
海南大东海旅游中心股份有限公司
Hainan Dadonghai Tourism Centre (Holdings) Co., Ltd.



Semi-Annual Report 2011

(Full-Text)

Disclosure Date: August 26, 2011



Section I. Important Statement, Paraphrase and Contents

(I) Important Notice

Board of Directors and Supervisory Committee of Hainan Dadonghai Tourism Centre (Holdings) Co., Ltd. (hereinafter referred to as the Company) and its directors, supervisors and senior executives hereby confirm that there are no any fictitious statements, misleading statements, or important omissions carried in this report, and shall take all responsibilities, individual and/or joint, for the reality, accuracy and completion of the whole contents.

No directors, supervisors and other senior executives would claim that he or she could not guarantee the authenticity, accuracy or completeness of the semi-annual report's contents or that he or she holds different opinions.

All the directors presented the meeting for deliberated the semi-annual report.

Mr. Li Yuanbin, Principal of the Company; Mr. Chen Liurong, Person in Charge of Financial Works; and Mr. Li Zhi, Person in Charge of Accounting Organ (Accounting Supervisor) declare: the financial report in the Semi-annual Report is true and complete.

The Report is prepared in both Chinese and English. If there is difference between the Two, the Chinese version shall be prevailed.

Financial report in the period has not been audited.

(II) Explanations

Except indicated, the following short forms refer to:

The Company, Company and Dadonghai: Hainan Dadonghai Tourism Centre (Holdings) Co., Ltd.

[Note] The standard currency in the financial data or amount in this report was all RMB (excluded the specific explanations).

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Section II. Company Profile

(I) General information

1. Legal name in Chinese: 海南大东海旅游中心股份有限公司

Short form of the legal name in Chinese: 大东海

Legal name in English: Hainan Dadonghai Tourism Centre (Holdings) Co., Ltd.

Short form of the legal name in English: DADONGHAI

2. Legal representative: Li Yuanbin

3. Secretary of Board of Directors: Wang Hongjuan

Authorized Representative in Charge of Securities Affairs: Wang Hongjuan

Contact Address: Dadonghai, Sanya

Tel: 0898-88219888 Ext.8264

Fax: 0898-88212298

Email: hnddht@21cn.com

4. Registered address: Dadonghai, Sanya

Office address: Dadonghai, Sanya

Post code: 572021

5. Newspapers Chosen for Disclosing the Information of the Company:

Securities Times and Hong Kong Commercial Daily

Internet Web Site for Publishing the Semi-annual Report: <http://www.cninfo.com.cn>

The Place Where the Semi-annual Report is Prepared and Placed: Securities Department of the Company

6. Stock Exchange Listed with: Shenzhen Stock Exchange

Short Form of the Stock: ST Donghai-A, ST Donghai-B

Stock Code: 000613, 200613

7. Other Relevant Information of the Company

(1) Initial date of registration: April 26, 1993.

Place of registration: Dadonghai, Hedong District, Sanya.

(2) Registered date after the latest change: May 13, 2009

Registered address: Dadonghai, Hedong District, Sanya.

(3) Business license number: 460000000145145

(4) Tax registration number: 460200201357188

(5) Name and address of public accountants the Company engaged:

Certified accountant engaged by the Company: ZONZUN Accounting Office Ltd.

Office address: 4/F, Guoxing Building, No. 22, Shouti South Road, Haidian District, Beijing, China.



(II). Major financial data and index

1. Major financial data and index in the report period

Unit: RMB

	At the end of this report period	At the period-end of last year	Increase/decrease at the end of this report period compared with that in period-end of last year (%)
Total assets(RMB)	117,635,742.78	119,382,660.10	-1.46%
Owners' equity attributable to shareholders of the listed company(RMB)	85,631,221.41	87,266,354.32	-1.87%
Share capital(Share)	364,100,000.00	364,100,000.00	0.00%
Net assets per share attributable to shareholders of the listed company(RMB/Share)	0.24	0.24	0.00%
	This report period (Jan. to Jun.)	The same period of last year	Increase/decrease in this report period year-on-year (%)
Total operating income(RMB)	18,467,961.40	20,018,480.32	-7.75%
Operating profit(RMB)	-1,880,739.51	471,851.22	-498.59%
Total profit(RMB)	-1,635,132.91	643,092.57	-354.26%
Net profit attributable to shareholders of the listed company(RMB)	-1,635,132.91	501,612.20	-425.98%
Net profit attributable to shareholders of the listed company after deducting non-recurring gains and losses(RMB)	-1,880,739.51	330,370.85	-669.28%
Basic earnings per share (RMB/Share)	-0.0045	0.0014	-421.43%
Diluted earnings per share (RMB/Share)	-0.0045	0.0014	-421.43%
Weighted average return on equity (%)	-1.89%	0.58%	-2.47%
Weighted average return on equity after deducting non-recurring gains/losses (%)	-2.18%	0.38%	-2.56%
Net cash flow arising from operating activities(RMB)	445,270.62	180,292.29	146.97%
Net cash flow per share arising from operating activities (RMB/Share)	0.0012	0.0005	140.00%

Items and amount of non-recurring gains and losses

Unit: RMB

Items of non-recurring gains and losses	Amount	Notes (If applicable)
Government subsidy reckoned into current gains/losses	20,000.00	-
Other non-operating income and expenditure except the abovementioned items	225,606.60	-
Total	245,606.60	-

2. Explanation on the difference on adjustment of net profit in accordance with IAS and CAS in the report period. (Unit: RMB)



	Net profit attributable to shareholders of listed company		Owners' equity attributable to shareholders of listed company	
	Amount in the report period	Amount in last period	Amount in period-end	Amount in period-begin
IAS	-1,635,132.91	501,612.20	85,631,221.41	87,266,354.32
CAS	-1,635,132.91	501,612.20	85,631,221.41	87,266,354.32
Sub-items and total adjusted based on IAS:				
Total amount of differences between CAS and IAS	0.00	0.00	0.00	0.00
Explanations on differences between CAS and IAS	No difference			

3. The data of profit listed in supplemental statement of profit are calculated according to the requirements of No. 9 of Regulations on the Information Disclosure of Companies Publicly Issuing Shares released by CSRC.

Profit in the report period	Return on equity (%)		Earnings per share (RMB/Share)	
	Fully diluted	Weighted average	Fully diluted	Weighted average
Net profit attributable to common shareholders of the Company	-1.91	-1.89	-0.0045	-0.0045
Net profit attributable to common shareholders of the Company after deducting non-recurring gains and losses	-2.20	-2.18	-0.0052	-0.0052

Section III. Changes in Equity and Share Held of Major

Shareholders

(I) Changes in share capital

1. Statement of changes in shares in the report period

Unit: Share

	Before the Changes		Increase/Decrease in the Change (+, -)					After the Change	
	Amount	Proportion	New shares issued	Bo nus shares	Conversi on of public reserve	Others	Subtotal	Amount	Proportion
I. Restricted shares	17,308,000	4.75%						17,308,000	4.75%
1. State-owned shares									
2. State-owned legal person's shares	6,054,000	1.66%				-132,000	-132,000	5,922,000	1.63%
3. Other domestic shares	11,254,000	3.09%				132,000	132,000	11,386,000	3.13%
Including: Domestic non-state-owned legal person's shares	11,122,000	3.05%				132,000	132,000	11,254,000	3.09%
Domestic natural person's shares	132,000	0.04%						132,000	0.04%



4. Foreign shares										
Including: Foreign legal person's shares										
Foreign natural person's shares										
5. Senior executives' shares										
II. Unrestricted shares	346,792,000	95.25%						346,792,000	95.25%	
1. RMB Ordinary shares	258,792,000	71.08%						258,792,000	71.08%	
2. Domestically listed foreign shares	88,000,000	24.17%						88,000,000	24.17%	
3. Overseas listed foreign shares										
4. Others										
III. Total shares	364,100,000	100.00%					0	0	364,100,000	100.00%

Explanation on reason of change: changes in share structure resulted from part of the shareholders changed its nature in the report period.

(II) Particulars about shareholder

1. Total shareholders ended the report period

Ended June 30th 2011, there totally were 33,609 shareholders of the Company, including 26,205 of A-share holders and 7,404 of B-share holders.

2. Shares held by the shareholders at the end of report period

Particulars on shares held by top ten shareholders and top ten shareholders with unrestricted conditions (Unit: Share)

Total amount of shareholders						33,609
Particulars about the shares held by the top ten shareholders						
Full Name of shareholder	Nature of shareholders	Proportion of shares held	Total amount of shares held	Amount of the restricted shares held	Amount of shares pledged or frozen	
Haikou Agriculture & Industry & Trade (Luoniushan) Co., Ltd.	Domestic non-state-owned legal person	16.48%	60,000,000	0	60,000,000	
Yangpu Tongrong Investment Management Consultation Co., Ltd.	Domestic non-state-owned legal person	3.62%	13,193,720	0	0	
Sanya Yongli Investment Co., Ltd.	Domestic non-state-owned legal person	1.90%	6,930,000	0	0	
WU MING XIAO	Domestic natural person	1.39%	5,068,971	0	0	
Building Investment CITIC Assets Management Co., Ltd.	Domestic non-state-owned legal person	1.27%	4,620,000	0	0	
Sanya Zhongxing Development Co., Ltd.	Domestic non-state-owned legal person	1.00%	3,630,000	3,630,000	0	
CITRINE CAPITAL LIMITED	Foreign legal	0.90%	3,265,200	0	0	



	person				
CHINA MERCHANTS SECURITIES (HK) CO., LTD.	Domestic legal person	0.77%	2,814,907	0	0
China Foreign Economic and Trade Trust Co., Ltd.	Domestic legal person	0.76%	2,772,000	0	0
Sanya Rural Credit Cooperative Union	Domestic non-state-owned legal person	0.63%	2,310,000	0	0
Particulars about the shares held by the top ten unrestricted shareholders					
Full name of shareholder		Amount of shares held with unrestricted condition		Type of shares	
Haikou Agriculture & Industry & Trade (Luoniushan) Co., Ltd.		60,000,000		RMB common share	
Yangpu Tongrong Investment Management Consultation Co., Ltd.		13,193,720		RMB common share	
Sanya Yongli Investment Co., Ltd.		6,930,000		RMB common share	
WU MING XIAO		5,068,971		RMB common share	
Building Investment CITIC Assets Management Co., Ltd.		4,620,000		RMB common share	
CITRINE CAPITAL LIMITED		3,265,200		Domestically listed foreign share	
CHINA MERCHANTS SECURITIES (HK) CO., LTD.		2,814,907		Domestically listed foreign share	
China Foreign Economic and Trade Trust Co., Ltd.		2,772,000		RMB common share	
Sanya Rural Credit Cooperative Union		2,310,000		RMB common share	
Haikou Jinmao Sub-branch of Agriculture Bank of China Limited		2,310,000		RMB common share	
Explanation on associated relationship or accordant action among the aforesaid shareholders		<p>Among the ten shareholders, the top 1st and 2nd shareholders had related relationships; the 2nd shareholder was jointly funded by top 1st shareholder and other investors.</p> <p>The Company was unaware of whether there existed associated relationship or whether there existed consistent actionist regulated in the Management Measure of Information Disclosure on Change of Shareholding for Listed Companies.</p>			

3. Particulars about shares held by the top ten restricted shareholders and its restricted conditions ended as June 30, 2011.



Serials	Name of the restricted shareholders	Amount of the restricted shares held	Amount of additional shares which could be listed	Date for tradable	Restricted condition
1	Sanya Zhongxing Development Co., Ltd.	3,630,000	-	Shares could trade on market while relevant procedures are completed after gains agreed from Haikou Agriculture, Industry & Trade (Luoniushan) Co., Ltd. or paid the part of shares that pre-paid in reform of non-tradable shares. Final tradable date should be the date approved and rectified by Security Stock.	Part of the shares pre-paid in reform of non-tradable shares have not paid yet.
2	Sanya Real Estate Valuation Institution	1,320,000	-		
3	Hainan Hong Kong & Macao International Travel Agency	1,320,000	-		
4	Haikou Dongfang Urban Credit Cooperative	1,320,000	-		
5	Hainan Zhongjin Industrial Trade Co.,Ltd.	1,320,000	-		
6	Hainan Branch of Bank of Communications Co., Ltd.	1,320,000	-		
7	Guangzhou Dongzhan Industrial Co.,Ltd.	1,320,000	-		
8	Shenyang Jin'an Industrial General Corporation	1,188,000	-		
9	Hainan Dadonghai Tourism Co., Ltd.	1,056,000	-		
10	Hangzhou Huayuan Industrial Co., Ltd.	840,000	-		
11	Hainan Dongda Maritime Transport Co.,	660,000	-		
12	Guangzhou Company of Hainan International Investment Co., Ltd.	660,000	-		
13	Southern Industrial & Trade General Corporation	660,000	-		
14	Beijing Xueli Fashion & Accessories Co., Ltd.	132,000	-		
15	Hainan Jiuyuan Eco-Art Engineering Co., Ltd.	132,000	-		
16	Sanya Wanli Construction Materials Sales Division	132,000	-		
17	Xiao Tiefeng	132,000	-		
18	Shanghai Taotao Entertainment Co., Ltd.	100,000	-		
19	Hainan Nongken Sanya Wood Plant	66,000	-		

(III) Particulars about controlling shareholder of the Company

The controlling shareholder and actual controller of the Company remained unchanged in the report period.



Section IV. Particulars about Directors, Supervisors and Senior

Executives

(I) Particular about share changes held in directors, supervisors and senior executives. In the report period, directors, supervisors and senior executives of the Company did not hold the Company's shares.

(II) Particular about resignation, engagement or dismissal occurred for directors, supervisors and senior executives of the Company in report period.

On 25 April 2011, office term of the 6th Session of the Board was expired. Being deliberated on Shareholders' Genral Meeting of 2010 and with resolution made in 12th Meeting of 6th Session of the Board, Director Mr. Li Yuanbin, Mr. Li Wei, and Mr. Liu Juntao and Independent Director Mr. Chen Rijin, Mr. Li Guangzhong and Mr. Feng Da'an were appointed as the member of 7th Session of the Board.

On 25 April 2011, office term of supervisor for the 6th Session of the Supervisory was expired. Being deliberated on Shareholders' Genral Meeting of 2010 and with resolution made in 12th Meeting of 6th Session of Supervisory, Mr. Huang Wencai was appointed as the supervisor of 7th Session of the Supervisory.

On 25 April 2011, office term of supervisor for the 6th Session of the Supervisory was expired. Being democratic election by labor union committee of the Company, Mr. Li ZHI and Ms. Wang Jialing were elected as the staff supervisor for the 7th Session of Supervisory.

On 16 June 2011, according to the resolution of 1st Meeting of 7th Session of the Board, Mr. Li Yuanbin appointed as the Chairman for 7th Session of the Board.

On 16 June 2011, according to the resolution of 1st Meeting of 7th Session of Supervisory, Mr. Huang Wencai appointed as the Chairman for 7th Session of Supervisory.

