

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

Financial Report & Statement

Semi-Annual 2019

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

Financial Report & Financial Statement

(1 January 2019 to 30 June 2019)

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Hainan Dadonghai Tourism Centre (Holdings) Co., Ltd. Consolidated Balance Sheet

(Expressed in Renminbi unless otherwise stated)

Item	2019-6-30	2018-12-31
Current assets:		
Monetary funds	16,110,895.95	15,364,355.30
Transactional financial assets		
Notes receivable		
Accounts receivable	155,986.88	426,434.87
Receivables Financing		
Advance payment	396,882.60	
Insurance receivable		
Other receivables	1,242,181.64	458,242.73
Including: Interests receivable		
Dividends receivable		
Inventories	191,693.57	221,390.19
Non-current assets maturing within one year		
Other current assets	2,125,619.16	1,846,219.79
Total current assets	20,223,259.80	18,316,642.88
Non-current assets:		
Finance asset available for sales		
Held-to-maturity investment		
Long-term account receivable		
Long-term equity investments		
Investment property	8,147,218.65	8,384,480.43
Fixed assets	34,997,520.16	36,497,869.65
Construction in progress		
Intangible assets	21,799,055.46	22,205,249.04
Goodwill		
Long-term deferred expenses	2,240,879.25	2,792,876.07
Other non-current assets		
Total non-current assets	67,184,673.52	69,880,475.19
Total assets	87,407,933.32	88,197,118.07

Legal Representative: Yuan Xiaoping

Accounting Principal: Fu Zongren

The Accounting Firm's Principal: Fu Zongren

Hainan Dadonghai Tourism Centre (Holdings) Co., Ltd.
Consolidated Balance Sheet (Cont')

(Expressed in Renminbi unless otherwise stated)

Current liabilities:	2019-6-30	2018-12-31
Short-term borrowings		
Transactional financial liability		
Notes payable		
Accounts payable	1,077,017.43	1,607,835.81
Account received in advance	779,681.12	1,291,293.05
Employee compensation payable	1,827,967.06	2,841,262.35
Taxes and surcharges payable	745,943.66	450,861.87
Other account payable	2,942,968.71	2,727,483.66
Including: Interest payable		
Other current liabilities		
Total current liabilities	7,373,577.98	8,918,736.74
Non-current liabilities:		
Long-term borrowings		
Bonds payable		
Long-term payables		
Long-term employee compensation payable		
Estimated liabilities	1,489,685.04	1,489,685.04
Deferred income		
Total non-current liabilities	1,489,685.04	1,489,685.04
Total liabilities	8,863,263.02	10,408,421.78
Owners 'equity:		
Share capital	364,100,000.00	364,100,000.00
Other equity instrument		
Capital reserves	54,142,850.01	54,142,850.01
Surplus reserves		
Undistributed profit	-339,698,179.71	-340,454,153.72
Total equity attributable to owners of parent company	78,544,670.30	77,788,696.29
Minority's equity		
Total owners 'equity	78,544,670.30	77,788,696.29
Total liabilities and owners 'equity	87,407,933.32	88,197,118.07

Legal Representative: Yuan Xiaoping

Accounting Principal: Fu Zongren

The Accounting Firm's Principal: Fu Zongren

Hainan Dadonghai Tourism Centre (Holdings) Co., Ltd.
Balance sheet of parent company

(Expressed in Renminbi unless otherwise stated)

Item	2019-6-30	2018-12-31
Current assets:		
Monetary funds	15,610,097.59	14,864,055.73
Transactional financial assets		
Notes receivable		
Accounts receivable	155,986.88	426,434.87
Receivables Financing		
Advance payment	396,882.60	
Insurance receivable		
Other receivables	1,242,181.64	458,242.73
Including: Interests receivable		
Dividends receivable		
Inventories	191,693.57	221,390.19
Non-current assets maturing within one year		
Other current assets	2,125,619.16	1,846,219.79
Total current assets	19,722,461.44	17,816,343.31
Non-current assets:		
Finance asset available for sales		
Held-to-maturity investment		
Long-term account receivable		
Long-term equity investments	1,000,000.00	1,000,000.00
Investment property	8,147,218.65	8,384,480.43
Fixed assets	34,997,520.16	36,497,869.65
Construction in progress		
Intangible assets	21,799,055.46	22,205,249.04
Goodwill		
Long-term deferred expenses	2,240,879.25	2,792,876.07
Other non-current assets		
Total non-current assets	68,184,673.52	70,880,475.19
Total assets	87,907,134.96	88,696,818.50

Legal Representative: Yuan Xiaoping

Accounting Principal: Fu Zongren

The Accounting Firm's Principal: Fu Zongren

Hainan Dadonghai Tourism Centre (Holdings) Co., Ltd.
Balance sheet of parent company (Cont')

(Expressed in Renminbi unless otherwise stated)

Current liabilities:	2019-6-30	2018-12-31
Short-term borrowings		
Transactional financial liability		
Notes payable		
Accounts payable	1,077,017.43	1,607,835.81
Account received in advance	779,681.12	1,291,293.05
Employee compensation payable	1,827,967.06	2,841,262.35
Taxes and surcharges payable	745,943.66	450,861.87
Other account payable	3,442,669.14	3,226,952.36
Including: Interest payable		
Other current liabilities		
Total current liabilities	7,873,278.41	9,418,205.44
Non-current liabilities:		
Long-term borrowings		
Bonds payable		
Long-term payables		
Long-term employee compensation payable		
Estimated liabilities	1,489,685.04	1,489,685.04
Deferred income		
Total non-current liabilities	1,489,685.04	1,489,685.04
Total liabilities	9,362,963.45	10,907,890.48
Owners' equity:		
Share capital	364,100,000.00	364,100,000.00
Other equity instrument		
Capital reserves	54,142,850.01	54,142,850.01
Less: Inventory shares		
Other comprehensive income		
Surplus reserve		
Retained profit	-339,698,678.50	-340,453,921.99
Total owner's equity	78,544,171.51	77,788,928.02
Total liabilities and owner's equity	87,907,134.96	88,696,818.50

Legal Representative: Yuan Xiaoping

Accounting Principal: Fu Zongren

The Accounting Firm's Principal: Fu Zongren

Hainan Dadonghai Tourism Centre (Holdings) Co., Ltd. Consolidated Profit Statement

(Expressed in Renminbi unless otherwise stated)

Item	Semi-annual of 2019	Semi-annual of 2018
I. Total operating income	14,241,961.04	16,173,929.32
Including: Operating income	14,241,961.04	16,173,929.32
Interest income		
II. Total operating const	13,646,017.49	14,891,558.76
Including: Operating cost	5,514,477.93	6,000,063.36
Taxes and surcharges	383,479.50	716,520.90
Sales expenses	2,809,991.94	2,800,956.10
Administrative expenses	5,071,800.21	5,356,455.21
Financial expenses	-133,732.09	17,563.19
Including: Interest expenses		
Interest income	152,697.12	22,729.87
Add: Investment income (Loss is listed with "-")		
Losses of devaluation of asset (Loss is listed with "-")		
III. Operating profits ("-" for losses)	595,943.55	1,282,370.56
Plus: non-operating income	160,030.46	273.00
Less: non-operating expenses		477.98
IV. Total profits ("-" for total losses)	755,974.01	1,282,165.58
Less: income tax expenses		
V. Net profit (Net loss is listed with "-")	755,974.01	1,282,165.58
(i) Classify by business continuity		
1. continuous operating net profit (net loss listed with "-")	755,974.01	1,282,165.58
(ii) Classify by ownership		
1. Net profit attributable to owner's of parent company	755,974.01	1,282,165.58
VI. Net amount of other comprehensive income after-tax		
VII. Total comprehensive income	755,974.01	1,282,165.58
Total comprehensive income attributable to owners of parent company	755,974.01	1,282,165.58
Total comprehensive income attributable to minority		
VIII. Earnings per share:		
(i) Basic earnings per share	0.0021	0.0035

(ii) Diluted earnings per share	0.0021	0.0035
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Legal Representative: Yuan Xiaoping

Accounting Principal: Fu Zongren

The Accounting Firm's Principal: Fu Zongren

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

Profit statement of parent Company

(Expressed in Renminbi unless otherwise stated)

Item	Semi-annual of 2019	Semi-annual of 2018
I. Operating income	14,241,961.04	16,173,929.32
Less: Operating cost	13,645,516.28	14,891,558.76
Taxes and surcharges	383,479.50	716,520.90
Sales expenses	2,809,991.94	2,800,956.10
Administrative expenses	5,071,800.21	5,356,455.21
Financial expenses	-133,233.30	17,563.19
Including: interest expenses		
Interest income	151,938.33	22,729.87
Add: other income		
Investment income (Loss is listed with "-")		
Losses of devaluation of asset (Loss is listed with "-")		
II. Operating profits ("-" for losses)	595,444.76	1,282,370.56
Plus: non-operating income	160,030.46	273.00
Less: non-operating expenses		477.98
III. Total profits ("-" for total losses)	755,475.22	1,282,165.58
Less: income tax expenses		
IV. Net profit ("-" for net loss)	755,475.22	1,282,165.58
(i) continuous operating net profit (net loss listed with "-")	755,475.22	1,282,165.58
V. Net amount of other comprehensive income after-tax		
(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		
(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.gain/loss of fair value changes for available-for-sale financial assets		
VII. Total comprehensive income	755,475.22	1,282,165.58
VII. Earnings per share:		
(i) Basic earnings per share	0.0021	0.0035
(ii) Diluted earnings per share	0.0021	0.0035

Legal Representative: Yuan Xiaoping

Accounting Principal: Fu Zongren

The Accounting Firm's Principal: Fu Zongren

Hainan Dadonghai Tourism Centre (Holdings) Co., Ltd.
Consolidated Cash Flow Statement

(Expressed in Renminbi unless otherwise stated)

