

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

**Financial Report & Statement**

**Semi-Annual 2018**



# Hainan Dadonghai Tourism Center (Holdings) Co., Ltd.

## Financial Report & Financial Statement

(1 January 2018-30 June 2018)

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## Hainan Dadonghai Tourism Center (Holdings) Co., Ltd.

### Balance Sheet

2018-6-30

(Expressed in Renminbi unless otherwise stated)

Item	Ending balance	Beginning balance
Current assets:		
Monetary funds	10,751,658.64	9,681,607.16
Notes receivable		
Accounts receivable	266,236.51	594,130.89
Prepayments	43,206.84	49,530.21
Interests receivable		
Dividends receivable		
Other receivables	800,136.44	139,561.29
Inventories	264,620.69	227,005.11
Non-current assets maturing within one year	716,972.51	1,173,597.68
Other current assets	2,195,699.54	1,957,863.56
<b>Total current assets</b>	<b>15,038,531.17</b>	<b>13,823,295.90</b>
Non-current assets:		
Long-term equity investments	1,000,000.00	
Investment property	8,621,742.21	8,859,003.99
Fixed assets	38,017,199.39	39,088,708.83
Construction in progress		
Project materials		
Disposal of fixed assets		
Intangible assets	22,611,442.62	23,017,636.20
Development expenses		
Goodwill		
Long-term deferred expenses	2,678,016.88	2,678,016.88
Deferred income tax assets		
Other non-current assets		
<b>Total non-current assets</b>	<b>72,928,401.10</b>	<b>73,643,365.90</b>
<b>Total assets</b>	<b>87,966,932.27</b>	<b>87,466,661.80</b>

Legal Representative: Yuan Xiaoping

Accounting Principal: Fu Zongren

The Accounting Firm's Principal: Fu Zongren

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

**Balance Sheet (Cont')**

2018-6-30

(Expressed in Renminbi unless otherwise stated)

Current liabilities:		
Short-term borrowings		
Notes payable		
Accounts payable	1,651,770.31	2,161,172.26
Accounts received in advance	1,057,513.07	1,271,174.12
Employee benefits payable	1,984,463.35	2,459,015.93
Taxes and surcharges payable	471,349.26	539,023.76
Interests payable		
Dividends payable		
Other payables	2,894,571.56	2,411,176.59
Non-current liabilities maturing within one year		
Other current liabilities		
<b>Total current liabilities</b>	<b>8,059,667.55</b>	<b>8,841,562.66</b>
Non-current liabilities:		
Long-term borrowings		
Bonds payable		
Long-term payables		
Estimated liabilities	1,489,685.04	1,489,685.04
Other non-current liabilities		
<b>Total non-current liabilities</b>	<b>1,489,685.04</b>	<b>1,489,685.04</b>
<b>Total liabilities</b>	<b>9,549,352.59</b>	<b>10,331,247.70</b>
Owners' equity:		
Share capital	364,100,000.00	364,100,000.00
Capital reserves	54,142,850.01	54,142,850.01
Surplus reserves		
Undistributed profit	-339,825,270.33	-341,107,435.91
Total equity attributable to owners of parent company	78,417,579.68	77,135,414.10
Minority's equity		
<b>Total owners' equity</b>	<b>78,417,579.68</b>	<b>77,135,414.10</b>

<b>Total liabilities and owners 'equity</b>	87,966,932.27	87,466,661.80
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Legal Representative: Yuan Xiaoping

Accounting Principal: Fu Zongren

The Accounting Firm's Principal: Fu Zongren

## Hainan Dadonghai Tourism Center (Holdings) Co., Ltd.

### Profit Statement

1 Jan. 2018-30 Jun. 2018

(Expressed in Renminbi unless otherwise stated)

Item	Current period	Last period
<b>I. Total operating income</b>	16,173,929.32	15,096,273.42
Including: Operating income	16,173,929.32	15,096,273.42
Interest income		
Earned premium		
Fee and commission income		
<b>II. Total operating const</b>	14,891,558.76	13,377,279.62
Including: Operating cost	6,000,063.36	5,256,112.51
Interest cost		
Tax and surcharge	716,520.90	754,244.27
Selling expenses	2,800,956.10	2,458,144.93
Administrative expenses	5,356,455.21	5,089,450.57
Financial expenses	17,563.19	-180,672.66
Losses from asset impairment		
Investment income ("-" for loss)		
<b>III. Operating profits ("-" for losses)</b>	1,282,370.56	1,718,993.80
Plus: non-operating income	273.00	260.00
Less: non-operating expenses	477.98	
<b>IV. Total profits ("-" for total losses)</b>	1,282,165.58	1,719,253.80
Less: income tax expenses		
<b>V. Net profit ("-" for net loss)</b>	1,282,165.58	1,719,253.80
Net profit attributable to owners of parent company	1,282,165.58	1,719,253.80
Minority's gains/losses		
<b>VI. Net amount of other comprehensive income after-tax</b>		
<b>VII. Total comprehensive income</b>	1,282,165.58	1,719,253.80
Total comprehensive income attributable to owners of parent company	1,282,165.58	1,719,253.80
Total comprehensive income attributable to minority		

VIII. Earnings per share:		
(I) Basic earnings per share	0.0035	0.0047
(II) Diluted earnings per share	0.0035	0.0047

Legal Representative: Yuan Xiaoping

Accounting Principal: Fu Zongren

The Accounting Firm's Principal: Fu Zongren

**Hainan Dadonghai Tourism Center (Holdings) Co., Ltd.**  
**Cash Flow Statement**

1 Jan. 2018-30 Jun. 2018

(Expressed in Renminbi unless otherwise stated)