Section V. Report of Board of Directors

(I) General analysis on operating results and financial status of the report period

Unit: RMB

No.	Item	Amount for this period	Amount for the same period of last year	Increase or decrease proportion (%)
1	Account paid in advance	1,104,521.11	411,098.56	168.68
2	Construction in progress	1,200,000.00	0.00	100
3	Account received in advance	1,559,566.52	3,091,887.24	-49.56
4	Wages payable	4,113,184.72	3,148,124.82	30.66
	Item	Amount for this period	Amount for the same period of last year	Increase or decrease proportion (%)
5	Operation income	18,467,961.40	20,018,480.32	-7.75



6	Operation cost	3,393,494.71	3,371,403.38	0.66
7	Sales expense	8,432,637.28	8,368,177.03	0.77
8	Administration expense	7,291,271.27	6,553,879.85	11.25
9	Financial expense	197,091.78	152,944.30	28.87
10	Operation profit	-1,880,739.51	471,851.22	-498.59
11	Net profit	-1,635,132.91	501,612.20	-425.98
12	Net cash flow arising from operation activities	445,270.62	180,292.29	146.97

Reason for change:

1. Account paid in advance increased mainly due to the account paid in advance for goods increased.
2. Construction in progress increased mainly because investment increased in aspect of reforming and decoration of the hotel.
3. Account received in advance decreased mainly due to the account received in advance for room decreased.
4. Wages payable increased mainly because salary for employee has been raised.
5. Operating income decreased mainly because decoration of the hotel made less operating premises.
6. Financial expense increased mainly due to the loan interest for current capital increased.
7. Operation profit decreased mainly due to the down of income and soaring of operating cost and operating expenses.
8. Net profit decreased mainly due to the down of income and soaring of operating cost and operating expenses.
9. Net cash flow arising from operation activities increased mainly because relevant cash for operating activities was reduced in report period.

(II) Operation in the report period

1. General introduction about operation

In report period, the Company fully makes use of the idle season in Hainan tourism market, exercise renovation for part of the operating premises and part of aged equipments with purpose of highering the equipment quality for hardware of the Hotel and optimized operational environment as well as promoted the competitive-ness in hotel market, higher the profitability and sustainable ability in operation.

Within the report period, main operating income of the Company approached RMB 18.468 million with 7.75% down over same period of last year; net profit realized RMB -1.6351 million with 425.98% down over same period of last year while net cash flow arising from operating activities reached RMB 0.4453 million, a 146.98% up over that of same period the year before.

2. Industry or product accounting for over 10% (10% included) of main business income or main business profit of the report period:

In ten thousand yuan

Product	Income from selling product	Cost for selling product	Gross profit ratio (%)
Income from room	1,368.81	0.88	99.94



affair			
Food & beverage	477.99	338.47	29.19

Main business of the Company classified according to industry or product in report period

In ten thousand yuan

Main business classified according to industry						
Classified according to industries or products	Operating revenue	Operating cost	Gross profit ratio (%)	Increase or decrease of operating revenue over the same period of last year (%)	Increase or decrease of operating cost over the same period of last year (%)	Increase or decrease of gross profit ratio over the same period of last year (%)
Hotel service	1,846.80	339.35	81.62	-7.75	0.66	-1.54
Main business classified according to product						
Guest room	1,368.81	0.88	99.94	-10.34	-53.93	0.07
Food & beverage	477.99	338.47	29.19	0.58	0.97	-0.27

Among which: the total amount of related transaction that listed company provided products and labor service to its controlling shareholder or subsidiaries was RMB79,800.

Main business of the Company classified according to area

In ten thousand yuan

Area	Operating revenue	Increase or decrease of operating revenue over of last year (%)
Sanya Hainan	1,846.80	-7.75

- In the report period, no significant change happened to profit constitution, main business and its structure of the Company.
- In the report period, the Company had no other operation activities which brought significant influence upon net profit.
- In the report period, the Company had not received investment income from external stock-joint company.
- Problems and difficulties in operation, and relevant solution methods:
With constant development of tourism spots around the country, constant shunt of tourists and constant building of new hotels of various grades in Sanya, tourism market in Sanya presented to be supersaturated, with a furious competition in operation. For this, the operation team of the Company is actively researching for various measures to fight against difficulties continuously. They will continuo to upgrade and reform in facility establishments of the Hotel strengthened neatening of external environment of the Hotel and reinforced employees' trainings, to advance the Hotel in market competition and ability of fighting against various unpredictable natural disasters.

(III)Investment of the report period

- In the report period, the Company didn't raise proceeds, and there were no proceeds raised in last report period but were used till this report period.



2. In the report period, there was no application of project invested with the non-raised proceeds.

(IV) The Company didn't make profit prediction, relevant plan and prospect.

(V) In the report period, the Company had not made modification on the annual operation plan disclosed in the Annual Report of last year.

(VI) The Company predicted that we may have losses in the 3rd season. Main reason for the losses are: in recent years newly built hotels in Sanya increased successively, market competition intensified, and the Company began restructure on items such as central air-conditioner and external wall of the hotel thus part of programs of the hotel were affected, and in reporting period income decreased substantially over last period. Besides, constant worsening of domestic inflation, constant growth of commodity price, further price-improvement of water and electricity and increase of salary for staffs led to increase of operation cost and expenses. It is predicted that from July 1 of 2011 to Sep. 30 we may lose RMB 3.4 million to 5.4 million, and from Jan. 1 of 2011 to Sep. 30 we may lose about RMB 5 million to RMB 7 million.

Section VI. Significant Events

(I) Corporation governance

In the report period, strictly according to requirements of related laws and regulations such as Company Law, Code of Corporate Governance for Listed Companies, Stock Listing Rules of Shenzhen Stock Exchange, and the Company stabilized operation of the Company. The actual status of legal-person governance structure of the Company has no difference with the requirement of aforesaid documents.

In order to fulfilling the spirit of Maintaining Stability Work Meeting of National Securities and Futures Supervisory System and the requirements of Notice on Strengthening Investors Relationship Management to Protect Steady Capital Market (No. HNZJF [2009] 61) issued by Hainan Securities Regulatory Bureau, the Company took Working Guidelines for Investors Relationship Management in Listed Company and Guidelines for Fair Information Disclosure in Listed Company issued by Shenzhen Securities Exchange as direction, established Working Plan for Investors Relationship Management in 2011, smoothly completed expiration at office term of board of directors and supervisors and implementation of operation management of goal accountability of hotels, and the Company actively carried out work according to relevant rules. At present, the actual condition of legal person governance structure accorded with relevant requirements of normal document issued by CSRC.

(II) The Company didn't make a plan in last year on implementing profit distribution in this report period.

(III) Neither profit distribution nor capitalization of capital public reserves will be performed in the half year of 2010.

(IV) Material Lawsuits and Arbitration

1. No material lawsuit and arbitration occurred in the report period.
2. No material lawsuit or arbitrage has been disclosed in the previous annual report.



(V) Material asset buying, selling and restructuring

The Company performs no material asset buying, selling or restructuring in the report period.

(VI) Material Contracts and Implementation

1. The Company has not been involved in such significant events as keeping as custodian, contracted or leased any other company's assets and vice versa in the report period or extended from the previous periods.
2. In the report period, the Company had no material guarantees offered or any guarantee which had not been implemented.
3. The Company neither entrusted others to manage cash assets nor had any cash assets entrusted to others for management in the period or extended from the previous period.
4. No controlling shareholder or its subsidiary occupies fund of the Company.

(VII) Debt Restructuring

In the report period, the Company had not performed debt restructuring.

(VIII) Related Transactions

In the report period, the actual largest shareholder of the Company-Haikou Agriculture & Industry & Trade (Luoniushan) Co., Ltd. consumed totally RMB 79,794.06 in the hotel of the Company which was calculated according to market price. As end of 30 June 2011, balance totaled to RMB 218,992.12.

(IX) Special explanation and independent opinions on capital occupation and external guarantee of related parties

Independent Directors Chen Rijin, Feng Da'an and Li Guangzhong expressed special explanations and independent opinions on capital occupation and external guarantee of related parties in the first half year of 2011 as follows:

1. Explanation and independent opinions on capital occupation of controlling shareholders and related parties

According to relevant regulations of Indirection Opinions on Establishing Independent Directors System in Listed Company (No.ZJF [2003] 56) and Article of Association, as independent directors of the Company, we read relevant materials provided by the Company, and on the standpoint of independent judgment, we expressed the following independent opinions on capital occupation of controlling shareholders and related parties for first half year of 2011:

(1) There was no capital occupation by controlling shareholders or related parties occurred in the report period.

(2) In the report period, the capital intercourses between the Company and related parties were normal operating related transaction, with legal trade procedure and fair price-making, without hurting interests of the Company and all shareholders.

2. Explanation and independent opinions on external guarantee

According to the requirements of Notice on Several Problems of Standardizing Capital Intercourse between Listed Company and Related Parties and External Guarantee (ZJF [2003] No. 56) and Notice on Standardizing External Guarantee of Listed Company (ZJF [2005] No.120), as independent directors of the Company, we conducted inspection and supervision on external guarantee of the Company which occurred in the report period,. Now, we made explanation and expressed independent opinions on external guarantee:



The Company had no external guarantee or illegal guarantee in the report period.

(X) Commitment made by the Company or shareholder holding over 5% shares in the report period

Commitment and implementation made by Haikou Grocery Co., Ltd., the largest shareholder of the Company

(1) Un-completed commitments when equity division was implemented

Seek for restructure party to restructure the assets of the Company in proper time. Till now, the proper restructure party has not been found.

(2) Other commitments had been implemented when equity division was implemented.

(XI) In the report period, particulars about the Engagement and dismissal for CPAs of the Company

In the report period, the Company continued to engage ZONZUN Accounting Office Ltd. as the audit organization.

(XII) Establishment and implementation of internal control system of the Company

In the report period, with the indirection of the board of directors and supervision of supervisory committee, the Company constantly perfected system according to self operation features and environment. According to laws, administrative rules and department regulations such as *Company Law*, *Securities Law* and *Governmance Rules for Listed Companies*, *Stock Listing Rules for Shenzhen Stock Exchange*, the Company formulated Administration System for Shares of Directors, Supervisors and Senior Management Holding from the Company and Change, further perfected internal control system, promoted normal operation and healthy development of the Company.

(XIII) Securities investment and income

There was no securities investment in the report period.

(XIV) Relevant particulars about holding equity of other listed companies, unlisted companies and companies planned to be listed

Till the end of the report period, the Company did not hold any equity of other listed companies, unlisted companies and companies planned to be listed.

(XV) Particulars about shareholders who held over 5% shares of the Company making additional commitment to limit sales of shares

Shareholders who held over 5% shares of the Company did not make additional commitment to limit sales of shares.

(XVI) Particulars about reception, investigation and interview of the Company

In the report period, strictly according to Guidelines for Fair Information Disclosure in Listed Company issued by Shenzhen Securities Exchange, the Company seriously started the work of investors' relationship with the principle of publicity, justness and fairness. The Company received investors consultant mainly in spot shareholders' general meeting and telephone, and objectively, truly, exactly and integrally introduced production, operation and development of the Company to investors. The Company strictly accorded with the principle of fair information disclosure, neither



having behavior of different treatment, selectively or privately disclosing nonpublic significant information to special persons, nor violating the requirement of Guidelines for Fair Information Disclosure in Listed Company.

In the report period, the Company had no reception, investigation and interview.

(XVII) In the report period, none of the Company, the Board of Directors or any director had ever been inspected, experienced administrative penalty or been criticized by circulating a notice of criticism by China Securities Regulatory Commission, or condemned in public by Shenzhen Stock Exchange. No director or the management has been involved in judicial enforcement in the period.

(XVIII) Information index for significant events in the report period

1. Notice on Abnormal Fructuation of Stock Change was published on page D12 in Securities Times and page A2 in Hong Kong Commercial Daily dated Apr. 25, 2011, meanwhile, disclosed in <http://www.cninfo.com.cn> (searching route: inputting stock code of the Company in Inquiry for Individual Stock).

2. 2011 the 1st Seasonal Report, 2010 Summary of Annual Report, Notice to Decisions Made on the 12th Meeting of the 6th Session of Board of Directors, Notice to Holding 2010 General Shareholders' Meeting, Independent Directors' Opinion on the 12th Meeting of the 6th Session and Notice to Decisions Made on the 12th Meeting of the 6th Session of Board of Directors were published on page 86 and D87 in Securities Times and page A20 and A23 in Hong Kong Commercial Daily, meanwhile, disclosed in <http://www.cninfo.com.cn>.

3. Notice to Decisions Made on 2010 Annual General Shareholders' Meeting, Notice to Decisions Made on the 1st Meeting of the 7th Session of Board of Directors, Notice to Election at Expiration of Office Term of Staff Representative and Notice to Decisions Made on the 1st Meeting of the 7th Session of Board of Supervisors were published on page D3 in Securities Times and page A23 in Hong Kong Commercial Daily on Jun. 17 of 2011 respectively, meanwhile, disclosed in <http://www.cninfo.com.cn>.

Section VII. Financial Report (Un-Audited)

(I) The financial report of the Company in the report period has not been audited.

(II) Financial statements (Attachment I)

(III) Notes to financial statements (Attachment II)

Section VIII. Documents for Reference

(I) The 2011 Semi-annual report carrying with personal signatures of Chairman of the Board.

(II) Financial statements carrying with personal signatures and seals of principal of the Company, person in charge of the accounting working and person in charge of accounting institution.

(III) All documents publicly disclosed in the report period on designated newspapers



by CSRC.

(IV) Articles of Association.

(V) Other relevant information.

