



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



Annual Report 2013 (Full Text)

Disclosure Date: 29 April 2014



Section I. Important Notice, Contents and Paraphrase

Important Notice:

Board of Directors, Supervisory Committee, all directors, supervisors and senior executives of Hainan Dadonghai Tourism Centre (Holdings) Co., Ltd. (hereinafter referred to as the Company) 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.

All directors are attending the Board Meeting for Report deliberation.

The Company has no plan of cash dividends carried out, bonus issued and capitalizing of common reserves either.

Li Yuanbin, Principal of the Company, Chen Liurong, person in charger of accounting works and Li Zhi, person in charge of accounting organ (accounting principal) hereby confirm that the Financial Report of 2013 Annual Report is authentic, accurate and complete.

Concerning the forward-looking statements with future planning involved in the Report, they do not constitute a substantial commitment for investors. Investors are advised to exercise caution of investment risks.



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Paraphrase

Items	Refers to	Contents
CSRC	Refers to	China Securities Regulation Commission
SSE	Refers to	Shenzhen Stock Exchange
Company Law	Refers to	Company Law of The People's Republic of China
Securities Law	Refers to	Securities Law of The People's Republic of China
Rules of Listing		Rules of Shenzhen Stock Exchange for the Listing of Stocks
Company/the Company	Refers to	Hainan Dadonghai Tourism Centre (Holdings) Co., Ltd.
Article of Association	Refers to	Article of Association of Hainan Dadonghai Tourism Centre (Holdings) Co., Ltd.
Shareholders' General Meeting	Refers to	Shareholders' General Meeting of Hainan Dadonghai Tourism Centre (Holdings) Co., Ltd.
Board	Refers to	Board of Hainan Dadonghai Tourism Centre (Holdings) Co., Ltd.
Supervisory Committee	Refers to	Supervisory Committee of Hainan Dadonghai Tourism Centre (Holdings) Co., Ltd.
Yuan	Refers to	RMB



Major Risk Warning

Risk factors that probably occurred and countermeasures are well-described in the section of Report of the Board of Directors in this Report; investors are advice to pay attention to relevant contents.

Securities Times, *Hong Kong Commercial Daily* and Juchao Website (www.cninfo.com.cn) are the media for information disclosure appointed by the Company for year of 2014, all information under the name of the Company disclosed on the above said media shall prevail

The report is prepared in bilingual versions of Chinese and English respectively, in the event of any discrepancy in understanding the two aforementioned versions, the Chinese version shall prevail.

Investors are advised to exercise caution of investment risks.

Section II Company profile

I. Company information

Short form of the stock	Donghai-A , Donghai-B	Stock code	000613, 200613
Short form of the Stock after changed	N/A		
Stock exchange for listing	Shenzhen Stock Exchange		
Name of the Company (in Chinese)	海南大东海旅游中心股份有限公司		
Short form of the Company (in Chinese)	大东海		
Foreign name of the Company	Hainan Dadonghai Tourism Centre (Holdings) Co.,Ltd.		
Foreign name of short form of the Company	DADONGHAI		
Legal representative	Li Yuanbin		
Registrations add.	Dadonghai Sanya		
Code for registrations add	572021		
Offices add.	Dadonghai Sanya		
Codes for office add.	572021		
Company website	http://www.cninfo.com.cn		



Email	hnddhhn@21cn.com
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II. Person/Way to contact

	Secretary of the Board	Rep. of security affairs
Name	Wang Hongjuan	
Contacts add.	Dadonghai Sanya	
Tel.	0898-88219921	
Fax.	0898-88214998	
Email	hnddhhn@21cn.com	

III. Information disclosure and preparation place

Newspaper appointed for information disclosure	<i>Securities Times, Hong Kong Commercial Daily</i>
Website for annual report publish appointed by CSRC	http://www.cninfo.com.cn
Preparation place for annual report	Security department of the Company

IV. Registration changes of the Company

	Date for registration	Place for registration	Registration NO. for enterprise legal license	No. of taxation registration	Organization code
Initial registration	1993-04-26	Dadonghai, Hedong District, Sanya	20135718-8	460200201357188	20135718-8
Registration at end of report period	2009-05-13	Dadonghai, Hedong District, Sanya	460000000145145	460200201357188	20135718-8
Changes of main business since listing	No changes				
Previous changes for controlling shareholders	<p>1. The Company listed A-stock in January 1997, and 96.327 million A-stock shares are held by Hainan Dadonghai Tourism Centre Group Co., Ltd., a 26.46% in total share capital of the Company and is the first majority shareholder of the Company also.</p> <p>2. On 25 December 1998, the shares held by Hainan Dadonghai Tourism Centre Group Co., Ltd were transfer to Sanya ABC through the courts of justice, and after obtained the shares in December 1998, Sanya ABC entrust wholly-owned subordinate enterprise Sanya Bank-Agriculture Industrial Development Corp. to hold the aforesaid shares, than the first majority shareholder of the Company comes to Sanya Bank-Agriculture Industrial Development Corp.</p> <p>3. On 12 December 2000, the aforesaid equity was stripped to name of China Greatwall Assets Management Corporation, the first majority shareholder of the Company.</p> <p>4. On 19 September 2001, China Greatwall Assets Management Corporation entered into</p>				



	<p>“Equity Transfer Agreement” with Haikou Food Co., Ltd for 60 million shares transfer; and gained approval of [2002] No.: 430 from Ministry of Finance dated 18 October 2002, than the first majority shareholder of the Company comes to Haikou Food Co., Ltd.</p> <p>5. On 24 April 2008, Haikou Agriculture & Industry & Trade Luoniushan Co., Ltd. entered into the “Statement”, confirmed that the 60 million shares held by Haikou Food Co., Ltd. were under the name of Haikou Agriculture & Industry & Trade Luoniushan Co., Ltd., the shares’ ownership have been transfer dated 29 January 2010. Therefore, Haikou Agriculture & Industry & Trade Luoniushan Co., Ltd. comes to the first majority shareholder of the Company. On 11 July 2013, largest shareholder of the Company changed the name to “Luoniushan Co., Ltd.” from former “Haikou Agriculture & Industry & Trade (LUONIUSHAN) Co., Ltd.”.</p>
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V. Other relevant information

CPA engaged by the Company

Name of CPA	BDO CHINA Shu Lun Pan Certified Public Accountants LLP
Offices add. for CPA	4# Building, No. 61, Nanjing Rd.(E), Shanghai
Signing Accountants	Liu Zebo, Zhu Meirong

Sponsor engaged by the Company for performing continuous supervision duties in reporting period

Applicable Not applicable

Financial consultant engaged by the Company for performing continuous supervision duties in reporting period

Applicable Not applicable



Section III. Accounting data and summary of financial indexes

I. Main accounting data and financial indexes

Whether it has retroactive adjustment or re-statement on previous accounting data for accounting policy changed and accounting error correction or not

Yes No

	2013	2012	Changes over last year (%)	2011
Operating income (RMB)	23,660,779.80	32,184,700.50	-26.48%	32,990,680.70
Net profit attributable to shareholders of the listed company(RMB)	-2,199,319.96	2,126,042.00	-203.45%	-5,281,228.50
Net profit attributable to shareholders of the listed company after deducting non-recurring gains and losses(RMB)	-2,283,020.26	-68,230.26	-3,246.05%	-7,384,419.91
Net cash flow arising from operating activities(RMB)	2,615,368.77	1,392,506.26	87.82%	9,532,564.92
Basic earnings per share (RMB/Share)	-0.006	0.0058	-203.45%	-0.0145
Diluted earnings per share (RMB/Share)	-0.006	0.0058	-203.45%	-0.0145
Weighted average ROE (%)	-2.65%	2.56%	-5.21%	-6.24%
	End of 2013	End of 2012	Changes over end of last year (%)	End of 2011
Total assets (RMB)	113,960,862.69	115,785,974.55	-1.58%	118,036,774.80
Net assets attributable to shareholder of listed company (RMB)	81,911,847.86	84,111,167.82	-2.61%	81,985,125.82

II. Difference of the accounting data under accounting rules in and out of China

1. Difference of the net profit and net assets disclosed in financial report, under both IAS (International Accounting Standards) and Chinese GAAP (Generally Accepted Accounting Principles)

In RMB

	Net profit attributable to shareholders of listed company		Net assets attributable to shareholders of listed company	
	Amount in this period	Amount in last period	Amount at period-end	Amount at period-begin
Chinese GAAP	-2,199,319.96	2,126,042.00	81,911,847.86	84,111,167.82
Items and amount adjusted by IAS				
IAS	-2,199,319.96	2,126,042.00	81,911,847.86	84,111,167.82



2. Difference of the net profit and net assets disclosed in financial report, under both foreign accounting rules and Chinese GAAP (Generally Accepted Accounting Principles)

In RMB

	Net profit attributable to shareholders of listed company		Net assets attributable to shareholders of listed company	
	Amount in this period	Amount in last period	Amount at period-end	Amount at period-begin
Chinese GAAP	-2,199,319.96	2,126,042.00	81,911,847.86	84,111,167.82
Items and amount adjusted by foreign accounting rules				
By foreign accounting rules	-2,199,319.96	2,126,042.00	81,911,847.86	84,111,167.82

No differences

3. Reasons for the differences of accounting data under accounting rules in and out of China

No differences

III. Items and amounts of extraordinary profit (gains)/loss

In RMB

Item	Amount in 2013	Amount in 2012	Amount in 2011	Note
Gains/losses from the disposal of non-current asset (including the write-off that accrued for impairment of assets)	-39,699.50	894,927.42	-463,460.66	
Governmental subsidy reckoned into current gains/losses (not including the subsidy enjoyed in quota or ration according to national standards, which are closely relevant to enterprise's business)			30,000.00	
Gains arising from investment cost, obtained from subsidiaries, affiliated enterprises and joint ventures, which is less than fair value of identifiable net assets, that deserves to enjoy in invested units while investment obtained		38,166.20		
Gains/losses of debt restructure		349,581.69		
Other non-operating income and expenditure except for the aforementioned items	123,399.80	911,596.95	369,171.81	
Impairment of assets switch-back from value of exchange entitlement received			2,167,480.26	
Total	83,700.30	2,194,272.26	2,103,191.41	--

Concerning the extraordinary profit (gain)/loss defined by *Q&A Announcement No.1 on Information Disclosure for Companies Offering Their Securities to the Public --- Extraordinary Profit/Loss*, and the items defined as recurring profit (gain)/loss according to the lists of extraordinary profit (gain)/loss in *Q&A Announcement No.1 on Information Disclosure for Companies Offering Their Securities to the Public --- Extraordinary Profit/Loss*, explain reasons



Applicable Not applicable



Section IV. Report of the Board of Directors

I. Introduction

During the report period, the Company achieved main business income of 23,660,800 Yuan, reduced by 8,523,900 Yuan compared to the same period of last year, a decrease of 26.48%; operating profit was -2,283,000 Yuan, decreased by 3,156,600 Yuan compared to the same period of last year, a decrease of 361.33%; net amount of non-operating revenue and expenditure was 83,700 Yuan, decreased by 1,168,700 Yuan compared to the same period of last year, a decrease of 93.32%; net profit was -2,199,300 Yuan, decreased by 4,325,400 Yuan compared to the same period of last year, a decrease of 203.45 %.