Item	Semi-annual of 2019	Semi-annual of 2018
I. Cash flows from operating activities		
Cash received from sale of goods and rendering of services	14,988,120.25	17,460,137.72
Cash received from other operating activities	1,105,441.88	684,152.64
Sub-total of cash inflows from operating activities	16,093,562.13	18,144,290.36
Cash paid for goods purchased and services received	4,468,726.47	5,026,699.13
Cash paid to and on behalf of employees	6,921,639.62	6,741,602.32
Cash paid for taxes and surcharges	1,139,283.59	1,590,739.15
Cash paid for other operating activities	2,294,495.80	1,674,572.16
Sub-total of cash outflows from operating activities	14,824,145.48	15,033,612.76
Net cash flows from operating activities	1,269,416.65	3,110,677.60
II. Cash flows from investing activities		
Cash received from disposal of investments		
Net cash received from disposal of fixed, intangible and other long-term assets	68,670.00	
Other cash received concerning investing activities		
Sub-total of cash inflows from investing activities	68,670.00	
Cash paid to acquire and construct fixed assets, intangible assets and other long-term assets	591,546.00	1,040,626.12
Cash paid for other investing activities		
Sub-total of cash outflows from investing activities	591,546.00	1,040,626.12
Net cash flows from investing activities	-522,876.00	-1,040,626.12
III. Cash flows from financing activities		
Cash received from loans		
Sub-total of cash inflows from financing activities		

Cash paid for settling debts		
Cash paid for other financing activities		
Sub-total of cash outflows from financing activities		
Net cash flows from financing activities		
IV. Effect of fluctuation on exchange rate on cash and cash equivalents		
V. Net increase in cash and cash equivalents	746,540.65	2,070,051.48
Plus: balance of cash and cash equivalents at the beginning of the period	15,364,355.30	9,681,607.16
VI. Balance of cash and cash equivalents at the end of the period	16,110,895.95	11,751,658.64

Legal Representative: Yuan Xiaoping

Accounting Principal: Fu Zongren

The Accounting Firm's Principal: Fu Zongren

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

Cash flow statement of parent Company

(Expressed in Renminbi unless otherwise stated)

Item	Semi-annual of 2019	Semi-annual of 2018
I. Cash flows from operating activities		
Cash received from sale of goods and rendering of services	14,988,120.25	17,460,137.72
Cash received from other operating activities	1,104,683.09	684,152.64
Sub-total of cash inflows from operating activities	16,092,803.34	18,144,290.36
Cash paid for goods purchased and services received	4,468,726.47	5,026,699.13
Cash paid to and on behalf of employees	6,921,639.62	6,741,602.32
Cash paid for taxes and surcharges	1,139,261.99	1,590,739.15
Cash paid for other operating activities	2,294,257.40	1,674,572.16
Sub-total of cash outflows from operating activities	14,823,885.48	15,033,612.76
Net cash flows from operating activities	1,268,917.86	3,110,677.60
II. Cash flows from investing activities		
Cash received from disposal of investments		
Net cash received from disposal of fixed, intangible and other long-term assets	68,670.00	
Other cash received concerning investing activities		
Sub-total of cash inflows from investing activities	68,670.00	
Cash paid to acquire and construct fixed assets, intangible assets and other long-term assets	591,546.00	1,040,626.12
Cash paid for other investing activities		1,000,000.00
Sub-total of cash outflows from investing activities	591,546.00	2,040,626.12
Net cash flows from investing activities	-522,876.00	-2,040,626.12

III. Cash flows from financing activities		
Cash received from loans		
Sub-total of cash inflows from financing activities		
Cash paid for settling debts		
Cash paid for other financing activities		
Sub-total of cash outflows from financing activities		
Net cash flows from financing activities		
IV. Effect of fluctuation on exchange rate on cash and cash equivalents		
V. Net increase in cash and cash equivalents	746,041.86	1,070,051.48
Plus: balance of cash and cash equivalents at the beginning of the period	14,864,055.73	9,681,607.16
VI. Balance of cash and cash equivalents at the end of the period	15,610,097.59	10,751,658.64

Legal Representative: Yuan Xiaoping

Accounting Principal: Fu Zongren

The Accounting Firm's Principal: Fu Zongren

Hainan Dadonghai Tourism Centre (Holdings) Co., Ltd.
Consolidated Statement of Changes in Owners' Equity

(Expressed in Renminbi unless otherwise stated)

Item	Semi-annual of 2019							Total owner's equity
	Equity attributable to owners of parent company						Minority interest	
	Share capital	Other equity instrument	Capital reserve	Other comprehensive income	Retained earnings	Undistributed profit		

		cur ri t i e s					
I. Balance as at the end of last year	364,100,000.00		54,142,850.01			-340,454,153.72	77,788,696.29
Plus: Changes in accounting policies							
Error correction of the last period							
II. Balance as at the beginning of year	364,100,000.00		54,142,850.01			-340,454,153.72	77,788,696.29
III. Increases/decreases in the period						755,974.01	755,974.01
(i) Total comprehensive income						755,974.01	755,974.01
(ii) Capital contributed or reduced by owners							
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)							
(IV) Internal carry-forward of owners' equity							
1. Conversion of capital reserves into paid-in capital (or share capital)							
2. Surplus reserves converted to capital (share capital)							
3. Remedying loss with surplus reserve							
(V) Special reserves							
1. Withdrawal in the period							

2. Use in the period							
(VI) Others							
IV. Balance as at the end of the period	364,100,000.00		54,142,850.01			-339,698,179.71	78,544,670.30
							78,544,670.30

Legal Representative: Yuan Xiaoping

Accounting Principal: Fu Zongren

The Accounting Firm's Principal: Fu Zongren

Hainan Dadonghai Tourism Centre (Holdings) Co., Ltd.
Consolidated Statement of Changes in Owners' Equity (Cont')

(Expressed in Renminbi unless otherwise stated)

Item	Semi-annual of 2018						
	Equity attributable to owners of parent company						Total owner's equity
	Share capital	Other equity instrument	Capital reserve	Other comprehensive income	Retained earnings	Undistributed profit	
I. Balance as at the end of last year	364,100,000.00		54,142,850.01			-341,107,435.91	77,135,414.10
Plus: Changes in							

accounting policies						
Error correction of the last period						
II. Balance as at the beginning of year	364,100,000.00	54,142,850.01	-341,107,435.91	77,135,414.10	77,135,414.10	
III. Increases/decreases in the period			1,282,165.58	1,282,165.58	1,282,165.58	
(i) Total comprehensive income			1,282,165.58	1,282,165.58	1,282,165.58	
(ii) Capital contributed or reduced by owners						
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)						
(IV) Internal carry-forward of owners' equity						
1. Conversion of capital reserves into paid-in capital (or share capital)						
2. Surplus reserves converted to capital (share capital)						
3. Remedying loss with surplus reserve						
(V) Special reserves						
1. Withdrawal in the period						
2. Use in the period						
(VI) Others						
IV. Balance as at the end of the period	364,100,000.00	54,142,850.01	-339,825,270.33	78,417,579.68	78,417,579.68	

Legal Representative: Yuan Xiaoping

Accounting Principal: Fu Zongren

The Accounting Firm's Principal: Fu Zongren

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

Change of owners' equity of parent company

(Expressed in Renminbi unless otherwise stated)

Item	Semi-annual of 2019					
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	Share capital	Other equity instrument		Capital reserve	Less: treasury stock	Other comprehensive income	Special reserves	Surplus reserves	Undistributed profit	Other	Total owner's equity
		Preferred shares	Other								
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									
(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

Legal Representative: Yuan Xiaoping

Accounting Principal: Fu Zongren

The Accounting Firm's Principal: Fu Zongren

Hainan Dadonghai Tourism Centre (Holdings) Co., Ltd. Change of owners' equity of parent company (Cont')

(Expressed in Renminbi unless otherwise stated)

Item	Semi-annual of 2018								Total owner's equity		
	Share capital	Other equity instrument		Capital reserve	Less: treasury stock	Other comprehensive income	Special reserves	Surplus reserves		Undistributed profit	Other
		Preferred stock	Perpetual capital securities								
I. Balance at the end of the last year	364,100,000.00			54,142,850.01					-341,107,435.91	77,135,414.10	
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					-341,107,435.91	77,135,414.10	
III. Increase/ Decrease in this year (Decrease is listed with "-")									1,282,165.58	1,282,165.58	
(i) Total comprehensive income									1,282,165.58	1,282,165.58	
(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									
(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				-339,825,270.33	78,417,579.68

Legal Representative: Yuan Xiaoping

Accounting Principal: Fu Zongren

The Accounting Firm's Principal: Fu Zongren

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

NOTES TO FINANCIAL STATEMENT

SEMI-ANNUAL 2019

1. Company basic information

1.1 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 2019, 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.

1.2 Scope to the consolidated financial statements

Scope of the consolidated financial statement for the period has no changes, the subsidiary included into the Company's scope of consolidated financial statements is as follows:

Name	Relationship with the Company
Hainan Wengao Tourist Resources Development Co., Ltd.	A wholly-owned subsidiary

The financial statements were approved by the board of directors of the Company on 8 August 2019 for disclosure.

2. Basis of preparation of the financial statements

2.1. 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, Application Guidance to the Accounting Standards for Business Enterprises, the interpretation of the Accounting Standards for Business Enterprises and other relevant provisions (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 (Revised in 2014).

2.2. Going concern

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

3. Significant accounting policies and accounting estimates

Main accounting policies and accounting estimates have no changes in the period

3.1. Statement on compliance with the Accounting Standards for Business Enterprises

The financial statements prepared by the Company comply with the requirements of the Accounting Standards for Business Enterprises, and truly and completely present the financial position, operating results, cash flows of the Company and other related information.

3.2. Accounting period

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

3.3. Operating cycle

The Company's operating cycle is 12 months.

3.4. Reporting currency

The Company adopts RMB as its reporting currency.

3.5. Scope of consolidation (aggregation) of financial statements

As of 30 June 2018, the scope of consolidation (aggregation) of financial statement including the independent accounting of the non-legal person - South China Grand Hotel of Hainan Dadonghai Tourism Centre (Holdings) Co., Ltd

3.6. 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. 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 which are subject to an insignificant risk of change in value.

3.7. Foreign currency transactions and conversion for statement in foreign languages

Foreign currency transactions are converted into RMB for recording purpose at the spot exchange rate on the date when the transaction occurs.