Item	Current period	Last period
<b>I. Cash flows from operating activities</b>		
Cash received from sale of goods and rendering of services	17,460,137.72	15,736,183.76
Refunds of taxes and surcharges		
Cash received from other operating activities	684,152.64	677,415.38
Sub-total of cash inflows from operating activities	18,144,290.36	16,413,599.14
Cash paid for goods purchased and services received	5,026,699.13	3,826,391.38
Cash paid to and on behalf of employees	6,741,602.32	5,608,808.99
Cash paid for taxes and surcharges	1,590,739.15	1,610,025.50
Cash paid for other operating activities	1,674,572.16	2,137,300.17
Sub-total of cash outflows from operating activities	15,033,612.76	13,182,526.04
<b>Net cash flows from operating activities</b>	<b>3,110,677.60</b>	<b>3,231,073.10</b>
<b>II. Cash flows from investing activities</b>		
Cash received from disposal of investments		
Sub-total of cash inflows from investing activities		
Cash paid to acquire and construct fixed assets, intangible assets and other long-term assets	1,040,626.12	1,333,145.20
Cash paid for investments	1,000,000.00	
Cash paid for other investing activities		9,000,000.00
Sub-total of cash outflows from investing activities	2,040,626.12	10,333,145.20
<b>Net cash flows from investing activities</b>	<b>-2,040,626.12</b>	<b>-10,333,145.20</b>
<b>III. Cash flows from financing activities</b>		
Cash received from other financing activities		19,810,000.00
Sub-total of cash inflows from financing activities		19,810,000.00
Cash paid for other financing activities		29,810,000.00
Sub-total of cash outflows from financing activities		29,810,000.00

<b>Net cash flows from financing activities</b>		-10,000,000.00
<b>IV. Effect of fluctuation on exchange rate on cash and cash equivalents</b>		
<b>V. Net increase in cash and cash equivalents</b>	1,070,051.48	-17,102,072.10
Plus: balance of cash and cash equivalents at the beginning of the period	9,681,607.16	27,210,248.01
<b>VI. Balance of cash and cash equivalents at the end of the period</b>	10,751,658.64	10,108,175.91

Legal Representative: Yuan Xiaoping

Accounting Principal: Fu Zongren

The Accounting Firm's Principal: Fu Zongren

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

1 Jan. 2018-30 Jun. 2018

(Expressed in Renminbi unless otherwise stated)

Item	Current period											Minority's equity	Total owner's equity
	Equity attributable to owners of parent company												
	Share capital	Other equity instrument			Capital reserve	Less: treasury stock	Other comprehensive income	Special reserve	Surplus reserves	General risk provision	Undistributed profit		
Preferred stock		Perpetual capital securities	Other										
I. Balance as at the end of last year	364,100,000.00				54,142,850.01							-341,107,435.91	77,135,414.10
Plus: Changes in accounting policies													
II. Balance as at the beginning of year	364,100,000.00				54,142,850.01							-341,107,435.91	77,135,414.10
III. Increases/decreases in the period ("-" for decreases)											1,282,165.58		1,282,165.58
(I) Total comprehensive income											1,282,165.58		1,282,165.58
(II) Capital contributed or													



		stock	capital			income						
		securities	reserves									
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: Changes in accounting policies												
II. Balance as at the beginning of year	364,100,000.00				54,142,850.01						-343,966,434.57	74,276,415.44
III. Increases/decreases in the period (“-” for decreases)											1,719,253.80	1,719,253.80
(I) Total comprehensive income											1,719,253.80	1,719,253.80
(II) Capital contributed or reduced by owners												
1. Ordinary shares contributed by owners												
(III) Profit distribution												
1. Withdrawal of surplus reserves												
(IV) Internal carry-forward of owners' equity												
1. Conversion of capital reserves into paid-in capital (or share capital)												
(V) Special reserves												
1. Withdrawal in the period												
2. Use in the period												

(VI) Others													
IV. Balance as at the end of the period	364,100,000.00				54,142,850.01							-342,247,180.77	75,995,669.24

Legal Representative: Yuan Xiaoping

Accounting Principal: Fu Zongren

The Accounting Firm's Principal: Fu Zongren

## HAINAN DADONGHAI TOURISM CENTER (HOLDINGS) CO., LTD NOTES TO FINANCIAL STATEMENT SEMI-ANNUAL 2018

### 1. Company basic information

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

As at 30 June 2018, the Company's accumulative total issued capital was 364.1 million shares and the Company's registered capital was RMB 364.1 million. Legal representative: Yuan Xiaoping. Unified social credit code: 91460000201357188U. Domicile: Dadonghai, Hedong District, Sanya. Business scope: Accommodation and catering industry (limited to branches); photography; flower bonsai, knitwear, general merchandise, hardware, chemical products (except franchised operations), daily necessities, industrial means of production (except franchised operations), metal materials, machinery equipment; sales of train, bus, vehicle tickets on an agent basis etc. The Company's largest shareholder is Luoniushan Co., Ltd.

The financial statements were approved by the board of directors of the Company on 9 August 2018

for disclosure.

## **2. Basis of preparation of the financial statements**

### **2.1. Preparation basis**

Based on going concern and according to actually occurred transactions and events, the Company prepared financial statements in accordance with the Accounting Standards for Business Enterprises — Basic Standards and the specific accounting standards, Application Guidance to the Accounting Standards for Business Enterprises, the interpretation of the Accounting Standards for Business Enterprises and other relevant provisions (hereinafter referred to collectively as the "Accounting Standards for Business Enterprises"), as well as the disclosure provisions of the Rules for the Compilation and Submission of Information Disclosure by Companies Offering Securities to the Public No.15 - General Requirements for Financial Reports (Revised in 2014).

### **2.2 Going concern**

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

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

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

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

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

### **3.2 Accounting period**

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

### **3.3 Operating cycle**

The Company's operating cycle is 12 months.

### **3.4 Reporting currency**

The Company adopts RMB as its reporting currency.

### **3.5 Scope of consolidation (aggregation) of financial statements**

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

### **3.6 Recognition criteria of cash and cash equivalents**

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

### **3.7 Foreign currency transactions and conversion for statement in foreign languages**

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

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

### **3.8 Financial instruments**

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

### **3.8.1 Classification of financial instruments**

Financial assets and liabilities are classified into the following categories according to the purpose of acquisition: financial assets or financial liabilities measured at fair value and whose variation is included in the current profit and loss, including financial assets or financial liabilities held for trading and financial assets or financial liabilities directly designated to be measured at fair value through current profit and loss, held-to-maturity investments, accounts receivables, available-for-sale financial assets and other financial liabilities, etc.

### **3.8.2 Recognition basis and measurement method of financial instruments**

- (1) Financial assets (financial liabilities) measured at fair value and whose variation is included in the current profit and loss

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

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

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

- (2) Held-to-maturity investments

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

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

The difference between the amount received and the book value of the investment is

included in the investment profit and loss upon disposal.

(3) Accounts receivable

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

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

(4) Available-for-sale financial assets

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

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

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

(5) Other financial liabilities

Other financial liabilities are initially recognized at the sum of fair value and transaction expenses and subsequently measured at amortized costs.