In reporting period, the Company took various measurements positively with market oriented, such as expanding marketing channels, adjusting operation principle, reinforcing corporate internal control management, reducing risk and consumption as well as exploring new investment areas, etc. We managed to prevent operation from falling even facing national macro regulation, economic transformation as well as clear-party construction promotion. We basically reached the operation goal the Company planed at year-beginning. Main work conducted as the following:

1. Vigorously widen our marketing channel and stabilize market share with market orientation

In reporting period, tourist consumption structure changed nationwide. Amount of unit tourism sharply dropped while free travelling and self-driving travelling led the popularity. Facing the complex changeable market, we adjusted our marketing strategy such as advocated all the staff to do marketing based on further linking with traditional business groups, travel agents and others. We built close cooperation with couples of tour sites located in Hainan and travelling corporations with extinguished services, formulating various packages services. Both sides share the resources and help each other for mutual benefit. What's more, we created ever-first extinguished service called the 'Free Benben Riding if Residing in South China Hotel'. At the same time, internet channel and e-commerce platform were fully made use of where a series of discounted packages were promoted. Thus marketing channels effectively widened and number of separate passengers with free overseas travelling rose. All these stabilized the market share at most. In reporting period, the Company hit an income of RMB 23,660,800 generating from hotel room business, decreased by 14.07% namely RMB 3,873,100 compared with same period of last year.

2. Reinforce management, improve the quality and effect, and reduce risk and consumption to further perfect the hotel service

In reporting period, the hotel conducted systemic clarification and perfection over rules and regulations e.g. the SOP Operation Manual, the Must-Know and Must-Capability of Hotel, the Praise and Penalty, the Attendance Management and the Application, Handing-Out and Recipient of Hotel Office Supply, strictly in accordance with rules of the Basic Norms to Corporate Internal Control and affiliated guidance as well as actual condition of the



hotel. All these effectively strengthened risk management of internal control. In addition, we vigorously advocated energy-saving principle, pursued principles of sources enlarging and losses dwindling, as well as annual energy-saving plan. Every month meeting specialized for analyzing energy and consumption was held in time, which was aimed at rigorously controlling cost and expenditure and firmly resisting excessive consumption. Thus utmost corporate benefit could be realized. Meanwhile, hotel administration and staff training were further strengthened to further improve the service and administration level as well as competitiveness.

3. Improve asset ownership, get involved in the financial industry, and strive to cultivate new profit growth point. The Company's main business is single and small-scaled, which cannot effectively resist the business risk, being a "bottleneck. During the reporting period, the Company fully and effectively improved asset ownership, actively explored new areas of investment under operating conditions, with its own liquidity of RMB 100,000 for investment in Hainan Luo Niushan Microfinance Limited, striving to cultivate new profit growth, and to achieve maximum benefits.

In 2014, the Company will continue to forge ahead, strengthen internal control and standardize management system, do fine the main industry, continuously explore and innovate, raise quality and efficiency, improve the overall competitiveness and continuing viability and continue to achieve sustainable, healthy, stable and rapid development.

II. Main business analysis

1. Introduction

The Company took tourism services industry as the major business, mainly engaged in the accommodation and catering. During the report period, the Company's main business income was 23,660,800 Yuan, reduced by 8,523,900 Yuan compared to the same period of last year, a decrease of 26.48%; operating costs were 7,800 Yuan, reduced by 3,018,700 Yuan compared to the same period of last year, a decrease of 99.74%; selling expenses were 11,896,100 Yuan, reduced by 2,938,200 Yuan compared to the same period of last year, a decrease of 19.81%; administrative fee was 12,463,500 Yuan, increased by 114,600 Yuan compared to the same period of last year, an increase of 0.93%; financial expenses were 54,800 Yuan, reduced by 181,600 Yuan compared to the same period of last year, a decrease of 76.83%; operating profit was -2,283,000 Yuan, decreased by 3,156,600 Yuan compared to the same period of last year, an decrease of 361.33%; net amount of non-operating revenue and expenditure was 83,700 Yuan, decreased by 1,168,700 Yuan compared to the same period of last year, an decrease of 93.32%; total net profit was -2,199,300 Yuan, decreased by 4,325,400 Yuan compared to the same period of last year, an decrease of 203.45 %. During the report period, the Company's profit structure or profit source had no significant change.

The Company's review and summarization to the progress of development strategy and operating plan disclosed in early days during the report period

In reporting period, the Company took various measurements positively with market oriented, such as expanding marketing channels, adjusting operation principle, reinforcing corporate internal control management, reducing risk and consumption as well as exploring mew investment areas, etc. We managed to prevent operation from



falling even facing national macro regulation, economic transformation as well as clear-party construction promotion. We basically reached the operation goal the Company planed at year-beginning. For year of 2014, we will continuously fine the main business, explore financing channel and enrich industrial structure. We'll continue to strengthen normalized administration over internal control and perfect governance structure.

Reasons for difference of actual operation performance has 20% lower or higher than profit forecast of the Year disclosed

Applicable Not applicable

2. Revenue

Notes

In the reporting period, main business achived revenue of 23.6608 millionYuan, a y-o-y down of 8.5239 million Yuan with 26.48% down, mainly due to the declined of hotel occupancy rate and average room rate as well as no food & beverage income obtained in the Period.

In ten thousand Yuan

Product category	2013	2012	Increase/decrease y-o-y (%)
Guest room	2,366.08	2,753.39	-14.07%
Food & beverage	0.00	465.08	-100%
Total	2,366.08	3,218.47	-26.48%

Whether income from physical sales larger than income from labors or not

Yes No

Material orders in hands

Applicable Not applicable

Material changes or adjustment for products or services of the Company in reporting period

Applicable Not applicable

Major sales of the Company

Total top five clients in sales (RMB)	6,946,397.00
Proportion in total annual sales volume for top five clients (%)	29.37%

Information of top five clients of the Company

Applicable Not applicable

Serial	Clients	Sales (RMB)	Ratio in annual sales (%)
1	PGS INTERNATIONAL LIMITED	4,288,759.00	18.13%
2	Hainan Chengda International Tourism Ltd.	839,690.00	3.55%
3	South Cross Travel	654,520.00	2.77%
4	Sanya Shengda International Tourism Ltd.	624,344.00	2.64%
5	Sanya Baishun International Tourism Ltd.	539,084.00	2.28%
Total	--	6,946,397.00	29.36%



3. Cost

Industry classification

In RMB

Industry classification	Item	2013		2012		Y-o-y changes (%)
		Amount	Ratio in operation cost (%)	Amount	Ratio in operation cost (%)	
Tourism & catering	Clients, Food & beverage	7,841.74	100%	3,026,517.87	100%	0

Product classification

In RMB

Product classification	Item	2013		2012		Y-o-y changes (%)
		Amount	Ratio in operation cost (%)	Amount	Ratio in operation cost (%)	
Guest room	Guest room	7,841.74	100%	9,604.07	0.32%	0
Food & beverage	Food & beverage	0.00	0%	3,026,517.87	99.68%	0

Note

In 2013, vary costs proportion in total costs of the Company has no major change.

Main suppliers of the Company

Total purchase amount from top five suppliers (RMB)	977,335.74
Proportion in total annual purchase amount for top five suppliers (%)	70.7%

Information of top five suppliers of the Company

Applicable Not applicable

4. Expenses

In RMB

Item	2013	2012	y-o-y changes	y-o-y change scope (%)
Sales expenses	11,896,106.61	14,834,301.97	-2,938,195.36	-19.81%
Administrative expense	12,463,470.06	12,348,853.72	114,616.34	0.93%
Financial expense	54,758.44	236,382.95	-181,624.51	-76.83%
Assets impairment losses	187,419.68	18,240.39	169,179.29	927.50%
Investment gains	0.00	961,833.80	-961,833.80	-100%
Net non-operation income/expenditure	83,700.30	1,252,442.87	-1,168,742.57	-93.32%
Net profit attributable to shareholders	-2,199,319.96	2,126,042.00	-4,325,361.96	-203.45%



of listed company				
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The reason why the relevant figures changed more than 30% on a year-on-year basis:

1. Financial expenses downs dramatically mainly because settlement handling charge declined for the decrease of revenue;
2. Assets impairment losses climb dramatically mainly because accrual for bad debt provision increased;
3. Investment gains downs dramatically mainly because there has investment income from disposal of 31.03 percent equity of Hainan Luoniushan Agriculture Technology Co., Ltd. in last period;
4. Net non-operation of income/expenditure drops dramatically, mainly because in last period, exchange entitlement was sold and income from debt reorganization.

5. R&D expenses

Main business of the Company is hotel service, no independent R & D department and no new R&D projects invested in reporting period.