Balances of foreign currency monetary items are measured at the spot exchange rate on the balance sheet date. The exchange difference arising wherefrom shall be included in the current profit and loss, except that those exchange differences arising from the special borrowings of foreign currency related to the acquired and constructed assets qualified for capitalization shall be dealt with according to the principle of borrowing cost capitalization. Foreign currency non-monetary items measured at historical costs shall still be converted at the spot exchange rates on the date when the transactions occur, and the amount in functional currency shall remain unchanged. Foreign currency non-monetary items measured at fair value shall be translated at the spot exchange rates on the date when the fair value is determined. The exchange difference arising wherefrom shall be included in the current profit and loss or capital reserves.

3.8. Financial instruments

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

1) Classification of financial instruments

Financial assets and liabilities are classified into the following categories according to the purpose of acquisition: financial assets or financial liabilities measured at fair value and whose variation is included in the 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, accounts 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 and whose variation is included in the current profit and loss

Financial assets (financial liabilities) are initially recorded at fair values when acquired (deducting cash dividends that have been declared but not distributed and bond interests that have matured but not been drawn). Relevant transaction expenses are included in the 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.

Difference between the fair value and initial book-entry value is recognized as investment income upon disposal; meanwhile, adjustment is made to gains or losses from changes in fair values.

2) Held-to-maturity investments

Held-to-maturity investments are initially recorded at fair values plus the related trade expenses when acquired (deducting bond interests that have matured but not been drawn).

The interest revenue calculated at amortization cost and effective interest rate (nominal interest rate is adopted when the difference between the actual interest rate and the nominal interest rate is minor) during the holding period is recognized as investment income. Effective interest is recognized when obtained, and remains unchanged in the predictable holding period or applicable shorter period.

The difference between the amount received and the book value of the investment is included in the investment profit and loss upon disposal.

3) Accounts receivable

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 and prepayments, etc., the initial recognition amount shall be the contract price or agreement price receivable from purchasing party. Accounts receivable with financing nature are initially recognized at their present values.

The difference between the amount received and the book value of the accounts receivable is included in the current profit and loss upon recovery or disposal.

4) Available-for-sale financial assets

Available-for-sale financial assets are initially recorded at fair values plus the related trade expenses when acquired (deducting cash dividends that have been declared but not been paid or bond interests that have matured but not been drawn).

The interests or cash dividends to be received during the holding period are recognized as investment income. It is measured in fair value at the end of the period and change in fair values is included in other comprehensive income at the end of the period. However, the equity instrument investments unquoted in an active market and whose fair value cannot be measured reliably, and the derivative financial assets which are connected with the said equity instrument and must be settled by delivering the said equity instrument shall be measured on the costs basis.

The difference between the amount received and the book value of the financial asset is included in the investment profit and loss upon disposal. Meanwhile, the corresponding part of fair value accumulated change accounted as other comprehensive income is transferred into investment profit or loss.

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.

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

When transfer of financial assets occurs, if nearly all of the risks and rewards of ownership of the financial assets have been transferred to the transferee, the Company derecognizes the financial assets; if nearly all of the risks and rewards of ownership of the financial assets are retained, the Company shall not derecognize the financial assets.

The principle of substance over form is adopted to determine whether the transfer of a financial asset satisfies the criteria as described above for derecognition of a financial asset. The Company shall classify the transfer of a financial asset into the entire transfer and the partial transfer of financial asset. If the entire transfer of financial asset satisfies the criteria for derecognition, 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 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 derecognition, 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 derecognized part;
- 2) The sum of the consideration for the derecognized part and the portion of derecognition 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 derecognition criteria, the financial assets shall continue to be recognized, and the consideration received will be recognized as a financial liability.

4) Derecognition criteria of financial liabilities

A financial liability shall be totally or partly derecognized if its present obligations are totally or partly dissolved. Where the Company enters into an agreement with a creditor so as to substitute the existing financial liabilities with any new financial liability, and the new financial liability is substantially different from the contractual stipulations regarding the existing financial liability, it shall derecognize the existing financial liability, and shall at the same time recognize a new financial liability.

Where substantial revisions are made to some or all of the contractual stipulations of the existing financial

liability, the Company shall derecognize the existing financial liability totally or partly, and at the same time recognize the financial liability with revised contractual stipulations as a new financial liability.

Upon total or partial derecognition of financial liabilities, the difference between the book value of the financial liabilities derecognized and the consideration paid (including non-cash assets surrendered or new financial liabilities assumed) shall be included in the current profit and 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 and loss.

5) Method of determining the fair value of financial assets and financial liabilities

For financial instruments with active market, their fair values are determined with quoted market price. For financial instruments without active market, their fair values are determined by using valuation technique. During the valuation, the Company use valuation techniques that are appropriate in the circumstances and for which sufficient data and other information are available to measure fair value, select inputs that are consistent with the characteristics of the asset or liability that market participants would take into account in a transaction for the asset or liability, and give priority to the use of relevant observable inputs. Unobservable inputs are only adopted when relevant observable inputs cannot be obtained or are impracticable to obtain.

6) Providing of impairment provision on financial assets (exclude receivable accounts)

The Company performs inspection on the book value of financial assets apart from those financial assets measured at fair value through current profit and loss on the balance sheet date. Impairment provision is required if objective evidences of impairment occurs to the financial assets.

1) Impairment provision of available-for-sale financial assets:

If there is a serious decline in fair value of the available-for-sale financial assets at the end of the period, or such decline is not temporary after considering various factors, the impairment shall be confirmed, the accumulated losses due to decreases in fair value previously included in owner's equity shall be reversed, and the impairment loss shall be recognized.

If, in a subsequent period, the carrying amount of available-for-sale debt instruments investments increases

and the increase can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment losses are reversed, included in current profit or loss.

The impairment losses of available-for-sale equity instruments cannot be reversed through profit or loss.

2) Impairment provision of held-to-maturity investment:

Measurement of held-to-maturity investment impairment loss is governed by measurement of account receivables impairment loss.

3.9. Account receivable

1) Account receivable with individually significant amount and with bad debt provision accrual independently

Basis and standard for "individually significant"	Top 5 accounts receivable and other receivables by individual amount at the end of the year
Methods for provision for bad debts of receivables with individually significant amount:	The Company will separately conduct an impairment test on an individual basis and the allowance for bad debts will be made at the lower of the present value of the expected future cash flow and the book value thereof and included in current profit and loss. Those do not impair after the separate test shall be included into corresponding portfolio for provision for bad debts. If separate test indicates that there is impairment of receivables, they shall not be included the receivables portfolio with similar risk credit characteristics for an impairment test.

2) Receivables with bad debt provision accrual by credit portfolio:

Portfolio	Methods for provision for bad debts	
Receivables provided for bad debts on a portfolio basis	Aging analysis	
Aging	Provision ratio for receivables	Proportion ratio for other receivables
Within 1 year (inclusive)	0.00%	0.00%
1-2 years	5.00%	5.00%
2-3 years	15.00%	15.00%
3-4 years	25.00%	25.00%
4-5 years	50.00%	50.00%
Over 5 years	100.00%	100.00%

3) Accounts receivable with individually insignificant amounts and individual allowance for bad debt

Reasons for separate provision of allowance for bad debts	At the end of the year, there are objective evidences showing that the individual balances below top five are impaired; for example, the debtor is dissolved, bankrupts or dies, and therefore the receivables cannot be recovered after the bankruptcy property or the estate is repaid.
Provision method of allowance for bad debts	if there is an objective evidence that the impairment on receivables has occurred, such receivables shall be separated from relevant portfolio to conduct impairment test separately, based on which the impairment losses are recognized. Receivables other than accounts receivable and other receivables are subject to impairment provision by using the specific identification methods.

3.10. Inventories

1) Classification

Inventories are classified into: raw materials, stock commodities, low-cost consumables, good materials, fuel, etc.

2) Valuation method of inventories dispatched

Stock commodity is accounted for at the selling price and the difference between the purchase and sale prices are adjusted on a monthly basis by using the integrated price difference rate. The purchase and storage of all materials of inventories is measured at actual cost, and by using the first-in first-out method when applied for use. Low-cost consumables are amortized at lump-sum method when applied for use.

3) Determining basis of the net realizable value of inventories and method for inventory impairment provision

After the comprehensive inventory count at the end of the period, provisions for inventory depreciation reserve are made or adjusted at the lower of their costs or net realizable values.

For merchandise inventories for direct sale, including stock commodities, goods in progress and materials for sale, during normal operations, their net realizable values are recognized at the estimated selling prices minus the estimated selling expenses and the relevant taxes and surcharges; for material inventories held for production, their net realizable values are recognized at the estimated selling prices of finished goods minus estimated costs until completion, estimated selling expenses and relevant taxes and surcharges.

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

The perpetual inventory system is adopted for accounting.

5) Amortization methods for low-cost consumables and packaging materials

- 1) Low-cost consumables are amortized at lump-sum method;
- 2) Packaging materials: lump-sum write-off method.

3.11. Long-term equity investments

1) Judgment criteria for common 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 investor is able to have significant influences on an investee, the investee shall be the Company's associate.

2) Determining of initial investment cost

1) Long-term equity investment acquired from business combination

Business combination under the common control: if the Company pays a consideration to the combinee in cash, by transferring non-cash assets or by assuming debts, the share of book value of its owners' equity in the combinee in the consolidated financial statements of the ultimate controlling party shall be regarded, on the merger date, as the initial investment cost of the long-term equity investment. If there is a difference between the initial investment cost of the long-term equity investment and the total of book values of the paid cash, transferred non-cash assets and of assumed debts as well as the face value of issued share, the difference shall be used to adjust the share premium in the capital reserve; and if the share premium in the capital reserve is insufficient to be offset, retained earnings shall be adjusted.

In case the Company can exercise control over the investee under common control for additional investment or other reasons, the initial investment cost of long-term equity investments is recognized at the share of book value of net asset of the acquiree after the combination 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 book value of long-term equity investments before the combination plus the book value of consideration paid for additional shares; if there is no sufficient stock premium for write-downs, the retained earnings are adjusted.

Business combination not under the 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. Under business combination not under the common control, the auditing, legal services, consulting and other intermediary fees and other related administrative expenses for business combination will be included into current profit and loss upon occurrence; the transaction costs for the issuance of equity securities or debt securities shall be included into the initial recognition amount of equity securities or debt securities.