### **3.8.3 Recognition basis and measurement method of transfer of financial assets**

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

The principle of substance over form is adopted to determine whether the transfer of a financial asset satisfies the criteria as described above for derecognition of a financial asset. The Company shall classify the transfer of a financial asset into the entire transfer and the partial transfer of financial asset. If the entire transfer of financial asset satisfies the criteria for derecognition, the difference between the amounts of the following two items shall be included in the current profit and loss:

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

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

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

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

### **3.8.4 Derecognition criteria of financial liabilities**

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

existing financial liability, it shall derecognize the existing financial liability, and shall at the same time recognize a new financial liability.

Where substantial revisions are made to some or all of the contractual stipulations of the existing financial liability, the Company shall derecognize the existing financial liability totally or partly, and at the same time recognize the financial liability with revised contractual stipulations as a new financial liability.

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

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

### **3.8.5 Method of determining the fair value of financial assets and financial liabilities**

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

### **3.8.6 Providing of impairment provision on financial assets (exclude receivable accounts)**

The Company performs inspection on the book value of financial assets apart from those financial assets measured at fair value through current profit and loss on the balance sheet

date. Impairment provision is required if objective evidences of impairment occurs to the financial assets.

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

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

If, in a subsequent period, the carrying amount of available-for-sale debt instruments investments increases and the increase can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment losses are reversed, included in current profit or loss.

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

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

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

**3.9 Account receivable**

**3.9.1 Account receivable with individually significant amount and with bad debt provision accrual independently**

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

**3.9.2 Receivables with bad debt provision accrual by credit portfolio:**

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

### 3.9.3 Accounts receivable with individually insignificant amounts and individual allowance for bad debt

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

## 3.10 Inventories

### 3.10.1 Classification

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

### 3.10.2 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.

### 3.10.3. 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.

#### **3.10.4. Inventory system**

The perpetual inventory system is adopted for accounting.

#### **3.10.5. Amortization methods for low-cost consumables and packaging materials**

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

### **3.11 Long-term equity investments**

#### **3.11.1. 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.

### **3.11.2. 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.

### **3.11.3. 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's identifiable net asset to which the Company shall be entitled when investing, the initial cost of the long-term equity investment will not be adjusted. If the initial cost of a long-term equity investment is less than the share of the fair value of the investee's identifiable net asset to which the Company shall be entitled when investing, the difference shall be included in the current profit or loss.

The Company respectively recognizes the investment income and other comprehensive income according to the shares of net profit or loss and other comprehensive income realized by the investee that should be enjoyed or assumed by the Company, and adjusts the book value of long-term equity investment; according to the profit declared to be distributed by the investee or the part shall be enjoyed cash dividends calculation, to reduce the book value of long-term equity investment correspondingly; for other changes in owners' equity excepting for the 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 the fair value of various identifiable assets and others of the investee on acquisition and according to accounting policies and accounting periods of the Company, the Company shall recognize such share after making adjustments to net profit of the investee. When holding the investment, the investee should prepare the

consolidated financial statements, it shall account for the investment income based on the net profit, other comprehensive income and the changes in other owner's equity attributable to the investee.

The Company shall write off the part of incomes from internal unrealized transactions between the Company and associates and joint ventures which are attributable to the Company according to the corresponding ratio and recognize the profit and loss on investments on such basis. Where the losses from internal transactions between the Company and the investee fall into the scope of assets impairment loss, the full amount of such losses should be recognized. For transactions on investments or sales of assets between the Company and associates and joint ventures, where such assets constitute business, they should be accounted for according to the relevant policies.

When the Company recognizes its share of loss incurred to the investee, treatment shall be done in the following sequence: firstly, the book value of the long-term equity investment shall be reduced; secondly, where the book value thereof is insufficient to cover the share of losses, investment losses are recognized to the extent of book value of other long-term equities which form net investment in the investee in substance and the book value of long term receivables shall be reduced. Finally, after all the above treatments, if the Company is still responsible for any additional liability in accordance with the provisions stipulated in the investment contracts or agreements, provisions are recognized and included into current investment loss according to the obligations estimated to undertake. An investing party shall recognize the net loss incurred by the invested entity until the book value of the long-term equity investment and other long-term interests which substantially form the net investment in the invested entity are reduced to zero, unless the investing party is obliged to undertake extra losses. If the invested entity realizes any net profit later, the investing party shall, after the amount of its attributable share of profits offsets its attributable share of the unrecognized losses, resume recognizing its attributable share of profits.

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

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

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

In case the joint control or significant influence over the investee is lost for disposing part of equity investments or other reasons, the remaining equity will be changed to be accounted for according to the

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

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

If the remaining equity after disposal cannot exercise joint control or significant influence on the investee, such investments should be accounted for according to the provisions on the recognition and measurement of financial instruments and the difference between fair value and book value on the date of loss of the control should be included in the current profit and loss.

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

### **3.12 Investment property**

Measurement mode

Measured by cost method

Depreciation or amortization method

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

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

### 3.13 Fixed assets

#### 3.13.1 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.

#### 3.13.2 Depreciation method of fixed assets

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

#### 3.14 Construction in progress

The book-entry values of the fixed assets are stated at total expenditures incurred before reaching working condition for their intended use. For construction in progress that has reached working conditions for its intended use but for which the completion of settlement has not been handled, it shall be transferred into fixed assets at the estimated value according to the project budget, construction price or actual cost, etc. from the date when it reaches the working conditions for its intended use. The fixed assets shall be depreciated in accordance with the Company's policy on fixed asset depreciation. Adjustment shall be made to the originally and provisionally estimated value based on the actual cost after the completion of settlement is handled, but depreciation already provided will not be adjusted.

### **3.15 Borrowing costs**

#### **3.15.1. 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.

#### **3.15.2. 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.

#### **3.15.3. 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.

#### **3.15.4. Calculation of capitalization amount of borrowing costs**

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

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

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

### **3.16 Intangible assets**

#### **3.16.1. 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.

**3.16.2. Estimates of useful lives of intangible assets with definite useful lives**

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

**3.16.3. Judgment basis for intangible assets with indefinite useful lives**

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

**3.17 Impairment of long-term assets**

For the long-term equity investments, investment properties, fixed assets, construction in progress, intangible assets, and other long-term assets measured at cost model, if there are signs of impairment, an impairment test will be conducted on the balance sheet date. If impairment test results indicate that the recoverable amounts of the assets are lower than their book value, the provision for impairment is made based on the differences, which are recognized as impairment losses. The recoverable amounts of intangible assets are the higher of their fair values less costs to sell and the present values of the future cash flows expected to be derived from the assets. The assets impairment provision is calculated and made on an individual basis. If it is difficult for the Company to estimate the recoverable amount of the individual asset, the recoverable amount of an asset group to which the said asset belongs to will be determined. Asset group is the minimum combination of assets that can independently generate cash inflows.