6. Cash flow

In RMB

Item	2013	2012	Y-o-y changes (%)
Subtotal of cash in-flow from operation activity	23,247,225.60	31,899,321.82	-27.12%
Subtotal of cash out-flow from operation activity	20,631,856.83	30,506,815.56	-32.37%
Net cash flow from operation activity	2,615,368.77	1,392,506.26	87.82%
Subtotal of cash in-flow from investment activity	51,700.00	11,534,720.00	-99.55%
Subtotal of cash out-flow from investment activity	11,026,052.00	10,107,140.05	9.09%
Subtotal of cash in-flow from investment activity	-10,974,352.00	1,427,579.95	-868.74%
Net increased amount of cash and cash equivalent	-8,358,983.23	2,820,086.21	-396.41%

The reason why the relevant figures changed more than 30% on a year-on-year basis:

Applicable Not Applicable

1. Cash in-flow from operation activity decrease 27.12 percent compared with a year earlier, mainly due to the declined of hotel occupancy rate and average room rate as well as no food & beverage income obtained in the Period.
2. Cash out-flow from operation activity decrease 32.37 percent compared with a year earlier, mainly because no food & beverage costs paid and cash paid with activity related decreased;



3. Net cash flow from operation activity increase 87.82 percent dramatically compared with a year earlier, mainly because cash paid related with other operation activity decreased and payable operational items increased.
4. Cash in-flow from investment activity decrease 99.55 percent dramatically compared with a year earlier, mainly because there has account received from investment in last year, and no such account occurred in the Period.
5. Net cash flow from investment activity decrease 868.74 percent dramatically compared with a year earlier, mainly because no investment return in the Period, only investment expenditure occurred.
6. Net increased amount of cash and cash equivalent decrease 396.41 percent dramatically compared with a year earlier, mainly because invested to Haikou Luoniushan Microcredit Company with monetary fund.

The reason why there was significant difference between the cash flow of the Company's business activities and the net profit of this year during the report period

Applicable Not Applicable

III. Composition of main business

In RMB

	Operating revenue	Operating cost	Gross profit ratio (%)	Increase/decrease of operating revenue y-o-y (%)	Increase/decrease of operating cost y-o-y (%)	Increase/decrease of gross profit ratio y-o-y (%)
According to industries						
Tourism & catering	23,660,779.80	7,841.74	99.97%	-26.48%	-99.74%	0%
According to products						
Guest room	23,660,779.80	7,841.74	99.97%	-26.48%	-99.74%	0%
Food & beverage	0.00	0.00	0%	0%	0%	0%
According to region						
Hainan	23,660,779.80	7,841.74	99.97%	-26.48%	-99.74%	0%

Under circumstances of adjustment in reporting period for statistic scope of main business data, adjusted main business based on latest one year's scope of period-end

Applicable Not applicable

IV. Assets and liability analysis

1. Major changes of assets

In RMB

	End of 2013		End of 2012		Ratio changes (%)	Notes of major changes
	Amount	Ratio in total assets (%)	Amount	Ratio in total assets (%)		
Monetary fund	6,835,685.46	6%	15,194,668.69	13.12%	-7.12%	-
Account	3,509,377.76	3.08%	2,523,510.68	2.18%	0.9%	-



receivable						
Inventory	317,334.23	0.28%	291,524.72	0.25%	0.03%	-
Long-term equity investment	10,000,000.00	8.77%	0.00	0%	8.77%	-
Fix assets	60,628,905.47	53.2%	65,533,275.02	56.6%	-3.4%	-
Account paid in advance	201,053.21	0.18%	86,579.35	0.08%	0.1%	-
Other account receivable	3,299,051.36	2.89%	2,221,769.24	1.92%	0.97%	-
Intangible assets	28,586,908.43	25.08%	28,957,572.00	25.01%	0.07%	-
Long-term unamortized expenses	582,546.77	0.51%	977,074.85	0.84%	-0.33%	-

2. Major changes of liability

In RMB

	2013		2012		Ratio changes (%)	Notes of major changes
	Amount	Ratio in total assets (%)	Amount	Ratio in total assets (%)		
Account payable	2,171,955.96	1.91%	1,981,833.63	1.71%	0.2%	-
Account received in advance	1,599,994.81	1.4%	2,031,429.61	1.75%	-0.35%	-
Wages payable	3,549,851.04	3.11%	3,638,558.05	3.14%	-0.03%	-
Taxes payable	-1,164,999.99	-1.02%	-1,131,657.47	-0.98%	-0.04%	-
Other payables	25,892,213.01	22.72%	25,154,642.91	21.73%	0.99%	-

3. Assets and liability measure by fair value

Yes No

V. Core competitive-ness analysis

Hotels the Company runs are located at Sanya East Bay, just being few dozens of meters from the sea surface. Facing the ocean, the Company operates with tourism as main business, enjoying a favorable environment taking advantage of remarkable geographic and nature with seasonal flowers and birds surrounding. This site was ranked as one of the 40 Fantastic Sceneries awarded by National Tourism Bureau. The hotel has lasted for more than 20 years since its construction, being one of most ancient hotels. It ever receipted couples of domestic and foreign national leaders. It's member of nationwide famous hotel with deep and rich cultural background. During these years, the hotel conducted overall upgrading over soft and hard wares to further perfect internal and external



atmosphere and effectively reinforced competitiveness. Presently, our hotel business ranked top among hotels sited in this region with same scale and same class. For the following years, the Company is bound to complete internal and external atmosphere and strengthen sales ability to further improve the operating capability.

VI. Investment analysis

1. Equity investment outside

(1) Investment outside

Investment outside		
Investment in the reporting period (RMB)	Investment in the same period of last year (RMB)	Changes
10000000	9,000,000.00	100%
Invested company		
Name	Main business	Proportion of equity in invested company for listed company (%)
Haikou Luoniushan Petty-Loan Co., Ltd	Specialize in petty loan business (with valid permits operating)	9.09%

(2) Holding the equity of financial enterprise

Name	Type	Initial investment capital (RMB)	Shares held at period-begin (Share)	Proportion of shares held at period-begin (%)	Shares held at period-end (Share)	Proportion of shares held at period-end (%)	Book value at period-end (RMB)	Gains/losses in report period (RMB)	Accounting items	Resources
Haikou Luoniushan Petty-Loan Co., Ltd	Other	10,000,000.00	0	0%	10,000,000	9.09%	10,000,000.00	0.00	Long-term equity investment	Purchase
Total		10,000,000.00	0	--	10,000,000	--	10,000,000.00	0.00	--	--

(3) Securities investment

Applicable Not applicable

2. Trust financing, derivative investment and entrusted loans

(1)Trust financing

Applicable Not applicable



(2) Derivative investment

Applicable Not applicable

(3) Entrusted loans

Applicable Not applicable

3. Application of raised proceeds

(1)General utilization of raised capital

Applicable Not applicable

(2) Commitments of raised capital

Applicable Not applicable

(3) Changes of raise capital projects

Applicable Not applicable

4. Main subsidiaries and stock-jointly company analysis

Applicable Not applicable

5. Major projects invested by non-raised fund

Applicable Not applicable

VII. Prediction of business performance from January –March 2014

Applicable Not applicable

VIII. Special purpose vehicle controlled by the Company

Nil

IX. Prospect for future development of the Company

1. Industrial development trend and competition facing the Company

Recovering global economy led an expanded domestic and overseas tourist market. Besides, reputation of Hainan Island is growing constantly. Thus tourism in Hainan is forecast to see a good future. While facing economic transformation as well as clear-party construction promotion as well as rapid expansion of newly set up various family hotels and classic hotels, hotel demand in Sanya seems to having been fully met. Exterior environment is getting tough and the entire industry is getting weak in operation, putting an unfavorable barrier ahead of us.

These years the Company has invested much in upgrading and renewing equipment and facilities of the hotel. It is paid off that South China Hotel as our sole main business made a certain progress in operating competitiveness.



But it is still difficult to adapt to the intensified market. In order to achieve a stable and healthy operation, the Company needs to continuously complete and improve both soft and hard equipment of the hotel as well as internal and external atmosphere, to normalize administration. We should fully make use of modern information and technology, become public and expand sales network to boost market share. We need go on exploring to further improve administration level and competitiveness of the hotel.

2. The Company's future development planning and 2014 annual business plan

(1) Further strengthen the quality control to the hard and soft equipments and facilities, promote the brand image of the hotel, centered on enterprise benefit, take the innovation as the driving force and make the brand of major business bigger and stronger.

(2) Continue to expand the financing channels, combine the actual situation of the Company and look for the projects and opportunities in favor of the Company's development, enrich the industrial structure and enlarge the enterprise scale.

(3) Continue to strengthen the standard management of internal control, perfect the corporate governance structure, standardize the management and operation, and effectively control the risks.

3. Fund demands and use plan required for the future development of the Company

The Company utilizes owned funds or financing methods to raise the funds demanded for development, and completes the development planning of the Company.

4. The risks may cause adverse effects on the future development strategy and realization of operation target of the Company

(1) Marco policy peril

In order to normalize and optimize tourism market or further to promote clear-party construction, related departments may further issue some relative policies. While these polices may cause restrain and effect on regional tourism development. Main business income may be affected since we are engaged in tourism service.

Countermeasures: The Company will further improve the hard and soft equipments and facilities of the hotel while expanding the business scope, and win more market shares via high-class service and comfortable environment so as to ensure the main business income level.

(2) Natural disaster risks

In recent years, various natural disasters take place frequently, Hainan Island belongs to oceanic climate, where has high incidence of disastrous weather in summer. If Sanya becomes the landing place of typhoon, it may cause great damages to the facilities of the Company and affect the Company's normal operation.

Countermeasures: The Company will strengthen the construction and maintenance for infrastructure, continue to buy property insurances, positively adopt effective prevention measures, and improve the ability of resisting natural disasters.

(3) Human resource risks

The ceaseless rising and rapid development of the same industry make the demands for marketing and management talents of the hotel industry grow with each passing day, and the talent flow of the hotel is rather strong, so the human resource strategy of the Company appears to be very important. Though the Company has



rather perfect human resources mechanism construction, the Company will still confronting the risks of development restriction caused by the brain drain.

Countermeasures: The Company will keep consummating the talent introduction, training and motivation system, and improving the employee's remuneration, welfare and insurance benefits, and strive to attract the talents, foster the talents and retain the talents. At the same time, the Company will strengthen the training to the quality, skill and management ability of existing staff. Furthermore, the Company will further enhance the enterprise culture construction, strengthen the cohesive force, and ensure the stability of core management staff and technical staff.