Chairman of the Board of Directors: Li Yuanbin
Board of Directors of
Hainan Dadonghai Tourism Centre (Holdings) Co., Ltd.
August 24, 2011

**Balance Sheet**

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

June 30, 2011

Unit: RMB

Items	Notes	Balance at period-end		Balance at year-begin	
		Consolidation	Parent Company	Consolidation	Parent Company
Current assets:					
Monetary funds	5.1	2,233,728.81	2,233,728.81	3,104,278.19	3,104,278.19
Settlement provisions					
Capital lent					
Transaction finance asset					
Notes receivable					
Accounts receivable	5.2	5,970,379.63	5,970,379.63	5,273,407.83	5,273,407.83
Accounts paid in advance	5.3	1,104,521.11	1,104,521.11	411,098.56	411,098.56
Insurance receivable					
Reinsurance receivables					
Contract reserve of reinsurance receivable					
Interest receivable					
Dividend receivable					
Other receivables	5.4	425,648.44	425,648.44	427,914.11	427,914.11
Purchase restituted finance asset					
Inventories	5.5	639,762.03	639,762.03	587,653.23	587,653.23
Non-current asset due within one year					
Other current assets	5.6	9,480,819.00	9,480,819.00	9,480,819.00	9,480,819.00
Total current assets		19,854,859.02	19,854,859.02	19,285,170.92	19,285,170.92
Non-current assets:					
Granted loans and advances					
Finance asset available for sales					
Held-to-maturity securities					
Long-term account receivable					
Long-term equity investment					
Investment property					
Fixed assets	5.8	66,235,471.01	66,235,471.01	69,289,462.86	69,289,462.86
Construction in progress	5.9	1,200,000.00	1,200,000.00		
Engineering material					
Disposal of fixed asset					
Productive biological asset					



Oil and gas asset					
Intangible assets	5.10	30,260,662.74	30,260,662.74	30,695,026.32	30,695,026.32
Expense on Research and Development					
Goodwill					
Long-term expenses to be apportioned	5.11	84,750.01	84,750.01	113,000.00	113,000.00
Deferred income tax asset					
Other non-current asset					
Total non-current asset		97,780,883.76	97,780,883.76	100,097,489.18	100,097,489.18
Total assets		117,635,742.78	117,635,742.78	119,382,660.10	119,382,660.10
Current liabilities:					
Short-term loans	5.13	1,000,000.00	1,000,000.00	1,000,000.00	1,000,000.00
Loan from central bank					
Absorbing deposit and interbank deposit					
Capital borrowed					
Transaction financial liabilities					
Notes payable					
Accounts payable	5.14	1,964,997.86	1,964,997.86	1,523,437.56	1,523,437.56
Accounts received in advance	5.15	1,559,566.52	1,559,566.52	3,091,887.24	3,091,887.24
Selling financial asset of repurchase					
Commission charge and commission payable					
Wage payable	5.16	4,113,184.72	4,113,184.72	3,148,124.82	3,148,124.82
Taxes payable	5.17	-1,325,810.58	-1,325,810.58	-1,174,778.35	-1,174,778.35
Interest payable					
Dividend payable					
Other accounts payable	5.18	24,692,582.85	24,692,582.85	24,527,634.51	24,527,634.51
Reinsurance payables					
Insurance contract reserve					
Security trading of agency					
Security sales of agency					
Non-current liabilities due within 1 year					
Other current liabilities					
Total current liabilities		32,004,521.37	32,004,521.37	32,116,305.78	32,116,305.78
Non-current liabilities:					
Long-term loans					
Bonds payable					



Long-term account payable					
Special accounts payable					
Projected liabilities					
Deferred income tax liabilities					
Other non-current liabilities					
Total non-current liabilities					
Total liabilities		32,004,521.37	32,004,521.37	32,116,305.78	32,116,305.78
Owner's equity (or shareholders' equity):					
Paid-in capital (or share capital)	6.19	364,100,000.00	364,100,000.00	364,100,000.00	364,100,000.00
Capital public reserve	6.20	54,142,850.01	54,142,850.01	54,142,850.01	54,142,850.01
Less: Inventory shares					
Reasonable reserve					
Surplus public reserve					
Provision of general risk					
Retained profit	5.21	-332,611,628.60	-332,611,628.60	-330,976,495.69	-330,976,495.69
Balance difference of foreign currency translation					
Total owner's equity attributable to parent company		85,631,221.41	85,631,221.41	87,266,354.32	87,266,354.32
Minority interests					
Total owner's equity		85,631,221.41	85,631,221.41	87,266,354.32	87,266,354.32
Total liabilities and owner's equity		117,635,742.78	117,635,742.78	119,382,660.10	119,382,660.10

Profit Statement

Prepared by Hainan Dadonghai Tourism Centre (Holdings) Co., Ltd.
January-June of 2011

Unit: RMB

Items	Notes	Amount in this period		Amount in last period	
		Consolidation	Parent Company	Consolidation	Parent Company
I. Total operating income	5.22	18,467,961.40	18,467,961.40	20,018,480.32	20,018,480.32
Including: Operating income		18,467,961.40	18,467,961.40	20,018,480.32	20,018,480.32
Interest income					
Insurance gained					
Commission charge and commission income					
II. Total operating cost	5.22	20,348,700.91	20,348,700.91	19,546,629.10	19,546,629.10
Including: Operating cost		3,393,494.71	3,393,494.71	3,371,403.38	3,371,403.38
Interest expense					
Commission charge and commission					



expense					
Cash surrender value					
Net amount of expense of compensation					
Net amount of withdrawal of insurance contract reserve					
Bonus expense of guarantee slip					
Reinsurance expense					
Operating tax and extras	5.23	1,034,205.87	1,034,205.87	1,100,224.54	1,100,224.54
Sales expenses		8,432,637.28	8,432,637.28	8,368,177.03	8,368,177.03
Administration expenses		7,291,271.27	7,291,271.27	6,553,879.85	6,553,879.85
Financial expenses	5.24	197,091.78	197,091.78	152,944.30	152,944.30
Losses of devaluation of asset					
Add: Changing income of fair value(Loss is listed with “-”)					
Investment income (Loss is listed with “-”)					
Including: Investment income on affiliated company and joint venture					
Exchange income (Loss is listed with “-”)					
III. Operating profit (Loss is listed with “-”)		-1,880,739.51	-1,880,739.51	471,851.22	471,851.22
Add: Non-operating income	5.25	245,606.60	245,606.60	201,241.35	201,241.35
Less: Non-operating expense				30,000.00	30,000.00
Including: Disposal loss of non-current asset					
IV. Total Profit (Loss is listed with “-”)		-1,635,132.91	-1,635,132.91	643,092.57	643,092.57
Less: Income tax				141,480.37	141,480.37
V. Net profit (Net loss is listed with “-”)		-1,635,132.91	-1,635,132.91	501,612.20	501,612.20
Net profit attributable to owner’s equity of parent company		-1,635,132.91	-1,635,132.91	501,612.20	501,612.20
Minority shareholders’ gains and losses					
VI. Earnings per share					
i. Basic earnings per share		-0.0045	-0.0045	0.0014	0.0014
ii. Diluted earnings per share		-0.0045	-0.0045	0.0014	0.0014
VII. Other consolidated income					
VIII. Total consolidated income		-1,635,132.91	-1,635,132.91	501,612.20	501,612.20
Total consolidated income attributable to owners of parent company		-1,635,132.91	-1,635,132.91	501,612.20	501,612.20
Total consolidated income attributable to minority shareholders					

**Cash Flow Statement**

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

January-June of 2011

Unit: RMB

Items	Amount in this period		Amount in last period	
	Consolidation	Parent Company	Consolidation	Parent Company
I. Cash flows arising from operating activities:				
Cash received from selling commodities and providing labor services	16,854,699.00	16,854,699.00	17,165,594.70	17,165,594.70
Net increase of customer deposit and interbank deposit				
Net increase of loan from central bank				
Net increase of capital borrowed from other financial institution				
Cash received from original insurance contract fee				
Net cash received from reinsurance business				
Insured savings and net increase of investment				
Net increase of disposal of transaction financial asset				
Cash received from interest, commission charge and commission				
Net increase of capital borrowed				
Net increase of returned business capital				
Write-back of tax received				
Other cash received concerning operating activities	166,332.89	166,332.89	780,879.80	780,879.80
Subtotal of cash inflow arising from operating activities	17,021,031.89	17,021,031.89	17,946,474.50	17,946,474.50
Cash paid for purchasing commodities and receiving labor service	5,661,336.69	5,661,336.69	3,751,093.21	3,751,093.21
Net increase of customer loans and advances				
Net increase of deposits in central bank and interbank				
Cash paid for original insurance contract compensation				
Cash paid for interest, commission charge and commission				
Cash paid for bonus of guarantee slip				
Cash paid to/for staff and workers	5,067,486.89	5,067,486.89	5,117,576.51	5,117,576.51



Taxes paid	1,645,763.83	1,645,763.83	1,815,429.02	1,815,429.02
Other cash paid concerning operating activities	4,201,173.86	4,201,173.86	7,082,083.47	7,082,083.47
Subtotal of cash outflow arising from operating activities	16,575,761.27	16,575,761.27	17,766,182.21	17,766,182.21
Net cash flows arising from operating activities	445,270.62	445,270.62	180,292.29	180,292.29
II. Cash flows arising from investing activities:				
Cash received from recovering investment				
Cash received from investment income				
Net cash received from disposal of fixed, intangible and other long-term assets	7,390.00	7,390.00		
Net cash received from disposal of subsidiaries and other units				
Other cash received concerning investing activities				
Subtotal of cash inflow from investing activities	7,390.00	7,390.00		
Cash paid for purchasing fixed, intangible and other long-term assets	1,279,210.00	1,279,210.00	147,935.00	147,935.00
Cash paid for investment				
Net increase of mortgaged loans				
Net cash received from subsidiaries and other units				
Other cash paid concerning investing activities				
Subtotal of cash outflow from investing activities	1,279,210.00	1,279,210.00	147,935.00	147,935.00
Net cash flows arising from investing activities	-1,271,820.00	-1,271,820.00	-147,935.00	-147,935.00
III. Cash flows arising from financing activities				
Cash received from absorbing investment				
Including: Cash received from absorbing minority shareholders' investment by subsidiaries				
Cash received from loans				
Cash received from issuing bonds				
Other cash received concerning financing activities				



Subtotal of cash inflow from financing activities				
Cash paid for settling debts				
Cash paid for dividend and profit distributing or interest paying	44,000.00	44,000.00		
Including: Dividend and profit of minority shareholder paid by subsidiaries				
Other cash paid concerning financing activities				
Subtotal of cash outflow from financing activities	44,000.00	44,000.00		
Net cash flows arising from financing activities	-44,000.00	-44,000.00		
IV. Influence on cash due to fluctuation in exchange rate				
V. Net increase of cash and cash equivalents	-870,549.38	-870,549.38	32,357.29	32,357.29
Add: Balance of cash and cash equivalents at the period -begin	3,104,278.19	3,104,278.19	3,425,846.65	3,425,846.65
VI. Balance of cash and cash equivalents at the period -end	2,233,728.81	2,233,728.81	3,458,203.94	3,458,203.94

Statement of Provision for Devaluation of Assets

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

January-June of 2011

Unit: RMB

Item	Book balance at period-begin	Increase of this period	Decrease in this period		Book balance at period-end
			Switching back	Transferring out	
I. Total of provision for bad debts	79,987,849.37				79,987,849.37
II. Provision for falling price of inventory	778,329.36			655.94	777,673.42
III. Provision for devaluation of financial asset available for sales					
IV. Provision for devaluation of held-to-maturity investment					
V. Provision for devaluation of long-term equity investment	14,716,374.26				14,716,374.26
VI. Provision for devaluation of investing real estate					
VII. provision for devaluation of fixed assets	36,247,447.59				36,247,447.59
VIII. Provision for devaluation of engineering materials					



IX. Provision for devaluation of construction in progress					
X. Provision for devaluation of productive biological asset					
Including: Provision for devaluation of mature productive biological asset					
XI. Provision for devaluation of oil asset					
XII. Provision for devaluation of intangible asset	29,343,890.98				29,343,890.98
XIII. Provision for devaluation of goodwill					
XIV. Other	2,167,480.26				2,167,480.26
Total	163,241,371.82			655.94	163,240,715.88

Consolidated Statement on Changes of Owners' Equity

Prepared by Hainan Dadonghai Tourism Center Co., Ltd.

Semi-Annual of 2011

Unit: RMB

Item	Amount in this report period							Amount in last year							
	Owners' equity attributable to the parent company							Total owners' equity	Owners' equity attributable to the parent company						
	Paid-up capital (Share capital)	Capital reserves	Less: Treasury Stock	Reserves	General reserves	Retained profit	Total owners' equity		Paid-up capital (Share capital)	Capital reserves	Reserves	General reserves	Retained profit	Total owners' equity	
I. Balance at the end of last year	364,100,000.00	54,142,850.01				-330,976,495.69	87,266,354.32	364,100,000.00	54,142,850.01				-331,657,451.34	86,585,398.67	
Add: Changes of accounting policy															
Error correction of the last period															
Others															
II. Balance at the beginning of this year	364,100,000.00	54,142,850.01				-330,976,495.69	87,266,354.32	364,100,000.00	54,142,850.01				-331,657,451.34	86,585,398.67	
III. Increase/ Decrease in this year (Decrease is listed with "-")						-1,635,132.91	-1,635,132.91						680,955.65	680,955.65	
(I) Net profit						-1,635,132.91	-1,635,132.91						680,955.65	680,955.65	



(VII) Other															
IV. Period-end balance of this period	364,100,000.00	54,142,850.01				-332,611,628.60		85,631,221.41	364,100,000.00	54,142,850.01				-330,976,495.69	87,266,354.32

Statement on Changes of Owners' Equity for Parent Company

Prepared by Hainan Dadonghai Tourism Center Co., Ltd.

Semi-Annual of 2011

Unit: RMB

Item	Amount in this report period						Amount in last year								
	Paid-up capital (Share capital)	Capital reserves	Less: Treasury shares	Reserve surplus	Special reserve	General risk provision	Retained profit	Total owners' equity	Paid-up capital (Share capital)	Capital reserves	Less: Treasury shares	Reserve surplus	General risk provision	Retained profit	Total owners' equity
I. Balance at the end of last year	364,100,000.00	54,142,850.01					-330,976,495.69	87,266,354.32	364,100,000.00	54,142,850.01				-331,657,451.34	86,585,398.67
Add: Changes of accounting policy															
Error correction of the last period															
Others															
II. Balance at the beginning of this year	364,100,000.00	54,142,850.01					-330,976,495.69	87,266,354.32	364,100,000.00	54,142,850.01				-331,657,451.34	86,585,398.67
III. Increase/ Decrease in this year (Decrease is listed with "-")							-1,635,132.91	-1,635,132.91						680,955.65	680,955.65
(I) Net profit							-1,635,132.91	-1,635,132.91						680,955.65	680,955.65
(II) Other consolidated income															
Subtotal of (I) and (II)							-1,635,132.91	-1,635,132.91						680,955.65	680,955.65
(III) Owners' devoted and decreased capital															
1. Owners' devoted capital															

Attachment II**Hainan Dadonghai Tourism Center Co., Ltd.****Notes to the Financial Statement****(2011-6-30)**

Currency Unit: RMB

Note 1. Basic Information of the Company**1.1 Historical evolution of the Company**

Hainan Dadonghai Tourism Center Co., Ltd. (hereinafter referred to as the Company), was founded as a standardized limited company on 26 April, 1993, reorganized on the basis of the former Hainan Sanya Dadonghai Tourism Center Development Company limited and approved by Hainan Provincial Stock System Experimentation Leading Group with its document No. [1993]11. On 6 May, 1996, the Company underwent a restructuring and a corresponding division with the approval of Hainan Provincial Securities Administration Office by its document No. [1996]58. On 8 October, 1996 and 28 January, 1997, the Company, with duly approval, went public by issuing 80 million shares of B stock and 14 million shares of A stock respectively at Shenzhen Stock Exchange. On 20 June, 2007, the Company carried out the Share Merger Reform, under which, holders of non-circulating shares shall pay shares to holders of circulating shares in exchange for circulating. Each holder of circulating shares is entitled to receiving 3 shares for each 10 shares held. Upon implementation of such consideration by bonus shares, the total number of shares of the Company remains unchanged, while the shares structure experiences relative change.