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

**3.18 Long-term deferred expenses**

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

**3.18.1. Amortization method**

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

**3.18.2. Amortization period**

Item	Amortization period
Hotel exterior decoration	4-year
Fire stairs renovation	4-year

C FLOOR ROOM RENOVATION	5-year
Villa renovation	5-year
Swimming pool renovation	5-year

### **3.19 Employee compensation**

#### **3.19.1 Accounting method for short-term compensation**

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

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

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

#### **3.19.2 Accounting method for post-employment benefits**

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

#### **3.19.3 Accounting method for dismiss welfare**

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

### **3.20 Estimated liabilities**

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

#### **3.20.1. 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.

### **3.20.2. Measurement method of estimated liabilities**

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

When the Company determines the best estimate, it should have a comprehensive consideration of risks with respect to contingencies, uncertainties and the time value of money. If the time value of money is significant, the best estimates will be determined after discount of relevant future cash outflows.

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

If there is continuous range (or interval) for the necessary expenses, and probabilities of occurrence of all the outcomes within this range are equal, the best estimates will be determined at the average amount of upper and lower limits within the range.

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

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

## **3.21. Revenue**

### **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.

## **3.22 Government subsidies**

### **3.22.1 Judgment criteria and accounting method for government subsidies related to assets**

Set off the book value of related assets or be recognized as deferred income. Government subsidies related to assets are recognized as deferred income to be evenly distributed over the useful lives of the relevant assets and shall be recorded in current profit or loss by stages in a reasonable and systematic manner. Government subsidies measured in nominal amounts, are directly included in current profits and losses.

Where relevant assets are sold, transferred, 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.

### **3.22.2 Judgment criteria and accounting method for government subsidies related to income**

1) To be used as compensation for future costs, expenses or losses are recognized as deferred income and are recorded in current profits and losses or used to write off the related costs where the relevant costs, expenses or losses are recognized.

2) To be used to compensate the related costs, expenses or losses incurred by the Company are directly included in current profit and loss or used to write off the related costs.

3) Accounting treatment will be conducted for government subsidies that at the same time include those associated with assets and income by different parts: if it is difficult to distinguish, they will be deemed as government subsidies associated with income.

## **3.23. Major accounting policies and estimates changes**

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

## 4. Taxation

### Major tax types and tax rates applicable to the Company

Taxation type	Basis of tax assessment	Tax rate
Value added tax (VAT)	Output VAT is calculated based on taxable sales revenue and service revenue calculated in accordance with tax laws and VAT payable or taxable sales revenue shall be the difference after deducting the input VAT deductible in the same period	5%, 6%, 11%, 17%
Urban maintenance and construction tax	Levied based on VAT payable	7%
Education surtax	Levied based on VAT payable	3%
Local educational surcharge	Levied based on VAT payable	2%
Housing property tax	Remaining value after deducting 30% from the original value of the house (including the occupied land price) and rental income	1.2%、12%
Land use tax	Land area	
Enterprise income tax	Levied based on taxable income	25%

## 5. Notes to the items of financial statements

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

### 5.1 Monetary fund

Item	Ending balance	Beginning balance
Stock cash	383,507.23	264,156.33
Bank Deposit	3,368,151.41	9,417,450.83
Other monetary fund	7,000,000.00	
<b>Total</b>	<b>10,751,658.64</b>	<b>9,681,607.16</b>

Other notes: The closing balance is unsecured, unfrozen or doesn't have other restrictions on realization or the

funds deposit in the overseas, or have potential recovery risks.

## 5.2 Accounts receivable

### 5.2.1 Accounts receivable by type

Type	Ending balance					Beginning balance				
	Book balance		Provision for bad debts		Book Value	Book balance		Provision for bad debts		Book Value
	Amount	Proportion %	Amount	Accrual ratio		Amount	Proportion %	Amount	Accrual ratio	
Accounts receivable with significant single amount subject to provision for bad debts on a single basis										
Accounts receivable with provision for bad debts based on portfolios	334,756.76	100	68,520.25	20.47	266,236.51	662,651.14	100	68,520.25	10.34	594,130.89
Accounts receivable with insignificant single amount but accrued for provision of bad debt on a single basis										
<b>Total</b>	<b>334,756.76</b>	<b>100</b>	<b>68,520.25</b>	<b>20.47</b>	<b>266,236.51</b>	<b>662,651.14</b>	<b>100</b>	<b>68,520.25</b>	<b>10.34</b>	<b>594,130.89</b>

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

Aging	Ending balance
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	Accounts receivable	Provision for bad debts	Proportion of provision
Within 1 year	244,368.96		
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%
More than five years	62,100.80	62,100.80	100.00%
<b>Total</b>	<b>334,756.76</b>	<b>68,520.25</b>	<b>20.47%</b>

### 5.2.2 Top five accounts receivable

Name	Relationship with the Company	Book balance	Aging	Proportion in total accounts receivable (%)
Shanghai Hitz International Travel Agency Co., Ltd.	Non related party	96,490.00	Within 1 year	28.82%
Luoniushan Co., Ltd.	Non related party by combination	65,420.00	Within 1 year	19.54%
Guangzhou Design Institute	Non related party	38,980.00	More than five years	11.64%
Beijing Tongcheng Huading International Travel Agency Co., Ltd.	Non related party	35,479.00	Within 1 year	10.60%
Tianjin Watermelon Tourism Co., Ltd.	Non related party	33,104.96	Within 1 year	9.89%
<b>Total</b>		<b>269,473.96</b>		<b>80.50%</b>

## 5.3 Prepayments

### 5.3.1 Aging analysis of repayment

Aging	Ending balance		Beginning balance	
	Amount	Proportion	Amount	Proportion
Within 1 year	43,206.84	100.00%	49,530.21	100.00%
<b>Total</b>	<b>43,206.84</b>	<b>100.00%</b>	<b>49,530.21</b>	<b>100.00%</b>

