HAINAN DADONGHAI TOURISM CENTRE (HOLDINGS) CO., LTD.

AUDITOR'S REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2017

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

Auditor's Report and Financial Statements
(From January 1, 2017 to December 31, 2017)

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Auditor's Report

PCPAR [2018] No.

To all shareholders of Hainan Dadonghai Tourism Centre (Holdings) Co., Ltd.,

I. Opinion

We have audited the financial statements of Hainan Dadonghai Tourism Centre (Holdings) Co., Ltd. (hereinafter referred to as "the Company"), which comprise the balance sheet as at December 31, 2017, and the income statement, the statement of cash flows and the statement of changes in owners' equity for the year then ended and notes to the financial statements.

In our opinion, the attached financial statements are prepared, in all material respects, in accordance with Accounting Standards for Business Enterprises and present fairly the financial position of the Company as at December 31, 2017 and its operating results and cash flows for the year then ended.

II. Basis for Our Opinion

We conducted our audit in accordance with the Auditing Standards for Certified Public Accountants in China. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. According to the Code of Ethics for Chinese CPA, we are independent of the Company in accordance with the Code of Ethics for Chinese CPA and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

III. Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. The key audit matters that we identified in the audit are as follows:

(I) Recognition of room income

1. Factual description

The Company had operating income of RMB27,906,600 in 2017, of which room income was RMB21,103,100, accounting for 75.62% of operating income. According to Note 5.20 of the financial statements of the Company, the room income recognition process of the Company isas follows:

(1) For travel agencies and individual guests, make advance collection of payments from them or pre-authorization; recognize income of each day after 0:00 of the night of such day after confirmation with the Room Department and the hotel front desk.

(2) For websites under agreements, ① guests who book rooms via websites with agreements with the Company shall make advance payment of room fees and deposits when they check in and pay the related website service fees according to a certain proportion set out in the agreements and after check by the finance department with the websites. Income of the current day shall be recognized after 00:00 according to the consumption situation after deducting service charges.② for guests who book rooms through websites with agreements with the Company and pay room fees to the websites, income of the current day shall be recognized after 00:00 according to the consumption situation and listed as accounts receivable which shall be settled and collected before the fifth day of each month after checking with the websites.

(3) For oriented guests, stay in account and make advance collection of payments at the time of check-in according toagreements, recognize income of the current day after 00:00 of each night according to consumption situation, and make regular reconciliation, settlement and collection.

Xiruan system will automatically generate daily sales statements for the above business, which shall be audited by examining personnel before submitted to the financial department to prepare accounting vouchers.

2. How our audit addressed the matter

For room sales revenue, we understood and evaluated the management's design of internal controls in sales processes from approval of contracts to the accounting of sales revenue and tested the effectiveness of the implementation of key control points.

Via sample inspection of contracts and management interviews, we tested the timing point of significant risks and remuneration related to room revenue recognition, and thus assessed the Company's income recognition policies.

In addition, we implemented the following procedures in respect of room revenue by using sampling:

(1) Analyze income and gross profit margin in combination with the type of income, and judge whether there is any abnormal fluctuation in the income amount in the current period.

(2) Choose samples from reservation records and check-in records of rooms, check the samples against the contracts, accounting records, invoice issuance and payment receipts related to the corresponding sales, and pay special attention to whether the samples before and after the balance sheet date are included in the correct accounting period to assess whether room revenue is confirmed during the appropriate period.

(3) With respect to new customers and those bringing large amount of income in the current period, implement the external confirmation of incurred amounts and the balances, and analyzed the authenticity thereof in combination with the collection of payments and occupancy situation. At the same time, inquire the business information of some customers to further confirm the authenticity of transactions therewith.

(II) Non-operating income due to write-off of long-term investment and current account

1. Factual description

According to the Proposal on Write-off of Long-term Investments and Current Accounts" resolved at the 12th extraordinary meeting of the eighth board of directors of the Company and the fifth extraordinary meeting of the eighth board of supervisors of the Company, and as resolved at the third extraordinary general meeting of shareholders of the Company in 2017, the Company wrote off original book value of long-term equity investment of RMB 9,716,374.26 in 2017, and provided for the provision for impairment of RMB 9,716,374.26;wrote off original book value of available-for-sale financial assets of RMB 5,000,000.00, and provided for the provision for impairment of RMB 5,000,000.00;wrote off a total of 205 sums of accounts receivable with original book value of RMB80,243,805.62, and provided for the provision for bad debt of RMB80,243,805.62;wrote off a total of 201 sums of accounts payable with original book value of RMB1,303,540.11. The write-offs resulted in increase in the Company's non-operating income by RMB1,303,540.11 in 2017.

2. How our audit addressed the matter

(1) We understood the Company's internal control system on write-off of assets and liabilities to judge whether the write-off process complied with the requirements. We collected relevant resolutions of the meetings of the board of directors and the third extraordinary general meeting of shareholders and media and website announcements.

(2) For long-term equity investments, available-for-sale financial assets and claims and debts, we traced the original situations and collected relevant information to verify the authenticity thereof, and verified the relevant information of the investees and the creditors and debtors through the Enterprise Credit Information Publicity System and the enterprise verification system.Each of the written-off long-term equity investments, available-for-sale financial assets and claims and debts had aging of more than 5 years.

(3) We noticed that Hainan Dongfang Guoxin Law Firm issued the Legal Opinion on Time Limitation for Proceedings on Part of Accounts Payable of Hainan Dadonghai Tourism Centre (Holdings) Co., Ltd. in respect of the above-mentioned written-off payables, in which the law firm believed that the above 201 sums of payables have exceeded the statutory time limitations, and the relevant creditors have lost their debt recovery right and the right to win. To this end, we conducted necessary communication with Hainan Dongfang Guoxin Law Firm in respect of the relevant situation on the said write-offs of accounts payable.

IV. Other information

The management of the Company is responsible for the other information. The other information comprises information of the Company's annual report in 2017, but excludes the financial statements and our auditor's report.

Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

V. Responsibilities of Management and Those Charged with Governance for the Financial Statements

The Company's management is responsible for preparing the financial statements in accordance with the requirements of Accounting Standards for Business Enterprises to achieve a fair presentation, and for designing, implementing and maintaining internal control that is necessary to ensure that the financial statements are free from material misstatements, whether due to frauds or errors.

In preparing the financial statements, management of the Company is responsible for assessing the Company's ability to continue as a going concern, disclosing matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

VI. Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the audit standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

(1) Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, omissions, misrepresentations, or the override of internal control.

(2) Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances.

(3) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management of the Company.

(4) Conclude on the appropriateness of using the going concern assumption by the management of the Company, and conclude, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

(5) Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

(6) Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the financial statements and bear all liability for the opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit matters, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

BDO CHINA Shu Lun Pan Certified Public Accountants LLP

Certified Public Accountant of China:

Certified Public Accountant of China:

Shanghai, China

January 30, 2018

This auditors' report and the accompanying notes to the financial statements are English translation of the Chinese auditors' report. In case of doubt as to the presentation of these documents, the Chinese version shall prevail.

Hainan Dadonghai Tourism Centre (Holdings) Co., Ltd.
Balance Sheet
As at December 31, 2017
(Amounts are expressed in RMB unless otherwise stated)

Assets	Note 5	Ending balance	Beginning balance
Current assets:			
Cash and cash equivalents	5.1	9,681,607.16	27,210,248.01
Financial assets measured at fair value through the current profit or loss			
Derivative financial assets			
Notes receivable			
Accounts receivable	5.2	594,130.89	690,444.72
Advances to suppliers	5.3	49,530.21	58,783.23
Interest receivable			
Dividends receivable			
Other receivables	5.4	139,561.29	174,103.52
Inventories	5.5	227,005.11	219,179.72
Assets held for sale			
Non-current assets maturing within one year	5.6	1,173,597.68	584,369.42
Other current assets	5.7	1,957,863.56	1,876,449.22
Total current assets		13,823,295.90	30,813,577.84
Non-current assets:			
Available-for-sale-financial assets	5.8		
Held-to-maturity investments			
Long-term receivables			
Long-term equity investments	5.9		
Investment properties	5.10	8,859,003.99	9,333,527.55
Fixed assets	5.11	39,088,708.83	40,395,680.91
Construction in progress	5.12		
Project materials			
Disposal of fixed assets			
Productive biological assets			
Oil and gas assets			
Intangible assets	5.13	23,017,636.20	23,830,023.36
Development expenses			
Goodwill			
Long-term deferred expenses	5.14	2,678,016.88	1,071,343.97
Deferred income tax assets			
Other non-current assets			
Total non-current assets		73,643,365.90	74,630,575.79
Total assets		87,466,661.80	105,444,153.63

The accompanying notes form an integral part of these financial statements.

Legal Representative: Accounting Principal: Head of the accounting department:

Hainan Dadonghai Tourism Centre (Holdings) Co., Ltd.
Balance Sheet (Continued)
As at December 31, 2017
(Amounts are expressed in RMB unless otherwise stated)

Liability and Owners' Equity	Note 5	Ending balance	Beginning balance
Current liabilities:			
Short-term borrowings			
Financial liabilities measured at fair value through current profit and loss			
Derivative financial liabilities			
Notes payable			
Accounts payable	5.15	2,161,172.26	1,967,565.51
Advances from customers	5.16	1,271,174.12	1,894,524.28
Employee compensation payable	5.17	2,459,015.93	2,148,514.36
Taxes and surcharges payable	5.18	539,023.76	582,944.27
Interests payable			
Dividends payable			
Other payables	5.19	2,411,176.59	23,084,504.73
Liabilities held for sale			
Non-current liabilities maturing within one year			
Other current liabilities			
Total current liabilities		8,841,562.66	29,678,053.15
Non-current liabilities:			
Long-term borrowings			
Bonds payable			
Including: Preferred shares			
Perpetual debt			
Long-term payables			
Special payables			
Estimated liabilities	5.20	1,489,685.04	1,489,685.04
Deferred income			
Deferred income tax liabilities			
Other non-current liabilities			
Total non-current liabilities		1,489,685.04	1,489,685.04
Total liabilities		10,331,247.70	31,167,738.19
Owner's equity:			
Share capital	5.21	364,100,000.00	364,100,000.00
Other equity instruments			
Including: Preferred shares			
Perpetual debt			
Capital reserve	5.22	54,142,850.01	54,142,850.01
Less: Treasury stock			
Other comprehensive income			
Surplus reserve			
Retained earnings	5.23	-341,107,435.91	-343,966,434.57
Total owners' equity		77,135,414.10	74,276,415.44
Total liabilities and owner's equity		87,466,661.80	105,444,153.63

The accompanying notes form an integral part of these financial statements.