2) Long-term equity investments obtained by other means

For long-term equity investments acquired from making payments in cash, the initial cost is the actually paid purchase cost.

For long-term equity investments acquired from issuance of equity securities, the initial investment cost is the fair value of the issued equity securities.

If the exchange of non-monetary assets has commercial substance and the fair values of assets traded out and traded in can be measured reliably, the initial cost of long-term equity investment traded in with non-monetary assets are determined based on the fair values of the assets traded out and the relevant taxes and surcharges payable unless there is any conclusive evidence that the fair values of the assets traded in are more reliable; if the exchange of non-monetary assets does not meet the above criteria, the book value of the assets traded out and the relevant taxes and surcharges payable are recognized as the initial cost of long-term equity investment traded in.

For long-term equity investment acquired from debt restructuring, the initial cost is determined based on the fair value.

3. Subsequent measurements and recognition of gain or loss

1) Long-term equity investment under cost method

Long-term equity investments in subsidiaries are accounted for under 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 investment income in the current year at the cash dividends or profits declared by the investee.

2) Long-term equity investment accounted for in the equity method

The Company's long-term equity investments in associates and joint ventures are accounted for by using the equity method. If the initial cost is more than the share of the fair value of the investee' identifiable net asset to which the Company shall be entitled when investing, the initial cost of the long-term equity investment will not be adjusted. If the initial cost of a long-term equity investment is less than the share of the fair value of the investee's identifiable net asset to which the Company shall be entitled when investing, the difference shall be included in the current profit or loss.

The Company respectively recognizes the investment income and other comprehensive income according to the shares of net profit or loss and other comprehensive income realized by the investee that should be enjoyed or assumed by the Company, and adjusts the book value of long-term equity investment; according to the profit declared to be distributed by the investee or the part shall be enjoyed cash dividends calculation, to reduce the book value of long-term equity investment correspondingly; for other changes in owners' equity excepting for ex all profit or loss of the investee, other comprehensive income and profit distribution, the book value of long-term equity investment shall be adjusted and included in the owners' equity.

When recognizing the share of net profit or loss of the investee that the Company shall enjoy, based on fair value of various identifiable assets and others of the investee on acquisition and according to accounting policies and accounting periods of the Company, the Company shall recognize such share after making adjustments to net profit of the investee. 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 shall write off the part of incomes from internal unrealized transactions between the Company and associates and joint ventures which are attributable to the Company according to the corresponding ratio and recognize the profit and loss on investments on such basis. Where the losses from internal transactions between the Company and the investee fall into the scope of assets impairment loss, the full amount of such losses should be recognized. For transactions on investments or sales of assets between the Company and associates and joint ventures, where such assets constitute business, they should be accounted for according to the relevant policies.

When the Company recognizes its share of loss incurred to the investee, treatment shall be done in the following sequence: firstly, the book value of the long-term equity investment shall be reduced; secondly, where the book value thereof is insufficient to cover the share of losses, investment losses are recognized to the extent of book value of other long-term equities which form net investment in the investee in substance and the book value of long term receivables shall be reduced. 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. An investing party shall recognize the net loss incurred by the invested entity until the book value of the long-term equity investment and other long-term interests which substantially form the net investment in the invested entity are reduced to zero, unless the investing party is obliged to undertake extra losses. If the invested entity realizes any net profit later, the investing party shall, after the amount of its attributable share of profits offsets its attributable share of the unrecognized losses, resume recognizing its attributable share of profits.

3) Disposal of long-term equity investments

For disposal of long-term equity investments, the difference between the book value and the actual price shall be included into 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 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 in 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. 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 and 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 confirmed 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 on the investee, such investments should be accounted for according to the provisions on the recognition and measurement of financial instruments and the difference between fair value and book value on the date of loss of the control should be included in the current profit and loss.

Where the disposed equities are acquired by the enterprise combination due to the reasons such as additional investment, the remaining equities after the disposal are calculated based on the cost method or equity method in preparing the individual financial statements, and other comprehensive income and other owners' equity recognized because of the equity method adopted for the calculation of the equity investment held prior to the purchase date are carried forward in proportion; the remaining equities after the disposal are changed to be made in accordance with the relevant provisions in the recognition and measurement criteria of financial instruments while other comprehensive income and other owners' equity

are carried forward in full.

3.12. Investment property

Measurement mode

Measured by cost method

Depreciation or amortization method

Investment properties are properties to earn rentals or for capital appreciation or both. Examples include land leased out under operating leases, land held for long-term capital appreciation, buildings leased out under operating leases, (including buildings that have been constructed or developed for future lease out under operating leases, and buildings that are being constructed or developed for future lease out under operating leases).

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.

3.13. Fixed assets

1) Recognition criteria of fixed assets

Fixed assets refer to the tangible assets held for the purpose of producing commodities, rendering 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 asset can be measured reliably.

2) Depreciation method of fixed assets

Asset type	Depreciation method	Year for depreciation	Residual value rate	Yearly depreciation rate
Houses and buildings	Straight-line method	20-40	5	4.75-2.37
Mechanical equipment	Straight-line method	8-20	5	11.87-4.75
Entertainment equipment	Straight-line method	5-16	5	19-5.93
Transportation equipment	Straight-line method	7-12	5	13.57-7.91

3.14. 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. For construction in progress that has reached working conditions for its

intended use but for which the completion of settlement has not been handled, it shall be transferred into fixed assets at the estimated value according to the project budget, construction price or actual cost, etc. from the date when it reaches the working conditions for its intended use. The fixed assets shall be depreciated in accordance with the Company's policy on fixed asset depreciation. Adjustment shall be made to the originally and provisionally estimated value based on the actual cost after the completion of settlement is handled, but depreciation already provided will not be adjusted.

3.15 Borrowing costs

1) Recognition principles of capitalization of borrowing costs

Borrowing costs include the interest of borrowings, the amortization of discount or premium, auxiliary expenses, exchange differences incurred by 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 the current profit and loss.

Assets eligible for capitalization refer to fixed assets, investment property, inventories and other assets which may reach their intended use or sale status only after long-time acquisition and construction or production activities.

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

- 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;
- 3) Purchase, construction or manufacturing activities that are necessary to prepare the assets for their intended use are in progress.

2) Capitalization period of borrowing costs

Capitalization period refers to the period from commencement of capitalization of borrowing costs to its cessation; period of suspension for capitalization is excluded.

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 projects should be ceased.

If all parts of the acquired and constructed or produced assets are completed but the assets cannot be used or sold externally until overall completion, the capitalization of borrowing costs should be ceased at the time of overall completion of the said assets.

3) Period of suspension for capitalization

If the acquisition and 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 its intended use or sale, the borrowing costs continue to be capitalized. Borrowing costs incurred during the interruption are recognized as the current profit and loss and continue to be capitalized until the acquisition, construction or production of the asset restarts.

4) Calculation of capitalization amount of borrowing costs

As for special borrowings borrowed for acquiring and constructing or producing assets eligible for capitalization, borrowing costs of special borrowing actually incurred in the current period less the interest income of the borrowings unused and deposited in bank or return on 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.

As for borrowings with discount or premium, the to-be-amortized discount or premium in each accounting period should be recognized by effective interest rate method, and the interest for each period should be adjusted.

3.16. Intangible assets

1) Valuation method of 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 use. 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 current value of the purchase price.

For an intangible asset obtained in debt restructuring by a debtor for the settlement of relevant liability, the book-entry value shall be initially recognized based on the fair value of the intangible asset. Difference between the book value of restructured debts and the fair value of the intangible asset used for debt off-set shall be included in the current profit or loss;

On the premise that non-monetary assets trade is of commercial nature and the fair value of the assets traded in or out can be measured reliably, the intangible assets traded in with non-monetary assets should be recognized at the fair value of the assets traded out, unless any unambiguous evidence indicates that the fair value of the assets traded in is more reliable; as to the non-monetary assets trade not meeting the aforesaid premise, the book value of the assets traded out and related taxes and surcharges payable should be recognized as the cost of the intangible assets, with gains or losses not recognized.

For intangible assets acquired from business combination under common control, the initial book value are initially recognized at the book value of the combinee; for intangible assets acquired from business combination not under common control, the initial book value are initially recognized at the fair value.

Costs of intangible assets developed internally and independently include: the costs of materials and labor services used to develop the intangible assets, the registration fee, the amortization of other patents and franchise used in the process of development, the interest expenses meeting the condition for capitalization, and other direct expenses for preparing the intangible assets for their intended use.

2) Subsequent measurement

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

For intangible assets with definite useful lives, the Company shall adopt the straight-line method for amortization within the period during which they can bring economic benefits to the Company; where the period during which they can bring economic benefits to the Company cannot be forecast, those intangible assets shall be deemed as assets with indefinite lives and no amortization will be made.

2) Estimates of useful lives of intangible assets with definite useful lives

Item	Estimated useful lives	Basis
Land use rights	50 years	Use term for the land use right title

3) Judgment basis for intangible assets with indefinite useful lives

As at the balance sheet date, the Company has no intangible assets with indefinite useful lives.

3.17. Impairment of long-term assets

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 impairment test results indicate that the recoverable amounts of the assets are lower than their book value, the provision for impairment is made based on the differences, which are recognized as impairment losses. The recoverable amounts of intangible assets are the higher of their fair values less costs to sell and the present values of the future cash flows expected to be derived from the assets. The assets impairment provision is calculated and made on an individual basis. If it is difficult for the Company to estimate the recoverable amount of the individual asset, the recoverable amount of an asset group to which the said asset belongs to will be determined. Asset group is the minimum combination of assets that can independently generate cash inflows.

After the losses from asset impairment are recognized, they are not reversed in subsequent periods.

3.18. Long-term deferred expenses

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

1) Amortization method

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

2) Amortization period

Item	Amortization period
Hotel exterior decoration	4-year
Fire stairs renovation	4-year
C FLOOR ROOM RENOVATION	5-year
Villa renovation	5-year
Swimming pool renovation	5-year

3.19. 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 post-employment benefits

The Company will pay basic old-age insurance and unemployment insurance in accordance with relevant provisions of the local government for employees. During the accounting period when they provide services for the Company, the amount payable will be calculated at the basis and proportion specified by local authorities, recognized as a liability and charged into current profit and loss or costs associated with assets.