(4) Operational risks of main business

With the ceaseless development of global tourist industry constantly and ceaseless rising of high-class, middle-class and low-class hotels, the tourist sources keep shunting, and the competition of tourism service industry in Sanya becomes increasingly fierce. While the main business of the Company is just a small-scale hotel, as the main business is single and the business scope is limited, the tourist market conditions and tourist quantity directly make significant affects on the company performance.

Countermeasures: The Company will keep striving to be better, devote to macroscopic project, carry out scientific management and scientific decision-making, strengthen the risk consciousness, and establish and consummate the corresponding systems so as to avoid the risks. Expand the business scope based on the original selling network, take the advantage of superior geographical environment, constantly develop the high-end tourist markets at home and abroad, and improve the occupancy rate. Besides, the Company will positively look for the projects and opportunities in favor of the Company's development, expand the operating items, and enlarge the enterprise scale.

X. Explanation on “Modified Auditor’s Report” from the Board and Supervisory Committee

Nil

XI. Comparing with last year’s financial report, explain changes in aspect of accounting policy, accounting estimates and calculation measures

Nil

XII. Particular about major accounting errors correction that needs retroactive re-statement in reporting period

Nil

XIII. Compare with last year’s financial report; explain changes in consolidation statement’s scope

Nil

**XIV. Profit and dividend distribution**

Formulation, Implementation and Adjustment of Profit Distribution Policy Especially Cash Dividend policy during the Reporting Period

Applicable Not applicable

Statement on Plan or Program of Profit Distribution and Capitalization of capital reserve in nearly Three Years (including the reporting period)

According to the auditing reports issued by certified public accountants, the net income realized in nearly three years (including the reporting period) was used to make up the losses in the previous year; the undistributed profit during this reporting remained a minus. The Company did not take profit allocation nor capitalization of capital reserve during the reporting period.

Cash dividend in latest three years

In RMB

Year for bonus shares	Amount for cash bonus (tax included)	Net profit attributable to shareholders of listed company in consolidation statement for bonus year	Ratio in net profit attributable to shareholders of listed company contained in consolidation statement (%)
2013	0.00	-2,199,319.96	0%
2012	0.00	2,126,042.00	0%
2011	0.00	-5,281,228.50	0%

The Company gains profits in reporting period and the retained profit of parent company is positive but no plan of cash dividend proposed

Applicable Not applicable

XV. Profit distribution plan and capitalizing of common reserves plan for the Period

Applicable Not applicable

XVI. Social responsibility

The Company sets effectively fulfilling social responsibility as the core of its sustainable development, which is the highest mission of the Company. In the process of operation and business development, The Company purists its principle of energy saving, pollution minimization and cost effectiveness, conforms to the development of nation and society in an all-around way, makes efforts to achieve the intercoordination of economic benefit and social benefit, short-term interests and long-term interests, the Company's development and social development to realize a healthy and harmonious development of the Company and its employees, the Company and the society, and the Company and its environment.

The listed company and subsidiaries is in the range of heavy pollution industry that regulated by State environment protection departments



Yes No Not applicable

The listed company and subsidiaries owes other major social safety issues

Yes No Not applicable

Problems and rectification

Administrative penalty occurred in reporting period

Yes No Not applicable

XVII. In the report period, reception of research, communication and interview

Date	Place	Way	Type	objects	Main information discussed and material provided
2013-01-08	Company headquarters	Telephone communication	Individual	Investor in Jiling (Surname Li)	Whether can special treatment, no material provided
2013-01-17	Company headquarters	Telephone communication	Individual	Investor in Guangdong (Surname Wu)	When special treatment, no material provided
2013-02-06	Company headquarters	Telephone communication	Individual	Investor in Haerbin(Surname Zhang)	Whether accord with conditions of special treatment, no material provided
2013-02-15	Company headquarters	Telephone communication	Individual	Investor in Henan(Surname Guo)	Program of special treatment, no material provided
2013-03-06	Company headquarters	Telephone communication	Individual	Investor in Jiangsu (Surname Guo)	Announcement date of Annual Report 2012 of the Company, no material provided
2013-03-15	Company headquarters	Telephone communication	Individual	Investor in Hunan(Surname Li)	Operation situation of the Company in 2012, no material provided
2013-04-08	Company headquarters	Telephone communication	Individual	Investor in Beijiang(Surname Wang)	Repay of advance money for another for capital restructuring
2013-04-25	Company headquarters	Telephone communication	Individual	Investor in Shanghai(Surname Lu)	Operation situation of the Company hotels, no material provided
2013-05-12	Company headquarters	Telephone communication	Individual	Investor in Shenzhen(Surname Yan)	Progress of special treatment of the Company, no material provided
2013-05-24	Company headquarters	Telephone communication	Individual	Investor in Nanning(Surname Zhou)	Change of the shareholder's name, no material provided
2013-06-05	Company	Telephone	Individual	Investor in	How restricted shares circulation, no material



	headquarters	communication	al	Guilin(Surname Chen)	provided
2013-06-27	Company headquarters	Telephone communication	Individual	Investor in Haikou(Surname Fu)	Development of the Company, no material provided
2013-07-10	Company headquarters	Telephone communication	Individual	Investor in Hangzhou (Surname Wang)	Operation situation of the Company, no material provided
2013-07-18	Company headquarters	Telephone communication	Individual	Investor in Beijing (Surname Liu)	How restricted shares circulation, no material provided
2013-07-29	Company headquarters	Telephone communication	Individual	Investor in Nanjing (Surname Zhang)	Operation situation of the Company, no material provided
2013-08-15	Company headquarters	Telephone communication	Individual	Investor in Beijing (Surname Peng)	How original shares circulation, no material provided
2013-08-23	Company headquarters	Telephone communication	Individual	Investor in Haerbin (Surname Li)	Operation situation of the Company, no material provided
2013-08-30	Company headquarters	Telephone communication	Individual	Investor in Guangzhou (Surname Huang)	Operation situation of the Company, no material provided
2013-09-02	Company headquarters	Telephone communication	Individual	Investor in Haikou(Surname Chen)	Operation situation of the Company, no material provided
2013-09-11	Company headquarters	Telephone communication	Individual	Investor in Shenzhen (Surname Hu)	Operation situation of the Company, no material provided
2013-09-26	Company headquarters	Telephone communication	Individual	Investor in Beijing (Surname Hu)	Operation situation of the Company, no material provided
2013-09-30	Company headquarters	Telephone communication	Individual	Investor in Shanghai (Surname Yu)	Operation situation of the Company, no material provided
2013-10-11	Company headquarters	Telephone communication	Individual	Investor in Haikou(Surname Lin)	Operation performance of the third quarter report of the Company, no material provided
2013-10-15	Company headquarters	Telephone communication	Individual	Investor in Guangdong (Surname Hai)	Disclosure date of the third quarter report of the Company, no material provided



		tion			
2013-11-06	Company headquarters	Telephone communication	Individual	Investor in Shanghai (Surname Yu)	Development of the Company, no material provided
2013-11-27	Company headquarters	Telephone communication	Individual	Investor in Zhejiang (Surname Hu)	Operation situation of the Company, no material provided
2013-12-03	Company headquarters	Telephone communication	Individual	Investor in Beijing (Surname Wang)	Repay of advance money for another for capital restructuring
2013-12-18	Company headquarters	Telephone communication	Individual	Investor in Shenzhen (Surname Zhou)	Annual operation situation of the Company
2013-12-26	Company headquarters	Telephone communication	Individual	Investor in Jilin (Surname Xie)	Annual operation situation of the Company



Section V. Important Events

I. Significant lawsuits and arbitrations of the Company

Applicable Not applicable

The Company has no significant lawsuits and arbitration in this year.

II. Questioned from media

Applicable Not applicable

No media questioned for the Company in reporting period

III. Non-operational fund occupation from controlling shareholders and its related party

Applicable Not applicable

IV. Bankruptcy reorganization

Nil

V. Assets transaction

1. Purchase of assets

Applicable Not applicable

2. Assets sold

Applicable Not applicable

3. Enterprise merger

Nil

VI. Implementation and its influence of equity incentive plan

Nil

VII. Material related transactions

1. Related transaction with daily operation concerned

Related party	Related relationship	Type of related transaction	Content of related transaction	Pricing principles of related transaction	Price of related transaction	Amount of related transaction (10 thousand)	Proportion to amount of transaction or the	Settlement method of related transaction	Market price of similar transaction	Disclosure date	Index of disclosure
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						Yuan)	same type (%)	n	n available		
Luoniushan Co., Ltd.	First majority shareholder	Consumption	Accommodation and catering	Market price	Market price	23.12	0.98%	Same as the transaction with non-related party	-	-	-
Total				--	--	23.12	--	--	--	--	--
Details of returned large sales				N/A							
Essentiality and persistence of related trade, as well as reason for choosing trading with related parties (not other traders in market)				N/A							
Impact on individuality of listed companies from related trade				The daily relate transaction belongs to normal transaction in market, and has no influence on the Company							
Dependence on related parties from the Company, as well as related measurements				N/A							
Predict on total amount of daily related trade on the way in this period according to classification, as well as actual implementation in reporting period				N/A							
Reason of the greater difference between trade price and market reference price				No differences							

2. Related transactions by assets acquisition and sold

Applicable Not applicable

3. Main related transactions of mutual investment outside

Applicable Not applicable

4. Contact of related credit and debt

Whether exist non-operating contact of related credit and debt or not

Yes No

Related party	Related relationship	Type of credit and debt	Resulted reason	Whether exist non-operational capital occupying	Balance of period-begin (in 10 thousand Yuan)	Amount of the period occurrence (in 10 thousand Yuan)	Balance at period-end (in 10 thousand Yuan)
Luoniushan Co., Ltd	First majority	Debt payable to related party	Current account	Yes	80		80



	shareholder						
Influence on operation result and financial statue of the Company from related credit and debts		N/A					

5. Other significant related transactions

On 26 June 2013, the Company signed the Adding Fundraising Term with Haikou Luoniushan Petty-Loan Co., Ltd where reflected that the Company is planning to further invest in Haikou Luoniushan Micro-Financing Co., Ltd with 10,000,000 Yuan. After completion the above fundraising, registered capital of Haikou Luoniushan Micro-Financing Co., Ltd will become 110,000,000 Yuan of which 9.09% ratio of shares hold by the Company.