Legal Representative: Accounting Principal: Head of the accounting department:

Hainan Dadonghai Tourism Centre (Holdings) Co., Ltd.
Income Statement
For the year ended December 31, 2017
(Amounts are expressed in RMB unless otherwise stated)

Item	Note 5	Year 2017	Year 2016
I. Operating income	5.24	27,906,564.23	21,708,883.51
Less: operating costs	5.24	11,139,919.59	10,258,440.62
Taxes and surcharges	5.25	1,434,692.20	1,412,039.97
Selling and distribution expenses	5.26	5,124,503.55	4,931,333.26
General and administrative expenses	5.27	9,665,525.83	9,374,635.91
Financial expenses	5.28	-249,176.18	-193,645.29
Losses from asset impairment	5.29	11,709.50	-1,230.99
Plus: gains from changes in fair value ("-" for losses)			
Investment income ("-" for loss)	5.30	805,825.24	1,390,918.55
Including: Income from investment in associates and joint ventures			
Income from disposal of assets ("-" for loss)			
Other income			
II. Operating profits ("-" for losses)		1,585,214.98	-2,681,771.42
Plus: non-operating income	5.31	1,303,800.11	69,606.00
Less: non-operating expenses	5.32	30,016.43	48,887.07
III. Total profits ("-" for total loss)		2,858,998.66	-2,661,052.49
Less: income tax expenses			
IV. Net profit ("-" for net loss)		2,858,998.66	-2,661,052.49
(I) Net profit from operation on going concern basis ("-" for net loss)			
(II) Net profit from cease of operation ("-" for net loss)			
V. Other comprehensive income after tax			
(I) Other comprehensive income that cannot be reclassified into profits or losses in the future			
1. Changes arising from re-measurement of net liabilities or net assets of defined benefit plan			
2. Share in other comprehensive income of the investee that cannot be reclassified into profit or loss under the equity method			
(II) Other comprehensive income to be reclassified into profits or losses later			
1. Share in other comprehensive income of the investee that will be reclassified into profit or loss under the equity method			
2.Profit or loss of change in fair value of available-for-sale financial assets			
3. Profit and loss arising from reclassification of held-to-maturity investments as available-for-sale financial assets			
4. Effective portion of profit or loss on cash flow hedging			
5. Translation differences of financial statements dominated in foreign currency			
6. Others			
VI. Total comprehensive income		2,858,998.66	-2,661,052.49
VII. Earnings per share	5.13.2		
(I) Basic earnings per share (RMB/share)		0.0079	-0.0073
(II) Diluted earnings per share (RMB/share)		0.0079	-0.0073

The accompanying notes form an integral part of these financial statements.

Legal Representative: Accounting Principal: Head of the Accounting Department:

Hainan Dadonghai Tourism Centre (Holdings) Co., Ltd.
Statement of Cash Flows
For the year ended December 31, 2017
(Amounts are expressed in RMB unless otherwise stated)

Item	Note 5	Year 2017	Year 2016
I. Cash flows from operating activities			
Cash received from sales of goods or rendering of services		29,475,377.07	22,525,732.45
Refunds of taxes and surcharges			4,801.73
Cash received from other operating activities	5.33	1,082,486.86	584,448.51
Sub-total of cash inflows from operating activities		30,557,863.93	23,114,982.69
Cash paid for goods purchased and services received		8,848,190.06	5,520,980.68
Cash payments to and on behalf of employees		10,028,995.69	9,341,192.06
Cash paid for taxes and surcharges		2,678,621.46	2,515,054.34
Cash paid for other operating activities	5.33	3,874,768.25	2,971,383.59
Sub-total of cash outflows from operating activities		25,430,575.46	20,348,610.67
Net cash flows from operating activities		5,127,288.47	2,766,372.02
II. Cash flows from investing activities			
Cash received from disposal of investments		9,000,000.00	9,000,000.00
Cash received from return on investments		830,000.00	961,165.05
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		10,550.00	4,929,753.50
Net cash received from disposal of subsidiaries and other business units			
Other cash received from investing activities			29,081.45
Sub-total of cash inflows from investment activities		9,840,550.00	14,920,000.00
Cash paid to acquire and construct fixed assets, intangible assets and other long-term assets		4,186,479.32	1,258,516.27
Cash paid for investments		9,000,000.00	9,000,000.00
Net cash paid to acquire subsidiaries and other business units			
Cash paid for other investing activities	5.33	19,310,000.00	
Sub-total of cash outflows from investing activities		32,496,479.32	10,258,516.27
Net cash flows from the investing activities		-22,655,929.32	4,661,483.73
III. Cash flows from financing activities			
Cash received from absorption of investment			
Cash received from borrowings			
Cash received from bonds issue			
Other cash received fromfinancing activities	5.33	19,810,000.00	
Sub-total of cash inflow from financing activities		19,810,000.00	
Cash paid for debt repayments			
Cash paid for distribution of dividends and profits or payment of interests			
Other cash paid for financing activities	5.33	19,810,000.00	
Sub-total of cash outflow for financing activities		19,810,000.00	
Net cash flows from financing activities			
IV.Effect of fluctuation in exchange rate on cash and cash equivalents			
V. Net increase in cash and cash equivalents		-17,528,640.85	7,427,855.75
Plus: balance of cash and cash equivalents at the beginning of the period		27,210,248.01	19,782,392.26
VI.Balance of cash and cash equivalents at the end of the period		9,681,607.16	27,210,248.01

The accompanying notes form an integral part of these financial statements.

Legal Representative: Accounting Principal: Head of the Accounting Department:

Hainan Dadonghai Tourism Centre (Holdings) Co., Ltd.
Statement of Changes in Owners' Equity
For the year ended December 31, 2017
(Amounts are expressed in RMB unless otherwise stated)

Item	2017									
	Share capital	Other equity instruments			Capital reserve	Less: treasury stock	Other comprehensive income	Surplus reserve	Retained earnings	Total owners' equity
		Preferred shares	Perpetual debt	Others						
I. Balance as at the end of last year	364,100,000.00				54,142,850.01				-343,966,434.57	74,276,415.44
Plus: adjustments for changes in accounting policies										
Correction of accounting errors in prior periods										
Others										
II. Balance as at the beginning of the year	364,100,000.00				54,142,850.01				-343,966,434.57	74,276,415.44
III. Increases/decreases in the current period ("-" for decreases)									2,858,998.66	2,858,998.66
(I) Total comprehensive income									2,858,998.66	2,858,998.66
(II) Capital contributed or reduced by owners										
1. Common shares contributed by shareholders										
2. Capital invested by the holders of other equity instruments										
3. Amounts of share-based payments recognized in owner's equity										
4. Others										
(III) Profit distribution										
1.Withdrawal of surplus reserves										
2. Profit distributed to owners (or shareholders)										
3. Others										
(IV) Internal carry-forward of owner's equity										
1. Conversion of capital reserves into paid-in capital (or share capital)										
2. Conversion of surplus reserves into paid-in capital (or share capital)										
3. Surplus reserves offsetting losses										
4. Others										
(V)Special reserves										
1. Amount withdrawn in the current year										
2. Amount used in the current period										
(VI) Others										
IV. Balance as at end of the current period	364,100,000.00				54,142,850.01				-341,107,435.91	77,135,414.10

The accompanying notes form an integral part of these financial statements.

Legal Representative: Accounting Principal: Head of the Accounting Department:

Hainan Dadonghai Tourism Centre (Holdings) Co., Ltd.
Statement of Changes in Owner's Equity (Continued)
For the year ended December 31, 2017
(Amounts are expressed in RMB unless otherwise stated)

Item	2016									
	Share capital	Other equity instruments			Capital reserve	Less: treasury stock	Other comprehensive income	Surplus reserve	Retained earnings	Total owners' equity
		Preferred shares	Perpetual debt	Others						
I. Balance as at the end of last year	364,100,000.00				54,142,850.01				-341,305,382.08	76,937,467.93
Plus: adjustments for changes in accounting policies										
Correction of accounting errors in prior periods										
Others										
II. Balance as at the beginning of the year	364,100,000.00				54,142,850.01				-341,305,382.08	76,937,467.93
III. Increases/decreases in the current period ("-" for decreases)									-2,661,052.49	-2,661,052.49
(I) Total comprehensive income									-2,661,052.49	-2,661,052.49
(II) Capital contributed or reduced by owners										
1. Common shares contributed by shareholders										
2. Capital invested by the holders of other equity instruments										
3. Amounts of share-based payments recognized in owner's equity										
4. Others										
(III) Profit distribution										
1.Withdrawal of surplus reserves										
2. Profit distributed to owners (or shareholders)										
3. Others										
(IV) Internal carry-forward of owner's equity										
1. Conversion of capital reserves into paid-in capital (or share capital)										
2. Conversion of surplus reserves into paid-in capital (or share capital)										
3. Surplus reserves offsetting losses										
4. Others										
(V)Special reserves										
1. Amount withdrawn in the current year										
2. Amount used in the current period										
(VI) Others										
IV. Balance as at end	364,100,000.00				54,142,850.01				-343,966,434.57	74,276,415.44

The accompanying notes form an integral part of these financial statements.

Legal Representative: Accounting Principal: Head of the Accounting Department:

Hainan Dadonghai Tourism Centre (Holdings) Co., Ltd.
Notes to the Financial Statements
For the Year Ended December 31, 2017

1. Company profile

1.1 Overview

Hainan Dadonghai Tourism Centre (Holdings) Co., Ltd. (hereinafter referred to as the "Company") is a standardized company limited by shares established on April 26, 1993 and restructured from Hainan Sanya Dadonghai Tourism Centre Development Co., Ltd. with the approval of Hainan Shareholding System Pilot Group office via its Document Qiong Gu Ban Zi [1993] No.11.On May 6, 1996, the Company was reorganized and separated with the reply of Hainan Securities Management Office by its Document Qiong Zheng Ban [1996] No.58.On October 8, 1996 and January 28, 1997,the Company was approved to respectively issue 80 million B shares and 14 million A shares on Shenzhen Stock Exchange and list for sales. On June 20, 2007, the Company carried out the split share structure reform. The non-tradable shareholders of the Company paid shares to the tradable shareholders for obtaining the circulation rights, and the tradable shareholders got 3 shares for every 10 shares. The Company belongs to tourism and catering service industry.

As at December 31, 2017, 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: Li Yuanbin. 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.

The financial statements were approved by the board of directors of the Company on January 30, 2018 for disclosure.