### 5.3.2 Top five prepayment collected by objects at ending balance

Unit	Ending balance	Proportion in total prepayment (%)
Sunshine Property Insurance Co., LTD Hainan Branch	18,322.73	42.41
China Petrochemical Marketing Co. Ltd Sanya Branch	12,103.50	28.01
China Post Group Corporation Sanya Branch	5,400.00	12.50
Sanya Daily Office	4,864.87	11.26
Hangzhou XR Information Technology Co., Ltd.	2,515.74	5.82
<b>Total</b>	<b>43,206.84</b>	<b>100.00</b>

## 5.4 Other receivables

### 5.4.1 Other receivables by type:

Type	Ending balance					Beginning balance				
	Book balance		Provision for bad debts		Book Value	Book balance		Provision for bad debts		Book Value
	Amount	Proportion %	Amount	Accrual ratio		Amount	Proportion %	Amount	Accrual ratio	
Other receivables with significant single amount and individual allowance for bad debts										
Other receivables with provision for bad debts based on portfolio	821,284.34	100	21,147.90	2.57	800,136.44	160,709.19	100	21,147.90	13.16	139,561.29
Other receivables with insignificant single amount but accrued for provision of bad debt on a single basis										

Total	821,284.34	100	21,147.90	2.57	800,136.44	160,709.19	100	21,147.90	13.16	139,561.29
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Other receivables with provision for bad debts made by aging analysis method in portfolios:

Aging	Ending balance		
	Account receivables	Provision for bad debt	Provision proportion
Within 1 year	799,686.44		
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%
<b>Total</b>	<b>821,284.34</b>	<b>21,147.90</b>	

#### 5.4.2 Classification of other receivables by the nature of payment

Nature of Payment	Ending book balance	Beginning book balance
Guarantee deposit	600.00	600.00
Pretty cash	20,000.00	49,281.48
Utilities	197,820.63	70,809.03
Personal social security, Accumulation fund	28,120.04	40,018.68
Staff borrowings	288,543.31	
Sun Hongjie	286,200.36	
<b>Total</b>	<b>821,284.34</b>	<b>160,709.19</b>

#### 5.4.3 Top five other account receivables collected by arrears party at ending balance

Company name	Nature of money	Ending balance	Aging	Proportion in total other receivables	Ending balance of bad debt provision
Sun Hongjie	Advance	286,200.36	1 年以内	34.85%	

	payment				
Wen Ping	Advance payment	185,292.04	1 年以内	22.56%	
Hainan Hangpai Catering Co., Ltd.	Utilities	110,620.65	1 年以内	13.47%	
Yang Yunhui	Staff borrowings ready for settlement	65,525.00	1 年以内	7.98%	
Peng Guoxing	Utilities	54,649.64	1 年以内	6.65%	
Total		702,287.69		85.51%	

## 5.5 Inventories

### 5.5.1 Classification of inventories

Item	Ending balance			Beginning balance		
	Book balance	Depreciation reserve	Book value	Book balance	Depreciation reserve	Book value
Stock materials	925,333.68	735,181.58	190,152.10	880,621.58	735,181.58	145,440.00
Stock commodities	22,771.38	11,102.41	11,668.97	22,771.38	11,102.41	11,668.97
Food and beverages	38,544.22		38,544.22	45,640.74		45,640.74
Fuels	24,255.40		24,255.40	24,255.40		24,255.40
Total	1,010,904.68	746,283.99	264,620.69	973,289.10	746,283.99	227,005.11

### 5.5.2 Inventory depreciation reserve

Item	Beginning balance	Increased in the period		Decrease in the Period		Ending balance
		Withdrawing	Other	Reversal or Write-off	Other	
Raw material	735,181.58					735,181.58
Stock commodities	11,102.41					11,102.41
Total	746,283.99					746,283.99

## 5.6 Non-current assets maturing within one year

Item	Ending balance	Beginning balance
Long-term deferred expenses needed to be amortized within one year	716,972.51	1,173,597.68
Total	716,972.51	1,173,597.68

### 5.7 Other current assets

Item	Ending balance	Beginning balance
Prepay corporate income tax	1,702,702.80	1,702,702.80
Pending deducted VAT on purchase	492,996.74	255,160.76
<b>Total</b>	<b>2,195,699.54</b>	<b>1,957,863.56</b>

### 5.7 Long-term equity investments

Investee	Beginning balance	Changes (+,-)								Ending balance	Ending balance of impairment provision
		Additional investment	Negative investment	Gain/loss of investment recognized by Equity	Other comprehensive income adjustment	Other equity changes	Cash dividend or profit distributed	Accrual of impairment provision	Other		
Hainan Wengao Tourism Resources Development Co., Ltd.		1,000,000.00								1,000,000.00	
<b>Total</b>		<b>1,000,000.00</b>								<b>1,000,000.00</b>	

## 5.8 Investment real estate

Item	Houses and buildings	Land use right	Total
I. Original book value:			
1. Beginning balance	18,856,504.44	5,662,740.59	24,519,245.03
2. Increase in Period			
3. Decrease in Period			
4. Ending balance	18,856,504.44	5,662,740.59	24,519,245.03
II. Accumulated depreciation and accumulated amortization			
1. Beginning balance	10,189,399.98	2,163,386.45	12,352,786.43
2. Increase in Period	209,091.78	28,170.00	237,261.78
(1) Withdraw or amortize	209,091.78	28,170.00	237,261.78
4. Ending balance	10,398,491.76	2,191,556.45	12,590,048.21
III. Depreciation reserve			
1. Beginning balance	1,404,400.47	1,903,054.14	3,307,454.61
2. Increase in Period			
3. Decrease in Period			
4. Ending balance	1,404,400.47	1,903,054.14	3,307,454.61
IV. Book value			
1. Book value at the end of the period	7,053,612.21	1,568,130.00	8,621,742.21
2. Book value at the beginning of the period	7,262,703.99	1,596,300.00	8,859,003.99