On 26 June 2013, the Company held the 7th session of the 6th extraordinary general meeting which reviewed and passed the Proposal of Investing Haikou Luoniushan Petty-Loan Co., Ltd the Board of Directors didn't avoid it as there was not any independent director. Independent director approved this related investment and issued independent opinion on it.

Website for temporary disclosure of the significant related transaction

Temporary notice	Dated disclosed	Website for disclosure
Implementation of Commitments by the Company and Related Bodies	2013-06-26	<i>Securities Times, Hong Kong Commercial Daily</i> and Juchao Website www.cninfo.com.cn
Associated Investment of Haikou Luoniushan Petty-Loan Co., Ltd	2013-07-10	<i>Securities Times, Hong Kong Commercial Daily</i> and Juchao Website www.cninfo.com.cn

VIII. Major contract and implantation

1. Trusteeship, contract and leasing

(1) Trusteeship

Notes of trusteeship

Nil

Gains/losses of the Company from projects that reached over 10% in total profit of the Company in reporting period

Applicable Not applicable

(2) Contract

Notes of contract

Nil

Gains/losses of the Company from projects that reached over 10% in total profit of the Company in reporting period



Applicable Not applicable

(3) Leasing

Notes of leasing

Nil

Gains/losses of the Company from projects that reached over 10% in total profit of the Company in reporting period

Applicable Not applicable

2. Guarantee

Applicable Not applicable

(1) Guarantee provided against regulations

Applicable Not applicable

3. Other material contracts

Applicable Not applicable

4. Other material transaction

Nil

IX. Implementation of commitment

1. Commitments from the Company or shareholder with over 5% share held in reporting period or continues to reporting period

Commitments	Acceptor	Contents	Commitment time	Commitment period	Implementation
Commitments for Share Merger Reform	Luoniushan Co., Ltd	Given consequent years of loss, Dadonghai is facing to be delisted. To reverse this operation dilemma, improve profitability and restore continuing operation, controlling shareholder, Luoniushan Co., Ltd is seeking acquisition partners and appropriate time to take asset restructuring on Dadonghai.	2007-05-30	In an appropriate time	Since equity allocation, the Company avoided to be delisted by seeking various favors. Finance was correspondingly improved. Till now, appropriate acquisitions partner hasn't been found.
Commitments in report of acquisition or equity change	-	-	-	-	-
Commitments in assets reorganization	-	-	-	-	-



Commitments make in Initial public offering or re-financing	-	-	-	-	-
Other commitments for minority shareholders	-	-	-	-	-
Implemented commitments on time (yes or no)	No				
Detail reasons for un-complement and further plan	N/A				

2. Concerning assts or project of the Company, which has profit forecast, and reporting period still in forecasting period, explain reasons of reaching the original profit forecast

Applicable Not applicable

X. Appointment and non-reappointment (dismissal) of CPA

Accounting firm appointed

Name of domestic accounting firm	BDO CHINA Shu Lun Pan Certified Public Accountants LLP
Remuneration for domestic accounting firm (in 10 thousand Yuan)	31
Continuous life of auditing service for domestic accounting firm	3
Name of domestic CPA	Liu Zebo, Zhu Meirong
Name of overseas accounting firm	N/A
Continuous life of auditing service for overseas accounting firm	N/A
Name of overseas CPA	N/A

Whether re-appointed accounting firms in this period or not

Yes No

Appointment of internal control auditing accounting firm, financial consultant or sponsor

Applicable Not applicable

XI. Explanation from Supervisory Committee and Independent Directors (if applicable) for “Qualified Opinion” from the CPA

In reporting period, no “qualified opinion” was issued by CPA for auditing report.

XII. Penalty and rectification

Applicable Not applicable

**XIII. Suspension and delisting after disclosure of annual report**

Nil

XIV. Explanation on other significant events

Nil

XV. Significant events of the subsidiaries

Nil

XVI. Corporate bond offering

Nil

Section VI. Changes in Shares and Particulars about Shareholders**I. Changes in shares**

In shares

	Before change		Increase/decrease in this time (+, -)					After change	
	Amount	Ratio (%)	New issue	Bonus share	Capitalization of public reserve	Other	Subtotal	Amount	Ratio (%)
I. Restricted shares	17,176,000	4.72%				-646,800	-646,800	16,529,200	4.54%
1. State-owned shares									
2. State-owned corporate shares	5,922,000	1.63%				-1,968,600	-1,968,600	3,953,400	1.09%
3. Other domestic shares	11,254,000	3.09%				1,321,800	1,321,800	12,575,800	3.45%
Including: Domestic legal person shares	11,122,000	3.05%				1,251,800	1,251,800	12,373,800	3.4%
Domestic natural person shares	132,000	0.04%				70,000	70,000	202,000	0.06%



II. Unrestricted shares	346,924,000	95.28%				646,800	646,800	347,570,800	95.46%
1. RMB common shares	258,924,000	71.11%				646,800	646,800	259,570,800	71.29%
2. Domestically listed foreign shares	88,000,000	24.17%						88,000,000	24.17%
III. Total shares	364,100,000	100%						364,100,000	100%

Reasons for share changed

Applicable Not applicable

In the process of subsequent work of share-trading reform of the Company, according to relevant regulations the release procedures were in process and part of the shareholders handling the payment of account paid in advance. Thus, the share structure changes in the report period but retained the same in total share capital.

Approval of share changed

Applicable Not applicable

Ownership transfer of share changed

Applicable Not applicable

Influence on the basic EPS and diluted EPS as well as other financial indexes of net assets per share attributable to common shareholders of Company in latest year and period

Applicable Not applicable

Other information necessary to disclose for the Company or need to disclosed under requirement from security regulators

Applicable Not applicable

In reporting period, changes of restricted shares: (In Share)

Shareholders' name	Number of shares restricted at Year-begin	Number of shares released in the Year	Number of new shares restricted in the Year	Number of shares restricted at Year-end	Restriction reasons	Released date
Yangpu Tongrong Investment Management Consultation Co., Ltd.	0	0	4,420,800	4,420,800	Legal commitment in share reform in share reform	After remove restricted procedures complete
Sanya Zhongxing Development Co., Ltd.	3,630,000	0	0	2,541,000	Legal commitment in share reform	After remove restricted procedures complete
Sanya Real Estate Valuation Agent	1,320,000	0	0	924,000	Legal commitment in share reform	After remove restricted procedures complete
Hainan Hong Kong-Macao International Trade Development Co., Ltd.	1,320,000	0	0	924,000	Legal commitment in share reform	After remove restricted procedures complete
Haikou Dongfang Urban credit Cooperative	1,320,000	0	0	924,000	Legal commitment in share reform	After remove restricted procedures complete
Haina Zhongjin Industry&Trade Company	1,320,000	0	0	924,000	Legal commitment in	After remove restricted procedures complete



					share reform	
Hainan Branch of Bank of Communications Co., Ltd.	1,320,000	0	0	924,000	Legal commitment in share reform	After remove restricted procedures complete
Guangzhou Dongzhan Industrial Co. LTD	1,320,000	0	0	924,000	Legal commitment in share reform	After remove restricted procedures complete
Shenyang Jin'an Industrial Corporation	1,188,000	0	0	831,600	Legal commitment in share reform	After remove restricted procedures complete
Hainan Dadonghai Tourism Co.	1,056,000	0	0	739,200	Legal commitment in share reform	After remove restricted procedures complete
Hainan Dongda Ocean Transport Company	660,000	0	0	660,000	Legal commitment in share reform	After pad shares for share reform paid
Guangzhou Company of Hainan International Investment Co., Ltd.	660,000	0	0	660,000	Legal commitment in share reform	After pad shares for share reform paid
Southern Industrial and Trading Corporation	660,000	0	0	660,000	Legal commitment in share reform	After pad shares for share reform paid
Beijing Xueli Clothing Accessories Co., Ltd.	132,000	0	0	132,000	Legal commitment in share reform	After pad shares for share reform paid
Xiao Tiefeng	132,000	0	0	132,000	Legal commitment in share reform	After pad shares for share reform paid
Sanya Wangli Building Materials Sales	132,000	0	0	92,400	Legal commitment in share reform	After remove restricted procedures complete
Hainan Nongkeng Sanya Timber Mill	66,000	0	0	46,200	Legal commitment in share reform	After remove restricted procedures complete
Tao Fumin	100,000	0	0	70,000	Legal commitment in share reform	After remove restricted procedures complete
Hangzhou Huayuan Industrial Co. LTD	840,000	646,800	0	0	Legal commitment in share reform	-
Total	17,176,000	646,800	4,420,800	16,529,200	—	—

Note: the Company implemented split-share reform on 8 August 2007, the restricted shares hold by the above mentioned shareholders shall be listed after pad shares paid and remove restriction procedures in line with relevant regulations.