3) Accounting method for dismiss welfare

Where the Company cannot unilaterally withdraw the dismissal welfare offered in view of the cancellation of the labor relation plan or the layoff proposal, or recognizes the cost or expenses as to the restructuring involving the payment of dismissal welfare (whichever is earlier), the employee compensation arising from the dismissal welfare should be recognized as the liabilities and charged to the current profit or loss.

3.20. Estimated liabilities

When the Company is involved in litigation, debt guarantees, loss-making contract, reorganization matters, if such matters are likely to be satisfied by delivery of assets or provision of services in the future and the amount can be measured reliably, they shall be recognized as estimated liabilities.

1) Recognition criteria for estimated 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 such obligation may well cause outflows of economic benefits from the Company;
- and
- 3) The amount of such obligation can be measured reliably.

2) Measurement method of estimated liabilities

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

When the Company determines the best estimate, it should have a comprehensive consideration of risks with respect to contingencies, uncertainties and the time value of money. 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 estimates will 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 despite 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 estimate 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 estimated 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 estimated liabilities.

3.21. Revenue

1) Recognition and measurement principles for revenues from sale of goods

- 1) General recognition and measurement principles for revenue from sales of goods

Income from sales of goods is recognized when the Company has transferred to the buyer the significant risks and rewards of ownership of the goods; the Company retains neither continuous management rights associated with ownership of the goods sold nor effective control over the goods sold; the relevant amount of income can be measured reliably; it is highly likely that the economic benefits associated with the transaction will flow into the Company; and the relevant amount of cost incurred or to be incurred can be measured reliably.

- 2) Recognition criteria and time of revenue from sale of goods of the Company

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.

2) 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.

3) Recognition basis for revenue from transfer of right to use assets

When the economic benefit related to the transaction is probably to flow into the Company and the relevant revenue can be reliably measured, the revenue from transfer of the asset use right is determined as follows: the revenue from transferring use right of assets shall be recognized based on the following circumstances:

- 1) The amount of interest income is determined based on the time and effective interest rate for others to use the monetary funds of the Company.
- 2) The amount of revenue from usage is determined based on the charging time and method as agreed in relevant contract or agreement.

3.22. Government subsidies

1) Judgment criteria and accounting method for government subsidies related to assets

Set off the book value of related assets or be recognized as deferred income. Government subsidies related to assets are recognized as deferred income to be evenly distributed over the useful lives of the relevant assets and shall be recorded in current profit or loss by stages in a reasonable and systematic manner. Government subsidies measured in nominal amounts, are directly included in current profits and losses. Where relevant assets are sold, transferred, scrapped or damaged before the end of their lives, balance of the unallocated deferred income is transferred to the current profit and loss on asset disposal.

2) Judgment criteria and accounting method for government subsidies related to income

- 1) To be used as compensation for future costs, expenses or losses are recognized as deferred income and are recorded in current profits and losses or used to write off the related costs where the relevant costs, expenses or losses are recognized.
- 2) To be used to compensate the related costs, expenses or losses incurred by the Company are directly included in current profit and loss or used to write off the related costs.
- 3) Accounting treatment will be conducted for government subsidies that at the same time include those associated with assets and income by different parts: if it is difficult to distinguish, they will be deemed as government subsidies associated with income.

3.23. Major accounting policies and estimates changes

The Company's major accounting policies and estimates have no changes in the period

4. Taxation

Major tax types and tax rates applicable to the Company

Taxation type	Basis of 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%、9%、13%
Urban maintenance and construction tax	Levied based on VAT payable	7%
Education surtax	Levied based on VAT payable	3%
Local educational surcharge	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 rental income	1.2%、12%
Land use tax	Land area	
Enterprise income tax	Levied based on taxable income	25%

5. Notes to the items of financial statements

(The monetary unit refers to RMB/CNY unless specified)

5.1 Monetary fund

Item	Ending balance	Beginning balance
Stock cash	476,191.77	347,782.65
Bank Deposit	15,634,704.18	15,016,572.65
Other monetary fund		
Total	16,110,895.95	15,364,355.30

5.2 Accounts receivable

1) Accounts receivable by type

Type	Ending balance			Beginning balance		
	Book balance	Provision for bad debts	Book value	Book balance	Provision for bad debts	Book value

	Amount	Proportion %	Amount	Accrual ratio		Amount	Proportion %	Amount	Accrual ratio	
Accounts receivable with significant single amount subject to provision for bad debts on a single basis										
Accounts receivable with provision for bad debts based on portfolios	230,062.48	100.00%	74,075.60	32.20%	155,986.88	500,510.47	100.00%	74,075.60	14.80%	426,434.87
Accounts receivable with insignificant single amount but accrued for provision of bad debt on a single basis										
Total	230,062.48	100.00%	74,075.60	32.20%	155,986.88	500,510.47	100.00%	74,075.60	14.80%	426,434.87

Accounts receivable accrued for provision of bad debt by aging analysis method in portfolio:

Aging	Ending balance		
	Accounts receivable	Provision for bad debts	Accrual ratio
Within 1 year	139,108.68		
1-2 years	566.00	28.30	5.00%
2-3 years	785.00	117.75	15.00%
3-4 years	18,633.00	4,658.25	25.00%
4-5 years	3,397.00	1,698.50	50.00%
More than five years	67,572.80	67,572.80	100.00%
Total	230,062.48	74,075.60	20.47%

2) Top five accounts receivable in terms of ending balance collected by the debtor

Name	Relationship	Book balance	Aging	Proportion in
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	with the Company			total accounts receivable (%)
Shanghai Hecheng International Travel Service Co., Ltd.	Non related party	35,788.40	Within 1 year	15.56%
Yangpu Huayu Road and Bridge Technology Co., Ltd.	Non related party	18,633.00	More than five years	8.10%
Guangzhou Institute of Design	Non related party	38,980.00	More than five years	16.94%
Shenzhen Tenpay Technology Co., Ltd.	Non related party	46,621.46	Within 1 year	20.26%
Tianjin Watermelon Tourism Limited Liability Company	Non related party	24,414.82	Within 1 year	10.61%
Total		164,437.68		71.47%

5.3 Advance payment.

1) Disclosure of advance payment by account age

Aging	Ending balance		Beginning balance	
	Amount	Proportion	Amount	Proportion
Within 1 year	396,882.60	100.00%	39,960.01	100.00%
Total	396,882.60	100.00%	39,960.01	100.00%

2) Top five advances payment in terms of the ending balance collected by the prepaid object

Unit	Ending balance	Proportion in total ending balance
Shenzhen J&J Space Design Co., Ltd.	213,592.23	53.82%
Sanya Shengxiang Mechatronics Engineering Co., Ltd.	110,415.00	27.82%
Hainan Hao long Fire Engineering Co., Ltd.	58,925.37	14.85%
Sanya Xingcai Electrical Co., Ltd.	13,230.00	3.33%
Business Daily of International Tourism Island	720.00	0.18%
Total	396,882.60	

5.4 Other receivable

Item	Ending balance	Beginning balance
Interest receivable		
Dividend receivable		
Other account receivable	1,242,181.64	458,242.73
Total	1,242,181.64	458,242.73

1) Other account receivable disclosed by nature

Nature	Ending book balance	Opening book balance
Utility bills	206,254.34	185,368.69
Petty cash	838,955.14	133,411.23
Attorney fee	77,534.25	77,534.25
Court cost	62,970.00	
Social insurance and housing provident funds	57,803.91	63,264.56
Deposit	600.00	600.00
Total	1,244,117.64	460,178.73

2) Other receivables with provision for bad debts made by aging analysis method

Aging	Ending balance		Accrual ratio
	Accounts receivable	Provision for bad debts	
Within 1 year	1,241,881.64		
1-2 years			
2-3 years			
3-4 years			
4-5 years	600.00	300.00	50.00%
More than five years	1,636.00	1,636.00	100.00%
Total	1,244,117.64	1,936.00	

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

Name	Nature	Ending balance	Aging	Proportion in total other receivables	Ending balance of provision for bad debts
Wen Ping	Petty cash	710,000.00	Within 1 year	57.07%	
Hainan New Concept Law Firm	Attorney fee	77,534.25	Within 1 year	6.23%	
Peng Guoxing	Utility bills	70,422.98	Within 1 year	5.66%	
Sanya Suburbs People's Court	Court cost	62,970.00	Within 1 year	5.06%	
Guo Yubo	Petty cash	60,369.61	Within 1 year	4.85%	
Total		981,296.84		78.88%	

5.5 Inventories

1) category of inventories

Item	Ending balance			Beginning balance		
	Book balance	Provision for price decline	Book value	Book balance	Provision for price decline	Book value
Raw materials	836,342.72	683,941.58	152,401.14	870,043.52	725,731.58	144,311.94
Finished goods	22,771.38	11,102.41	11,668.97	22,771.38	11,102.41	11,668.97
Food and beverage	12,526.82		12,526.82	43,935.10		43,935.10
Fuel	15,096.64		15,096.64	21,474.18		21,474.18
Total	886,737.56	695,043.99	191,693.57	958,224.18	736,833.99	221,390.19

2) Provision for inventory depreciation

Item	Beginning balance	Increase in the period		Decrease in the period		Ending balance
		Accrual	Others	Reversal or write-off	Others	
Raw materials	725,731.58			41,790.00		683,941.58
Finished goods	11,102.41					11,102.41
Total	736,833.99			41,790.00		695,043.99

5.6 Other current assets

Item	Ending balance	Beginning balance
Enterprise income tax paid in advance	1,702,702.80	1,702,702.80
Input tax to be deducted	385,035.78	103,556.98
Prepaid pending expenses	37,880.58	39,960.01
Total	2,125,619.16	1,846,219.79

5.7 Investment property

Item	Houses and buildings	Land use rights	Total
I. Original book value			
1.Beginning balance	18,856,504.44	5,662,740.59	24,519,245.03
2.Increase in the period			
3.Decrease in the period			
4.Ending balance	18,856,504.44	5,662,740.59	24,519,245.03
II. Accumulated depreciation and accumulated amortization			