As at 30 June 2011, the aggregate shares of the Company amounted to 364,100,000 shares, among which, shares with limited sale condition and those without such limit condition totaled to 17,308,000 and 346,792,000 respectively, representing 4.75% and 95.25% of the total shares. The registered capital of the Company is RMB 364.1 million, and its legal representative is Li Yuanbin. The registered No. for its legal person business license (duplicated) is 4600001003983, with the legal registered place being Dadonghai, Hedong District, Sanya city.

1.2 Major products or service rendered of the Company

The Company mainly engages in accommodation, catering industry (conducted by branch only), photography, miniature garden and bonsai, grain and oil products, knitwear and textiles, department stores, chemical products (excluding those require specialized licenses), daily goods, industrial production materials (excluding those require specialized licenses), metal materials, machinery and equipment, and tour ticket service (on an item-license basis).

Note 2 Summaries of Main Accounting Policies, Accounting Estimates and Prior Errors**2.1 Preparation basis of the financial statements**



The Company operates on no-going basis. Recognitions and measures are conducted by reference to the actual transactions and matters in accordance to requirements of Accounting Standards for Enterprises-Basic Standards and other various accounting standards, and on the basis of which, financial statements are prepared.

The Company applied the Accounting Standards for Enterprises issued by the Ministry of Finance in 2006 effective from 1 January 2007. The Company also adjusted retrospectively the comparable financial statements following Accounting Standards for Enterprises No. 38- the First Adoption of Accounting Standards for Enterprises and other relevant regulations.

2.2 Statement of compliance with Enterprise accounting standards

The financial statements of the Company comply with the requirements of Accounting Standards; the Company's financial position, operating results, cash flows and other relevant information are truly and completely disclosed in financial statements.

2.3 Accounting period

The Company's accounting year is from 1st January to 31st December for each calendar year.

2.4 Recording currency

The recording currency of the Company is Renminbi.

2.5 Accounting for business combination under the same control or not under the same control

2.5.1 Accounting for business combination under the same control:

Equity combination method is adopted for business combination under the same control, which means that assets and liabilities acquired by a party in a business combination shall be measured at the carrying value of the assets and liabilities acquired as at the combination date. Difference between the net carrying value of assets acquired and the carrying value of combination consideration paid by such party shall be adjusted against capital reserve. In the event that capital reserve is not sufficient to offset, then retained profit shall be adjusted.

2.5.2 Accounting for business combination not under the same control:

Purchase method is adopted for business combination not under the same control, which means that the assets paid and liabilities occurred or assumed by a party as consideration for business combination as at the purchase date shall be measured at fair value. As to the difference between fair value and their carrying values, it shall be accounted in current gains and losses. In the case that the consideration paid by the purchaser is higher than the fair value of net recognizable assets acquired from the business combination, the difference shall be recognized as goodwill; while if lower, then recognized as current gains and losses.

2.6 Recognition standard for cash equivalents

For the purpose of preparing cash flow statement, investments satisfying all the four



conditions including short term (due within 3 months commencing from the purchase day), strong liquidity, easy to convert into cash with specified amount, and low exposure to value fluctuation, are recognized as cash equivalents.

2.7 Foreign currency business and translation of foreign currency statements

2.7.1 Calculation method for foreign currency business:

Foreign currency business is accounted in RMB converted at the spot exchange rate of the transaction day.

Balance of monetary items denominated in foreign currency shall be translated at the spot exchange rate as of the balance sheet date, with the occurred exchange difference recorded into current gains and losses, provided that those exchange difference arising from the special foreign currency borrowings related to assets acquisition meeting capitalization condition shall be dealt with by reference to borrowing expenses capitalization principle. Non-monetary items of foreign currency measured in historical cost is still converted at the spot exchange rate of the transaction date, without changing the accounting currency standard amount. Non-monetary items of foreign currency measured in fair value is converted at the spot exchange rate of the confirmation date of the fair value, with the difference arising thereupon recorded as current gains and losses or capital reserve.

2.7.2 Accounting for translation of foreign currency financial statements:

The asset and liability items of the balance sheet are converted at the spot exchange rate of the balance sheet date. The owner's equity item, except for undistributed profit, is converted at the spot exchange rate as of the date of occurrence. Revenue and expense items in the income statement are converted at the spot exchange rate as of the date of transaction. The translation difference in the foreign currency financial statement arising from the above conversions is separately listed under the owner's equity item in the balance sheet.

For the purpose of disposing overseas operation, the translation differences of foreign currency financial statement presented under the owners' equity in balance sheet and related to such overseas operation shall be transferred to disposal of current gains and losses from owners' equity account. In case of partial disposal as for such overseas operation, the translation difference of foreign currency financial statement of such disposed part shall be calculated according to the ratio of disposal, and then be transferred to disposal of current gains and losses account.

2.8 Financial instruments

2.8.1 Classification of financial assets and financial liabilities

(1) Financial assets are divided into the following four categories at initial recognition:

- a. Financial assets at fair value through current gains and losses, including transactional financial assets and financial assets specified at fair value through current gains and losses;
- b. Held-to-maturity investments;
- c. Loans and account receivables;
- d. Financial assets available for sale.



- (2) Financial liabilities are divided into the following two categories at initial recognition:
- Financial liabilities at fair value through current gains and losses, including transactional financial liabilities and financial liabilities specified at fair value through current gains and losses;
 - Other financial liabilities.

2.8.2 Recognition and measure method for financial assets and financial liabilities

(1) Financial assets and financial liabilities at fair value through current gains and losses

Fair value is deemed as the initial recognition amount upon acquisition (net of cash dividend declared but not paid yet or debenture interests due but not received yet), with relevant business expenses recorded in current gains and losses.

Interests or cash dividends acquired during the holding period are recognized as investment income. Movements to fair values are recorded in current gains and losses as at year end.

In case of disposal, difference between fair value and initial book keeping amount are recognized as investment income and adjusted the variation gains/losses for fair value.

(2) Held-to-maturity investments

The sum of fair values (net of debenture interests due but not received yet) and relative transaction expenses is recognized as initial recognition amount upon acquisition.

During the holding period, interest income is recognized under the amortized cost and effective interest rate (under nominal interest rate if the effective interest rate is similar to the nominal interest rate), and then recorded in investment income. Effective interest rate is recognized upon acquisition and remains unchanged during the expected continuance period or a shorter period (if any).

In case of disposal, difference between amount received from the disposal and carrying value of the investment shall be recorded in investment income.

(3) Account receivables and loans

As to receivables formed from commodities sales or service provision by the Company, together with the creditors held by the Company in respect of debt instruments of other entities (excluding those having quotation in an active market) which include account receivables, notes receivables, accounts paid in advance, other receivables and long-term receivables, the agreed payment receivables set out in agreement or contract entered into with purchasers are deemed as the initial recognition amount. While for those which have nature of financing, initial recognition is conducted by reference to their present values.

Upon recovery or disposal, difference between amount received from the recovery or disposal and carrying value of the receivables shall be recorded in current gains and losses.

(4) Financial assets available for sale

The sum of fair values (net of cash dividend declared but not paid yet or debenture interests due but not received yet) and relative transaction expenses is recognized as initial recognition amount upon acquisition.

During the holding period, interests or cash dividend acquired are recognized as investment income. At each year end, they are measured at fair value through capital reserve (other capital reserve).



In case of disposal, difference between amounts paid for acquiring such assets and their carrying values shall be recorded in investment gains and losses; meanwhile, the corresponding disposal amount to accumulated change of fair value which are directly included in owners' equity shall be switched out to include in investment gains and losses.

(5) Other financial liabilities

Initial recognition amount equals to the sum of fair value and relative transaction expense. Consequent measure effects at amortized cost.

2.8.3 Confirmation basis and measurement method of financial assets transfer

The Company terminates recognition of financial asset which satisfies any of the following conditions:

- (1) The right to receive cash flow from such financial assets has been transferred to another party;
- (2) Almost all risks and rewards under the ownership of such financial assets have been transferred to the transferee;
- (3) Control over the financial assets has been abandoned though almost all risks and rewards under the ownership of the assets have neither been transferred nor maintained.

As for financial assets satisfying conditions to terminate recognition, the difference between the following two items is counted as current gains and losses:

- (1) Book value of the financial assets transferred;
- (2) Consideration received due to the transfer, plus the accumulated change of fair value (financial assets available for sale) originally counted into owners' equity directly.

2.8.4 Recognition method for fair value of major financial assets and liabilities:

The fair value of financial assets or liabilities with an active market is determined according to their quotations in the active market, including prices quoted regularly by bourses, brokers, trade associations and pricing institutions which usually represent prices actually occurring in fair transactions of the market. As for financial assets or liabilities without an active market, the fair value is determined through estimation techniques, which includes considering recent actual prices adopted parties familiar to the relevant situation and transacting on a volunteer basis, referring to current fair values of other similar or homogeneous financial assets or liabilities, cash flow discount method, and option pricing model, etc.

2.8.5 Impairment test and impairment provision method in respect of financial assets:

(1) Impairment provision for financial assets available for sale

As at year end, in the event that fair value of financial assets available for sale declined greatly or it is expected that this decline belongs to a provisional tendency after taking into account of various related factors, then impairment is determined to such assets. Accordingly, the accumulated losses arising from decline of fair value originally accounted in owners' equity directly shall be switched out and impairment loss shall then be recognized.

(2) Impairment provision for held-to-maturity investment

Impairment loss of held-to-maturity investment is measured by reference to that used for measuring impairment loss of account receivables.



2.9 Account receivables

2.9.1 Determination of bad debt provision

The Company examines the book value of account receivables at balance sheet date, and will accrue provision if there are objective evidences indicate impairment in account receivables. The objective evidences indicate provision of account receivables are the events that occurred after the initial recognition of account receivables, and the events can affect the estimated future cash flows and the events can be measured reliably. The objective evidences indicate the impairment of account receivables including the following:

- (1) Serious financial difficulties in the debtor;
- (2) Debtor breaches contract terms (such as default for or overdue the payment of interest or principal);
- (3) Debtor is likely to bankruptcy or performs other financial reorganization;
- (4) Other objective evidence indicating impairment in account receivable.

2.9.2 Receivables that are individually significant and provided for provision separately

The basis or amount for individually significant receivables	The top 5 customers of account receivables on the end of the period
Method of provision for receivable that are individually significant and are assessed for impairment on an individual basis	Impairment test performed individually, bad debt provision will be provided at the difference of expected cash flow lower than the book value. If no impairment after separate assessment, the amounts add to the financial assets combinations which on the age characteristic of credit risk and to provide provision by age analysis. Account receivables of separate assessment, the amounts will not include in the group test basis on the similar credit risk to provide provision.

2.9.3 Account receivables that are provided for bad debt by combination

Basis of the determination of combination

Age combination	Age of the account
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The withdrawal method for bad debt provision

Age combination	Age analysis
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2.9.4 The Company adopts age analysis method to provide provision as follows:

Age	Withdrawal proportion for account receivable (%)	Withdrawal proportion for other account receivable (%)
Within 1 year(1 year include)	0	0
1—2 years	5	5
2—3 years	15	15
3—4 years	25	25
4—5 years	50	50
More than 5 years	100	100

2.9.5 Account receivables that are insignificant in amount individually but provided for bad debt individually



The reason for the impairment individually	Other account receivables less significant account receivables that there is objective evidences to indicate impairment, such as the bankruptcy or death of debtors and their estate and inheritance can not compensate account receivables.
Method of provision	The account receivables that there is objective evidence to indicate impairment, should be separated from related groups, tested individually and are recognize as loss.

2.9.6 The reverse of impairment provision

If there is objective evidences to indicate the value comeback of account receivable and the comeback related to the recognized loss, the recognized loss will be reversed and recognized as gain, but the reversed value should not excess the carrying amount of account receivables if not recognize impairment.

2.10 Calculation for inventories

2.10.1 Categorizing of inventories

The inventories of the Company comprises of materials in stock, commodities in stock, low-value consumables, goods consigned to proceed, food stuffs, fuel etc.

2.10.2 Pricing method of outgoing inventories

Commodities in stock measured on the sales price, the difference between purchasing price and selling price should be adjusted monthly in terms of the average difference allocation method. materials in stock are initially measured at cost, First-in-first-out method is adopted when delivery. Low-value consumables are amortized on on-off amortization basis at using.

2.10.3 Inventory accounting system

Perpetual inventory system is applicable to inventories.

2.10.4 Provision method for inventory falling price reserve

The Company has overall review over inventories at period end. It is general for the Company to provide inventory falling price reserve by reference to balance between single inventory costs exceeding its net realizable value. As for those inventories in large quantity and low prices, inventory falling price reserve is provided according to categories of inventories.

2.11 Calculation of long-term equity investment

2.11.1 Confirmation of investment cost

(1) Long-term equity investment formed from business combination

Business combination under the same control: as for those combinations, the considerations of which are satisfied by the Company through cash payment, transferring non-cash assets or undertaking obligations and issuance of equity securities, initial investment cost of long-term equity investment is determined according to the share of carrying value of owners' equity of the party combined as at the combination date. Balance between such initial investment cost and combination consideration payment is adjusted against capital reserve; when capital reserve is insufficient to offset, then it shall be adjusted against retained profit. Each direct related expense arising from combination, including the audit fee, appraisal fee and legal service fee, shall be recorded in current gains and losses upon occurrence.



Business combination not under the same control: as for those combinations, the combination costs are, on purchased day, assets that paid for control right of the purchased party acquired by purchasing party, fair value of equity bonds that issued and liabilities bared or occurred as well as the vary directly expenses that occurred during the combination. As for those combination by multiple transactions, combination cost referring to the total single transaction cost. For those agreements carried in combination contract that probably affected the combination cost, on purchasing day, if the estimated future events will probably occurred or probably effected the reliable measurement for combination cost, then reckoned into consolidation cost.

(2) Long-term equity investment acquired in other ways

Long-term equity investment acquired by cash: initial investment cost represents the actual payment for such purchase.

Long-term equity investment acquired by issuance of equity securities: initial investment cost represents the fair value of equity securities in issue.

Long-term equity investment injected by investors: initial investment cost represents the value agreed in investment contract or agreement (net of cash dividend or profit declared but not paid yet), with exclusion of those agreed values which are not fair.

Provided that exchange of non-monetary assets has commercial nature and fair values of assets exchanged for or with could be reliably measured, initial investment cost of long-term equity investment exchanged in with non-monetary assets is determined according to the fair value of assets exchanged with, unless there is evidence proving that fair value of assets exchanged in is more reliable. As for the exchange of non-monetary assets not meeting the aforementioned conditions, their initial investment costs are determined according to the carrying value of assets exchanged with and relevant taxes payable.