1.2 Scope of consolidated financial statements

As at December 31, 2017, the subsidiaries included into the Company's scope of consolidated financial statements are as follows:

Name	Relationship with the Company
Hainan Dadonghai Tourism Centre (Holdings) Co., Ltd. South China Hotel (hereinafter referred to as "the South China Hotel")	Branch

See “Note 6 Changes in the scope of consolidation" for details of the scope of consolidated financial statements in the current period and the changes thereof.

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

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 Recognition criteria of cash and cash equivalents

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

3.6 Foreign currency business

Foreign currency transactions will be translated at the spot exchange rate on the transaction date and be accounted for at RMB.

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

3.7 Financial instruments

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

3.7.1 Classification of financial instruments

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

3.7.2 Recognition and measurement of financial instruments

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

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

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

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

(2) Held-to-maturity investments

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

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

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

(3) Receivables

For creditor’s rights receivable arising from external sales of goods or rendering of service by the Company and other creditor's rights of other enterprises (excluding liability instruments quoted in an active market) held by the Company, including accounts receivable, other receivables, notes receivable, prepayment and others, the initial recognition amount shall be the contract price or agreement price receivable from purchasing party; for those with financing nature, they are initially recognized at their present values.

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

(4) Available-for-sale financial assets

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

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

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

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

3.7.3 Recognition and measurement of transfer of financial assets

When a financial assets transfer occurs, the financial assets will be derecognized when substantially all the risks and rewards on the ownership of the financial assets have been transferred to the transferee; and they will not be derecognized if substantially all the risks and rewards on the ownership of the financial assets have been retained.
When determining whether the transfer of a financial asset meets the above de-recognition criteria of financial assets, the Company adopts the principle of substance over form. The Company classifies the transfer of a financial asset into the entire transfer and the partial transfer of financial asset. Where the entire transfer of the financial asset meets the de-recognition conditions, the difference of the following two amounts will be included in current profit and loss:

(1) The book value of the transferred financial asset;

(2) The sum of the consideration received from the transfer and the accumulated amount of the changes in fair value originally and directly included in owners' equity (the situation where the financial asset transferred is an available-for-sale financial asset is involved in).

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

(1) The book value of the derecognized part;

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

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

3.7.4 De-recognition criteria of financial liabilities

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

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

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

Where the Company repurchases part of a financial liability, the entire book value of the financial liability shall be split into the derecognized part and continuously-recognized part according to their respective relatively fair values on the repurchase date. The difference between the book value of the derecognized part and the consideration paid (including non-cash assets transferred out or new financial liabilities assumed) shall be included in the current profit and loss.

3.7.5 Method of determining the fair value of financial assets and financial liabilities

The fair value of a financial instrument, for which there is an active market, is the prices quoted for it therein. Fair value of a financial instrument having no active market shall be determined by using valuation techniques. At the time of valuation, the Company adopts the techniques that are applicable in the current situation and supported by enough available data and other information, selects the input values that are consistent with the features of assets or liabilities as considered by market participants in relevant asset or liability transactions, and gives priority to use relevant observable inputs. The unobservable inputs are used only under the circumstance when it is impossible or unobservable inputs to obtain relevant observable inputs.

3.7.6 Testing and accounting methods of impairment of financial assets (excluding receivables)

Except for the financial assets measured at fair values through current profit and loss, the book value of financial assets on the balance sheet date should be checked. If there is objective evidence that a financial asset is impaired, provision for impairment shall be made.

(1) Impairment provision for available-for-sale financial assets:
If the fair value of available-for-sale financial assets has significantly declined at the end of the period, or it is expected that the trend of decrease in value is non-temporary after considering various relevant factors, the impairment shall be recognized, and accumulated losses from decreases in fair value originally and directly included in owners' equity shall be all transferred out and recognized as impairment loss.

For available-for-sale debt instruments whose impairment losses have been recognized, if their fair values rise in the subsequent accounting period and such rise is objectively related to the matters occurring after the recognition of impairment loss, the previously recognized impairment loss shall be reversed and recorded into the current profit and loss.

Impairment losses on available-for-sale equity instruments shall not be reversed through profit or loss.

(2) Impairment provision for held-to-maturity investments:
Measurement of impairment losses on held-to-maturity investments is treated in accordance with the measurement method for impairment losses on receivables.

3.8 Allowance for bad debt of accounts receivable

3.8.1 Allowance for bad debts of accounts receivable with individually significant amount:

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.

3.8.2 Receivables provided for bad debts on a portfolio basis

Determination basis of portfolio	
Aging portfolio	Length of aging
Methods for provision for bad debts by portfolios	
Aging portfolio	Aging analysis

Proportions for provisions for bad debts made by aging analysis method are as follows:

Aging	Provision ratio for receivables (%)	Proportion ratio for other receivables (%)
Within 1 year (inclusive)		
1-2 years	5	5
2-3 years	15	15
3-4 years	25	25
4-5 years	50	50
Over 5 years	100	100

3.8.3 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.

3.8.4 Reversal of provision for bad debts

If there is any objective evidence showing that the value of the receivables has been recovered and it relates objectively to the event occurred after the recognition of the loss, the originally recognized impairment loss shall be reversed and included in the current profit or loss. However, the book value after the reversal does not exceed amortized cost of the receivables on the reversal date under the assumption that no provision for impairment is made.

3.9 Inventories

3.9.1 Classification

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

3.9.2 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.

3.9.3 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.

3.9.4 Inventory system

The perpetual inventory system is adopted for accounting.

3.9.5 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.

3.10 Long-term equity investments

3.10.1 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.

3.10.2 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.

3.10.3 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 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 changesin 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.

3.11 Investment property

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.

3.12 Fixed assets

3.12.1 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.

3.12.2 Classification of fixed assets

Fixed assets can be classified into: buildings and constructions, electronic equipment, transport equipment, entertainment equipment, other equipment and decoration improvements.

3.12.3 Initial measurement of fixed assets

Fixed assets shall be initially measured at actual costs on acquisition.

The costs of externally acquired fixed assets shall be determined by their purchase prices, related taxes and surcharges and any attributable transport expenses, loading and unloading expenses, installation expenses and professional service expenses incurred to prepare the fixed assets for its serviceable condition.

Where the payment for purchasing the fixed assets is delayed exceeding the normal credit period, which substantially, has a financing character, costs of the fixed assets are determined based on the present value of purchasing cost.

Costs of self-built fixed assets consist of necessary expenditures incurred before and for the purpose of making the self-built fixed assets to reach the predetermined serviceable condition.

For fix assets obtained in debt restructuring by debtors for the settlement of his liabilities, their book-entry value should be initially stated based on their fair values. Differences between the book values and the fair values of the fix assets are included in the current profit and loss;

If the exchange of non-monetary assets has commercial substance, and the fair value of these assets can be measured reliably, the book-entry value of fixed assets traded in is determined on the basis of the fair value of the fixed assets traded out unless there is any conclusive evidence that the fair value of the assets traded in is more reliable; if the exchange of non-monetary assets does not meet the above criteria, the cost of the fixed assets traded in should be the book value of the assets traded out and relevant taxes and surcharges payable, and no profit or loss shall be recognized.

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

The Group shall state the assets acquired under finance lease at the lower of the book value of the leased assets on the lease beginning date or the present value of the minimum lease payments.

3.12.4 Provision method for depreciation of fixed assets

Fixed assets are depreciated based on the straight-line method, their depreciation rates are determined based on category of fixed asset, estimated economic useful live and residual values (5% of the original value)as follows:

Asset type	Estimated useful lives (year)	Estimated net residual value rate (%)	Yearly depreciation rate (%)
Houses and buildings	20-40	5	4.75-2.37
Mechanical equipment	8-20	5	11.87-4.75
Entertainment equipment	5-16	5	19-5.93
Transportation equipment	7-12	5	13.57-7.91
Other equipment	8	5	11.87

3.13 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.

3.14 Borrowing costs

3.14.1 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.

3.14.2 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.

3.14.3 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.

3.14.4 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.

3.15 Intangible assets

3.15.1 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.

3.15.2 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

The useful life and amortization method of intangible assets with limited useful life are reviewed at the end of each period.

Upon review, the useful lives and amortization method of the intangible assets as at the end of the year were not different from those estimated before.

3.15.3 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.

3.16 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.

3.17 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.

3.17.1 Amortization method

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

3.17.2 Amortization period

Item	Amortization period
Hotel exterior decoration	4 years
Fire stairs renovation	4 years
C floor room renovation	5 years
Villa renovation	5 years
Swimming pool renovation	5 years

3.18 Employee compensation

3.18.1 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.

3.18.2 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.

3.18.3 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.

3.19 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.

3.19.1 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.

3.19.2 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.

3.20 Revenue

3.20.1 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.

3.20.2 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.

3.20.3 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.

3.21 Government subsidies

3.21.1 Type

Government subsidies are monetary assets and non-monetary assets freely obtained by the Company from the government. Government subsidies are classified into government subsidies related to assets and government subsidies related to income.

Asset-related government subsidies refer to government subsidies obtained by the Company for forming long-term assets by acquisition, construction or other manners. Government subsidies related to income refer to government subsidies other than government subsidies related to assets.

3.21.2 Recognition timing and measurement

Government subsidies will be recognized if all the following criteria are satisfied at the same time:

1) Enterprises can meet the conditions attached to government subsidies;

2) The Company can receive government subsidies.

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

If a government subsidy is a non-monetary asset, it shall be measured at its fair value; and if its fair value cannot be obtained in a reliable way, it shall be measured at a nominal amount.

3.21.3 Accounting treatment

(1) 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, scraped 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) Accounting treatment will be conducted for government subsidies associated with income in accordance with the following provisions:

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) Any government grant related to the daily activities of an enterprise shall be included into other gains or to reduce the relevant costs and expenses in accordance with the business nature. Government subsidies unrelated to the daily activities of enterprises shall be recorded as non-operating revenues and expenditures.

3.22 Deferred income tax assets and deferred income tax liabilities

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

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

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

When the Company has the statutory right to do settlement with the net amounts, and has the intention to do so or the recovery of assets and the settlement of liabilities are achieved simultaneously, the Company shall present its current income tax assets and current income tax liabilities at the net amounts as the result of one offsetting another.

When the Company has the legal right for netting of current income tax assets and current income tax liabilities and the income tax assets and income tax liabilities are related to the income tax levied on the same taxpayer by the same tax administrative department or are related to different taxpayers but, within each future period of reversal of important income tax assets and income tax liabilities, the taxpayers involved intend to settle current income tax assets and current income tax liabilities or acquire assets and liquidate liabilities at the same time, the Company's income tax assets and income tax liabilities shall be presented at the net amount after the offset.