1.Beginning balance	10,607,583.54	2,219,726.45	12,827,309.99
2.Increase in the period	209,091.78	28,170.00	237,261.78
(1) Accrual or amortization	209,091.78	28,170.00	237,261.78
4.Ending balance	10,816,675.32	2,247,896.45	13,064,571.77
III. Provision for impairment			
1.Beginning balance	1,404,400.47	1,903,054.14	3,307,454.61
2.Increase in the period			
3、Decrease in the period			
4.Ending balance	1,404,400.47	1,903,054.14	3,307,454.61
IV. Book value			
1.Ending book value	6,635,428.65	1,511,790.00	8,147,218.65
2.Opening book value	6,844,520.43	1,539,960.00	8,384,480.43

5.8 Fixed assets

Item	Houses and buildings	Mechanical equipment	Transportation equipment	Electronic equipment	Other equipment	Total
I. Original book value						
1.Beginning balance	136,789,501.82	11,033,550.54	2,345,074.91	2,664,528.39	1,926,451.84	154,759,107.50
2.Increase in the period				20,635.87	20,101.94	40,737.81
1) Purchase				20,635.87	20,101.94	40,737.81
3.Decrease in the period		1,420,474.00		619,394.00	193,633.45	2,233,501.45
1) Disposal or scrap		1,420,474.00		619,394.00	193,633.45	2,233,501.45
4.Ending balance	136,789,501.82	9,613,076.54	2,345,074.91	2,065,770.26	1,752,920.33	152,566,343.86
II. Accumulated depreciation						
1.Beginning balance	72,499,344.50	7,970,060.88	1,587,022.54	1,938,853.10	1,224,791.47	85,220,072.49
2.Increase in the period	1,087,717.44	143,758.48	82,783.92	87,864.93	87,053.97	1,489,178.74
1)Accrual	1,087,717.44	143,758.48	82,783.92	87,864.93	87,053.97	1,489,178.74
3.Decrease in the period		1,008,698.30		595,910.37	173,760.82	1,778,369.49
1) Disposal or scrap		1,008,698.30		595,910.37	173,760.82	1,778,369.49

4.Ending balance	73,587,061.94	7,105,121.06	1,669,806.46	1,430,807.66	1,138,084.62	84,930,881.74
III. Provision for impairment						
1.Beginning balance	31,072,788.17	1,968,377.19				33,041,165.36
2.Increase in the period						
3.Decrease in the period		403,223.40				403,223.40
1) Disposal or scrap		403,223.40				403,223.40
4.Ending balance	31,072,788.17	1,565,153.79				32,637,941.96
IV. Book value						
1.Ending book value	32,129,651.71	942,801.69	675,268.45	634,962.60	614,835.71	34,997,520.16
2.Opening book value	33,217,369.15	1,095,112.47	758,052.37	725,675.29	701,660.37	36,497,869.65

5.9 Intangible assets

Item	Land use rights	Patent right	Total
I. Original book value			
1.Beginning balance	81,653,137.15		81,653,137.15
2.Increase in the period			
(1) Purchase			
(2) Internal research and development			
(3) Increase from business combinations			
3.Decrease in the period			
(1)Disposal			
4.Ending balance	81,653,137.15		81,653,137.15
II. Accumulated amortization			
1.Beginning balance	32,007,051.27		32,007,051.27
2.Increase in the period	406,193.58		406,193.58
(1)Accrual	406,193.58		406,193.58
3.Decrease in the period			
(1)Disposal			

4. Ending balance	32,413,244.85		32,413,244.85
III. Provision for impairment			
1. Beginning balance	27,440,836.84		27,440,836.84
2. Increase in the period			
(1) Accrual			
3. Decrease in the period			
(1) Disposal			
4. Ending balance	27,440,836.84		27,440,836.84
IV. Book value			
1. Ending book value	21,799,055.46		21,799,055.46
2. Opening book value	22,205,249.04		22,205,249.04

5.10 Long-term deferred expenses

Item	Beginning balance	Increase in the period	Amortization in the period	Other decreased	Ending balance
Maintenance fee for main engine system of the central AC		50,116.50			50,116.50
Renovation of guest rooms in Building-B	486,974.57		292,184.70		194,789.87
Fire stairs renovation in Building-A	45,695.20		8,567.82		37,127.38
Renovation of guest rooms in Building-C, villa and swimming pool	2,260,206.30		301,360.80		1,958,845.50
Total	2,792,876.07	50,116.50	602,113.32		2,240,879.25

5.11 Accounts payable

Item	Ending balance	Beginning balance
Payment for purchase	170,266.19	687,690.30
Accounts payable provisionally estimated	660,218.61	534,359.35
Service charges		155,368.88
Payment for projects	14,274.10	134,274.10
Elevator maintenance fee	31,670.00	31,670.00
Advertisement fees	30,500.30	31,195.28
Consignment sales		22,335.90
Other	1,093.00	10,942.00
Water rate	52,428.54	

Natural gas fee	23,398.40	
Washing charge	93,168.29	
Total	1,077,017.43	1,607,835.81

5.12 Account received in advance

1) Presentation of account received in advance

Item	Ending balance	Beginning balance
Room and meal charge	779,681.12	1,291,293.05
Total	779,681.12	1,291,293.05

2) Significant account received in advance with aging more than one year

Item	Ending balance	Reasons for failure of repayment or carry-forward
Guangzhou Nanbu Holiday International Travel Service Co., Ltd. Sanya Branch	101,244.00	Unsettled
Hainan Xiangyuan Tourism Development Co., Ltd.	39,851.00	Unsettled
PEGAS Zheng Qingbo	32,243.02	Unsettled
Hainan Qiongzong Ecological Investment Guarantee Co., Ltd.	22,926.00	Unsettled
Sanya City Public Security Fire Brigade	19,420.88	Unsettled
Total	215,684.90	

5.13 Employee compensation payable

1) Presentation of employee compensation payable

Item	Beginning balance	Increase in the period	Decrease in the period	Ending balance
1. Short-term employee benefits	2,841,262.35	6,031,396.03	7,044,691.32	1,827,967.06
2. Post-employment benefits - defined contribution plans		547,368.99	547,368.99	
3. Termination benefits				
4. Other benefits due within one year				
Total	2,841,262.35	6,578,765.02	7,592,060.31	1,827,967.06

2) Short-term employee benefits

Item	Beginning balance	Increase in the period	Decrease in the period	Ending balance
1.Salary, bonus, allowance and subsidy	1,762,269.70	4,759,360.01	5,722,074.66	799,555.05
2.Employee welfare		759,981.75	759,981.75	
3.Social insurance premium		255,539.72	255,539.72	
Of which: including: medical insurance expenses		236,205.39	236,205.39	
Work injury insurance expenses		4,568.36	4,568.36	
Maternity insurance		14,765.97	14,765.97	
4.Housing provident funds		90,050.00	90,050.00	
5.Labor union expenditures and employee education expenses	1,078,992.65	166,464.55	217,045.19	1,028,412.01
6.Short-term paid absences				
7. Short-term profit sharing plan				
Total	2,841,262.35	6,031,396.03	7,044,691.32	1,827,967.06

3) Details of defined contribution plans

Item	Beginning balance	Increase in the period	Decrease in the period	Ending balance
1.Basic endowment insurance expenses		532,614.48	532,614.48	
2.Unemployment insurance expenses		14,754.51	14,754.51	
Total		547,368.99	547,368.99	

5.14 Tax payable

Item	Ending balance	Beginning balance
Value added tax (VAT)	565,131.47	146,863.56
Individual income tax	25,850.99	-0.02
Urban maintenance and construction tax	2,108.62	761.67
Housing property tax	97,050.95	194,101.69
Land use tax	54,295.47	108,590.92
Education surtax	903.68	326.42
Local education surtax	602.48	217.63

Total	745,943.66	450,861.87
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5.15 Other account payable

Item	Ending balance	Beginning balance
Interest payable		
Dividend payable		
Other account payable	2,942,968.71	2,727,483.66
Total	2,942,968.71	2,727,483.66

1) Presentation of other account payable by nature

Item	Ending balance	Beginning balance
Employee dormitory rental fees, etc.	975,525.11	971,723.12
Margin	20,000.00	890,958.75
Audit fee	285,003.21	285,003.21
Quality guarantee deposit for projects	204,180.90	190,344.00
Employee deposit	86,520.00	165,700.90
Payment for projects	161,111.03	162,569.78
Funds collected and remitted	793,268.57	36,408.47
Individual current amounts	1,315.34	1,364.00
Electric charges withheld	24,494.55	23,411.43
Announcement fee	391,550.00	
Total	2,942,968.71	2,727,483.66

2) Other significant account payable with aging of over one year

Item	Ending balance	Reasons for failure of repayment or carry-forward
Yan ggu Jinyu Industrial Co., Ltd.	627,000.00	Unsettled
Hong Kong Deloitte & Touche LLP	285,003.21	Unsettled
Sanya Shuxin Housing Waterproof Engineering Co., Ltd.	170,000.00	Unsettled
China Building Decoration Company Hainan Branch	161,111.03	Unsettled
Total	1,243,114.24	--

5.16 Estimated liabilities

Item	Ending balance	Beginning balance	Reasons
Offering guarantee external			
Pending action			
Other	1,489,685.04	1,489,685.04	Provisions for arrears of electricity tariffs
Total	1,489,685.04	1,489,685.04	

Other note:

On May 26, 2016, the Company received lawyer's letter of Hainan Yunfan law firm which is entrusted by Hainan Power Grid Co., LTD Sanya Power Supply Bureau (hereinafter referred to as the "Sanya Power Supply Bureau"), the letter claims that Sanya Power Supply Bureau found that the Company's subsidiary South China Grand Hotel of Hainan Dadonghai Tourism Centre (Holdings) Co., Ltd's the amount of CT is different with its marketing management system record. The inconformity time is July, 2006, and the hotel's CT is changing on April, 2016. Therefore, undercounted electricity consumption amount is 10,313,373.00 kilowatt-hours, and estimated cost is 7,200,165.75 Yuan as various electricity prices and charges.