For long-term equity investment acquired through debt reorganization, its initial investment cost is determined based on fair value.

2.11.2 References for common control and material effect over invested company

For such controls jointly shared over certain economic activity according to an agreement, it only exists when other parties to such investment offer unanimous consent toward significant finance and operation decisions related to such economic activity. Then, a common control is deemed to effect with other parties over such invested company. In the event that a party is entitled to participate in decision making of an enterprise in respect of its finance and operation decisions, while that party is not able to conduct control or common control with other parties over such policies, then that party is considered to have significant effect upon such invested company.

2.11.3 Subsequent measurement and income recognition

If the initial cost of a long-term equity investment is more than the Company's share, attributable to, of the fair value of the investee's identifiable net assets for the investment, the initial cost may not be adjusted. If the initial cost of a long-term equity investment is less than the Company's attributed share of the fair value of the investee's identifiable net assets for the investment, the difference shall be included in the current profits and losses and the cost of the long-term equity investment shall be adjusted simultaneously.

The Company adopts cost method for investment in subsidiaries and makes adjustment by equity method when preparing consolidated financial statement.



To adopt cost method for long-term equity investment upon which the Company has no control, common control or significant influence and which have no quotation price in active market and whose fair value could not be able to measure surely.

If the Company has significant effect on joint-ventures and associate, equity method should be adopted.

Investment income on cost method is limited to the retained earning after investing, it will be the recovery of initial investment cost if the dividend obtained over above profit.

The loss to the investee on equity method is adopted in the following steps: At first, reduce the carrying value of long-term equity investment; Second, it is limited to zero of the carrying value of long-term equity investment, and then reduce the carrying value of long-term receivable to investee limit to the zero amount; At last, if the Company need to take extra liabilities in terms of investment contract, should estimate loss in the current period.

If the investee makes profit in the future period, after the unrecognized loss, it should be adopted in the adverse steps, reduce the carrying value of estimate liability, recover the carrying value of long-term equity and long-term equity investment, and recognize the investment income at the same time.

The treatment of other changes other than net profit: if exist other changes other than net profit, the Company should adjust the book value of the long-term equity investment in accordance with its attributable share to the investee, and recognize the increase or decrease of capital reserve (other reserve).

2.12 Kinds of investment real estate and measure model

Investment real estate represents properties held fur purpose of making rental or capital appreciation, or both. It includes, among other things, land use right leased, land use right held and ready to transfer upon appreciation and constructions leased.

The Company adopts cost model for measuring investment real estate. Assets for lease, being investment real estate measured under cost model, follow the same depreciation policies as to the fixed assets of the Company. Land use right for lease follows the same amortization policies as to intangible assets; for any impairment indication, recoverable amount shall be estimated. In case of the recoverable amount being lower than the carrying value, the Company will accordingly recognize impairment losses.

2.13 Pricing and depreciation method for fixed assets

2.13.1 Recognition conditions for fixed assets

Fixed assets represent the tangible assets held for the purposes of producing goods, providing labor services, lease or operational management, with service life over one year. Fixed assets are recognized only when the following conditions are all satisfied:

- (1)Economic benefit related to such fixed asset is likely to flow into the Company;
- (2)Cost of such fixed asset could be measured reliably.

2.13.2 Classification of fixed assets

Fixed assets are divided into houses and constructions, machinery equipment, transportation equipment, electrical entertainment equipment and other equipments.

2.13.3 Initial measure of fixed assets

Fixed assets are measured initially at effective cost upon acquisition.

External purchase cost for fixed assets is determined by references to purchase payment,



relative taxes, and freight, loading & uploading fee, installation fee and professional service fee attributable to fixed assets for bringing such assets to the expected utilization. For fixed assets which are acquired with payment terms exceeding normal credit terms and substantially have nature of financing, their costs are determined according to the present value of acquisition payment.

For self-developed fixed assets, their costs constitute all necessary expenses arising from promoting such assets into expected utilization situation.

For fixed assets acquired in debt reorganization as satisfaction for debts, they are accounted at their fair values. And balance between carrying value of reorganized debt and fair value of such fixed assets shall be recorded in current gains and losses.

Provided that exchange of non-monetary assets has commercial nature and fair values of assets exchanged for or with could be reliably measured, fixed assets exchanged in is accounted according to the fair value of assets exchanged out, unless there is evidence proving that fair value of assets exchanged in is more reliable. As for the exchange of non-monetary assets not meeting the aforementioned conditions, costs of fixed assets exchanged in are determined according to the carrying value of assets exchanged out and relevant taxes payable, without recognition of gains and losses.

For fixed assets which are acquired through business combination under the same control, they are accounted according to carrying value of party acquired; for fixed assets which are acquired through business combination not under the same control, they are accounted according to fair value.

For fixed assets leased for financing, they are accounted at the lower of fair value of leased assets as at the commencement date of lease and present value of minimal lease payment.

2.13.4 Depreciation provision method for fixed assets

Depreciation of fixed assets is calculated under average term method, with the following depreciation rates determined according to classification of fixed assets, estimated economic service life and estimated residual value (being 5% of the original value):

Category of assets	Expected service life	Estimated net residual value (%)	Depreciation rate per annum (%)
Houses & constructions	20—40	5	4.75—2.37
Machinery equipment	8—20	5	11.87—4.75
Electrical entertainment equipment	5—16	5	19—5.93
Transportation equipment	7—12	5	13.57—7.91
Other equipments	8	5	11.87
Improvements	5	5	19

2.14 Calculation of construction in process



2.14.1 Classifications of construction in process

Construction in process is calculated on the basis of approved project.

2.14.2 Standard and timing for transferring constructions in process into fixed assets

Constructions in process are accounted as fixed assets at all expenses occurred for making such constructions reaching the expected purpose. As for those constructions in process which have reached expected purpose while completion settlement has not been conducted for yet, they shall be accounted against fixed assets at the estimated value based on project budget, construction cost or actual engineering cost. Meanwhile, depreciation is provided for such assets under the depreciation policy of the Company applicable to its fixed assets. Upon completion of completion settlement, the original temporarily-estimated value shall be adjusted against the actual cost, while the original depreciation provision is not subject to adjustment.

2.15 Capitalization of borrowings expense

2.15.1 Principles for recognition of capitalization of borrowings expense

Borrowings expense arisen by a company which can be directly attributable to purchase or production of assets satisfying capitalization conditions, shall be subject to capitalization and credited into relative assets cost; other borrowings expenses are recognized as expenses upon occurrence and credited into current gains and losses.

Asset satisfying capitalization condition represents such fixed asset, investment real estate and inventory which take a long time purchase or production activities to reach expected purpose or the situation for sale.

Capitalization commences for borrowings expense when the conditions below all reached:

(1) Capital expenses occur, which include expenses arising from purchasing or producing assets satisfying capitalization condition in manners of cash payment, transferring non-cash assets or assuming interest-bearing debts, etc;

(2) Borrowings expenses have occurred;

(3) Purchase or production activities required for making assets reach expected purpose or situation for sale have started.

Borrowings expense shall be stopped with capitalization when abnormal interrupt (over 3 months) happens during the purchase or production process in respect of such assets satisfying capitalization condition.

Borrowings expense shall be stopped with capitalization when assets satisfying capitalization condition reach expected purpose or situation for sale during the purchase or production process.

Borrowings expense of part assets shall be stopped with capitalization when such part of assets satisfying capitalization condition is separately completed and available to use separately during the purchase or production process.

2.15.2 Capitalization period of borrowings expense

Capitalization period means the period commencing from the start of capitalization to the stop of capitalization for borrowings expense, excluding the period when borrowings expense is temporarily stopped with capitalization.

2.15.3 Calculation for borrowings expense capitalized

Before assets satisfying capitalization conditions purchased or produced arrive expected purpose or situation for sale, interest expenses (net of interest income or investment income arising from unutilized borrowings through saving in bank or making provisional investments) and affiliate expenses of special borrowings shall be capitalized.

Interest arising from general borrowings which shall be capitalized is calculated based on the weighted average number of the exceeding part of accumulated assets expenses over



that of special borrowings at the end of each month times capitalization ratio of occupied general borrowings. Such capitalization ratio is determined according to the weighted average interest rate of general borrowings.

In case of discount or premium existed in borrowings, the Company will determine the amortized discount or premium amount for each accounting period at effective interest method, then to adjust interest of each period.

2.16 Calculation for intangible assets

2.16.1 Pricing for intangible assets

Intangible assets are accounted generally at effective cost upon acquisition;

Cost of externally-acquired intangible assets include purchase payment, related taxes and other expenses directly attributable to matters making such assets reach expected purpose. For intangible assets which are acquired with payment terms exceeding normal credit terms and substantially have nature of financing, their costs are determined according to the present value of acquisition payment.

For intangible assets acquired in debt reorganization as satisfaction for debts, they are accounted at their fair values. And balance between carrying value of reorganized debt and fair value of such intangible assets shall be recorded in current gains and losses; Provided that exchange of non-monetary assets has commercial nature and fair values of assets exchanged for or with could be reliably measured, intangible assets exchanged in is accounted according to the fair value of assets exchanged out, unless there is evidence proving that fair value of assets exchanged in is more reliable. As for the exchange of non-monetary assets not meeting the aforementioned conditions, costs of intangible assets exchanged in are determined according to the carrying value of assets exchanged out and relevant taxes payable, without recognition of gains and losses.

For intangible assets which are acquired through business combination under the same control, they are accounted according to carrying value of party acquired; for intangible assets which are acquired through business combination not under the same control, they are accounted according to fair value.

2.16.2 Service life and amortization of intangible assets

Intangible assets with limited service life are amortized at straight line method against the expected service life. Intangible assets with indefinite service life are not subject to amortization. Amortization tenure of intangible assets with limited service life are set below:

(1) Those within law regulations are amortized according to law; within contract stipulations, according to contract; within both, according to the shorter tenure; without relevant regulations or stipulations, within 10 years of durability.

(2) Land use right is amortized averagely according to specified service life of land use right.

The Company has review over service life and amortization method of intangible assets with limited service life at each year end. In view of the review, it is confirmed that service life and amortization method of service life at the end of this year is the same as to the previous estimation.

2.17 Amortization method and amortization tenure of long-term deferred expenses



Long-term deferred expenses are amortized averagely during the beneficial period, among which:

(1) Rental paid in advance for leased-in fixed asset for purpose of operation is amortized averagely against the term stipulated by lease contract or other reasonable method.

(2) Expenses arising from improvement to fixed assets leased by operation lease are amortized averagely against the shorter period between the remaining lease period or available service life of lease assets.

2.18 Impairment of other principal assets (other than inventories, investment real estate and financial assets)

2.18.1 Long-term equity investment

As for long-term equity investment which is calculated at equity method, has no quotation in an active market and whose fair value can not be measured reliably, its impairment loss is determined based on the balance between its carrying value and present value of future cash flow of similar financial assets discounted at prevailing market return rate.

As for other long-term equity investments, if measure result of recoverable amount shows that the recoverable of such long-term equity investment is lower than its carrying value, then the balance between them shall be recognized as impairment loss.

Impairment loss of long-term equity investment is not subject to reversal once recognized.

2.18.2 Long-term non-financial assets including fixed assets, construction in process, intangible assets and goodwill

For long-term non-financial assets such as fixed assets, construction in process, and intangible assets, the Company has judgment every year end on whether there is impairment indication in those assets.

As for goodwill arising from business combination and intangible assets with indefinite service life, impairment test is conducted every year, no matter whether impairment indication exists or not.

Recoverable amount of an asset shall be estimated if impairment indication exists in such asset. Recoverable amount is determined by fair value of asset less the higher of net amount (after deduction disposal fee) and present value of expected future cash flow of such asset.

In case of recoverable amount being lower than carrying value of an asset, the carrying value then shall be reduced to the extent of recoverable amount, with the reduced part recognized as impairment loss which is accounted in current gains and losses. Meanwhile, corresponding asset impairment provision shall be provided.

Upon recognition of impairment loss, depreciation or amortization expense of such impaired asset shall be adjusted accordingly in future periods, so as to make sure that adjusted carrying value (net of estimated residual value) of the asset is systematically amortized against the remaining service life of the asset.

Impairment loss of long-term non-financial assets such as fixed assets, construction in process, and intangible assets is not subject to reversal in following accounting periods once recognized.

In case of indication showing that an asset is probably to experience impairment, the Company will estimate its recoverable amount based on individual asset. If it is hard to estimate the recoverable amount of an individual asset, then the recoverable amount is determined based on the assets group such asset belongs to.



2.19 Calculation for remuneration payable to employees

2.19.1 Remuneration payable to employees represents various compensations and other related expenses paid by the Company to its employees for their service provision to the Company. It includes salary, bonus and allowances; staff welfare; social insurances, such as endowment insurance, unemployment insurance, labor injury insurance, etc; housing provident fund; labor unit charge and staff education fee; non-monetary welfare; compensation for dismissal of labor contract with employees; other expenses related to services received from employees.

2.19.2 Apart from the compensation arising from dismissal of labor contract and meanwhile meeting required recognition conditions which is recorded in current administration expense, remuneration payable to employees shall be processed according to the following situations in terms of beneficial parties in respect of the services provided by employees: employee remuneration assumed from service provision shall be included in labor service cost; those assumed from construction in process and intangible assets shall be included in construction cost for fixed assets or intangible assets; other employee remuneration other than the aforementioned types shall be recorded in current gains and losses.

2.19.3 Dismissal welfare: in respect of dismissal of service relationship with employees before expiration of service contract, or compensation suggestion offered for encouraging employee to receive a willing fire, the Company recognizes the projected liability arising from compensation offered for dismissal of service relationship with employees when the Company has made formal service-relationship-dismissal plan (or presentation of willing fire suggestion) and is going to implement such plan immediately, and besides, the Company can't take back such plan or suggestion separately.

2.20 Recognition standard and calculation method of projected liabilities

The Company recognizes obligations related to contingent events as projected liabilities if the conditions below get all satisfied:

- (1)Such obligation is current obligation assumed by the Company;
- (2)Implementation of such obligation may lead to outflow of economic benefit;
- (3)Such obligation can be measured reliably.

Projected liability is initially measured according to the best estimate of expenses required for implementing relative current obligations. In the event that the required expenses exist in a consecutive scope and possibility for various results is the same within the scope, then the best estimate shall be determined at the middle number in such scope; if single project is involved by contingent event, then it is recognized as to the amount with the biggest possibility. If various projects are involved by contingent event, then it is recognized by references to various possible results and relevant probability. The Company has taken into account risks, uncertainty and monetary time value related to contingent event when confirming the best estimate.

If required expenses of project liability are expected to be compensated by a third party or other parties entirely or partially, or when compensation is believed to receive, then they shall be recognized as assets separately, to the extent that compensation recognized will not exceed carrying value of recognized liability.