II. Securities issue and listing

1. Previous security offering in latest three years at period-end

Nil



2. Changes of total shares and shareholders structure as well as explanation on changes of assets and liability structure

Nil

3. Existing internal staff shares

Nil

III. Shareholders and actual controller

1. Number of shareholders of the Company and share-holding

In shares

Total shareholders at period-end		28,091	Total shareholders ended as the 5 th trading day before annual report disclosed				27,225	
Top 10 shareholders								
Full name of Shareholders	Nature of shareholder	Proportion of shares held (%)	Total shareholders at the end of report period	Changes in report period	Amount of restricted shares held	Amount of unrestricted shares held	Number of shares pledged/frozen	
							State of share	Amount
Luoniushan Co., Ltd.	Domestic non-state-owned legal person	16.81%	61,190,270	0	0	61,190,270		
Pan Guoping	Domestic nature person	9.07%	33,029,583	29,317,027	0	33,029,583	Pledged	6,760,000
China Everbright Securities (HK) Limited	Overseas legal person	5%	18,207,684	18,207,684	0	18,207,684		
Yangpu Tongrong Investment Management Consultation Co., Ltd.	Domestic non-state-owned legal person	2.79%	10,150,082	-2,490,750	4,420,800	5,729,282		
Sanya Yongli Investment Co., Ltd.	Domestic non-state-owned legal person	1.9%	6,930,000	0	0	6,930,000		
Shanghai Zhongqing Hotel Management Co., Ltd.	Domestic non-state-owned legal person	1.39%	5,043,416	5,043,416	0	5,043,416	Pledged	5,043,416
Construction Investment CITIC Assets Management Co., Ltd.	Domestic non-state-owned legal person	1.27%	4,620,000	0	0	4,620,000		
CITRINE CAPITAL	Overseas	0.9%	3,265,200	0	0	3,265,200		



LIMITED	legal person							
#Wu Weisheng	Domestic nature person	0.78%	2,837,714	2,837,714	0	2,837,714		
Sanya Zhongxing Development Co., Ltd.	Domestic non-state-owned legal person	0.7%	2,541,000	0	2,541,000			
Strategy investors or general legal person becomes top 10 shareholders due to rights issued		N/A						
Explanation on associated relationship or accordant action among the aforesaid shareholders		The Company is unknown whether there exists associated relationship or belongs to the consistent actor regulated by the Management Measure of Information Disclosure on Change of Shareholding for Listed Company among the other shareholders.						
Particular about top ten shareholders with un-restrict shares held								
Shareholders' name	Amount of unrestricted shares held at period-end	Type of shares						
		Type	Amount					
Luoniushan Co., Ltd.	61,190,270	RMB common share	61,190,270					
Pan Guoping	33,029,583	RMB common share	6,904,417					
		Domestically listed foreign share	26,125,166					
China Everbright Securities (HK) Limited	18,207,684	Domestically listed foreign share	18,207,684					
Sanya Yongli Investment Co., Ltd.	6,930,000	RMB common share	6,930,000					
Yangpu Tongrong Investment Management Consultation Co., Ltd.	5,729,282	RMB common share	5,729,282					
Shanghai Zhongqing Hotel Management Co., Ltd.	5,043,416	RMB common share	5,043,416					
Construction Investment CITIC Assets Management Co., Ltd.	4,620,000	RMB common share	4,620,000					
CITRINE CAPITAL LIMITED	3,265,200	Domestically listed foreign share	3,265,200					
#Wu Weisheng	2,837,714	RMB common share	2,837,714					
Cao Huili	2,533,939	RMB common share	2,533,939					
Expiation on associated relationship or consistent actors within the top 10 un-restrict shareholders and between top 10 un-restrict shareholders and top 10 shareholders		The Company is unknown whether there exists associated relationship or belongs to the consistent actor regulated by the Management Measure of Information Disclosure on Change of Shareholding for Listed Company among the other shareholders.						
Explanation on top ten shareholders involving margin business		# Wu Weisheng holding 2,837,714 shares of Donghai-A through the guarantee account of credit transactions of GF Securities Co., Ltd.						

Agree to buy-back dealings occurred in Period by shareholders

√Yes No

On 29 January 2013, shareholder of the Company Pan Guoping dealing the security with Everbright Securities Co., Ltd. with type of agreed to repurchase, 3,500,000 shares of Dadonghai –A are involved, a 0.96 percent in total share capital of the Company. And Pan Guoping purchased the abovementioned shares on 24 April 2013. As of the reporting period, 6,904,417 shares of Dadonghai-A were held by Pan Guoping, a 1.896 percent in total share capital of the Company, and 26,125,166 shares of Dadonghai-B, a 7.175 percent of the total shares of the Company.

2. Controlling shareholder of the Company

Corporation

Controlling shareholder	Legal rep./person in charge of unit	Date established	Organization code	Register capital	Main business
Luoniushan Co., Ltd.	Xu Zili	1993-10-15	28408974-7	880,132,000.	Seeding breeding industry, developing industry, operation of real estate developing, construction and decoration engineer, manufacture and sales of fertilizer, processing and sales of agricultural products and feeds, accessories of technical automobiles and motorcycles, electronic products, metallic materials (except for exclusive business), chemical and industrial products (except for exclusive business), household appliances, modern office supplies, document supplies, daily-use articles, food, construction materials, sales of agricultural specialties, restaurant industry, development and construction of trading market and leasing services.
Operation result, financial status, cash flow and future development strategy etc.	Found more details in full text of Annual Report 2013 of Haikou Agriculture & Industry & Trade (Luoniushan) Co., Ltd.(Short form of the stock: Luoniushan, Stock code: 000735)				
Equity of other domestic/foreign listed company with share controlling and share participation by controlling shareholder in reporting period	Found more details in full text of Annual Report 2013 of Haikou Agriculture & Industry & Trade (Luoniushan) Co., Ltd.(Short form of the stock: Luoniushan, Stock code: 000735)				

Changes of controlling shareholder in reporting period

 Applicable Not applicable

3. Actual controller of the Company

Natural person

Name of actual controller	Nationality	Whether obtained right of residence of other countries or regions or not

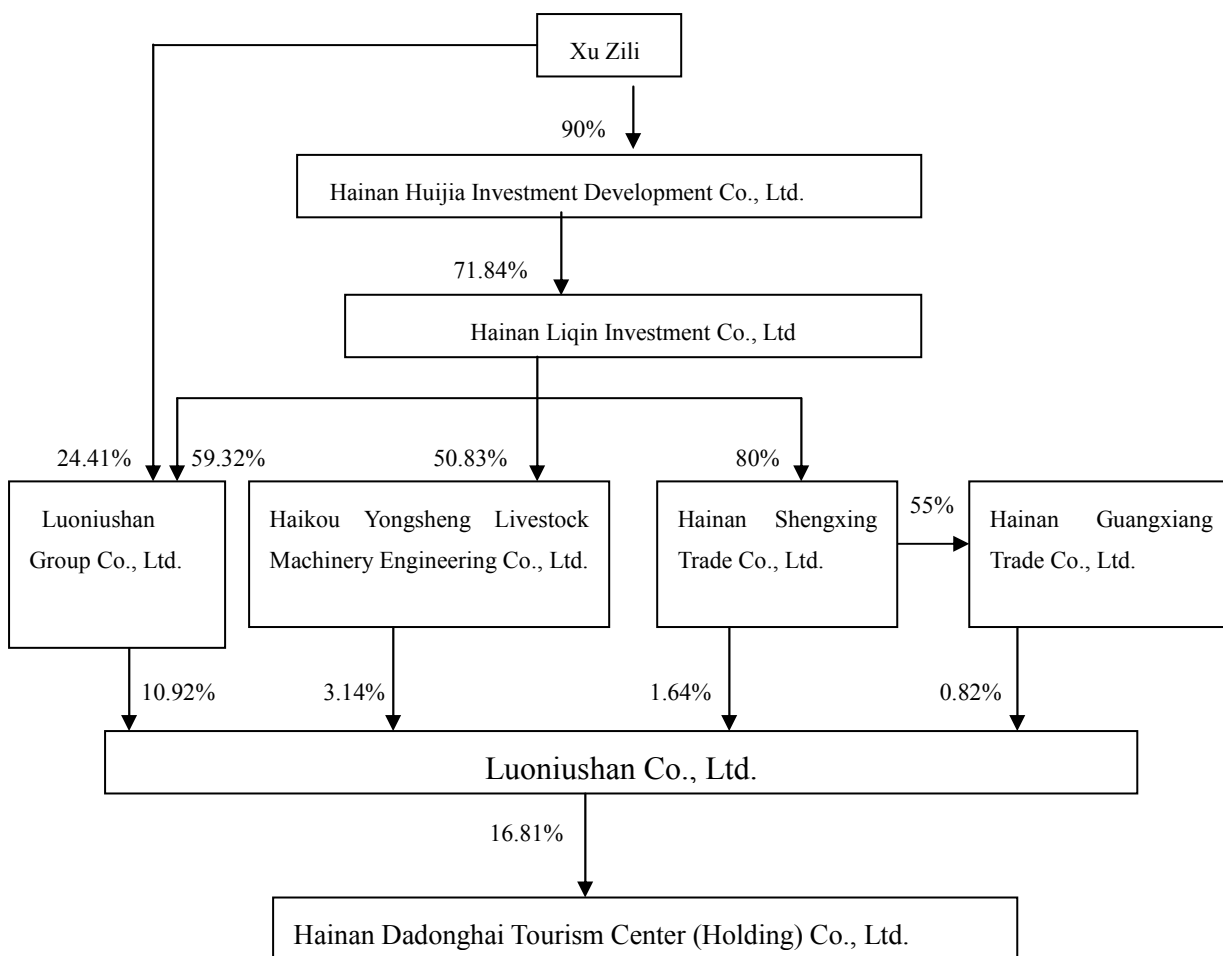


Xu Zili	P.R.C	No
Profession and title in latest five years	Xu Zili, male, was born in 1966, is a senior engineer with a master degree. He successively served as Vice President of Hubei Huangshi Mine Bureau Machinery; General Manager of Haikou Animal Husbandry Machinery Engineering Co., Ltd.; Chairman of Tianjin Baodi Agricultural Technology Co., Ltd.; Vice Chairman and General Manager of the Company from August 2006 to November 2011; serves as Chairman of the Company since November 2011; meanwhile, serves as President of Hainan Animal Agriculture Association, vice-president of Haikou Enterprise Association and member of 13 th CPPCC of Haikou City.	
Listed company in and out of China controlled in past decades	N/A	

Changes of actual controllers reporting period

Applicable Not applicable

Property right and controlling relationship between the actual controller and the Company is as follow:





Actual controller controlling the Company by entrust or other assets management

Applicable Not applicable

4. Particulars about other legal person shareholders with over 10% shares held

Applicable Not applicable

IV. Share holding increasing plan proposed or implemented in reporting period from shareholder of the Company and its concerted action person

Nil

**Section VII. Particulars about Directors, Supervisors and Senior****Executives and Employees****I. Changes of shares held by directors, supervisors and senior executives**