3.23 Operating lease

3.23.1 Accounting treatment of assets leased

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

When the lessor bears the lease related expenses which shall be undertook by the Company, the Company shall deduct this part of the expense from the rent and amortize the net amount over the lease term and charge into current costs or expenses.

3.23.2 Accounting treatment of leasing-out assets

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

When the Company bears the lease related expenses which should be undertook by the lessee, the Company shall deduct this part of expense from the rent income, and amortize the net amount over the lease term.

3.24 Changes to principal accounting policies and accounting estimates

3.24.1 Changes in accounting policies

The Accounting Standards for Business Enterprises No.16 - Government Subsidies (Cai Kuai [2017] No.15) issued and revised by the Ministry of Finance have been implemented by enterprises adopting the Accounting Standards for Business Enterprises since June 12, 2017; therefore, for the government subsidies on January 1, 2017, the prospective application method shall apply for their accounting treatment; the Accounting Standards for Business Enterprises No.42 - Held-for-sale Non-current Assets and Disposal Group and Termination of Operation issued by the Ministry of Finance in 2017 have been implemented by enterprises adopting the Accounting Standards for Business Enterprises since May 28, 2017; therefore, for the held-for-sale non-current assets and disposal group and termination of operation existing on the implementation date, the prospective application method shall be applied for accounting treatment. On December 25, 2017, the Ministry of Finance issued the Circular of the Ministry of Finance on Revising the Format of General Financial Statements (Cai Kuai [2017] No.30), which revised the format of general financial statements, and applied to the financial statements in 2017 and afterwards.

The above-mentioned changes in accounting policies have no impacts on those figures listed in the Company' financial statements.

3.24.2 Changes in accounting estimates

There were no changes in accounting estimates within the reporting period.

4. Taxation

Major tax types and tax rates applicable to the Company

Taxes	Basis for tax assessment	Tax rate
Value added tax(VAT)	Output VAT is calculated based on taxable sales revenue and service revenue calculated in accordance with tax laws and VAT payable or taxable sales revenue shall be the difference after deducting the input VAT deductible in the same period	5%, 6%, 11%, 17%
Business tax	Levied based on the taxable business income	5%
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	RMB18/m^2
Enterprise income tax	Levied based on taxable income	25%

Remark: According to the Circular on Comprehensively Promoting the Pilot Program of the Collection of Value-added Tax in Lieu of Business Tax (Cai Shui [2016] No.36) issued by the Ministry of Finance and the State Administration of Taxation, the pilot program of the collection of value-added tax in lieu of business tax was comprehensively promoted from May 1, 2016, and the Company shall calculate and pay value-added tax for different operating income at tax rates of 5%, 6%, 11%, and 17%, respectively.

5. Notes to the main items of financial statements

5.1 Cash and cash equivalents

Item	Ending balance	Beginning balance
Cash	264,156.33	273,523.86
Bank deposits	9,417,450.83	26,936,724.15
Total	9,681,607.16	27,210,248.01

Remark: there are no amounts restricted for use due to mortgage or freeze, deposited in overseas institutions, and have potential risk in recovery.

5.2 Accountsreceivable

5.2.1 Disclosure of account receivables by category

Category	Ending balance					Beginning balance				
	Book balance		Provision for bad debt		Book value	Book balance		Provision for bad debt		Book value
	Amount	Proportion (%)	Amount	Provision ratio (%)		Amount	Proportion (%)	Amount	Provision ratio (%)	
Accounts receivable with significant single amount subject to provision for bad debts on a single basis						1,466,400.49	50.22	1,466,400.49	100.00	
Accounts receivable with provision for bad debts based on portfolios	662,651.14	100.00	68,520.25	10.34	594,130.89	1,453,566.38	49.78	763,121.66	52.50	690,444.72
Accounts receivable with insignificant single amount subject to provision for bad debts on an individual basis										
Total	662,651.14	100.00	68,520.25		594,130.89	2,919,966.87	100.00	2,229,522.15		690,444.72

In the portfolio, accounts receivable with the allowance for bad debts made under the aging analysis method:

Aging	Ending balance		
	Accounts receivable	Provision for bad debt	Provision proportion (%)
Within 1 year	572,263.34		
1-2 years	785.00	39.25	5.00
2-3 years	18,633.00	2,794.95	15.00
3-4 years	3,397.00	849.25	25.00
4-5 years	5,472.00	2,736.00	50.00
Over 5 years	62,100.80	62,100.80	100.00
Total	662,651.14	68,520.25	

5.2.2 Provision, reversal or recovery of provision for bad debts in 2017

The provision for bad debts amounts to RMB15,211.00 in 2017.

5.2.3 Accounts receivable actually written off in 2017

Item	Written-off amount
Accounts receivable	2,176,212.90

Details of written-off accounts receivable:

Name of entity	Nature of accounts receivable	Written-off amount	Reasons for written-off	Write-off procedures performed	Whether it is due to the related party transactions
Power supply company	Room and meal charge	775,304.98	Irrecoverable	Approval of the board of directors and the general meeting of shareholders	No
HMIT	Room and meal charge	464,563.21	Irrecoverable	Approval of the board of directors and the general meeting of shareholders	No
Southern Cross	Room and meal charge	124,879.98	Irrecoverable	Approval of the board of directors and the general meeting of shareholders	No
Sanya Municipal Party Committee Reception Office	Room and meal charge	101,652.32	Irrecoverable	Approval of the board of directors and the general meeting of shareholders	No
Hainan Baoping Travel Agency	Room and meal charge	46,798.32	Irrecoverable	Approval of the board of directors and the general meeting of shareholders	No
Other 157 companies	Room and meal charge	663,014.09	Irrecoverable	Approval of the board of directors and the general meeting of shareholders	No
Total		2,176,212.90			

Remark: see 12.2.2 for details of written-off accounts receivable.

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

Name of entity	Relationship with the Company	Book balance	Aging	Proportion in total amount of accounts receivable (%)
Shanghai Hecheng International Travel Service Co., Ltd.	Non-related party	280,668.00	Within 1 year	42.36
Luoniushan Co., Ltd.	Non-consolidated related party	166,412.00	Within 1 year	25.11
Guangzhou	Non-related	38,980.00	Over 5 years	5.88

Name of entity	Relationship with the Company	Book balance	Aging	Proportion in total amount of accounts receivable (%)
Institute of Design	party			
Tianjin Watermelon Tourism Limited Liability Company	Non-related party	33,072.94	Within 1 year	4.99
Yilong Network Information Technology Co., Ltd.	Non-related party	25,581.00	Within 1 year	3.86
Total		544,713.94		82.20

5.3 Advances to suppliers

5.3.1 Advances to suppliers presented by aging

Aging	Ending balance		Beginning balance	
	Book balance	Proportion (%)	Book balance	Proportion (%)
Within 1 year	49,530.21	100.00	58,783.23	100.00
Total	49,530.21	100.00	58,783.23	100.00

Remark: advances to suppliers are prepaid amounts for newspapers, oil, and software maintenance.

5.3.2 Top five advances to suppliers in terms of the ending balance collected by the prepaid object

Prepaid object	Ending balance	Proportion in total ending balance of advance to suppliers (%)
China Post Group Corporation Sanya Branch	10,800.00	21.80
Sinopec Petrochemical Sales Co., Ltd. Hainan Sanya Branch	10,098.85	20.39
Hangzhou Xiruan Technology Co., Ltd.	10,062.90	20.32
Sanya Daily	9,729.73	19.64
Sunshine Property Insurance Co., Ltd. Hainan Branch	8,838.73	17.85
Total	49,530.21	100.00

5.4 Other receivables

5.4.1 Other receivables disclosed by category:

Category	Ending balance					Beginning balance				
	Book balance		Provision for bad debt		Book value	Book balance		Provision for bad debt		Book value
	Amount	Proportion (%)	Amount	Provision proportion (%)		Amount	Proportion (%)	Amount	Proportion (%)	
Other receivables with significant single amount and individual allowance for bad debts						77,363,143.31	98.85	77,363,143.31	100.00	
Other receivables with provision for bad debts based on portfolio	160,709.19	100.00	21,147.90	13.16	139,561.29	903,202.33	1.15	729,098.81	80.72	174,103.52
Other receivables with insignificant single amount but with individual provision for bad debts										
Total	160,709.19	100.00	21,147.90		139,561.29	78,266,345.64	100.00	78,092,242.12		174,103.52

Other receivables with provision for bad debts made by aging analysis method in portfolios:

Aging	Ending balance		
	Book balance	Provision for bad debt	Provision proportion (%)
Within 1 year	139,111.29		
1-2 years			
2-3 years			
3-4 years	600.00	150.00	25.00
4-5 years			
Over 5 years	20,997.90	20,997.90	100.00
Total	160,709.19	21,147.90	

5.4.2 Provision, reversal or recovery of provision for bad debts in 2017

The provision for bad debts in 2017 amounted to RMB-3,501.50.

5.4.3 Other receivables actually written off in 2017

Item	Written-off amount
Other receivables	78,067,592.72

Details of written-off other receivables:

Name of entity	Nature of other receivables	Written-off amount	Reasons for written-off	Write-off procedures performed	Whether it is due to the related party transactions
Hainan Dadonghai Tourism Company	Arrears and litigation advances	54,767,945.15	Irrecoverable	Approval of the board of directors and the general meeting of shareholders	Yes
94-98 dividends distributed in cash	Dividends to be recovered due to punishment by the China Securities Regulatory Commission	16,899,000.00	Irrecoverable	Approval of the board of directors and the general meeting of shareholders	Yes
HMIT	Contract revenue originally falsely included	4,145,704.16	Irrecoverable	Approval of the board of directors and the general meeting of shareholders	Yes
Guangdong Jinma Tourism Co., Ltd.	Dividends receivable and interest thereon	1,200,494.00	Irrecoverable	Approval of the board of directors and the general meeting of shareholders	No
Shareholders custodian fees	Shareholders custodian fees	350,000.00	Irrecoverable	Approval of the board of directors and the general meeting of shareholders	No
Other 36 companies	Consumption amounts and deposits	704,449.41	Irrecoverable	Approval of the board of directors and the general meeting of shareholders	No
Total		78,067,592.72			

Remark: see 12.2.2 for details of written-off other receivables.