2.21 Principles for income recognition

2.21.1 In respect of commodities sales income: recognized when the conditions below get all satisfied:

- (1)The Company has already transferred substantial risks and reward of ownership of commodities to purchaser;
- (2)The Company has neither retained continuous management right generally associated with ownership, nor effected effective control over sold commodities;
- (3)Income can be measured reliably;
- (4)Related economic benefit is likely to flow into the Company;
- (5)Related cost occurred or to occur can be measured reliably.

2.21.2 Provision of labor service: provision of labor service which can be reliably measured as at balance sheet date is recognized with service income at percentage of completion method. Completed progress of provision of labor service is recognized according to measurement over completed works.

In case of impossibility to measure reliably labor service as at balance sheet date, then things should proceed as follows:

- (1)If labor cost which has occurred is expected to get compensation, the Company recognizes labor income according to such cost and carries forward to labor cost with the same amount.
- (2) If labor cost which has occurred is not expected to get compensation, the Company records such cost against current gains and losses, without recognition of labor service income.

2.21.3 Income from transferring assets use right: recognition conditions include related economic benefit is likely to flow into an enterprise and income can be measured reliably. Interest income is determined based on the utilization period in respect of monetary assets and effective interest rate. Utilization income is determined according to payment collection time and method agreed in related contract or agreement.

2.22 Types of government grant and accounting treatment

Only the conditions below get satisfied can recognize government grant:

- (1)An enterprise can meet the conditions attached to government grant;
- (2) An enterprise can receive government grant.

For government grant belonging to monetary assets, it shall be measured at the amount received or receivable; for that belonging to non-monetary assets, it shall be measured at fair value; in case of impossibility to reliably measure fair value, it shall be measured at nominal amount.

Assets-related government grant is recognized as deferred income and allocated averagely against the service life of such related assets, and credited into current gains and losses. However, government grant measured at nominal amount shall be credited into current gains and losses directly.

Government grant related to income shall be processed according to the following situations:

- (1)Those granted for compensating related expenses or losses of future periods shall be recognized as deferred income, and accounted in current gains and losses against the period when related expenses is recognized.



(2) Those granted for compensating related expenses or losses which have happened already to an enterprise shall be directly accounted in current gains and losses.

2.23 References for recognition of deferred income tax assets and deferred income tax liabilities

(1) As for the balance between carrying value of assets and liabilities and taxation basis, the Company recognizes deferred income tax assets and liabilities under the tax rate applicable to the period when such assets are expected to recover or such liabilities are expected to settle;

(2) Deferred income tax assets are recognized to the extent of assessable income used for offsetting the temporary difference;

(3) The Company reviews carrying value of deferred income tax assets as at balance sheet date. If it is probable that the Company is not able to obtain sufficient assessable income to offset deferred income tax assets, carrying value of deferred income tax assets then shall be reduced. If able, then the reduced amount shall be reversed.

2.24 Changes of principal accounting policies and accounting estimation and effect thereof

2.24.1 Changes of accounting policies

There is no change in accounting policies during the year.

2.24.2 Changes of accounting estimation

There is no change in accounting estimation during the year.

2.24.3 Correction for prior accounting errors and effects thereof

(1) Retrospective restatement method

There is no prior accounting errors dealt with retrospective restatement method during the year.

(2) Prospective application method

There is no prior accounting errors dealt with prospective application method during the year.

Note 3. Taxation

3.1 Major taxes of and tax rates applicable to the Company

Taxation	Reference for taxation	Tax rate
VAT	Sales revenue from commodities	3%
Business tax	Operation revenue	5%
Tax for urban construction & maintenance	Turn-over tax	7%
Extra fee for education	Turn-over tax	3%
Property right tax	Amount after deducting 30% of the original value of this house	1.2%
Land use right tax	Floor area	12 yuan/ m ²
Enterprise income tax	Taxable income tax	25%

3.2 Tax deduction

Pursuant to the relevant rules of the Notice about Implementing Provisional Preferential Policies in Respect of Enterprise Income Tax (GF(2007)No.39) issued by the State



Council, the Company is subject to the preferential tax rate of 24% as for its income tax in 2011.

Note 4. Business combination and consolidated financial statements

4.1 Combined (Consolidation) scope of financial statements

Combined (Consolidation) scope of financial statements includes headquarter of the Company and South China Hotel, a non-legal subsidiary with independent accounting.

4.2 Preparation of combined (consolidation) financial statements

The combined (consolidation) financial statement of the Company was comply with the regulation of “Accounting Rules for Enterprises No.33 – Consolidation Financial Statement” that issued by Ministry of Finance in February 2006. Capital contact and other transactions between the Company and South China Hotel have been off-set.

Note 5. Notes on major items of financial statements

5.1 Monetary capital

Item	2011-6-30				2010-12-31		
	Currency	Original currency	Exchange rate	Converted to RMB	Original currency	Exchange rate	Converted to RMB
Cash	RMB	947,934.90		947,934.90	1,345,303.20		1,345,303.20
	USD						
	JPY						
	HKD						
Subtotal		947,934.90		947,934.90	1,345,303.20		1,345,303.20
Bank Deposit	RMB	1,285,793.91		1,285,793.91	1,756,723.39		1,756,723.39
Subtotal		1,285,793.91		1,285,793.91	1,756,723.39		1,756,723.39
Other monetary capital	RMB				2,251.60		2,251.60
Subtotal					2,251.60		2,251.60
Total		2,233,728.81		2,233,728.81	3,104,278.19		3,104,278.19

5.1.1 In monetary capital, no account that mortgaged, frozen etc for realized restriction or deposit overseas or with potential recoverable risk.

5.2 Accounts receivable

5.2.1 Accounts receivable disclosure based on categories:

Categories	2011-6-30				2010-12-31			
	Book balance	Proportion in total amount (%)	Bad debt provision	Proportion of bad debt provision (%)	Book balance	Proportion in total amount (%)	Bad debt provision	Proportion of bad debt provision (%)



1	Account receivables that are significant in amount individually and provided for bad debt individually	1,237,973.19	15.72	1,237,973.19	100	1,237,973.19	17.25	1,237,973.19	100
2	Account receivables that are provided for bad debt by combination	6,635,812.06	84.28	665,432.43	10.03	5,938,840.26	82.75	665,432.43	11.20
3	Account receivables that are insignificant in amount individually but provided for bad debt individually								
	Total	7,873,785.25	100	1,903,405.62	24.17	7,176,813.45	100	1,903,405.62	26.52

5.2.1.1 Account receivables that are significant in amount individually and provided for bad debt individually

Debtor	Closing balance	Provision amount	Ratio of provision	Reason
Sanya Power Supply Co.	773,409.98	773,409.98	100%	无法收回
Hainan Hong Kong & Macao International Travel Agency	464,563.21	464,563.21	100%	无法收回
Total	1,237,973.19	1,237,973.19		

5.2.1.2 Account receivables provided for bad debt by age combination

Age	2011-6-30				2010-12-31			
	Book balance	Ratio (%)	Bad debt provision	Percentage of bad debt provision (%)	Book balance	Ratio (%)	Bad debt provision	Percentage of bad debt provision (%)
Within 1 year (1 year include)	5,788,722.31	87.23			5,091,750.51	85.74		
1-2 years (2 years include)	142,028.71	2.14	7,101.44	5	142,028.71	2.39	7,101.44	5
2-3 years (3 years include)	30,732.00	0.46	4,609.80	15	30,732.00	0.52	4,609.80	15
3-4 years (4 years include)	19,760.60	0.30	4,940.15	25	19,760.60	0.33	4,940.15	25
4-5 years (5 years include)	11,574.80	0.17	5,787.40	50	11,574.80	0.19	5,787.40	50
Over 5 years	642,993.64	9.70	642,993.64	100	642,993.64	10.83	642,993.64	100
Total	6,635,812.06	100	665,432.43		5,938,840.26	100	665,432.43	

5.2.2 The arrears due from shareholders with more than 5% (including 5%) of the voting



shares

Shareholders' name	2011-6-30		2010-12-31	
	Amount	Provision for bad debt	Amount	Provision for bad debt
Haikou Agriculture, Industry & Trade (Luoniushan) Co., Ltd.	218,992.12	2,904.12	139,198.06	2,904.12
Total	218,992.12	2,904.12	139,198.06	2,904.12

5.2.3 During current reporting period, the Company has no accounts receivable recovered or received although that has been fully provided impairment allowances, and the proportion of impairment allowances of accounts receivable higher than the provision of accounting policies.

5.2.4 During current reporting period, the Company has no accounts receivable recovered by the reshuffle of the enterprises.

5.2.5 Details of top five account receivables

Debtors	Relationship with the Company	Amount	Age	Proportion in total account receivable (%)
Sanya Haiyuan Hotel Management Co. Ltd.	Non-related parties	4,981,382.83	Within 1 year	63.27
Sanya Power Supply Co.	Non-related parties	773,409.98	Over 5 years	9.82
Hainan Hong Kong & Macao International Travel Agency	Non-related parties	464,563.21	Over 5 years	5.90
Sun Hongjie	Non-related parties	388,751.37	Within 1 year	4.94
Haikou Agriculture, Industry & Trade (Luoniushan) Co., Ltd.	Parent company	218,992.12		2.78
Including:		120,665.06	Within 1 year	
		98,327.06	1-2years	
Total		6,827,099.51		86.71

5.3 Account paid in advance

5.3.1 Account paid in advance presented by age

Age	2011-6-30		2010-12-31	
	Amount	Percentage (%)	Amount	Percentage (%)
Within 1 year (1 year include)	943,161.11	85.39	246,428.56	59.94
1-2 years (2 years include)	161,360.00	14.61	164,670.00	40.06
2-3 years (3 years include)				
3-4 years (4 years include)				
4-5 years (5 years include)				
Over 5 years				
Total	1,104,521.11	100.00	411,098.56	100.00

5.3.2 Details of top five suppliers in account paid in advance:

Suppliers name	Relation with	Amount	Age limit	Reason for not
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	the Company			settle
Sanya Baijia Trading Co., Ltd.	Non-related party	470,800.00	Within 1 year	Goods not collected
Hainan Yangfu Anhua Auto Sales Service Co.,Ltd.	Non-related party	352,428.00	Within 1 year	Goods not collected
Xinhuaqing Qingdao Jimo old Wine Ltd	Non-related party	161,360.00	1-2 years	Goods not collected
Sanya Zhiyuan Decorate Material Shop	Non-related party	28,717.00	Within 1 year	Goods not collected
Hainan Branch of CPIC	Non-related party	26,227.11	Within 1 year	Invoice not collected
Total		1,039,532.11		

5.3.3 No arrears of account paid in advance due from shareholders with more than 5% (including 5%) of the voting shares in the period

5.3.4 Account paid in advance dated 30th June 2011 increased 1.69 times than that of 31st December 2010. Mainly because the account paid in advance for goods has increased.

5.4 Other receivables

5.4.1 Other receivables presented by categories:

Categories	2011-6-30				2010-12-31			
	Book balance	Proportion in total amount (%)	Bad debt provision	Percentage of bad debt provision (%)	Book balance	Proportion in total amount (%)	Bad debt provision	Percentage of bad debt provision (%)
1 Other receivables that are significant in amount individually and provided for bad debt individually	77,363,143.31	98.54	77,363,143.31	100	77,363,143.31	98.53	77,363,143.31	100
2 Other receivables that are provided for bad debt by combination	1,141,258.88	1.45	715,610.44	62.70	1,143,524.55	1.46	715,610.44	62.58
3 Other receivables that are insignificant in amount individually but provided for bad debt individually	5,690.00	0.01	5,690.00	100	5,690.00	0.01	5,690.00	100
Total	78,510,092.19	100	78,084,443.75	99.46	78,512,357.86	100	78,084,443.75	99.45

5.4.1.1 Other receivables that are significant in amount individually and provided for bad debt individually

Items	Book balance	Bad debt amount	Ratio of provision	Reason
Hainan Dadonghai Hotel Co. Ltd.	54,767,945.15	54,767,945.15	100%	Can not to collect
Cash Dividends delivered in	16,899,000.00	16,899,000.00	100%	Can not to



1994-1996				collect
Hainan Hong Kong & Macao International Travel Agency	4,145,704.16	4,145,704.16	100%	Can not to collect
Guangdong Jinma Tourism Co. Ltd.	1,200,494.00	1,200,494.00	100%	Can not to collect
Stock custody fee	350,000.00	350,000.00	100%	Can not to collect
Total	77,363,143.31	77,363,143.31		

5.4.1.2 Other receivables that withdrawal impairment provision by age combination

Age	2011-6-30				2010-12-31			
	Book balance	Percentage (%)	Bad debt provision	Withdrawal provision for bad debt (%)	Book balance	Percentage (%)	Bad debt provision	Withdrawal provision for bad debt (%)
Within 1 year (1 year included)	376,610.83	33.01			378,876.50	33.13		
1-2 years (2 years included)	27,998.06	2.45	1,399.90	5	27,998.06	2.45	1,399.90	5
2-3 years (3 years included)	3,017.00	0.26	452.55	15	3,017.00	0.26	452.55	15
3-4 years (4 years included)	26,500.00	2.32	6,625.00	25	26,500.00	2.32	6,625.00	25
4-5 years (4 years included)				50				50
Over 5 years	707,132.99	61.96	707,132.99	100	707,132.99	61.84	707,132.99	100
Total	1,141,258.88	100	715,610.44		1,143,524.55	100.00	715,610.44	

5.4.1.3 Other receivables that are insignificant in amount individually but provided for bad debt individually:

Items	Book balance	Bad debt amount	Withdrawal proportion	Reason
Reservation fund of Wu Congfeng	5,690.00	5,690.00	100%	Can not to collect
Total	5,690.00	5,690.00		

5.4.2 No arrears of account receivable due from shareholders with more than 5% (including 5%) of the voting shares in the period

5.4.3 Details of top five debtors of other receivables

Debtors	Relationship with the Company	Balance at year-end	Age limit	Proportion in other receivable (%)
Hainan Dadonghai Hotel Co. Ltd.	Non-related party	54,767,945.15	Over 5 years	69.76
Cash Dividends delivered in 1994-1996	Non-related party	16,899,000.00	Over 5 years	21.52
Hainan Hong Kong & Macao International Travel Agency	Non-related party	4,145,704.16	Over 5 years	5.28
Guangdong Jinma Tourism	Non-related	1,200,494.00	Over 5 years	1.53



Co. Ltd.	party			
Stock custody fee	Non-related party	350,000.00	Over 5 years	0.45
Total		77,363,143.31		98.54

5.5 Inventory & Inventory Impairment Provision

5.5.1 Classification of inventories

Items	2011-6-30			2010-12-31		
	Amount	Depreciation provision	Net value	Amount	Depreciation provision	Net value
Materials in stock	1,017,184.24	754,305.71	262,878.53	958,800.32	754,961.65	203,838.67
Commodities in stock	22,771.38	11,102.41	11,668.97	22,771.38	11,102.41	11,668.97
Foodstuff & beverage	36,5343.10	12,265.30	353,077.80	366,668.87	12,265.30	354,403.57
Fuels	12,136.73		12,136.73	17,742.02		17,742.02
Total	1,417,435.45	777,673.42	639,762.03	1,365,982.59	778,329.36	587,653.23

5.5.2 Inventory impairment provision

Items	2010-12-31	Amount accrued in this period	Decrease amount in this period		2011-6-30
			Reversal	Transfer-out	
Materials in stock	754,961.65			655.94	754,305.71
Commodities in stock	11,102.41				11,102.41
Foodstuff & beverage	12,265.30				12,265.30
Total	778,329.36			655.94	777,673.42

Note: Net realizable value is determined on the market value voluntarily agreed by parties on the fair market, deducting possible processing or sales cost before transaction actually concluded.