Name	Title	Working status	Sex	Age	Start dated of office term	End date of office term	Shares held at period-begin (Share)	Increasing shares held in this period (Share)	Decreasing shares held in this period (Share)	Shares held at period-end(Share)
Li Yuanbin	Chairman, General Manager	Currently in office	M	63	2001-10-25	2014-06-16	0	0	0	0
Chen Rijin	Independent Director	Currently in office	M	68	2009-05-21	2014-06-16	0	0	0	0
Li Guangzhong	Independent Director	Currently in office	M	67	2008-06-05	2014-06-16	0	0	0	0
Feng Da'an	Independent Director	Currently in office	M	66	2008-06-05	2014-06-16	0	0	0	0
Li Wei	Director	Currently in office	M	52	2002-06-16	2014-06-16	0	0	0	0
Liu Juntao	Director	Currently in office	M	45	2002-06-16	2014-06-16	0	0	0	0
Huang Wencai	Chairman of supervisory committee	Currently in office	M	44	2002-06-16	2014-06-16	0	0	0	0
Li Zhi	Supervisor	Currently in office	M	33	2008-06-05	2014-06-16	0	0	0	0
Wang Jialing	Supervisor	Currently in office	F	47	2011-06-16	2014-06-16	0	0	0	0
Chen Liurong	Executive vice president & person in	Currently in office	M	49	2001-06-01	2014-06-16	0	0	0	0



	charge of finance									
Wang Hongjua n	Vice president & secretary of the Board	Currentl y in office	F	37	2008-04-27	2014-06-16	0	0	0	0
Total	--	--	--	--	--	--	0	0	0	0

II. Post-holding

Major working experience of directors, supervisors and senior executive at the present in latest five years

Directors

Mr. Li Yuanbin: born in June 1950, Han nationality, Master degree, MBA degree, senior engineer. He once held the position of Chairman of Board of Haikou Haiyuan Co. Ltd and Yangpu Tiandi Sunshine Industry Co., Ltd, director and general manager of the Company, now he is chairman of the Board and general manager, vice chairman of Hainan Entrepreneurs' Association, and permanent member of Hainan Federation of Industry Chamber of Industry & Commerce and Vice-president of Hainan Provincial Association for Beverages Hotels and Food, and Vice-president of Hubei Commerce Association in Hainan Province.

Mr. Liu Juntao: born in Oct. 1968, Han nationality, undergraduate degree, economist. Mr. Liu once held the position of vice bank chairman of Gansu Construction Bank branch, secretary of the Board of Director of Luoniushan Co. Ltd., Deputy General Manager of the Company and Deputy General Manager of Softto Co., Ltd., Secretary of the Board of Tianmao Industry Group Co., Ltd., currently hold the post of Assistant of GM and secretary of the Board of Tianping Auto Insurance Co., Ltd. Serve as the director of the Company since 2002.

Mr. Li Wei: born in Sep. 1961, Han nationality, Master Degree, CPA, Party member. Mr. Li once held the position of finance director of Yingshan County Silk Making Plant, director and vice director of Yingshan county auditing office, bailiff of Yingshan county Chengguan county, supervisor of Hainan Province Internal Auditing Institute, he held the position of deputy general manager and finance officer. Now, he is the chief accountant in Hainan Medical College; he held the position of director of the Company since 2002.

Independent Directors

Mr. Chen Rijin, was born in October 1946, Bachelor's degree, Senior Engineer and member of China Communist Party. He once took positions of Staff Officer in certain ministry of Guangzhou Air Force, Cadre of Provincial Planning Commission of Hubei, Party Committee Secretary of Huangshi Metalforming Machine Works, Vice Chairman of Huangshi Economic Committee, Deputy Major of Huangshi, Deputy Director of Hainan Industry Ministry, Deputy Secretary-general of Hainan Provincial Government, Director of Hainan Industry Ministry and Director of Hainan Finance Ministry (retired in March of 2005), and at present serves as Independent Directors of Hainan Island Construction Co., Ltd., Guangji Pharmaceutical Co., Ltd and Independent Director of Haikou Agriculture & Industry & Trade (Luoniushan) Co., Ltd. and has been taking the post of Independent Director of the Company since May 2009.



Mr. Li Guangzhong, was born in Aug. 1946, Han nationality with Bachelor Degree and Professor of Accounting Department of Zhongnan University of Economics and Law. He was once Deputy Office Director of Staff Room, Deputy Director, and Secretary General of Part Branch, Director of Accounting Department and the Party Secretary in Accounting School of Zhongnan University of Economics; Party Secretary and concurrently Deputy Dean of Accounting School of Zhongnan University of Economics from May 2001 to March 2007 and retired since March 2007. Subject expertise: financial accounting, accounting theory, award-winning editor in charge of the publication of books and more 10 teaching materials; published more than 30 academic papers. Now, he is the Independent Director Hainan Pearl River Holdings Co., Ltd. He has been the Independent Director of the Company since May 2008.

Mr. Feng Da'an: born in Dec. 1947, Han nationality, Bachelor degree. He once Worker Leader of Food Bureau in Chengguan District of Lanzhou City, Section Chief and Deputy Governor of Gansu Construction Bank of China, Deputy Secretary and Deputy Governor of Hainan Provincial Construction Bank of China; Deputy Office Director of Hainan Securities Management Office from July 1995 to July 1998; Deputy Director General and Directory General of Hainan Local Tax Bureau from Aug. 1998 to Dec. 2007; he retired in Jan. 2008. Now, he is the Independent Director of Sundiro Holding Co., Ltd. and the Independent Director of Beijing Hualian Hypermarket Co., Ltd, independent director of Hainan Meilan International Airport Co., Ltd. and he has been the Independent Director of the Company since May 2008.

Supervisors

Mr. Huang Wencai: was born in Jan. 1969, undergraduate degree, Mr. Huang once held the position of vice director of Haikou meat association factory, director of Haikou food Co. Ltd. and assistant of general manager of Haikou food Co. Ltd., deputy GM of Haikou Luoniushan Food Processing Co., Ltd. and currently held the post of deputy GM of Hainan Luoniushan Meat Co., Ltd.; he held the position of Chairman of Supervisory Committee of the Company since 2002.

Ms. Wang Jialing: was born in Feb. 1966 and graduated from Hubei Xiangfan Vocational & Technical College in August 1988. She served as accountant of financial dept. of Hubei Xiangfan HP Industrial Co., Ltd. from August 1988 to January 1998 and served as accountant of financial dept of the Company since February 1988; she serves as staff supervisor of the Company since 2011.

Mr. Li Zhi, was born in April 1980, Han nationality, studied in Hainan University from Feb., 2004 to Jan. 2007. From Oct. 2003 to Dec. 2004, he took the post of financial manager of Hainan Boshitong Investment Management Consultant Co. Ltd.; from Jan., 2005 to Oct. 2006, he took the post of deputy general manager of Haikou Anqiong Pawnshop; now he is deputy manager of financial department and employee supervisor.

Other Senior Executives

Mr. Chen Liurong: was born in March 1964, Undergraduate degree, accountant, Mr. Chen once held the position



of vice finance manager, manager and assistant of general manager of the Company and he is now taking the position of deputy general manager and financial charger of the Company.

Wang Hongjuan, was born in Feb. 1976, Undergraduate Degree, an attorney; she serves as supervisor of the Company and Office Director, now she serves as vice president and secretary of the Board of the Company.

Post-holding in shareholder's unit

Applicable Not applicable

Post-holding in other unit

Applicable Not applicable

III. Remuneration for directors, supervisors and senior executives

Decision-making procedures, determine basis and actual payment of remuneration for directors, supervisors and senior executives

1. Pursuant to the Company's Articles of Association, the pay of directors, supervisor personnel are approved by general meeting after the review of the board of directors and board of supervisors respectively; the pay of senior management is approved by the board. Directors, supervisors and senior managers get their payment corresponding to their post provided by the general meeting and the board meeting.

2. In line with performance of their duties, directors, independent directors and supervisors should receive the reimbursement from the Company on travel expense and Articles of Association implementation expense.

Remuneration for directors, supervisors and senior executives in reporting period

In ten thousand Yuan

Name	Title	Sex	Age	Post-holding status	Total remuneration obtained from the Company	Total remuneration obtained from shareholder's unit	Remuneration actually obtained at period-end
Li Yuanbin	Chairman, General Manager	M	63	Currently in office	34.82	0	34.82
Chen Rijin	Independent Director	M	68	Currently in office	3.6	0	3.6
Li Guangzhong	Independent Director	M	67	Currently in office	3.6	0	3.6
Feng Da'an	Independent Director	M	66	Currently in	3.6	0	3.6



				office			
Li Wei	Director	M	52	Currently in office	3.6	0	3.6
Liu Juntao	Director	M	45	Currently in office	3.6	0	3.6
Huang Wencai	Chairman of supervisory committee	M	44	Currently in office	1.8	0	1.8
Li Zhi	Supervisor	M	33	Currently in office	8.73	0	8.73
Wang Jialing	Supervisor	M	47	Currently in office	7.95	0	7.95
Chen Liurong	Deputy GM and person in charge of the Financial	F	49	Currently in office	21.62	0	21.62
Wang Hongjuan	Vice president and Secretary of the Board	F	37	Currently in office	20.21	0	20.21
Total	--	--	--	--	113.13	0	113.13

Delegated equity incentive for directors, supervisors and senior executives in reporting period

Applicable Not applicable

IV. Post-leaving and dismissals for directors, supervisors and senior executives

Name	Title	Type	Date	Reasons
Wang Hongjuan	Vice president	Engaged	2013-04-27	According to the development needs of the Company, nominated by GM, considerate and decided by the Board, Ms. Wang Hongjian engaged as deputy GM of the Company with terms as to the 7th session of the Board

V. Changes of core technology team or key technicians in reporting period (not including directors, supervisors and senior executives)

Nil

VI. Employees of the Company

In reporting period, the Company owes 169 personnel in total, including 104 service staff, 18 financial staff, 20