## 5.9 Fixed assets

Item	Buildings and Constructions	Machines	Vehicles	Electronic Equipments	Others	Total
I. Original book value:						
1.Beginning 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. Increase in Period		3,200.00		274,545.79	111,006.47	388,752.26
(1) Purchase		3,200.00		274,545.79	111,006.47	388,752.26
3. Decrease in Period				12,800.00		12,800.00
(1) Disposal or scrap				12,800.00		12,800.00
4.Ending balance	136,789,501.82	13,283,132.54	2,345,074.91	2,885,189.24	2,170,894.64	157,473,793.15
II. Accumulated depreciation						
1.Beginning 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
2. Increase in Period	1,066,369.14	144,249.45	85,613.46	81,819.17	81,732.50	1,459,783.72
(1) Withdraw	1,066,369.14	144,249.45	85,613.46	81,819.17	81,732.50	1,459,783.72
3. Decrease in Period				12,322.02		12,322.02
(1) Disposal or scrap				12,322.02		12,322.02
4.Ending balance	71,386,720.71	9,515,300.16	1,501,412.38	2,082,272.94	1,370,248.14	85,855,954.33
III. Depreciation reserve						
1.Beginning balance	31,072,788.17	2,527,851.26				33,600,639.43
2. Increase in Period						
3. Decrease in						

Period						
4. Ending balance	31,072,788.17	2,527,851.26				33,600,639.43
IV. Book value						
(1) Book value at the end of the period	34,329,992.94	1,239,981.12	843,662.53	802,916.30	800,646.50	38,017,199.39
(2) Book value at the beginning of the period	35,396,362.08	1,381,030.57	929,275.99	610,667.66	771,372.53	39,088,708.83

### 5.10 Intangible assets

Item	Land use right	Patent	Total
I. Original book value			
1. Beginning balance	81,653,137.15		81,653,137.15
2. Increase in the period			
(1) purchasing			
(2) internal R&D			
(3) increased for enterprise combined			
3. Decrease in the period			
(1) disposal			
4. Ending balance	81,653,137.15		81,653,137.15
II. Accumulated amortization			
1. Beginning balance	31,194,664.11		31,194,664.11
2. Increase in the period	406,193.58		406,193.58
(1) accrual	406,193.58		406,193.58
3. Decrease in the period			

(1) disposal			
4. Ending balance	31,600,857.69		31,600,857.69
III. Depreciation reserve			
1. Beginning balance	27,440,836.84		27,440,836.84
2. Increase in the period			
(1) accrual			
3. Decrease in the period			
(1) disposal			
4. Ending balance	27,440,836.84		27,440,836.84
IV. Booking value			
1. Ending book value	22,611,442.62		22,611,442.62
2. Beginning book value	23,017,636.20		23,017,636.20

### 5.11 Long-term deferred expenses

Item	Beginning balance	Increase in Period	Amortization in Period	Other decreased amount	Ending balance
Hotel exterior wall coating project	486,974.55				486,974.55
Fire staircase renovation	45,695.16				45,695.16
Swimming pool renovation	224,969.28				224,969.28
Guest room renovation in C building	721,297.31				721,297.31
Villa renovation	1,199,080.58				1,199,080.58
<b>Total</b>	<b>2,678,016.88</b>				<b>2,678,016.88</b>

## 5.12 Accounts payable

Item	Ending balance	Beginning balance
Inventory temporary warehousing	700,275.98	738,044.28
Sanya Yunwang Food Distribution Co., Ltd.	449,301.47	743,186.25
Hainan Huanyu Decoration Design Engineering Co., Ltd.	134,274.10	134,274.10
Sanya Zhengzhuang Industrial Co., Ltd.	111,340.86	115,247.50
Sanya Sino French Water	56,002.63	47,698.36
Other	66,274.13	248,420.63
Over 3 years	134,301.14	134,301.14
Total	1,651,770.31	2,161,172.26

## 5.13 Accounts received in advance

### 5.13.1 Accounts received in advance

Item	Ending balance	Beginning balance
Housing & catering charge	1,057,513.07	1,271,174.12
Total	1,057,513.07	1,271,174.12

### 5.13.2 Accounts received in advance with major amount and aging of over one year

Item	Ending balance	Beginning balance
Guangzhou South Holiday International Travel Service Co., Ltd. Sanya Branch	101,244.00	No settlement
PEGAS Zheng Qingbo	32,243.02	No settlement
Hainan QiongZhong Ecological Investment Guarantee Co., Ltd.	27,519.00	No settlement
Sanya Public Security Fire Control Team	19,420.88	No settlement
Project department of Tianhong Group Wuzhizhou	9,894.00	No settlement
Total	190,320.90	

## 5.14 Employee compensation payable

### 5.14.1 Classification of employee compensation payable

Item	Beginning balance	Increase in Period	Decrease in Period	Ending balance
1. Short-term employee benefits	2,459,015.93	6,463,131.41	6,937,683.99	1,984,463.35
2. Post-employment benefits - defined contribution plans		499,680.13	499,680.13	
3. Termination benefits				
4. Other benefits due within one year				
<b>Total</b>	<b>2,459,015.93</b>	<b>6,962,811.54</b>	<b>7,437,364.12</b>	<b>1,984,463.35</b>

#### 5.14.2 Short-term employee benefits

Item	Beginning balance	Increase in Period	Decrease in Period	Ending balance
1. Salary, bonus, allowance and subsidy	1,479,102.46	5,272,790.73	5,774,948.39	976,944.80
2. Employee welfare		714,640.46	714,640.46	
3. Social insurance premium		224,827.47	224,827.47	
Of which: including: medical insurance expenses		204,995.27	204,995.27	
Work injury insurance expenses		7,021.13	7,021.13	
Maternity insurance		12,811.07	12,811.07	
4. Housing provident funds		78,478.00	65,620.00	12,858.00
5. Labor union expenditures and employee education expenses	979,913.47	172,394.75	157,647.67	994,660.55
6. Short-term paid absences				
7. Short-term profit sharing plan				
<b>Total</b>	<b>2,459,015.93</b>	<b>6,463,131.41</b>	<b>6,937,683.99</b>	<b>1,984,463.35</b>

#### 5.14.3 Details of defined contribution plans

Item	Beginning balance	Increase in Period	Decrease in Period	Ending balance
1. Basic endowment insurance expenses		486,869.06	486,869.06	
2. Unemployment insurance expenses		12,811.07	12,811.07	

Total		499,680.13	499,680.13
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### 5.15 Tax payable

Item	Ending balance	Beginning balance
VAT	147,972.15	222,989.34
Individual income tax	-0.01	
Urban maintenance and construction tax	839.27	7,782.70
Educational surtax	359.68	3,335.43
Local educational surtax	239.80	2,223.64
Security for disabled person	19,245.72	
Land use tax	108,590.91	108,590.91
Property tax	194,101.74	194,101.74
<b>Total</b>	<b>471,349.26</b>	<b>539,023.76</b>