5.6 Other current assets

Items	2010-12-31			Increase during the year	Decrease during the year	2011-6-30		
	Book balance	Impairment provision	Book value			Book balance	Impairment provision	Book value
Land Exchange Book (No:00000514)	10,837,399.26	2,167,480.26	8,669,919.00			10,837,399.26	2,167,480.26	8,669,919.00
Land Exchange Book(No:00004071)	810,900.00		810,900.00			810,900.00		810,900.00
Total	11,648,299.26	2,167,480.26	9,480,819.00			11,648,299.26	2,167,480.26	9,480,819.00



Note: (1) Land Exchange Book (No. 00000514) refer to the land exchange book issued by Sanya Municipal People's Government for requisitioning the Company's land in Dadonghai area.; Impairment provision for other current assets (land exchange book) is withdrawn on the difference between the book value and the current realizable value, the latter is determined by the asset assessment report HNZLX AAR (2006) No 24 issued by Hainan Zhonglixin Assets Assessment Firm.

(2) The Company bought the Land Exchange Book (No. 00004071) of book value RMB 1.53 million by RMB 819,000.00 from Li Jiyong, and have done the change registration on 8 November 2010.

(3)Mortgage events

The Company provided the counter- guarantee by the Land Exchange Book (No. 00004071) to Hainan Qiongzong Ecologic Investment Guarant Ltd., who provided guarantee to the loan of the Company.

5.7 Long-term equity investment

Investee	2011-6-30		2010-12-31	
	Book balance	Impairment provision	Book balance	Impairment provision
Shenzhen Difu Investment & Development Co. Ltd.	5,000,000.00	5,000,000.00	5,000,000.00	5,000,000.00
Hubei Jingsha Dadonghai Club Co. Ltd.	4,566,207.42	4,566,207.42	4,566,207.42	4,566,207.42
Sanya Shun'an Casino	5,150,166.84	5,150,166.84	5,150,166.84	5,150,166.84
Total	14,716,374.26	14,716,374.26	14,716,374.26	14,716,374.26

5.7.1 Long-term equity investment measured at cost method

Investee	Equity proportion held (%)	Investment cost	2010-12-31	Adjustment gains/losses in current period	Cash dividend	Increase or decrease in current period	2011-6-30
Shenzhen Difu Investment & Development Co. Ltd.	14.28	5,000,000.00	5,000,000.00				5,000,000.00
Hubei Jingsha Dadonghai Club Co. Ltd.	91.00	4,566,207.42	4,566,207.42				4,566,207.42
Sanya Shun'an Casino	70.00	5,150,166.84	5,150,166.84				5,150,166.84
Total		14,716,374.26	14,716,374.26				14,716,374.26

5.7.2 Long-term equity investment impairment provision



Investee	2010-12-31	Increase during the period	Decrease during the period	2011-6-30	Reason for accrual
Shenzhen Difu Investment & Development Co. Ltd.	5,000,000.00			5,000,000.00	No ability for recovered due to no evidence
Hubei Jingsha Dadonghai Club Co. Ltd.	4,566,207.42			4,566,207.42	Project terminated, no possibility to return investment
Sanya Shun'an Casino	5,150,166.84			5,150,166.84	Not in conformity with state law, hence closed
Total	14,716,374.26			14,716,374.26	

5.8 Fixed assets

5.8.1 Details of fixed assets

Classification	2010-12-31	Increase during the period	Decrease during the period	2011-6-30
I. Total original value of fixed assets	190,855,462.47	79,210.00		190,934,672.47
Including: houses and buildings	156,378,131.83			156,378,131.83
Machinery equipment	18,583,162.78			18,583,162.78
Electronic equipment	2,931,141.50	66,210.00		2,997,351.50
Transportation equipments	1,457,608.77			1,457,608.77
Other equipments	1,666,271.09	13,000.00		1,679,271.09
Remodeling & fitment	9,839,146.50			9,839,146.50
II. Total accumulated depreciation	85,318,552.02	3,133,201.85		88,451,753.87
Including: houses and buildings	61,464,013.68	1,530,421.86		62,994,435.54
Machinery equipment	13,363,975.27	355,433.10		13,719,408.37
Electronic equipment	1,965,878.38	162,382.84		2,128,261.22
Transportation equipments	431,476.50	57,697.02		489,173.52
Other equipments	1,078,827.08	92,548.15		1,171,375.23
Remodeling & fitment	7,014,381.11	934,718.88		7,949,099.99
III. Total book net value of fixed assets	105,536,910.45	79,210.00	3,133,201.85	102,482,918.60
Including: houses and buildings	94,914,118.15		1,530,421.86	93,383,696.29
Machinery equipment	5,219,187.51		355,433.10	4,863,754.41
Electronic equipment	965,263.12	66,210.00	162,382.84	869,090.28
Transportation equipments	1,026,132.27		57,697.02	968,435.25



Other equipments	587,444.01	13,000.00	92,548.15	507,895.86
Remodeling & fitment	2,824,765.39		934,718.88	1,890,046.51
IV. Total impairment provision of fixed assets	36,247,447.59			36,247,447.59
Houses and buildings	32,449,653.81			32,449,653.81
Machinery equipment	3,496,190.52			3,496,190.52
Electronic equipment	101,610.69			101,610.69
Other equipments	199,992.57			199,992.57
V. Total carrying value of fixed assets	69,289,462.86	79,210.00	3,133,201.85	66,235,471.01
Houses and buildings	62,464,464.34		1,530,421.86	60,934,042.48
Machinery equipment	1,722,996.99		355,433.10	1,367,563.89
Electronic equipment	863,652.43	66,210.00	162,382.84	767,479.59
Transportation equipments	1,026,132.27		57,697.02	968,435.25
Other equipments	387,451.44	13,000.00	92,548.15	307,903.29
Remodeling & fitment	2,824,765.39		934,718.88	1,890,046.51

5.8.2 Fixed assets idle temporarily

Items	Original book value	Accumulated depreciation	Impairment provision	Book net value	Note
Other equipments	230,710.58	20,306.92	199,992.57	10,411.09	
Total	230,710.58	20,306.92	199,992.57	10,411.09	

5.8.3 No fixed assets used for mortgage or as guaranty.

5.9 Construction in progress

5.9.1 Details of construction in progress

Item	Amount at period-end			Amount at period-begin		
	Book balance	Impairment provision	Book value	Book balance	Impairment provision	Book value
Comprehensive renovation for central air conditioning system and heat water system	1,200,000.00		1,200,000.00			
Total	1,200,000.00		1,200,000.00			

5.9.2 Increase/decrease of construction in progress

Item	Budget	2010-12-31	Increased in this period	Transfer to fixed assets this period	Other decreased in this period	Investment proportion in budget	Resources	Progress	2011-6-30
Comprehensive renovation for central air conditioning system and heat water system	RMB 2.88 million		1,200,000.00			41.67%	Self-raising fund	70%	1,200,000.00



Total		1,200,000.00				1,200,000.00
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5.9.3 No impairment provision withdrawal for no clearly evidence of impairment found in construction in progress at period-end.

5.9.4 Construction in progress dated 30th June 2011 increase 100% over that of 31 December 2010. Mainly because the comprehensive renovation of central air conditioning system and heat water system increased.

5.10 Intangible assets

5.10.1 Items of intangible assets are set out as follows:

Items	2010-12-31	Increased in this period	Decreased in this period	2011-6-30
I. Total original book value	87,315,277.74			87,315,277.74
Land use right	87,315,277.74			87,315,277.74
II. Total accumulated amortization	27,276,360.44	434,363.58		27,710,724.02
Land use right	27,276,360.44	434,363.58		27,710,724.02
III. Total book net value	60,038,917.30		434,363.58	59,604,553.72
Land use right	60,038,917.30		434,363.58	59,604,553.72
IV. Total impairment provision	29,343,890.98			29,343,890.98
Land use right	29,343,890.98			29,343,890.98
V. Total book value of intangible assets	30,695,026.32		434,363.58	30,260,662.74
Land use right	30,695,026.32		434,363.58	30,260,662.74

5.10.2 Impairment provision of intangible assets is withdrawn on the increase of land use price (book value higher than current market price) caused by the local government's restriction on coastal land use.

5.11 Long-term expense to be amortized

Items	Original occurring amount	2010-12-31	Increased in this period	Amortized during the period	Accumulated amortization	2011-6-30	Rest amortization term
maintenance costs for central air-conditioning system	170,000.00	113,000.00		28,249.99	85,249.99	84,750.01	18 months
Total	170,000.00	113,000.00		28,249.99	85,249.99	84,750.01	

Note: The maintenance costs for central air-conditioning system are amortized within 3 years since January of 2010.

5.12 Impairment provision for assets

Items	2010-12-31	Accrual amount this period	Decreased in this period		2011-6-30
			Reversal	Transfer-out	



I. Impairment provision for bad debt	79,987,849.37				79,987,849.37
II. Inventory impairment provision	778,329.36			655.94	777,673.42
III. Impairment provision for financial assets available-for-sale					
IV. Impairment provision for other current assets	2,167,480.26				2,167,480.26
V. Impairment provision for long-term equity investment	14,716,374.26				14,716,374.26
VI. Impairment provision for investment properties					
VII. Impairment provision for fixed assets	36,247,447.59				36,247,447.59
VIII. Impairment provision for engineering material					
IX. Impairment provision for construction in progress					
X. Impairment provision for productive biological assets					
Including: impairment provision for matured production biological assets					
XI. Impairment provision for oil assets					
XII. Impairment provision for intangible assets	29,343,890.98				29,343,890.98
XIII. Impairment provision for goodwill					
XIV. Other impairment provision					
Total	163,241,371.82			655.94	163,240,715.88

5.13 Short-term borrowings

Items	2011-6-30		2010-12-31	
	Original currency	Converted into RMB	Original currency	Converted into RMB
bank loans	1,000,000.00	1,000,000.00	1,000,000.00	1,000,000.00
Including: credit				
mortgage				
guarantee	1,000,000.00	1,000,000.00	1,000,000.00	1,000,000.00
Pledge				
Total	1,000,000.00	1,000,000.00	1,000,000.00	1,000,000.00

5.13.1 The closing balance is the loan of RMB 1,000,000.00 from Haikou Suburb Country Credit Union to purchase bedclothes and material, the loan period from December 13, 2010 to December 13, 2011, guaranteed by Hainan Qiongzong Ecologic Investment Guarant Ltd., and the Company provided the counter-guarantee by the Land



Exchange Book (No. 00004071).

5.13.2 No overdue loans by the end of June 30, 2011.

5.14 Account payable**5.14.1 Aging analysis**

Aging analysis	2011-6-30	2010-12-31
Within 1 year (1 year included)	1,354,229.56	912,669.26
1-2 years (2 years included)	80,554.77	80,554.77
2-3 years (3 years included)	8,051.91	8,051.91
3-4 years (4 years included)	3,304.00	3,304.00
4-5 years (4 years included)	42,995.00	42,995.00
Over 5 years	475,862.62	475,862.62
Total	1,964,997.86	1,523,437.56

5.14.2 No arrears of account payable due from shareholders with more than 5% (including 5%) of the voting shares in the period

5.14.3 No large amount account payable with over one year account at balance of period-end.

5.15 Account received in advance**5.15.1 Aging analysis**

Aging analysis	2011-6-30	2010-12-31
Within 1 year (1 year included)	1,351,029.51	2,883,350.23
1-2 years (2 years included)	62,433.57	62,433.57
2-3 years (3 years included)	19,297.00	19,297.00
3-4 years (4 years included)	41,801.11	41,801.11
4-5 years (4 years included)	14,800.57	14,800.57
Over 5 years	70,204.76	70,204.76
Total	1,559,566.52	3,091,887.24

5.15.2 No arrears of account received in advance due from shareholders with more than 5% (including 5%) of the voting shares at balance of the period.

5.15.3 No large amount account received in advance with over one year account at balance of period-end.

5.16 Wage payable**5.16.1 Wage payable**

Items	2010-12-31	Increased in this period	Decreased in this period	2011-6-30
I. Wages, bonus, allowance and subsidies;	2,434,048.70	4,775,561.31	3,928,982.00	3,280,628.01
II. Employee welfare		574,932.69	574,932.69	
III. Social insurance		515,373.27	515,373.27	
Including: 1. Medical insurance		107,101.15	107,101.15	
2. Basic retirement insurance		354,722.80	354,722.80	



3. Annuity				
4. Unemployment insurance		35,701.22	35,701.22	
5. Injury insurance		8,924.05	8,924.05	
6. Maternity insurance		8,924.05	8,924.05	
7. The labor comprehensive insurance				
IV. House fund				
V. Labor union and employee education allowance	714,076.12	166,679.52	48,198.93	832,556.71
VI. non-monetary welfare				
VII. Compensation for terminate labor contract				
VIII. Other				
Total	3,148,124.82	6,032,546.79	5,067,486.89	4,113,184.72

5.16.2 Estimate time and amount arrangement for wage payable at the year end

Items	2011-6-30	Estimate payment time
Basic wage payable	709,019.00	Distributed in July of 2011
Performance wage payable	2,571,609.01	Distributed after July of 2011
Total	3,280,628.01	

5.16.3 Balance of wages payable at year-end increase 30.66% over that of period-begin mainly due to the salary for employee's increased.

5.17 Tax payable

Taxes	2011-6-30	2010-12-31
VAT	135,982.62	135,982.62
Business tax	60,979.74	193,714.71
Urban maintenance and construction tax	4,268.59	13,560.03
House property tax	96,767.13	96,767.13
Enterprise income tax	-1,702,702.80	-1,702,702.80
Individual income tax	3,515.86	9,695.53
Extra charges of education funds	2,985.28	5,811.43
Land use tax	72,393.00	72,393.00
Total	-1,325,810.58	-1,174,778.35

5.18 Other account payable

5.18.1 Aging analysis

Aging	2011-6-30	2010-12-31
Within 1 year	1,333,768.44	1,168,820.10
1-2 years	209,631.27	209,631.27
2-3 years	22,670.21	22,670.21
3-4 years	1,203,489.68	1,203,489.68
4-5 years	234,413.60	234,413.60
Over 5 years	21,688,609.65	21,688,609.65
Total	24,692,582.85	24,527,634.51

5.18.2 No arrears of other account payable due from shareholders with more than 5%



(including 5%) of the voting shares at balance of the period.