According to the file "Law Advisory Opinion about Retroactive Power (Charge) Dispute between South China Grand Hotel and Sanya Power Supply Bureau" issued by Beijing Junhe (Haikou) Law Firm on December 20, 2016, which claims that Sanya Power Supply Bureau has responsibility for CT to purchase, install, ensel, unseal and change, therefore, the responsibility of the guilty party for undercounted electricity consumption of South China Grand Hotel is Sanya Power Supply Bureau. According to the one hundred and thirty-five item of "General Rule of Civil Law", this item claims that limitation of action is two years if accuser request people's court's protection, except situations provided by law. The Company has withheld the undercounted electricity consumption cost in 2016 which is about 1,489,685.04 Yuan during the period from April, 2014 to April, 2016.

5.17 Share capital

Item	Beginning balance	Increase or decrease (+, -)					Ending balance
		Issuance of new shares	Share donation	Public reserve transferred to shares	Others	Sub-total	
Total shares	364,100,000.00						364,100,000.00

5.18 Capital reserves

Item	Beginning balance	Increase in the period	Decrease in the period	Ending balance
Capital premium (share 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

5.19 Undistributed profits

Item	Current period	Last period
Undistributed profits at the end of last year before adjustment	-340,454,153.72	-341,107,435.91
Total undistributed profit at beginning of the adjustment period (+ for increased, - for decreased)		
Undistributed profits at the beginning of the year after adjustment	-340,454,153.72	-341,107,435.91
Plus: net profit attributable to owner of parent company in Period	755,974.01	1,282,165.58
Less: appropriation of statutory surplus reserves		
Appropriation of discretionary surplus reserve		
Appropriation of general risk reserve		
Ordinary share dividends payable		
Ordinary share dividends transferred to share capital		
Undistributed profit as at the end of the period	-339,698,179.71	-339,825,270.33

5.20 Operating income and operating cost

Item	Current period		Last period	
	Income	Cost	Income	Cost
Main business	14,241,961.04	5,514,477.93	16,173,929.32	6,000,063.36
Other business				
Total	14,241,961.04	5,514,477.93	16,173,929.32	6,000,063.36

5.21 Taxes and surcharges

Item	Current period	Last period
Consumption tax		
Urban maintenance and construction tax	31,410.84	37,515.65
Education surtax	22,436.31	26,796.89
Resource tax		

Housing property tax	215,587.50	431,174.78
Land use tax	108,590.94	217,181.82
Vehicle and vessel use tax	5,220.00	3,669.06
Stamp tax	233.91	182.70
Total	383,479.50	716,520.90

5.22 Sales expenses

Item	Current period	Last period
Staff wages and benefits	1,834,677.00	1,841,236.40
Social workers insurance expenses	302,950.00	285,734.45
Depreciation	259,401.60	256,486.12
Utility bills	99,980.13	84,101.36
Repair charges	95,930.17	58,716.18
Other expenses	217,053.04	274,681.59
Total	2,809,991.94	2,800,956.10

5.23 Administrative expenses

Item	Current period	Last period
Staff wages and benefits	2,789,891.55	2,809,454.64
Social workers insurance expenses	321,053.70	266,303.18
Entertainment expenses	219,787.57	496,075.07
Travelling expenses	149,081.98	68,678.82
Amortization for the depreciation and land use right	567,140.44	550,590.01
Announcement fee and agency charge	655,420.00	656,245.72
Other expenses	369,424.97	509,107.77
Total	5,071,800.21	5,356,455.21

5.24 Financial expenses

Item	Current period	Last period
Handling charges	18,965.03	40,293.06
Less: interest income	-152,697.12	-22,729.87
Total	-133,732.09	17,563.19

5.25 Non-operating income

Item	Current period	Last period	Amount included in non-recurring profit and loss in the current period
Other	160,030.46	273.00	160,030.46
Total	160,030.46	273.00	

5.26 Non-operating expenses

Item	Current period	Last period	Amount included in non-recurring profit and loss in the current period
Loss from disposal of non-current assets		477.98	
Total		477.98	

5.27 Notes to statement of cash flow

1) Other cash receipts related to operating activities

Item	Current period	Last period
Interest income	152,697.12	22,729.87
Other	952,744.76	661,422.77
Total	1,105,441.88	684,152.64

2) Cash paid for other operating activities

Item	Current period	Last period
Social intercourse fees	221,362.57	497,075.07
Intermediary audit fee	400,000.00	400,000.00
Announcement fee	238,420.00	220,000.00
Travelling expenses	151,940.09	72,159.01
Promotion fee	92,705.15	109,649.14
Repair charges	211,454.36	163,503.73
Other expenses	978,613.63	212,185.21
Total	2,294,495.80	1,674,572.16

5.28 Supplementary information to statement of cash flows

1) Supplementary information to statement of cash flows

Item	Current period	Last period
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(1) Net profit adjusted to cash flows from operating activities	--	--
Net profit	755,974.01	1,282,165.58
Plus: provision for asset impairment		
Depreciation of fixed assets, gas and oil assets and productive biological assets	1,726,440.52	1,799,584.50
Amortization of intangible assets	434,363.58	434,363.58
Amortization of long-term deferred expenses	602,113.32	609,770.58
Loss on disposals of fixed assets, intangible assets and other long-term assets		
Loss on write-off of fixed assets ("- for gains)		477.98
Losses from the changes in fair value ("- for gains)		
Financial expenses ("- for gains)		
Investments loss ("- for gains)		
Decrease in deferred income tax assets ("- for increases)		
Increase in deferred income tax liabilities ("- for decreases)		
Decrease in inventories ("- for increases)	29,696.62	-37,615.58
Decrease in operating receivables ("- for increases)	-513,490.92	-326,357.40
Increase in operating payables ("- for decreases)	-1,765,680.48	-651,711.64
Others		
Net cash flows from operating activities	1,269,416.65	3,110,677.60
2. Significant investing and financing activities not involving cash receipts and payments	--	--
Conversion of debt into capital		
Convertible corporate bonds maturing within one year		
Fixed assets under financial lease		
3. Net changes in cash and cash equivalents	--	--
Ending balance of cash	16,110,895.95	10,751,658.64
Less: Beginning balance of cash	15,364,355.30	9,681,607.16
Plus: Ending balance of cash equivalents		
Less: Beginning balance of cash equivalents		

Net increase in cash and cash equivalents	746,540.65	1,070,051.48
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2) Breakdown of cash and cash equivalents

In RMB/CNY

Item	Ending balance	Beginning balance
1. Cash	16,110,895.95	15,364,355.30
Including: Stock cash	476,191.77	347,782.65
Bank deposit available for payment at any time	15,634,704.18	15,016,572.65
Other monetary funds available for payment at any time		
Deposits in the central bank available for payment		
Deposits with banks and other financial institutions		
Loans to banks and other financial institutions		
2. Cash equivalents		
Including: Bond investment due within three months		
3. Ending balance of cash and cash equivalents	16,110,895.95	15,364,355.30

6. Changes of consolidation range

Enterprise consolidation under the same control

6.1. Enterprise consolidation under the same control in current period

In RMB/CNY

Combined party	Equity ratio obtained in combination	Basis of combined under the same control	Combination date	Standard to determine the combination date	Income of the combined party from period-begins of combination to the combination date	Net profit of the combined party from period-begins of combination to the combination date	Income of the combined party during the comparison period	Net profit of the combined party during the comparison period
Hainan Wengao Tourist Resources	100.00%	A wholly-owned	8 June 2018	Establishment	0.00	498.79	0.00	0.00

Development Co., Ltd.		d subsidiary		date				
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6.2 Combined cost

Combined cost	
--Cash	500,798.36
--Book value of the non-cash assets	499,700.43

6.3 Book value of the assets/liabilities from combined party at date of combination

Item	Combining date	Period-end of last period
Assets:		
Monetary Fund	500,798.36	1,000,000.00
Account receivable	499,700.43	
Net assets	1,000,498.79	1,000,000.00
Less: minority's interest		
Net assets obtained	1,000,498.79	1,000,000.00

7.Risks relating to financial instruments

The Company faces a variety of financial risks in business process: credit risk, market risk and liquidity risk. The Company's Board of Directors is overall responsible for risk management objectives and determining policies, and bears the ultimate responsibility for risk management objectives and policies, but the board has authorized the Company's enterprise management department to design and executive the procedure which could guarantee the effective implementation of risk management objectives and policies. The Company's internal auditors will audit the policies and procedures of risk management as well, and will report the discovery to Audit Committee.

The overall objective of the Company's risk management is to set the risk management policies to reduce risks as possible without giving excessive influence to competitiveness and strain capacity of the Company.

7.1 Credit risk

Credit risk is the risk of financial loss on one party of a financial instrument due to the failure of another party to meet its obligations. The Company mainly faces credit risk generated from customers through credit sales. The Company will understand and assess the credit risk of the new customer before signing

the new contract. The Company makes credit rating for existing customers and aging analysis of accounts receivable to ensure the Company's overall credit risk falls within a controllable range.

7.2 Market risk

Market risk is the risk of financial instruments' fair value and future cash flow fluctuating due to change of market price, including currency risk, interest risk and other pricing risk.

7.3 Liquidity risk

Liquidity risk is the risk that an enterprise may encounter deficiency of funds in fulfilling the obligations when paying cash or settle in way of other financial assets. The policy of the Company is to ensure there are enough cash to pay back mature debts. The liquidity risk is centralized controlled by the Company's accounting department. The accounting department ensures the Company to possess enough cash to pay back the debts in all reasonable foreseeable circumstances through monitor the balance of cash, monitor the securities that can be converted into cash at any time and rolling forecasts of future cash flows in twelve months.

8. Related parties and related party transactions

8.1 Parent company

Parent company	Registered place	Nature of Business	Registered Capital (RMB 0'000)	Shareholding ratio in the Company (%)	Voting ratio in the Company (%)
Luoniushan Co., Ltd.	Haikou City	Plant and culturing	115,115.00	17.55%	19.80%

Note: As of 30 June 2019, Luoniushan Co., Ltd. (hereinafter referred to as Luoniushan) and its wholly-owned subsidiary Hainan Ya'anju Property Service Co., Ltd. holds 72,091,780 shares of the Company under A-stock, totally takes 19.80% in total share capital of the Company, and it is the first largest shareholder of the Company.