### 5.16 Other payables

#### 5.16.1 Other payables by fund quality

Item	Ending balance	Beginning balance
Margin	868,000.00	711,046.99
Rental of staff dormitory	528,000.00	521,534.64
Audit fee	285,003.21	285,003.21
Engineering quality retention money	123,029.67	193,066.10
Staff deposit	86,520.00	166,200.90
Project funds	331,111.03	162,569.78
Collection and payment	68,346.68	100,036.07
Pretty cash		28,446.80
Phone charge withholding	20,472.00	20,700.00
Personal fund accounts		1,364.00
Announcement charge withholding	441,208.10	221,208.10

Other	142,880.87	
<b>Total</b>	<b>2,894,571.56</b>	<b>2,411,176.59</b>

### 5.16.2 Other payables with large amount and aging of over one year

Item	Ending balance	Reason for non-repayment/ carried forward
Hong Kong Deloitte & Touche LLP	285,003.21	No settlement
Sanya Shuxin Building Waterproofing Co. Ltd	170,000.00	No settlement
China Building Decoration Company Hainan Branch	161,111.03	No settlement
<b>Total</b>	<b>616,114.24</b>	

### 5.17 Estimates liabilities

Item	Ending balance	Beginning balance	Cause
Offering guarantee external			
Pending action			
Other	1,489,685.04	1,489,685.04	Accrual the un-payment electricity account
<b>Total</b>	<b>1,489,685.04</b>	<b>1,489,685.04</b>	

Other note:

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

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

### 5.18 Share capital

Item	Beginning balance	Increase or decrease (+, -)					Ending balance
		New issue	Shares granted	Share capital converted from reserve fund	Others	Sub-total	
Total share capital	364,100,000.00						364,100,000.00

### 5.19 Capital reserves

Item	Beginning balance	Increase in Period	Decrease in Period	Ending balance
Capital (share capital) 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

### 5.20 Undistributed profit

Item	Current period	Last period
Undistributed profits at the end of last year before adjustment	-341,107,435.91	-343,966,434.57
Total undistributed profit at beginning of the adjustment period (+ for increased, - for decreased)		
Undistributed profits at the beginning of the year after adjustment	-341,107,435.91	-343,966,434.57
Plus: net profit attributable to owner of parent company in Period	1,282,165.58	1,719,253.80

Less: appropriation of statutory surplus reserves		
Appropriation of discretionary surplus reserve		
Appropriation of general risk reserve		
Ordinary share dividends payable		
Ordinary share dividends transferred to share capital		
Undistributed profits as at June 30, 2016	-339,825,270.33	-342,247,180.77

### 5.21 Operating income and operating cost

Item	Current period		Last period	
	Income	Cost	Income	Cost
Main business	14,615,148.37	5,762,801.58	13,518,444.89	5,018,862.48
Other business	1,558,780.95	237,261.78	1,577,828.53	237,250.03
Total	16,173,929.32	6,000,063.36	15,096,273.42	5,256,112.51

### 5.22 Business tax and surcharges

Item	Current period	Last period
Consumption tax		
Urban maintenance and construction tax	37,515.65	52,296.64
Educational surtax	26,796.89	37,289.14
Property tax	431,174.78	441,630.64
Land use tax	217,181.82	217,184.65
Vehicle and vessel use tax	3,669.06	4,980.00
Stamp tax	182.70	863.20
Total	716,520.90	754,244.27

### 5.23 Selling expenses

Item	Current period	Last period
Staff wages and benefits	1,841,236.40	1,532,804.73
Social workers insurance expenses	285,734.45	224,176.69

Depreciation	256,486.12	245,942.02
Water and electricity fees	84,101.36	83,061.58
Repair charges	58,716.18	65,649.32
Other expenses	274,681.59	306,510.59
<b>Total</b>	<b>2,800,956.10</b>	<b>2,458,144.93</b>

#### 5. 24 Administrative expenses

Item	Current period	Last period
Staff wages and benefits	2,809,454.64	2,630,309.99
Social workers insurance expenses	266,303.18	325,482.11
Business entertainment	496,075.07	402,028.00
Travel expenses	68,678.82	97,189.95
Amortization for the depreciation and land use right	550,590.01	552,843.49
Announcement fee and agency charge	656,245.72	640,800.00
Other	509,107.77	440,797.03
<b>Total</b>	<b>5,356,455.21</b>	<b>5,089,450.57</b>

#### 5. 25 Financial expenses

Item	Current period	Last period
Handling charges	40,293.06	24,107.51
Less: interest income	-22,729.87	-204,780.17
<b>Total</b>	<b>17,563.19</b>	<b>-180,672.66</b>

#### 5.26 Non-operating income

Item	Current period	Last period	Amount included in current non-recurring profits or losses
Other	273.00	260.00	273.00
<b>Total</b>	<b>273.00</b>	<b>260.00</b>	<b>273.00</b>

#### 5.27. Non-operating expenditure

Item	Current period	Last period	Amount included in current non-recurring
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			profits or losses
Loss from disposal of non-current assets	477.98		-477.98
<b>Total</b>	<b>477.98</b>		<b>-477.98</b>

## 5.28. Notes to statement of cash flow

### 5.28.1 Other cash receipts related to operating activities

Item	Current period	Last period
Interest income	22,729.87	204,780.17
Other	661,422.77	472,635.21
<b>Total</b>	<b>684,152.64</b>	<b>677,415.38</b>

### 5.28.2 Cash paid for other operating activities

Item	Current period	Last period
Business entertainment expenses	497,075.07	402,028.00
Audit fee	400,000.00	400,000.00
Announcement fee	220,000.00	60,000.00
Traveling expenses	72,159.01	109,715.87
Promotion expenses	26,619.18	21,162.60
Repair charge	98,889.97	100,191.70
Directors and supervisors membership dues		354,000.00
Others	359,828.93	690,202.00
<b>Total</b>	<b>1,674,572.16</b>	<b>2,137,300.17</b>

### 5.28.3 Cash paid with other investment activities concerned

Item	Current period	Last period
Wuhan AEjia Co., Ltd.		9,000,000.00
<b>Total</b>		<b>9,000,000.00</b>

### 5.28.4 Cash received with other financing activities concerned

Item	Current period	Last period
LUONIUSHAN Group Co. Ltd.		19,810,000.00
Total		19,810,000.00