Shareholder's name	2011-6-30	2010-12-31
Haikou Agriculture, Industry & Trade (Luoniushan) Co., Ltd.	800,000.00	800,000.00

5.18.3 Note to the large other payables with aging over one year at year-end

Name of the units	Amount	Reason for pending
China Securities Regulatory Commission	19,810,000.00	Capital shortage
Security Times	1,065,059.86	Capital shortage
Sun Hongjie	1,000,000.00	Margin
Total	21,875,059.86	

5.18.4 Significant amount of other account payable

Name of the units	Amount	Content
China Securities Regulatory Commission	19,810,000.00	Penalty due to manipulating company stock
Security Times	1,065,059.86	Charge for announcement
Sun Hongjie	1,000,000.00	Margin
Total	21,875,059.86	

6.19 Share Capital

(Unit: share)

Items	2010-12-31	Change during the period (+、-)					2011-6-30
		New shares issued	Bonus shares	Shares transferred from capital reserve	Other	Subtotal	
I. Restricted circulating shares	17,308,000						17,308,000.
1.State-owned shares							
2.State-owned corporate shares	6,054,000				-132,000	-132,000	5,922,000
3.Other domestic shares	11,254,000				132,000	132,000	11,386,000
Including							
Domestic legal person shares	11,122,000				132,000	132,000	11,254,000
Domestic natural person shares	132,000.00						132,000.
4. Foreign shares							
Including:							
Foreign legal person shares							
Foreign natural person shares							
Total restricted circulating shares	17,308,000						17,308,000
II. Non-restricted	346,792,000						346,792,000



circulating shares						
1. RMB common shares	258,792,000					258,792,000
2. Domestically listed foreign shares	88,000,000					88,000,000
3. Overseas listed foreign shares						
4. Others						
Total circulating shares	346,792,000					346,792,000
III. Total shares	364,100,000					364,100,000

5.20 Capital reserve

Items	2010-12-31	Increase during the period	Decrease during the period	2011-6-30	Change reason and basis
Share premium	33,336,215.58			33,336,215.58	
Other capital reserve	20,806,634.43			20,806,634.43	
Total	54,142,850.01			54,142,850.01	

5.21 Retained earnings

Items	2011-6-30	Ratio for withdrawal or distribution
Retained earnings before adjustment at end of last period	-330,976,495.69	
The total adjustment of retained earnings at period-begin(increase+; decreased -)		
Retained earnings after adjustment at period-begin	-330,976,495.69	
Add: net profit attributable to owners of parent company	-1,635,132.91	
Less: Appropriating statutory surplus reserve		10%
Appropriating discretionary surplus reserve		
Appropriating general risk provision		
Dividend payable for ordinary shares		
Dividend of ordinary shares transferred to share capita		
Retained earnings at period-end	-332,611,628.60	

5.22 Operating Revenue & Cost

5.22.1 Operating revenue

Items	January- June 2011		January- June 2010	
	Business revenue	Business cost	Business revenue	Business cost
Tourism & catering	18,467,961.40	3,393,494.71	20,018,480.32	3,371,403.38
Total	18,467,961.40	3,393,494.71	20,018,480.32	3,371,403.38

5.22.2 Main business classified in terms of industry

Items	January- June 2011	January- June 2010
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	Business revenue	Business cost	Business revenue	Business cost
Tourism & catering	18,467,961.40	3,393,494.71	20,018,480.32	3,371,403.38
Total	18,467,961.40	3,393,494.71	20,018,480.32	3,371,403.38

5.22.3 Main business classified in terms of area

Area	January- June 2011		January- June 2010	
	Business revenue	Business cost	Business revenue	Business cost
Hainan Zone	18,467,961.40	3,393,494.71	20,018,480.32	3,371,403.38
Total	18,467,961.40	3,393,494.71	20,018,480.32	3,371,403.38

5.22.4 Operating revenue from top 5 customers

Customer name	Amount occurred this year	Proportion account for total business revenue of the Company (%)
PEGAS	3,445,644.00	18.66
Hainan Chenda International Travel Agency Ltd	613,642.00	3.32
Euro-American Section of Sanya Branch of Hainan Orient International Travel Agency Ltd	612,087.00	3.31
South Cross	518,560.00	2.81
Xie Jiansheng	464,987.00	2.52
Total	5,654,920.00	30.62

5.23 Business taxes and surcharge

Items	January- June 2011	January- June 2010	Taxation standard (%)
Business tax	923,398.08	1,000,204.13	5
Urban maintenance and construction tax	64,637.87	70,014.29	7
Extra charges of education funds	46,169.92	30,006.12	3
Total	1,034,205.87	1,100,224.54	

5.24 Financial expenses

Items	January- June 2011	January- June 2010
Interest expenditure	44,000.00	
Less: Interest income	6,486.09	5,691.90
Exchange loss		
Less: exchange gain		
Procedure charge expenditure	159,577.87	158,636.20
Others		
Total	197,091.78	152,944.30

5.25 Non-operating income

Items	January- June 2011	January- June 2010
Total gains from disposal of non-current assets		
Including: gain from disposal of fixed	8,190.00	



assets		
Gain from disposal of intangible assets		
Gains from debt restructuring		
Compensation income	183,776.00	174,761.00
Other income	33,640.60	26,480.35
Government subsidy	20,000.00	
Total	245,606.60	201,241.35

5.26 Note to cash flow statement

5.26.1 Other cash received from operating activities amounting to 166,332.89 yuan for details as:

Items	January- June 2011
Compensation etc.	158,829.80
Account returned by employees	1,017.00
Interest income	6,486.09
Total	166,332.89

5.26.2 Other cash paid for operating activities amounting to 4,201,173.86 yuan for details as:

Items	January- June 2011
Cash expense paid	4,021,595.99
Other current amount	20,000.00
Handling charge	159,577.87
Total	4,201,173.86

5.27 Supplementary information about cash flow statement:

5.27.1 Supplementary information about cash flow statement

Supplementary information	January- June 2011
1.Adjustment from net profit to cash flows from operating activities	
Net profit	-1,635,132.91
Add: Impairment provision of assets	
Depreciation of fixed assets, oil assets or biological asset	3,133,201.85
Amortization of intangible assets	434,363.58
Amortization of long-term expense to be apportioned	28,249.99
Loss from disposal of fixed assets, intangible assets and other long-term assets (“—” means gain)	-7,390.00
Loss of fixed assets retirement (“—” means gain)	
Loss from the change of fair value (“—” means gain)	
Financial expense (“—” means income)	44,000.00
Investment loss (“—” means income)	
Debt restructuring loss (“—” means income)	
The decrease of deferred tax assets (“—” means increase)	
The increase of deferred tax liabilities (“—” means decrease)	



The decrease of inventories (“—” means increase)	-52,108.80
The decrease of operating receivables (“—” means increase)	-1,388,128.68
The increase of operating payable (“—” means decrease)	-111,784.41
Other	
Net cash flow from operating activities	445,270.62
2. Significant investment and financing activities with no reference to cash collection and payment:	
Debt convert to capital	
Convertible bond due within one year	
Fixed assets leased in by financing	
3. Net change in cash and cash equivalent:	
Closing balance of cash	2,233,728.81
Less: opening balance of cash	3,104,278.19
Add: closing balance of cash equivalent	
Less: opening balance of cash equivalent	
Net increase in cash and cash equivalent	-870,549.38

5.28.2 Constitute of cash and cash equivalent

Item	2011-6-30
1. Cash	2,233,728.81
Including: cash on hand	947,934.90
Bank deposit available for payment at any time	1,285,793.91
Other monetary capital available for payment at any time	
2. Cash equivalent	
Including: bond investment due within 3 months	
3. Closing balance of cash and cash equivalent	
Including: restricted cash and cash equivalent used by parent company or subsidiary among the group	
Total	2,233,728.81

Note 6 Related party relationship and transactions

(I). The largest shareholder of the Company

Name of the largest shareholder	Relationship	Business type	Register place	Legal representative	Business nature	Register capital
Haikou Agriculture, Industry & Trade (Luoniushan) Co., Ltd.	The largest shareholder	Joint-stock enterprise	Haikou City	Hu Dianling	Planting and culturing business	RMB 880.1320 million

(Continued)

Name of the largest shareholder	Share holding ratio (%)	Voting ratio (%)	The ultimate controller of the Company	Organization code
Haikou Agriculture, Industry & Trade (Luoniushan) Co., Ltd.	16.48	16.48	Hainan Luo Niu Shan Holding Group	28408974-7

Note: On 29 January 2010, the Company received “the confirmation book of security transfer” issued by Shenzhen Branch of China Security Registration & Settlement Ltd



from Haikou Agriculture, Industry & Trade (Luoniushan) Co., Ltd., it confirmed that 60 million A shares held by Haikou Food Ltd has transferred to Haikou Agriculture, Industry & Trade (Luoniushan) Co., Ltd. After this transfer, Haikou Agriculture, Industry & Trade (Luoniushan) Co., Ltd. held 60 million A-shares and account for 16.48% of the Company, be the largest shareholder of the Company.

(II). Related party transaction

Related party transaction involves of sales of goods and rendering or accepting of service

Related party	Transaction type	Transaction content	Pricing policy and decision procedures	Amount occurred during Jan.-June of 2011		Amount occurred in 2010	
				Amount	Proportion accounting for the total similar transactions (%)	Amount	Proportion accounting for the total similar transactions (%)
Haikou Agriculture, Industry & Trade (Luoniushan) Co., Ltd.	Sales	Accommodation	Market price	79,794.06	0.43	81,115.60	0.23

(III). Account receivables and payable from related party

Items	Related party	2011-6-30	2010-12-31
Accounts receivable	Haikou Agriculture, Industry & Trade (Luoniushan) Co., Ltd.	218,992.12	139,198.06
Other account payable	Haikou Agriculture, Industry & Trade (Luoniushan) Co., Ltd.	800,000.00	800,000.00

Note 7 Contingencies

No contingencies should be disclosed for the Company in this period.

Note 8 Commitments

No commitments should be disclosed for the Company in this period.

Note 9 Events after balance sheet date

No events after balance sheet date should be disclosed as at the balance sheet date.

Note 10 Other significant events

No other significant events should be disclosed for the Company.

Note 11 Supplementary information

11.1 Details of non-recurring gain/loss of current year

Items	Amount this year	Amount of last year
Gain or loss from disposal of non-current assets	7,390.00	-6,806.62
Refunding and exemption of taxes in excess of authority or without official approval documents		
Government grant accounted into current income account (except for those government grant closely related to the		



Company's business, and received at national statutory standard and amount)		
Capital adoption fee collected from non-financial organizations and accounted into current gain/loss		
Gain/loss from differences between the cost of enterprise merger and the fair value of recognizable net asset of the invested entities		
Gain/loss from non-monetary assets exchange		
Gain/loss from commissioned investment or assets		
Asset impairment provisions provided for force-majeure, such as incurred natural disasters		
Gain/loss from debt restructure		
Enterprise reorganizing expenses, such as employee placement fee and integration fee		
Gain/loss from trade departure from fair value		
Current net gain/loss of subsidiaries under same control from beginning of term till date of consolidation		
Gain/loss generated by contingent liabilities without connection with main businesses		
Gain/loss from change of fair value of transactional asset and liabilities, and investment gains from disposal of transactional financial assets and liabilities and sellable financial assets, other than valid period value instruments related to the Company's common businesses		
Restoring of receivable account impairment provision tested individually		
Gain/loss from commissioned loans		
Gain/loss from change of fair value of investment property measured at fair value in follow-up measurement		
Influence of one-off adjustment made on current gain/loss account according to the laws and regulations regarding tax and accounting		
Consigning fee received for consigned operation		
Other non-business income and expenditures other than the above	238,216.60	50,904.80
Other gain/loss items satisfying the definition of nonrecurring gain/loss account		
Subtotal	245,606.60	44,098.18
Influenced amount of income tax		
Total	245,606.60	44,098.18

11.2 Accounting difference between IFRS and CAS

No accounting difference between IFRS and CAS.

11.3 Return on equity (ROE) and earning per share (EPS)

Profit of current period	Weighted average ROE (%)	EPS	
		Basic EPS	Diluted EPS
Net profit attribute to common shareholders	-1.8915	-0.0045	-0.0045
Net profit exempt	-2.1756	-0.0052	-0.0052



non-recurring gain/loss attribute to common shareholders			
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11.4 Calculation process of weighted average ROE, basic EPS and diluted EPS

(1) Calculation process of weighted average ROE

Items	Serials	Amount of current year
Net profit attribute to common shareholders	1	-1,635,132.91
Non recurring gain/loss	2	245,606.60
Net profit exempt non-recurring gain/loss attributed to common shareholders	3=1-2	-1,880,739.51
Opening balance of net assets attribute to common shareholders	4	87,266,354.32
Increased net assets attribute to common shareholders from issue new shares or convertible bonds	5	
Accumulated months from the next month of increase net assets to the current year end	6	
Decreased net assets attribute to common shareholders due to repurchase or cash dividend	7	
Accumulated months from the next month of decrease net assets to the current year end	8	
The change of net assets due to common shareholders due to other transaction or events	9	
Accumulated months from the next month of change net assets to the current year end	10	
Months in reporting period	11	
Weighted average net assets	$12=4+1\times\frac{1}{2}+5\times\frac{6}{11}-7\times\frac{8}{11}\pm 9\times\frac{10}{11}$	86,448,787.87
Weighted average ROE	13=1/12	-1.8915%
The net assets not calculated due to the common control enterprise merge investee	14	
Weighted average ROE exempt non recurring gain/loss	15=3/ (12-14)	-2,1756%

(2) Calculation progress of basic EPS and diluted EPS

Basic EPS = $P_0 \div S$

$S = S_0 + S_1 + S_i \times M_i \div M_0 - S_j \times M_j \div M_0 - S_k$

Including:

P_0 refers to net profit attribute to common shareholders or net profit exempt non recurring gain/loss attribute to common shareholders;

S refers to weighted average listed common shares;

S_0 refers to total opening shares;

S_1 refers to increased shares due to capital reserves transfer into shares or bonus shares;

S_i refers to increased shares due to issue new shares or convertible bonds;

S_j refers to decreased shares due to repurchase shares during the reporting period;

S_k refers to contract shares during the reporting period;

M_0 refers to months during the reporting period;

M_i refers to accumulated months from next month of the increased shares to the end of reporting period;



M_j refers to accumulated months from the next month of the decreased shares to the end of reporting period.

If exist bonus shares, capital reserve transfer into shares, divide shares or combination shares between the balance sheet date and the approve date of financial report, which may affect the listed common shares or potential common shares without affecting the net assets, should recalculate EPS during the comparative periods in terms of adjusted shares. No diluted potential common shares both in current period and the carrying forward period.

Note 12. Approval of disclosure of the financial statements

These financial statements are disclosed under approval of the board of directors of the Company on 24 August 2011.