5.4.4 Classification of other receivables by the nature of payment

Nature of Payment	Book balance as at December 31, 2017	Book balance as at January 1, 2017
Current accounts between original related entities		54,767,945.15
Contract profit receivable		4,145,704.16
Declared dividends receivable		16,899,000.00
Equity transaction amount		1,200,494.00
Deposit	600.00	563,818.99
Custody fee advances		350,000.00
Other current accounts		23,114.20
Petty cash	49,281.48	78,772.22
Water and electricity expenses	70,809.03	164,165.49
Shared amounts		30,500.00
Social insurance and housing provident funds	40,018.68	37,831.43
Project funds		3,700.00
Deposit for invoices		1,300.00
Total	160,709.19	78,266,345.64

5.5 Inventories

5.5.1 Classification of inventory

Item	Ending balance			Beginning balance		
	Book balance	Provision for price decline	Book value	Book balance	Provision for price decline	Book value
Stocked materials	880,621.58	735,181.58	145,440.00	876,822.10	742,966.17	133,855.93
Stock commodities	22,771.38	11,102.41	11,668.97	22,771.38	11,102.41	11,668.97
Food and beverage	45,640.74		45,640.74	52,660.42		52,660.42
Fuel	24,255.40		24,255.40	20,994.40		20,994.40
Total	973,289.10	746,283.99	227,005.11	973,248.30	754,068.58	219,179.72

5.5.2 Provision for inventory depreciation

Category of inventories	Beginning balance	Increase in 2017		Decrease in 2017		Ending balance
		Provision	Others	Reversal or write-off	Others	
Stocked materials	742,966.17			7,784.59		735,181.58
Stock commodities	11,102.41					11,102.41
Total	754,068.58			7,784.59		746,283.99

Remark: The reason for write-off is that a batch of cleaning supplies and other materials were subject to loss reporting as they can no longer be used due to long-term storage.

5.6 Non-current assets maturing within one year

Item	Ending balance	Beginning balance	Remark
Long-term long-term unamortized expenses amortized within one year	1,173,597.68	584,369.42	Hotel exterior repair, and transformation of guest rooms, swimming pools and others
Total	1,173,597.68	584,369.42	

5.7 Other current assets

Item	Ending balance	Beginning balance	Remark
Prepaid enterprise income tax	1,702,702.80	1,702,702.80	
Input tax to be deducted	255,160.76	173,746.42	
Total	1,957,863.56	1,876,449.22	

5.8 Available-for-sale-financial assets

5.8.1 Available-for-sale financial assets

Item	Ending balance			Beginning balance		
	Book balance	Provision for impairment	Book value	Book balance	Provision for impairment	Book value
Available-for-sale bonds						
Available-for-sale equity instruments				5,000,000.00	5,000,000.00	
Including: Measured at fair value						
Measured at cost				5,000,000.00	5,000,000.00	
Total				5,000,000.00	5,000,000.00	

5.8.2 Available-for-sale financial assets measured at cost at December 31, 2017

Investee	Book balance				Provision for impairment				Shareholding ratio in the investee (%)	Cash dividend in 2017
	Beginning balance	Increase in 2017	Decrease in 2017	Ending balance	Beginning balance	Increase in 2017	Decrease in 2017	Ending balance		
Shenzhen Difu Investment Development Co., Ltd.	5,000,000.00		5,000,000.00		5,000,000.00		5,000,000.00		14.28	
Total	5,000,000.00		5,000,000.00		5,000,000.00		5,000,000.00			

Remark: the decrease in 2017 waswrite-off, and see 12.2.2 for details.

5.9 Long-term equity investment

5.9.1 Classification of long-term equity investments is as follows:

Investee	Ending balance			Beginning balance		
	Book balance	Provision for impairment	Book value	Book balance	Provision for impairment	Book value
Hubei Jingsha Dadonghai Club Co., Ltd.				4,566,207.42	4,566,207.42	
Sanya Shun'an Entertainment Center				5,150,166.84	5,150,166.84	
Total				9,716,374.26	9,716,374.26	

5.9.2 Details of the long-term equity investments

Investee	Beginning balance	Increase in 2017	Decrease in 2017	Ending balance	Provision for impairment in 2017	Balance of provision for impairment as at December 31, 2017
Hubei Jingsha Dadonghai Club Co., Ltd.	4,566,207.42		4,566,207.42			
Sanya Shun'an Entertainment Center	5,150,166.84		5,150,166.84			
Total	9,716,374.26		9,716,374.26			

5.9.3 Provision for impairment of long-term investments

Investee	Beginning balance	Increase in 2017	Decrease in 2017	Ending balance	Reason for provision
Hubei Jingsha Dadonghai Club Co., Ltd.	4,566,207.42		4,566,207.42		As the project has been terminated, investment cannot be recovered and was thus written off in 2017.
Sanya Shun'an Entertainment Center	5,150,166.84		5,150,166.84		Written-off in 2017 due to long-term closure.
Total	9,716,374.26		9,716,374.26		

Remark: the decrease in 2017 waswrite-off, and see 12.2.2 for details.

5.10 Investment property

Investment properties measured at cost

Item	Buildings and constructions	Land use rights	Total
1. Original book value			
(1)Beginning balance	18,856,504.44	5,662,740.59	24,519,245.03
(2) Increase in 2017			
- Purchase			
- Transfer from fixed assets/ intangible assets			
- Increase from business combinations			
(3) Decrease in 2017			
- Disposal			
- Transfer into inventories			
(4)Ending balance	18,856,504.44	5,662,740.59	24,519,245.03
2. Accumulated depreciation and accumulated amortization			
(1)Beginning balance	9,771,216.42	2,107,046.45	11,878,262.87
(2) Increase in 2017	418,183.56	56,340.00	474,523.56
- Provision or amortization	418,183.56	56,340.00	474,523.56
- Transfer from fixed assets/ intangible assets			
(3) Decrease in 2017			
- Disposal			
- Transfer into inventories			
(4)Ending balance	10,189,399.98	2,163,386.45	12,352,786.43
3. Provision for impairment			
(1)Beginning balance	1,404,400.47	1,903,054.14	3,307,454.61
(2) Increase in 2017			
- Provision			
- Transfer from fixed assets/ intangible assets			
(3) Decrease in 2017			
- Disposal			
(4)Ending balance	1,404,400.47	1,903,054.14	3,307,454.61
4. Book value			
(1) Book value as at December 31, 2017	7,262,703.99	1,596,300.00	8,859,003.99
(2) Book value as at January 1, 2017	7,680,887.55	1,652,640.00	9,333,527.55

5.11 Fixed assets

Fixed assets details

Item	Buildings and constructions	Machinery equipment	Vehicles	Electronic equipment	Other equipment	Total
1. Original book value						
(1)Beginning balance	136,564,783.15	13,141,471.00	2,091,322.77	2,585,268.92	1,703,389.45	156,086,235.29
(2) Increase in 2017	224,718.67	138,461.54	253,752.14	258,270.53	623,373.72	1,498,576.60
-Purchase	224,718.67	138,461.54	253,752.14	258,270.53	623,373.72	1,498,576.60
(3) Decrease in 2017				220,096.00	266,875.00	486,971.00
- Disposal or write-off				220,096.00	266,875.00	486,971.00
(4)Ending balance	136,789,501.82	13,279,932.54	2,345,074.91	2,623,443.45	2,059,888.17	157,097,840.89
2. Accumulated depreciation						
(1)Beginning balance	68,185,246.92	9,092,676.08	1,252,935.70	2,111,146.45	1,447,909.80	82,089,914.95
(2) Increase in 2017	2,135,104.65	278374.63	162,863.22	110,942.10	88,247.65	2,775,532.25
- Provision	2,135,104.65	278374.63	162,863.22	110,942.10	88,247.65	2,775,532.25
(3) Decrease in 2017				209,312.76	247,641.81	456,954.57
- Disposal or write-off				209,312.76	247,641.81	456,954.57
(4)Ending balance	70,320,351.57	9,371,050.71	1,415,798.92	2,012,775.79	1,288,515.64	84,408,492.63
3. Provision for impairment						
(1)Beginning balance	31,072,788.17	2,527,851.26				33,600,639.43
(2) Increase in 2017						
- Provision						
(3) Decrease in 2017						
- Disposal or write-off						
(4)Ending balance	31,072,788.17	2,527,851.26				33,600,639.43
4. Book value						
(1) Book value as at December 31, 2017	35,396,362.08	1,381,030.57	929,275.99	610,667.66	771,372.53	39,088,708.83
(2) Book value as at January 1, 2017	37,306,748.06	1,520,943.66	838,387.07	474,122.47	255,479.65	40,395,680.91

Remark: there were no temporarily idle fixed assets, and no secured or guaranteed fixed assets as at the end of the period.

5.12 Construction in progress

Item Name	Budget	Beginning balance	Increase in 2017	Transfer into fixed assets in 2017	Transfer into long-term deferred expenses in 2017	Ending balance	Proportion of accumulative project investments in the budget (%)	Project progress (%)	Accumulated capitalization amount of interest	Including: capitalization amount of the interest in 2017	Capitalization rate of the interest of 2017 (%)	Sources of funds
Renovation of rooms at F/C			961,729.74		961,729.74			100.00				Self-raised
Villa renovation			1,598,774.11		1,598,774.11			100.00				Self-raised
Swimming pool renovation			299,959.04		299,959.04			100.00				Self-raised
F/C sightseeing elevator shaft project			166,485.00	166,485.00				100.00				Self-raised
High-pressure metering cabinet			46,800.00	46,800.00				100.00				Self-raised
F/A fire stairs renovation project			68,542.72		68,542.72			100.00				Self-raised
Total			3,142,290.61	213,285.00	2,929,005.61							

5.13 Intangible assets

Item	Land use rights	Total
1. Original book value		
(1)Beginning balance	81,653,137.15	81,653,137.15
(2) Increase in 2017		
-Purchase		
- Internal research and development		
(3) Decrease in 2017		
- Disposal		
- Transfer into investment properties		
(4)Ending balance	81,653,137.15	81,653,137.15
2. Accumulated amortization		
(1)Beginning balance	30,382,276.95	30,382,276.95
(2) Increase in 2017	812,387.16	812,387.16
- Provision	812,387.16	812,387.16
(3) Decrease in 2017		
- Disposal		
- Transfer into investment properties		
(4)Ending balance	31,194,664.11	31,194,664.11
3. Provision for impairment		
(1)Beginning balance	27,440,836.84	27,440,836.84
(2) Increase in 2017		
- Provision		
(3) Decrease in 2017		
- Disposal		
- Transfer into investment properties		
(4)Ending balance	27,440,836.84	27,440,836.84
4. Book value		
(1) Book value as at December 31, 2017	23,017,636.20	23017,636.20
(2) Book value as at January 1, 2017	23,830,023.36	23,830,023.36