#### 5.28.5 Cash paid with other financing activities concerned

Item	Current period	Last period
LUONIUSHAN Group Co. Ltd.		10,000,000.00
CSRC		19,810,000.00
Total		29,810,000.00

### 5.29 Supplementary information to statement of cash flows

#### 5.29.1 Supplementary information to statement of cash flows

Supplementary information	Current period	Last period
(1) Net profit adjusted to cash flows from operating activities	--	--
Net profit	1,282,165.58	1,719,253.80
Plus: provision for asset impairment		
Depreciation of fixed assets, gas and oil assets and productive biological assets	1,799,584.50	1,591,987.78
Amortization of intangible assets	434,363.58	434,363.58
Amortization of long-term deferred expenses	609,770.58	292,184.70
Loss on disposals of fixed assets, intangible assets and other long-term assets		
Loss on write-off of fixed assets ("-" for gains)	477.98	
Losses from the changes in fair value ("-" for gains)		
Financial expenses ("-" for gains)		
Investments loss ("-" for gains)		
Decrease in deferred income tax assets ("-" for increases)		
Increase in deferred income tax liabilities ("-" for decreases)		

Decrease in inventories ("-" for increases)	-37,615.58	-34,035.33
Decrease in operating receivables ("-" for increases)	-326,357.40	159,732.97
Increase in operating payables ("-" for decreases)	-651,711.64	-932,414.40
Others		
<b>Net cash flows from operating activities</b>	<b>3,110,677.60</b>	<b>3,231,073.10</b>
2. Significant investing and financing activities not involving cash receipts and payments	--	--
Conversion of debt into capital		
Convertible corporate bonds maturing within one year		
Fixed assets under financial lease		
3. Net changes in cash and cash equivalents	--	--
<b>Ending balance of cash</b>	<b>10,751,658.64</b>	<b>10,108,175.91</b>
Less: Beginning balance of cash	9,681,607.16	27,210,248.01
Plus: Ending balance of cash equivalents		
Less: Beginning balance of cash equivalents		
<b>Net increase in cash and cash equivalents</b>	<b>1,070,051.48</b>	<b>-17,102,072.10</b>

### 5.29.2 Breakdowns of cash and cash equivalents:

Item	In RMB	
	Ending balance	Beginning balance
1. Cash	10,751,658.64	9,681,607.16
Including: cash on hand	383,507.23	264,156.33
Bank deposit available for payment at any time	10,368,151.41	9,417,450.83
Other monetary funds available for payment at any time		
Deposits in the central bank available for payment		
Deposits with banks and other financial institutions		
Loans to banks and other financial institutions		
2. Cash equivalents		
Including: Bond investment due within three months		

3. Ending balance of cash and cash equivalents	10,751,658.64	9,681,607.16
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## **6 . Business combination and consolidated financial statements**

### **6.1 Scope of consolidation (aggregation) of financial statements**

The scope of consolidation (aggregation) of financial statements covers the headquarter of the Company and the subsidiary South China Grand Hotel of Hainan Dadonghai Tourism Center (Holdings) Co., Ltd., which is subject to independent accounting.

### **6.2 Changes in scope of consolidation (aggregation) of financial statements:**

There is no change in scope of consolidation (aggregation) of the financial statements of the Company in the year.

## **7. Risks relating to financial instruments**

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

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

### **7.1.Credit risk**

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

customers and aging analysis of accounts receivable to ensure the Company's overall credit risk falls within a controllable range.

## 7.2 Market risk

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

## 7.3 Liquidity risk

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

## 8. Related parties and related party transactions

### 8.1. Parent company

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

Note: As of 30 June 2018, Luoniushan Co., Ltd. (hereinafter referred to as Luoniushan) and its wholly-owned subsidiary Hainan Ya'anju Property Service Co., Ltd. holds 72,091,780 shares of the Company under A-stock, totally takes 19.80% in total share capital of the Company, and it is the first largest shareholder of the Company.

### 8.2. Related party transactions

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

Related party	Contents of related party transactions	The Period	Last period
Luoniushan Co., Ltd.	Housing & catering costs	176,779.00	252,303.00

Total		176,779.00	252,303.00
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## 2) Receivables and payables of related parties

Name	Related party	Ending balance		Beginning balance	
		Book balance	Bad debt provision	Book balance	Bad debt provision
Account receivable	Luoniushan Co., Ltd.	65,420.00		166,412.00	

## 9. Commitment and contingency

### 9.1 Important commitments

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

### 2. Contingencies

#### Major contingency on balance sheet date

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

According to the file "Law Advisory Opinion about Retroactive Power (Charge) Dispute between South China Grand Hotel and Sanya Power Supply Bureau" issued by Beijing Junhe (Haikou) Law Firm on December 20, 2016, which claims that Sanya Power Supply Bureau has responsibility for CT to purchase, install, seal, unseal and change, therefore, the responsibility of the guilty party for undercounted electricity consumption of South China Grand Hotel is Sanya Power Supply Bureau. According to the one hundred and thirty-five item of "General Rule of Civil Law", this item claims that limitation of action is two years if accuser request people's court's protection, except situations provided by law. The Company has withheld the undercounted electricity consumption cost in 2016 which is about 1,489,685.04 Yuan during the period from April, 2014 to April, 2016. The event has no further progress up to 31 December 2017.

### 10. Event after balance sheet date

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

### 11. Notes to other significant events

#### 1. Correction of accounting errors in previous period

##### 1) Retrospective restatement method

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

## 2) Prospective application method

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

## 2. Others

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

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

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

## 12. Supplementary information

### 1. Details of current non-recurring profits and losses

Item	Amount	Note
Profits or losses from disposal of non-current assets	-477.98	Loss from fixed assets scrapping
Other non-operating income and expense other than the abovementioned ones	273.00	Refund of vehicle tolls
<b>Total</b>	<b>-204.98</b>	

## 2. Return on net assets and earnings per share

Profit during the reporting period	Weighted average return on net assets (%)	Earnings per share (RMB)	
		Basic earnings per share	Diluted earnings per share
Net profits attributable to ordinary shareholders of the Company	1.65%	0.0035	0.0035
Net profits attributable to ordinary shareholders of the Company after deduction of non-recurring profits or losses	1.65%	0.0035	0.0035

## 3. Accounting difference between IFRS and CAS

There are no accounting differences between IFRS and CAS.

(No text)

HAINAN DADONGHAI TOURISM CENTER (HOLDINGS) CO., LTD

9 August 2018