8.2. Related party transactions

8.2.1 Transaction with goods purchasing, labor service offering/receiving concerned

Related party	Contents of related party transactions	The Period	Last period
Luoniushan Co., Ltd.	Housing & catering costs	125,150.00	176,779.00
Total		125,150.00	176,779.00

2) Receivables and payables of related parties

Name	Related party	Ending balance		Beginning balance	
		Book balance	Bad debt provision	Book balance	Bad debt provision
Account receivable	Luoniushan Co., Ltd.	6,387.00		13,153.00	

9. Commitment and contingency

9.1 Important commitments

The Company has no commitments that need to disclosed up to balance sheet date

2. Contingencies

Major contingency on balance sheet date

On 26 May 2016, the Company received lawyer's letter of Hainan Yunfan law firm which is entrusted by Hainan Power Grid Co., LTD Sanya Power Supply Bureau (hereinafter referred to as the "Sanya Power Supply Bureau"), the letter claims that Sanya Power Supply Bureau found that the Company's subsidiary South China Grand Hotel of Hainan Dadonghai Tourism Centre (Holdings) Co., Ltd's the amount of CT is different with its marketing management system record. The inconformity time is July 2006, and the hotel's CT is changing on April 2016. Therefore, undercounted electricity consumption amount is 10,313,373.00 kilowatt-hours, and estimated cost is 7,200,165.75 Yuan as various electricity prices and charges.

According to the file "Law Advisory Opinion about Retroactive Power (Charge) Dispute between South China Grand Hotel and Sanya Power Supply Bureau" issued by Beijing Junhe (Haikou) Law Firm on December 20, 2016, which claims that Sanya Power Supply Bureau has responsibility for CT to purchase, install, ensal, unseal and change, therefore, the responsibility of the guilty party for undercounted electricity consumption of South China Grand Hotel is Sanya Power Supply Bureau. According to the one hundred and thirty-five item of "General Rule of Civil Law", this item claims that limitation of action is two years if accuser request people's court's protection, except situations provided by law. The Company has withheld the undercounted electricity consumption cost in 2016 which is about 1,489,685.04 Yuan during the period from April, 2014 to April, 2016. The event has no further progress up to 30 June 2019.

10. Event after balance sheet date

The Company has no major events after balance sheet date up to balance sheet date

11. Notes to other significant events

1. Correction of accounting errors in previous period

1) Retrospective restatement method

There is no correction of accounting errors using retrospective restatement method in previous period.

2) Prospective application method

There is no correction of accounting errors using prospective application method in previous period

2. Others

In accordance with the requirements of the Regulatory Guidelines of Listed Companies No. 4 - Actual Controller, Shareholders, Related Parties, Purchaser and Commitments and Fulfillment of Listed Companies (CSRC Announcement No. [2013] 55) of China Securities Regulatory Commission, on June 7, 2014, Luoniushan Co., Ltd. (hereinafter referred to as “Luoniushan”) sent out the Letter about Changing the Commitments of Luoniushan Co., Ltd. to Hainan Dadonghai Tourism Centre (Holdings) Co., Ltd. to the Company, and made commitments that Luoniushan shall actively seek reorganization party to reorganize the assets of Dadonghai within three years from the date the Company’s general meeting of shareholders considered and approved this commitment. The above matters have been considered and approved by the general meeting of shareholders of Dadonghai on June 27, 2014.

On February 22, 2017, the Company received from Luoniushan a Letter on Progress in the Planning of Commitment Implementation, in which Luoniushan intended to transfer 100% of the equity it held in the Industrial Company, a wholly-owned subsidiary (specifically, the Industrial Company will first be transferred with part of financial assets equity held by Luniushan and of 6.91% equity of Sanya Rural Commercial Bank Co., Ltd.) to the Company, the transaction was made in cash with transaction amount of about RMB300 million. The proposal was not adopted at the 11th extraordinary meeting of the eighth board of directors of the Company due to the Company's lack of sufficient debt repayment ability.

On June 23, 2017, Luoniushan issued to the Company a Letter on Change in Term of Commitment by Luoyunshan Co., Ltd. to Hainan Dadonghai Tourism Centre (Holdings) Co., Ltd., extending Luoniushan's performance period of the above restructuring commitment of the Company by 6 months, which means the deadline for the fulfillment of reorganization commitment was changed to December 27, 2017. As the reorganization would take a certain amount of time, on November 29, 2017, Luoniushan again applied to extend the performance period of the reorganization commitment for two years, that is, the performance deadline of the reorganization commitment was changed from December 27, 2017 to December 26, 2019, which was not approved at the fourth extraordinary general meeting of shareholders of the Company in 2017.

12. Note on financial statement of parent company

1、Accounts receivable

1) 、Accounts receivable by type

Type	Ending balance					Beginning balance					
	Book balance		Provision for bad debts			Book value	Book balance		Provision for bad debts		Book value
	Amount	Proportion %	Amount	Accrual ratio	Amount		Proportion %	Amount	Accrual ratio		
Accounts receivable with significant single amount subject to provision for bad debts on a single basis											
Accounts receivable with provision for bad debts based on portfolios	230,062.48	100%	74,075.60	32.20%	155,986.88	500,510.47	100%	74,075.60	14.80%	426,434.87	
Accounts receivable with insignificant single amount but accrued for provision of bad debt on a single basis											
Total	230,062.48	100%	74,075.60	32.20%	155,986.88	500,510.47	100%	74,075.60	14.80%	426,434.87	

Released by account age

Aging	Ending balance
Within 1 year (inclusive)	139,108.68
1-2 years	566.00
2-3 years	785.00

3-4 years	18,633.00
4-5 years	3,397.00
More than five years	67,572.80
Total	230,062.48

2) Provision, reversal or recovery of provision for bad debts in the period

Type	Beginning balance	Amount changed in the period			Ending balance
		Accrual	Reversal or switch-back	Charge off	
Based on portfolios	74,075.60				74,075.60
Total	74,075.60				74,075.60

3) Top five accounts receivable in terms of ending balance collected by the debtor

Name	Relationship with the Company	Book balance	Aging	Proportion in total amount of accounts receivable (%)
Shanghai Hecheng International Travel Service Co., Ltd.	Non related party	35,788.40	Within 1 year	15.56%
Yangpu Huayu Road and Bridge Technology Co., Ltd.	Non related party	18,633.00	More than five years	8.10%
Guangzhou Institute of Design	Non related party	38,980.00	More than five years	16.94%
Shenzhen Tenpay Technology Co., Ltd.	Non related party	46,621.46	Within 1 year	20.26%
Tianjin Watermelon Tourism Limited Liability Company	Non related party	24,414.82	Within 1 year	10.61%
Total		164,437.68		71.47%

2. Other account receivable

Item	Ending balance	Beginning balance
Interest receivable		
Dividends Receivable		
Other account receivable	1,242,181.64	458,242.73
Total	1,242,181.64	458,242.73

1) Other account receivable disclosed by nature

Nature	Ending book balance	Opening book
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		balance
Utility bills	206,254.34	185,368.69
Petty cash	838,955.10	133,411.23
Attorney fee	77,534.25	77,534.25
Court cost	62,970.00	
Social insurance and housing provident funds	57,803.91	63,264.56
Deposit	600.00	600.00
Total	1,244,117.64	460,178.73

2) Released by account age

Aging	Ending balance
Within 1 year (inclusive)	1,241,881.64
1-2 years	
2-3 years	
3-4 years	
4-5 years	600.00
More than five years	1,636.00
Total	1,244,117.64

3) Provision, reversal or recovery of provision for bad debts in the period

Type	Beginning balance	Amount changed in the period			Ending balance
		Accrual	Reversal or switch-back	Charge off	
Based on portfolios	1,936.00				1,936.00
Total	1,936.00				1,936.00

4) Released by account age

Name	Nature	Ending balance	Aging	Proportion in total amount of other accounts receivable at period-end	Provision for bad debts Ending balance
Wen Ping	Petty cash	710,000.00	Within 1 year	57.16%	
Hainan New Concept Law Firm	Attorney fee	77,534.25	Within 1 year	6.23%	
Peng Guoxing	Utility bills	70,422.98	Within 1 year	5.66%	

Sanya Suburbs People's Court	Court cost	62,970.00	Within 1 year	5.06%	
Guo Yubo	Petty cash	60,369.61	Within 1 year	4.85%	
Wen Ping	Petty cash	710,000.00	Within 1 year	57.16%	
Total					

3. Long-term equity investment

Item	Ending balance			Beginning balance		
	Book balance	Impairment provision	Book value	Book balance	Impairment provision	Book value
Investment for subsidiary	1,000,000.00		1,000,000.00	1,000,000.00		1,000,000.00
Total	1,000,000.00		1,000,000.00	1,000,000.00		1,000,000.00

Investment for subsidiary

Invested enterprise	Beginning balance	Increase in the period	Decrease in the period	Ending balance	Impairment provision in current period	Ending balance of impairment provision
Hainan Wengao Tourist Resources Development Co., Ltd.	1,000,000.00			1,000,000.00		
Total	1,000,000.00			1,000,000.00		

4. Operating income and cost

Item	Current period		Last period	
	Income	Cost	Income	Cost
Main business	14,241,961.04	5,514,477.93	16,173,929.32	6,000,063.36
Other business				
Total	14,241,961.04	5,514,477.93	16,173,929.32	6,000,063.36

13. Supplementary information

1. Details of current non-recurring profits and losses

Item	Amount	Note
Other income	160,030.46	Clean up the long-term unpaid payable

Total	160,030.46
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2. Return on net assets and earnings per share

Profit during the reporting period	Weighted average return on net assets (%)	Earnings per share (RMB)	
		Basic earnings per share	Diluted earnings per share
Net profits attributable to ordinary shareholders of the Company	0.97%	0.0021	0.0021
Net profits attributable to ordinary shareholders of the Company after deduction of non-recurring profits or losses	0.76%	0.0016	0.0016

3. Accounting difference between IFRS and CAS

There are no accounting differences between IFRS and CAS.

(No text)

HAINAN DADONGHAI Tourism Centre (HOLDINGS) CO., LTD

8 August 2019