5.14 Long-term deferred expenses

Item	Beginning balance		Increase in 2017	Amortization in 2017	Ending balance	
	Long-term deferred expenses	Long-term deferred maturing within one year			Long-term deferred expenses	Long-term deferred maturing within one year
Hotel exterior decoration	1,071,343.97	584,369.42		584,369.42	486,974.55	584,369.42
Fire stairs renovation			68,542.72	5,711.88	45,695.16	17,135.68
Swimming pool renovation			299,959.04	14,997.95	224,969.28	59,991.81
Renovation of rooms at F/C			961,729.74	48,086.48	721,297.31	192,345.95
Villa renovation			1,598,774.11	79,938.71	1,199,080.58	319,754.82
Total	1,071,343.97	584,369.42	2,929,005.61	733,104.44	2,678,016.88	1,173,597.68

5.15 Accounts payable

5.15.1 Presentation of accounts payable by aging

Item	Ending balance	Beginning balance
Within 1 year (inclusive)	2,026,871.12	856,048.21
1-2 years (including 2 years)		199,317.78
2-3 years (including 3 years)		334,316.59
Over 3 years	134,301.14	577,882.93
Total	2,161,172.26	1,967,565.51

5.15.2 Top five accounts payable in terms of ending balance

Item	Ending balance	Proportion in the total accounts payable (%)
Sanya Yunwang Food Distribution Co., Ltd.	743,186.25	34.39
Hainan Huanyu Decoration Engineering Company Limited	134,274.10	6.21
Sanya Zhengzhuang Industrial Co., Ltd.	115,247.50	5.33
Hainan Dingxin Jingdu Elevator Co., Ltd.	62,972.50	2.91
Guo Yubo	56,759.13	2.63
Total	1,112,439.48	51.47

5.15.3 Accounts payable actually written off in 2017

Item	Written-off amount
Accounts payable	375,553.60

Details of written-off accounts payable:

Name of entity	Nature of accounts payable	Written-off amount	Reasons for written-off	Write-off procedures performed	Whether it is due to the related party transactions
Feiying Advertisement Company	Advertising fees	70,000.00	Unpayable	Approval of the board of directors and the general meeting of shareholders	No
Yuexin Technology Company in Tianhe District, Guangzhou	Central air conditioning repair costs	56,204.00	Unpayable	Approval of the board of directors and the general meeting of shareholders	No
Hainan Lvleng Environmental Engineering Co., Ltd.	Central air conditioning repair costs	40,000.00	Unpayable	Approval of the board of directors and the general meeting of shareholders	No
Sanya Kaida Electrical Installation Engineering Company	Air conditioning repair costs	16,262.00	Unpayable	Approval of the board of directors and the general meeting of shareholders	No
Guangzhou Huashang Suigang Equipment Co., Ltd.	Costs of purchase of goods	15,622.50	Unpayable	Approval of the board of directors and the general meeting of shareholders	No
Other 50 sums of amounts written off	Costs of agent sales of commodities	177,465.10	Unpayable	Approval of the board of directors and the general meeting of shareholders	No
Total		375,553.60			

Remark: see Note 12.2.2for written-off accounts payable.

5.16 Advances from customers

5.16.1 Presentation of advances from customers

Item	Ending balance	Beginning balance
Room and meal charge	1,271,174.12	1,894,524.28
Total	1,271,174.12	1,894,524.28

5.16.2 Significant advances from customers 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
PEGAS Zheng Qingbo	32,243.02	Unsettled
Hainan Qiongzhong Ecological Investment Guarantee Co., Ltd.	27,519.00	Unsettled
Sanya Public Security Fire Brigade	19,420.88	Unsettled
Tianhong Group Wuzhizhou Project Department	9,894.00	Unsettled
Total	190,320.90	

5.16.3 Advances from customers actually written off in 2017

Item	Written-off amount
Advances from customers	251,057.21

Details of written-off advances from customers:

Name of entity	Nature of accounts receivable	Written-off amount	Reasons for written-off	Write-off procedures performed	Whether it is due to the related party transactions
Beijing Hualu Xinchen Management Consultants Limited	Room and meal charge	30,540.00	Room charge received/ not pressing for payment	Approval of the board of directors and the general meeting of shareholders	No
Haikou Tourism Company Sanya Branch	Room and meal charge	16,563.00	Room charged overpaid / not pressing for payment	Approval of the board of directors and the general meeting of shareholders	No
Tiange Media	Room and meal charge	16,136.00	Room charge received/ not pressing for payment	Approval of the board of directors and the general meeting of shareholders	No
Ou Xin'en	Room and meal charge	9,900.00	Room charged overpaid / not pressing for payment	Approval of the board of directors and the general meeting of shareholders	No
Huang Meijun	Room and meal charge	9,030.00	Room charge received/ not pressing for payment	Approval of the board of directors and the general meeting of shareholders	No
Other 109 companies	Room and meal charge, etc.	168,888.21		Approval of the board of directors and the general meeting of shareholders	No
Total		251,057.21			

Remark: see 12.2.2 for details of written-off advances from customers.

5.17 Employee compensation payable

5.17.1 Classification of employee compensation payable

Item	Beginning balance	Increase in 2017	Decrease in 2017	Ending balance
Short-term compensation	2,148,514.36	11,327,332.60	11,016,831.03	2,459,015.93
Post-employment benefits - defined contribution plans		959,762.24	959,762.24	
Dismissal benefits				
Other benefits maturing within one year				
Total	2,148,514.36	12,287,094.84	11,976,593.27	2,459,015.93

5.17.2 Short-term compensation

Item	Beginning balance	Increase in 2017	Decrease in 2017	Ending balance
(1) Salary, bonus, allowance and subsidies	1,299,545.99	8,991,213.87	8,817,187.04	1,473,572.82
(2) Employee welfare		1,435,569.87	1,435,569.87	
(3) Social insurance premiums		446,351.07	446,351.07	
Including: Medical insurance premiums		400,502.18	400,502.18	
Work-related injury insurance premiums		20,172.08	20,172.08	
Maternity insurance premiums		25,676.81	25,676.81	
(4) Housing provident funds		139,505.32	139,505.32	
(5) Labor union funds and employee education funds	848,968.37	314,692.47	178,217.73	985,443.11
(6) Short-term compensated absences				
(7) Short-term profit sharing plans				
Total	2,148,514.36	11,327,332.60	11,016,831.03	2,459,015.93

5.17.3 Presentation of defined contribution plan

Item	Beginning balance	Increase in 2017	Decrease in 2017	Ending balance
Basic endowment premiums		932,432.88	932,432.88	
Unemployment insurance premium		27,329.36	27,329.36	
Total		959,762.24	959,762.24	

5.18 Taxes and surcharges payable

Item	Ending balance	Beginning balance
Value added tax(VAT)	222,989.34	228,923.41
Property taxes	194,101.74	234,032.26
Land use tax	108,590.91	108,588.06
Urban maintenance and construction tax	7,782.70	6,505.86
Educational surcharges	3,335.43	2,788.22
Local educational surcharge	2,223.64	1,858.82
Stamp tax		246.50
Individual income tax		1.14
Total	539,023.76	582,944.27

5.19 Other payables

5.19.1 Presentation of other payables by nature

Nature of Payment	Ending balance	Beginning balance
Staff dormitory rental fees, etc.	742,742.74	1,001,405.96
Security deposit	711,046.99	662,541.29
Audit fees	285,003.21	285,003.21
Quality guarantee deposit for projects	193,066.10	230,096.75
Employee deposits	166,200.90	350,600.90
Project funds	162,569.78	317,277.05
Funds collected and remitted	100,036.07	139,319.74

Nature of Payment	Ending balance	Beginning balance
Petty cash	28,446.80	
Electric charges withheld	20,700.00	
Individual current amounts	1,364.00	73,752.85
Fines and confiscated amount for illegal operation of the Company's stocks		19,810,000.00
Membership expenses of directors and supervisors		214,506.98
Total	2,411,176.59	23,084,504.73

Remark: payable fines and confiscated amounts for unlawful operation of the Company's stocks was RMB19,810,000.00, of which: confiscated unlawful gains from the illegal operation of the Company's stocks was RMB19,310,000.00 and fines were RMB500,000.00, and they were paid to the China Securities Regulatory Commission on February 20, 2017.

5.19.2 Other significant payables with aging of over one year

Name of entity	Ending balance	Reason for non-repayment
Hong Kong Deloitte & Touche LLP	285,003.21	Reason for non-repayment
Sanya Shuxin Housing Waterproof Engineering Limited	170,000.00	Reason for non-repayment
China Building Decoration Company Hainan Branch	161,111.03	Reason for non-repayment
Total	616,114.24	

5.19.3 Other payables actually written off in 2017

Item	Written-off amount
Other payables	676,929.30

Details of written-off other payables:

Name of entity	Nature of other payables	Written-off amount	Reasons for written-off	Write-off procedures performed	Whether it is due to the related party transactions
Automatic fire alarm linkage system engineering	Ruled to assume several litigation fees	107,589.46	Unable to be paid due to long-term aging	Approval of the board of directors and the general meeting of shareholders	No
Litigation costs	Ruled to assume several litigation fees	104,554.00	Unable to be paid due to long-term aging	Approval of the board of directors and the general meeting of shareholders	No
Hainan Tiange Law Firm (Huang Wenmei)	Agreed litigation agent	100,680.60	Unable to be paid due to long-term aging	Approval of the board of directors and the general meeting of shareholders	No

Name of entity	Nature of other payables	Written-off amount	Reasons for written-off	Write-off procedures performed	Whether it is due to the related party transactions
Binhai holiday villa	Current account from/to prior related parties	83,558.94	Unable to be paid due to long-term aging	Approval of the board of directors and the general meeting of shareholders	Yes
Su Guohua	Directors allowance	57,680.00	Unable to be paid due to long-term aging	Approval of the board of directors and the general meeting of shareholders	Yes
Other 27 companies	Consignment	222,866.30	Unable to be paid due to long-term aging	Approval of the board of directors and the general meeting of shareholders	No
Total		676,929.30			

Remark: see 12.2.2 for details of written-off other payables.

5.20 Estimated liabilities

Item	Ending balance	Beginning balance
Provisions for arrears of electricity tariffs	1,489,685.04	1,489,685.04
Total	1,489,685.04	1,489,685.04

Remark: see Note 9 for details.

