30 June 2020, Luoniushan Co., Ltd. (hereinafter referred to as "Luoniushan") and its wholly-owned subsidiary Hainan Ya'anju Property Services Co., Ltd. held a total of 72,092,000 A shares of the Company, accounting for 19.80 % of the Company's total share capital, so it is the Company's largest shareholder. Ultimate controlling party of the Company is Luoniushan Co., Ltd.

**10.2 Subsidiary of the Enterprise**

Found more in Notes

**10.5 Related party transactions**

In RMB/CNY

Related party	Content of related-party	Current Period	Last Period
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	transaction		
Luoniushan Co., Ltd.	Room and meal fees	2,934.60	125,150.00

## 11. Commitments and contingencies

### 11.1 Commitments

As of the balance sheet date, the Company has no commitments that should be disclosed

### 11.2 Contingencies

#### (1) Major contingencies on balance sheet date

1) The Company owed the electricity bill to the Sanya Power Supply Bureau. On May 26, 2016, the Company received a lawyer letter from Hainan Yunfan Law Firm entrusted by Sanya Power Supply Bureau of Hainan Power Grid Co., Ltd. (hereinafter referred to as "Sanya Power Supply Bureau"), saying that Sanya Power Supply Bureau found, in verifying electricity consumption by South China Hotel, a subsidiary of the Company, that the current transformer (CT) installed in the distribution center metering counters in South China Hotel installed was inconsistent with the record in the marketing management system file of Sanya Power Supply Bureau, and the duration of the inconsistency was from July 2006 when South China Hotel changed its electricity consumption measuring device to April 2016. According to the statistics, electricity consumption of 10313373 KWH was measured in short, which was estimated to be valued at RMB 7,200,165.75 according to the electricity prices and surcharge rates in the years.

According to the *Legal Consultation Advice on Electricity Quantity (Electricity Charge) Claiming Dispute between South China Hotel and Sanya Power Supply Bureau* issued by Beijing Junhe (Haikou) Law Firm on December 20, 2016, as all electricity consumption metering devices are purchased, installed, sealed, opened and replaced by Sanya Power Supply Bureau Responsible, the short measurement of electricity charge from South China Hotel for many years was due to the fault of Sanya Power Supply Bureau, and was irrelevant to South China Hotel. Pursuant to Article 135 of the General Principles of Civil Law: "Except as otherwise stipulated by law, the limitation of action regarding applications to a people's court for protection of civil rights shall be two years., the Company accrued an amount of RMB 1,489,685.04 for the electricity charge for electricity quantity measured in short during two years from April 2014 to April 2016. As of 30 June 2020, no further progress was made on this matter.

2) The Company announced on June 3, 2019 that Hainan Dadonghai Tourism Centre (Holdings) Co., Ltd. (hereinafter referred to as "Dadonghai Group") had borrowed RMB 2.76 million and RMB 4.55 million from the Company on October 16, 1996 and December 26, 1996 respectively. The two loans totaled RMB 7.31 million and have not been repaid yet. The Company filed a lawsuit with the Suburban People's Court of Sanya, Hainan



province (hereinafter referred to as the "court"), requesting the defendant Dadonghai group to repay the loan of RMB 7.31 million to the Company. The company has received the paper of civil judgment from Sanya Suburb People's court, and dismissed the plaintiff's claim. The litigation fee and cost of appraisal shall be borne by the plaintiff. Currently, the company has appealed to the court. Creditor's right of the case already written off in full by the Company in 2008.

3) On May 31, 2018, the Sanya Local Taxation Bureau Social Security Fee Collection and Management Bureau issued a notice of payment of social insurance premiums to the company's South China Hotel, ordering the company's South China Hotel to pay the arrears of social insurance premiums and late fees and interest totaled 286,200.36 yuan from January 1, 2012 to December 31, 2012 within the time limit. On May 17, 2018, the Sanya Local Taxation Bureau deducted the amount from the deposit of the company's South China Hotel. According to the "South China Hotel Target Operation and Management Responsibility Letter" signed by the company's South China Hotel and Sun Hongjie, Sun Hongjie should be responsible for the payment of the outstanding social insurance premiums. For this reason, the company sued to the court. On February 25, 2020, the court ruled that Sun Hongjie shall reimburse the company for the social insurance premiums, late fees and interest totaling 286,200.36 yuan from the date when the judgment becomes legally effective. At present, the judgment has become legally effective and has entered the enforcement procedure.

## 12. Post balance sheet events

As of balance sheet date, the Company has no post balance sheet events need to adjusted

## 13. Other significant events

### 13.1 Correction of accounting errors in previous periods

1) Retroactive restatement method

Nil

2) Prospective application method

Nil

### 13.2 Other

As of the approval date of the Report, there is no progress in the assets restructuring commitment.

## 14. Supplementary information

### 14.1 Return on equity and earnings per share



Profit during the reporting period	Weighted average return on equity (%)	Earnings per share (RMB/Share)	
		Basic earnings per share	Diluted earnings per share
Net profits attributable to ordinary shareholders of the Company	-8.82%	-0.0182	-0.0182
Net profits attributable to ordinary shareholders of the Company after deduction of non-recurring profits or losses	-8.71%	-0.0182	-0.0182

#### 14.2 Accounting difference between IFRS and CAS

There are no accounting differences between IFRS and CAS.

(No text)

HAINAN DADONGHAI Tourism Centre (HOLDINGS) CO., LTD

20 August 2020