5.21 Share capital

Item	Beginning balance	Changes in 2017 ("+" for increase and "-" for 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

5.22 Capital reserves

Item	Beginning balance	Increase in 2017	Decrease in 2017	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

5.23 Undistributed profits

Item	Year 2017	Year 2016
Undistributed profit at the beginning of the year	-343,966,434.57	-341,305,382.08
Plus: net profit attributable to owners of the parent company in current period	2,858,998.66	-2,661,052.49
Less: Withdrawal of statutory surplus reserves		
Withdrawal of discretionary surplus reserves		
Withdrawal of reserve funds		
Withdrawal of enterprise expansion funds		
Appropriation of bonus and welfare funds		
Withdrawal of general risk reserves		

Item	Year 2017	Year 2016
Ordinary share dividends payable		
Ordinary share dividends transferred to share capital		
Undistributed profit as at the end of the year	-341,107,435.91	-343,966,434.57

5.24 Operating income and operating costs

5.24.1 Operating income and operating costs

Item	Year 2017		Year 2016	
	Income	Cost	Income	Cost
Primary business	24,691,592.86	10,665,396.03	19,117,791.52	9,693,974.20
Other businesses	3,214,971.37	474,523.56	2,591,091.99	564,466.42
Total	27,906,564.23	11,139,919.59	21,708,883.51	10,258,440.62

Remark: the operating income in 2017 increased by 28.55% compared with 2016, mainly due to the increase in number of Russian tourists in 2017.

5.24.2 Primary business (by industry)

Industry name	Year 2017		Year 2016	
	Operating income	Operating cost	Operating income	Operating cost
Tourism and catering services	24,691,592.86	10,665,396.03	19,117,791.52	9,693,974.20
Total	24,691,592.86	10,665,396.03	19,117,791.52	9,693,974.20

5.24.3 Primary business (by product)

Product name	Year 2017		Year 2016	
	Operating income	Operating cost	Operating income	Operating cost
Room income	21,103,123.09	8,758,364.38	16,914,028.50	8,561,353.33
Catering and entertainment income	3,588,469.77	1,907,031.65	2,203,763.02	1,132,620.87
Total	24,691,592.86	10,665,396.03	19,117,791.52	9,693,974.20

5.24.4 Primary business (by region)

Region name	Year 2017		Year 2016	
	Operating income	Operating cost	Operating income	Operating cost
Hainan region	24,691,592.86	10,665,396.03	19,117,791.52	9,693,974.20
Total	24,691,592.86	10,665,396.03	19,117,791.52	9,693,974.20

5.25 Taxes and surcharges

Item	Year 2017	Year 2016
Property taxes	872,805.50	482,833.44
Land use tax	434,366.47	289,572.87
Urban maintenance and construction tax	68,334.72	72,627.03
Educational surcharges	28,958.58	31,080.92
Local educational surcharge	19,786.33	20,720.64
Stamp tax	2,760.60	11,718.17
Vehicle and vessel use tax	7,680.00	
Business tax		503,486.90
Total	1,434,692.20	1,412,039.97

5.26 Selling and distribution expenses

Item	Year 2017	Year 2016
Employee compensation	3,783,152.25	3,278,439.52
Depreciation	493,761.97	573,232.60
Repair charges	205,614.06	157,060.17
Water and electricity expenses	166,983.08	188,186.48
Other expenses	474,992.19	734,414.49
Total	5,124,503.55	4,931,333.26

5.27 General and administrative expenses

Item	Year 2017	Year 2016
Salaries and welfares	5,402,093.17	4,580,727.09
Amortization of site use rights	812,387.16	812,387.16
Entertainment expenses	715,630.35	738,590.98
Social insurance premium	610,092.44	525,680.35
Agency fees	400,000.00	404,696.00
Announcing fees	328,688.00	240,345.40
Depreciation	271,883.34	270,946.41
Travelling expenses	206,199.69	212,223.67
Disabled security funds	36,433.27	
Membership expenses of directors and supervisors	9,535.00	312,947.50
Other expenses	872,583.41	853,184.15
Taxes		422,907.20
Total	9,665,525.83	9,374,635.91

5.28 Financial expenses

Category	Year 2017	Year 2016
Interest expense		
Less: interest income	291,701.13	275,296.73
Gains or losses on exchange		
Handling charges	42,524.95	81,651.44
Total	-249,176.18	-193,645.29

5.29 Losses on assets impairment

Item	Year 2017	Year 2016
Losses on bad debt	11,709.50	-1,230.99
Losses from inventory depreciation		
Losses on impairment of other current assets		
Losses from long-term investment impairment		
Losses on impairment of fixed assets		
Losses on impairment of intangible assets		
Total	11,709.50	-1,230.99

5.30 Investment income

Details of investment income

Item	Year 2017	Year 2016
Investment income acquired from disposal of the available-for-sale financial assets and others		429,753.50
Income from other creditors' investment	805,825.24	961,165.05
Total	805,825.24	1,390,918.55

Remark: the income from other creditors' investment is the interest income generated from the loan of RMB 9 million offered to Wuhan Aierjia Technology Development Co., Ltd. As at December 31, 2017, the loan principal and interest were recovered.

5.31 Non-operating income

Details of operating income by item

Item	Year 2017	Year 2016	Amount included in non-recurring profit and loss in the current period
Total gains on disposal of non-current assets			
Including: Gains from disposal of fixed assets			
Gains from disposal of intangible assets			
Compensation income		64,926.00	
Penalty and confiscatory income			
Debt write-offs	1,303,540.11		1,303,540.11
Others	260.00	4,680.00	260.00
Total	1,303,800.11	69,606.00	1,303,800.11

Remark: see 12.2.2 for details of the income from debt write-offs.

5.32 Non-operating expenses

Item	Year 2017	Year 2016	Amount included in non-recurring profit and loss in the current period
Losses from debt restructuring			
Donations made			
Abnormal losses			
Inventory losses			
Losses from damage and scrap of non-current assets	30,016.43	48,887.07	30,016.43
Total	30,016.43	48,887.07	30,016.43

5.33 Notes to items of the cash flow statement

5.33.1 Cash received from other operating activities

Item	Year 2017	Year 2016
Water, electrical and gas fees collected	684,442.21	
Interest income	291,701.13	275,296.73
Security deposit and rent for lease of site	75,000.00	244,000.00
Agent collection of social security insurance premiums	15,515.52	11,615.09
Income from compensation for articles in rooms		8.00
Others	15,828.00	53,528.69
Total	1,082,486.86	584,448.51

5.33.2 Cash paid for other operating activities

Item	Year 2017	Year 2016
Social intercourse fees	730,464.44	641,721.21
Paid fines for illegal operation of the Company's stocks	500,000.00	
Intermediary audit charges	400,000.00	404,696.00
Announcing fees	220,000.00	240,345.40
Travelling expenses	181,369.69	205,293.67
Promotion fee	75,167.49	116,318.27
Costs of listing on the Shenzhen Stock Exchange	80,000.00	80,000.00
Repair charges	291,287.80	79,354.40
Fuel, electricity, gas charges	274,909.12	62,767.95
Office expenses	11,553.14	31,066.70
Posts costs	27,493.61	30,171.22
Financial expenses	42,524.95	81,651.44
Property insurance premiums	49,740.21	
Membership expenses of directors and supervisors	9,535.00	12,947.50
Price adjustment funds		156,797.00
Labor insurance premiums, housing provident fund paid by individuals	592,554.72	553,990.56
Other expenses	388,168.08	274,262.27
Total	3,874,768.25	2,971,383.59

5.33.3 Cash paid for other investing activities

Item	Year 2017	Year 2016
Fines and confiscated amounts for illegal operation of the Company's stocks	19,310,000.00	
Total	19,310,000.00	

5.33.4 Cash received from other financing activities

Item	Year 2017	Year 2016
Luoniushan Group Co., Ltd.	19,810,000.00	
Total	19,810,000.00	

5.33.5 Cash paid for other financing activities

Item	Year 2017	Year 2016
Luoniushan Group Co., Ltd.	19,810,000.00	
Total	19,810,000.00	

5.34 Supplementary information to statement of cash flows

5.34.1 Supplementary information to statement of cash flows

Item	Year 2017	Year 2016
1. Net profit adjusted to cash flows from operating activities		
Net profits	2,858,998.66	-2,661,052.49
Plus: provision for assets impairment	11,709.50	-1,230.99
Depreciation of fixed assets, depreciation and depletion of oil and gas assets and depreciation of productive biological assets	3,193,715.81	3,533,710.59
Amortization of intangible assets	868,727.16	868,727.16
Amortization of long-term fees to apportioned	733,104.44	593,014.30
Loss from disposal of fixed assets, intangible	30,016.43	48,887.07

Item	Year 2017	Year 2016
assets and other long-term assets ("-" for gains)		
Losses on write-off of fixed assets ("-" for gains)		
Losses on changes in fair value ("-" for gains)		
Financial expenses ("-" for gains)		
Investment losses ("-" for gains)	-805,825.24	-1,390,918.55
Losses from debt restructuring ("-" for gains)		
Decreases in deferred tax assets ("-" for increases)		
Increases in deferred tax liabilities ("-" for decreases)		
Decreases in inventories ("-" for increases)	-40.80	-1,104.29
Decreases in operating receivables ("-" for increases)	14,283.36	555,543.09
Increases in operating payables ("-" for decreases)	-1,777,400.85	-268,888.91
Others (Estimated liabilities)		1,489,685.04
Net cash flows from operating activities	5,127,288.47	2,766,372.02
2. Significant investing and financing activities not involving cash receipts and payments		
Transfer of debt to equity		
Convertible corporate bonds maturing within one year		
Fixed assets acquired under financing leases		
3. Net changes in cash and cash equivalents		
Balance of cash at the end of the period	9,681,607.16	27,210,248.01
Less: balance of cash at the beginning of the period	27,210,248.01	19,782,392.26
Plus: balance of cash equivalents at the end of the period		
Less: beginning balance of cash equivalents		
Net increase in cash and cash equivalents	-17,528,640.85	7,427,855.75

5.34.2 Breakdown of cash and cash equivalents:

Item	Ending balance	Beginning balance
I. Cash	9,681,607.16	27,210,248.01
Including: cash on hand	264,156.33	273,523.86
Unrestricted bank deposits	9,417,450.83	26,936,724.15
Unrestricted other cash and cash equivalents		
Unrestricted deposits in central bank		
Deposits in banks and other financial institutions		
Loans to or from banks and other financial institutions		
II. Cash equivalents		
Including: bond investments maturing within three months		
III. Ending balance of cash and cash equivalents	9,681,607.16	27,210,248.01

6. Change of the consolidation scope

6.1 Scope of the consolidated financial statements

The scope of consolidated financial statements includes the headquarters of the Company and Hainan Dadonghai Tourism Centre (Holdings) Co., Ltd. South China Hotel, a non-legal-person affiliated to the Company and subject to independent accounting.

6.2 Change in the consolidation scope of consolidated financial statements:

There was no change in the scope of the consolidated financial statements of the Company in 2017.

7. Risks related to financial instruments

The Company faces all kinds of financial risks in the operating process: Credit risks, market risks and liquidity risks. The Board of Directors of the Company takes full responsibilities for determining the risk management objects and policies and bearing the ultimate liabilities for that, however, the Board of Directors has authorized the management department of the Company to design and implement the process capable of ensuring the effective implementation of the risk management objects and policies. The Board of Directors reviews the effectiveness of the enforced procedures and the rationality of risk management objectives and policies by the reports submitted by the management department of the Company. The internal auditors of the Company also will audit the risk management policies and procedures, and report the relative facts to the audit committee.

The overall objective of risk management of the Company is to prepare the risk management policies ensuring the risk under control as far as possibility without affecting the Company's business development goals.

7.1 Credit risk

Credit risk refers to a risk that one party to the financial instruments suffers financial losses due to the failure of the other party in performing the obligations The Company mainly faces customer credit risks caused by sales on account. Before signing a new contract, the Company will understand and assess credit risks of the new customer. The Company rates the credit of existing customers and analyzes the aging of accounts receivable to ensure that the Company's overall credit risk is within the controllable range.

7.2 Market risk

Market risk associated with financial instruments refers to the risk that fair value or future cash flows of financial instruments fluctuate due to variations in market prices, and it includes exchange rate risk, interest rate risk and other price risks.

7.3 Liquidity risk

Liquidity risks refer to the risks of capital shortage occurred when enterprises perform the obligations of settlement in cash or other financial assets. The policy of the Company is to ensure that there are sufficient cash for the payment of the matured debts. Liquidity risk is under centralized control of the financial department of the Company. The financial department monitors cash balance and readily realizable and marketable securities and makes rolling forecast on cash flows of the next 12 months to ensure that the Company has sufficient funds to repay debts in all cases of reasonable prediction.

8. Related parties and related-party transactions

8.1 The largest shareholder of the Company

Name of the largest shareholder	Relationship	Enterprise type	Registered place	Legal Representative	Nature of business	Registered capital (RMB'0,000)	Shareholding ratio in the Company (%)	Ratio of voting right in the Company (%)
Luoniushan Co., Ltd.	The largest shareholder	Listed company	Haikou	Xu Zili	Crop farming and breeding industry	115,151.00	17.55	19.80

Remark: as at December 31, 2017, Luoniushan Co., Ltd. (hereinafter referred to as "Luoniushan") and its wholly-owned subsidiary Hainan Ya'anju Property Services Co., Ltd. held a total of 72,091,780 A shares of the Company, accounting for 19.80% of the total share capital of the Company, and being the largest shareholder of the Company.

8.2 Related-party transactions

8.2.1 Sales of goods/ rendering of services

Related party	Contents of related-party transaction	Pricing and decision-making process of related-party transactions	Year 2017		Year 2016	
			Amount	Contribution to similar transactions (%)	Amount	Contribution to similar transactions (%)
Luoniushan Co., Ltd.	Room and meal charge	Market price	787,474.00	3.19	29,566.04	0.15

8.2.2 Accounts due to and from the related parties

Item	Related party	Ending balance	Beginning balance
Accounts receivable	Luoniushan Co., Ltd.	166,412.00	10,668.00

8.2.3 Key management personnel emoluments

Item	Year 2017 (RMB'0,000)	Year 2016 (RMB'0,000)
Key management personnel emoluments	188.57	116.19

9. Contingencies

On May 26, 2016, the Company received a lawyer letter from Hainan Yunfan Law Firm entrusted by Sanya Power Supply Bureau of Hainan Power Grid Co., Ltd. (hereinafter referred to as "Sanya Power Supply Bureau"), saying that Sanya Power Supply Bureau found, in verifying electricity consumption by South China Hotel, a subsidiary of the Company, that the current transformer (CT) installed in the distribution center metering counters in South China Hotel installed was inconsistent with the record in themarketing management system file of Sanya Power Supply Bureau, and the duration of the inconsistence was from July 2006 when South China Hotel changed its electricity consumption measuring device to April 2016.According to the statistics, electricity consumption of10313373 KWH was measured in short, which was estimated to be valued at RMB7,200,165.75 according to the electricity prices and surcharge rates in the years.

According to the Legal Consultation Advice on Electricity Quantity (Electricity Charge) Claiming Dispute between South China Hotel and Sanya Power Supply Bureau issued by Beijing Junhe (Haikou) Law Firm on December 20, 2016, as all electricity consumption metering devices are purchased, installed, sealed, opened and replaced by Sanya Power Supply Bureau Responsible, the short measurement of electricity charge from South China Hotel for many years was due to the fault of Sanya Power Supply Bureau, and was irrelevant to South China Hotel.Pursuant to Article 135 of the General Principles of Civil Law: "Except as otherwise stipulated by law, the limitation of action regarding applications to a people's court for protection of civil rights shall be two years., the Company accrued an amount of RMB1,489,685.04 for the electricity charge for electricity quantity measured in short during two years from April 2014 to April 2016.As at December 31, 2017, no further progress was made on this matter.

10. Commitment

The Company has no commitments required to be disclosed.

11. Post balance-sheet events

On January 30, 2018, as resolved at the 16th meeting of the 8th board of directors of the Company, the Company does not intend to make profit distribution or convert capital reserve into share capital.

12. Other significant events

12.1 Correction of accounting errors in previous periods

12.1.1 Retrospective restatement method

There was no correction of accounting errors in prior periods made under the retrospective restatement method during the reporting period.

12.1.2 Prospective application

There was no correction of accounting errors in prior periods with the prospective application adopted during the reporting period.

12.2 Miscellaneous

12.2.1 According to the requirements of the Guidelines for the Supervision of Listed Companies No.4 -- Commitments of and Performance of Commitments by Actual Controllers, Shareholders, Related Parties, Acquirers of Listed Companies and Listed Companies (Announcement of the China Securities Regulatory Commission [2013] No.55) issued by the China Securities Regulatory Commission (CSRC), on June 7, 2014, Luoyunshan Co., Ltd. (hereinafter referred to as "Luoniushan") issued to the Company a Letter on Change in Commitment by Luoyunshan Co., Ltd. to Hainan Dadonghai Tourism Centre (Holdings) Co., Ltd.and undertakes in the letter that within three years from the date when the general meeting of shareholders of the Company reviewed and approved the change in the commitment, Luoniushan will actively seek reorganization party to reorganize assets of the Company. Such matter were reviewed and approved by the general meeting of shareholders of the Company 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, whichmeans 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 November29, 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.

12.2.2 According to the Proposal on Write-off of Long-term Investments and Current Accounts reviewed and adopted at the 12th interim meeting of the 8th board of directors of the Company on October 25, 2017 and the third extraordinary general meeting of shareholders of the Company for 2017 on November 10, 2017, the Company wrote off long-term equity investment and available-for-sale financial assets for which provision for impairment was provided for in full and part of claims; and wrote off part of accounts payable which were unable to be paid, including: writing off long-term equity investment of RMB9,716,374.26, available-for-sale financial assets of RMB5,000,000.00, accounts receivable of RMB 2,176,212.90, other receivables of RMB78,067,592.72, accounts payable of RMB375,553.60, advance from customers of RMB 251,057.21, other payables of RMB676,929.30.Non-operating income arising from the write-offs amounted to RMB 1,303,540.11.

On October 20, 2017, Hainan Dongfang Guoxin Law Firm issued a Legal Opinion on

Time Limitation for Proceedings on Part of Accounts Payable of Hainan Dadonghai Tourism Centre (Holdings) Co., Ltd. for the above-mentioned written-off payables, confirming that the above 201 sums of payables have exceeded the statutory time limitation, and the relevant creditors have lost their debt recovery right and the right to win.

13. Supplementary information

13.1 Breakdown of non-recurring profits and losses in 2017

Item	Year 2017	Remark
Profits or losses from disposal of non-current assets	-30,016.43	
Tax returns, deduction and exemption approved beyond the authority or without official approval documents		
Government grants included in current profits and losses (except for government grants closely related to the enterprise business, obtained by quota or quantity at unified state standards)		
Expenses for using funds charged from non-financial enterprises and included in the current profit or loss	805,825.24	
Gains from the difference of the investment costs for acquiring subsidiaries, associates and joint ventures in short of the share in the net fair value of identifiable assets of the investee when investing		
Profits or losses on exchange of non-monetary assets		
Profit or loss on entrusting the investment or management of assets		
Various provision of asset impairment made due to force majeure, such as natural disasters		
Profit or loss from debt restructuring		
Enterprise reorganizing expenses, such as employee accommodation costs and integration expenses,etc.		
Profit or loss on transactions made at unfair transaction price in excess of their fair value		
Current net profit and loss of the subsidiaries generated in the enterprise merger under the same control from the beginning of the period to the merger date.		
Profit or loss on contingent matter irrelevant to normal business operation of the Company		
Profits or losses from fair value changes in held-for-trading financial assets and held-for-trading financial liabilities, and investment income from disposal of held-for-trading financial assets, held-for-trading financial liabilities and available-for-sale financial assets except for effective hedging business related to the normal business of the company		
Reversal of the impairment provision for receivables subject to separate impairment test		
Profit or loss from the external entrusted loans		
Profit or loss on changes in fair value of investment property subsequently measured by adopting the fair value model		
Effect on current profit or loss due to one-off adjustment thereto in accordance with the requirements of laws and regulations regarding taxation or accounting		

Item	Year 2017	Remark
Income from trustee fees charged for entrusted operation		
Other non-operating income and expenses except for the above-mentions items	1,303,800.11	
Income tax effects		
Minority shareholders' equity effects (after tax)		
Total	2,079,608.92	

13.2 Return on net assets and earnings per share

Profit for the reporting period	Yield rate of net weighted average assets (%)	Earnings per share (Yuan)	
		Basic earnings per share	Diluted earnings per share
Net profit attributable to ordinary shareholders of the Company	3.7765	0.0079	0.0079
Net profit attributable to ordinary shareholders of the Company after deducting the non-recurring profit and loss	1.0295	0.0021	0.0021

13.3 Accounting data difference between the domestic and overseas accounting standards

There was no accounting data difference between the domestic and overseas accounting standards.

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

January 30, 2018