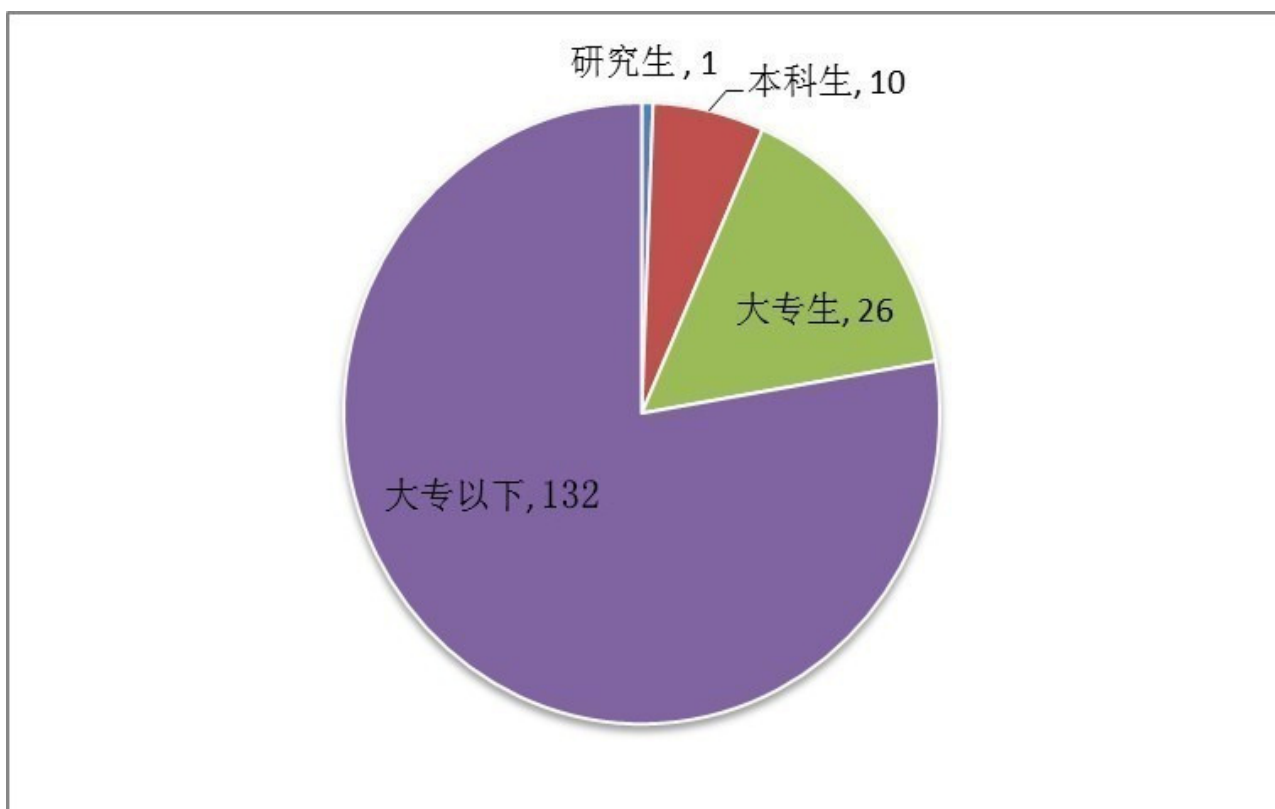


technician, 7 sales personnel and 20 administration staff.

1. Education background of employees:

Category of education degree	Educational background
Master	1 people
Undergraduate	10 people
Junior college	26 people
Junior college below	132 people
Total	169 people

2. Pie chart of educational background:



3. Employee Pay Policy: The Company sets up a pay system compatible with the post and promotion system, adopting post wage system. Wages are decided to post for personnel in service, technology, marketing, management, administration, etc, and rewards given to departments' and individual performance at the end of the year.

4. Training Program: Pursuant to business and management need, the Company made staff recruitment and training plan at the beginning of this year, scheduled to organize relevant personnel to take department training and internal professional training, put special emphasis on job skills training through which special post operators got relevant certificates to ensure production and operation safety and good running.

5. The company does not need to bear the cost of personnel retiring from positions.



Section VIII. Corporate Governance

I. Brief introduction about corporate governance

During reporting period, the Company further completed governance structure and system, perfected internal control mechanism and system construction and normalized corporate operation, strictly in accordance with relative rules and regulations of the Company Law, Securities Law and Listing Rules. Till end of reporting period, governance structure of the Company is basically in line with requirement of the Governance Rules of Listed Company.

1. During the reporting period, the Company's general meeting, board meeting and supervisors meeting exercised the decision rights, execution rights and supervision rights respectively with clear responsibilities, mutual restrict, operation specification and effective operation. The procedures of meeting holding, proposal review, and decision-making in these three meetings were in compliance with relevant provisions. The board meeting comprises strategy and development committee, audit committee, nomination committee, remuneration and appraisal committee, who carry out smoothly their duties accordingly to their working conditions, providing a strong support for the board meeting's major scientific management decision.

2. In strict accordance with the requirements of Rules Governing the Listing of Stock, directors performed its duties with honest, trust, diligence and independence, protected the legitimate rights and interests of minority shareholders with loyalty to their interests; Supervisors effectively supervised and checked independent directors, senior management and their financial situations.

Whether there are differences between the corporate governance and the "Company Law" and the relevant provisions of China Securities Regulatory Commission

Yes No

There were no significant differences in corporate governance and the "Company Law" and the relevant provisions of China Securities Regulatory Commission.

Developing Conditions of Special Corporate Governance Activities & Formulation and Implementation of Insider Registration Management System

During the reporting period, the Company strictly observed relevant provisions such as Company Law, Securities Law, and Information Disclosure Regulation for Listed Companies, and CSRC Rules on Establishment of Insider Registration Management System for Listed companies, the Company amended Insider Registration Management System, which was carried out and implemented strictly. According to the requirements of CSRC Notice [2010] no. 37, the company self-inspected the implementation of Insider Registration Management System. During the reporting period, no case of investigation or rectification by supervision department on insider's buying and selling stocks prior to the disclosure major sensitive information which significantly influences the Company's share price.



II. Annual shareholders' general meeting and extraordinary shareholders' general meeting held in reporting period

1. Annual Shareholders' General Meeting in the report period

Session of meeting	Date	Name of meeting motion	Situation	Date of disclosure	Index of disclosure
Annual shareholders' general meeting of 2012	2013-05-22	1."Work report of the Board for year of 2012"; 2. "Work report of the Supervisory Committee for year of 2012"; 3. "Financial Results for year of 2012"; 4. "Profit Distribution pre-plan of 2012"; 5. "Accrual and verification of assets depreciation reserves"; 6. "Annual Report of 2012"; 7." Re-engagement of financial audit institute"	Deliberated and approved all proposals with 80,735,519 shares in favor, 100% effective voting rights in total attended shareholders, 0 against and 0 waive	2013-05-23	The "Resolution Notice of Annual Shareholders' General Meeting of 2012" (No.: 2013-012) published on Securities Times, Hong Kong Commercial Daily and Juchao website (http://www.cninfo.com.cn) dated 23 May 2013 respectively

2. Extraordinary shareholders' general meeting in the report period

Nil

III. Responsibility performance of independent directors in report period

1. The attendance of Board meetings and shareholders' general meeting for independent directors

Attendance of Board meetings for independent directors						
Name of independent director	Times of Board meeting supposed to attend in the report period	Times of present in person	Times of attending by communication	Times of entrusted presence	Times of Absence	Whether absent the Meeting for the second time in a row or not
Chen Rijin	5	0	5	0	0	No
Li Guangzhong	5	0	5	0	0	No
Feng Da'an	5	0	5	0	0	No
Times presented in shareholders' general meeting by independent directors		1				

Explanation of absent the Board Meeting for the second time in a row

Nil



2. Objection for relevant events from independent directors

Whether independent directors come up with objection about company's relevant matters or not

Yes No

Independent directors has no objections for relevant events in reporting period

3. Other explanation about responsibility performance of independent directors

Whether the opinions from independent directors have been adopted or not

Yes No

Explanation on advice that accepted/not accepted from independent directors

Suggestion of re-enforce foreign capital introduction and good assets while operated currently main business with purpose of change the single operation in main business; The Company has been working on it and no results come at present.

IV. Responsibility performance of subordinate special committee of the Board in report period

The board meeting comprises four special committees, who carry out smoothly their duties accordingly to their working conditions, providing a strong support for the board meeting's major scientific management decision. Each special committee performed their duties as follows:

1. Audit Committee

During the reporting period, in the process of annual financial report auditing 2013 process, audit committee members worked in accordance with the relevant requirements by faithfully performing audit committee's responsibilities:

Before the entrance of annual examination certified public accountants, the audit committee members listened to the management statements of the Company's operating condition in 2013 and the financial status as well as the report on annual financial report audit work arrangement of 2013, communicated with annual examination certified public accountants about issues such as personnel structure of the working group, audit plan, risk judgment, annual audit focus and so on; In late March 2014, in annual report audit process, audit committee members listened to the work report by annual examination certified public accountants and the company management; At the beginning of April 2014, audit committee members reviewed submitted financial and accounting reports. The financial and accounting reports audited was formatted strictly to Accounting Standards for Business Enterprises and Accounting System for Business Enterprises, and this report fairly reflected the Company's assets, liabilities, rights and interests and operating situation without significant errors and omissions. The annual audit report of 2013 by audit institutions was agreed to be submitted to the board.

The Company's board of directors regarded that the external auditors Lixin Certified Public Accountants (special ordinary partnership) faithfully performed the audit responsibility, and suggested to renew as the Company's annual financial audit of 2014.

2. Remuneration committee

During the reporting period, the remuneration committee members of the Company board carried out their duties strictly to relevant regulations, inspected remuneration policies and programs for directors, supervisors and senior managers, led the company to perfect the remuneration system, and appraised the performance of directors,



supervisors and senior management according to senior manager remuneration appraisal. By the end of the reporting period, the Company has not implemented option scheme.

3. Strategy committee

During the reporting period, the board strategy committee put forward valuable opinions on decision-making such as development planning and investment decisions, thus enhanced the scientific decision-making and core competitiveness of the Company, improved the Company's efficiency of major investment decisions and decision quality.

4. Nomination committee

During the reporting period, Ms. Wang Hongjuan was engaged as deputy GM of the Company with the same term as to 7th session of the Board.

V. Works from Supervisory Committee

Whether the Company has risks or not in reporting period that found in supervisory activity from supervisory committee

Yes No

Supervisory committee has no objections for the supervise matters in reporting period

Approval opinions on Evaluation Report of Internal Control for year of 2013 by Supervisory Committee:

Supervisory Committee of the Board believed that the pattern and content of the Self-Evaluation Report to 2013 Annual Internal Control was general in line with requirements of relative law, rule and standardized documents, which authentically and precisely reflected situation of internal control of the Company. While the self-evaluation report to internal control was objective and authentic.

VI. Independency of the Company relative to controlling shareholders' in aspect of businesses, personnel, assets, institution and finance

Statement of Five Independences between the Company and the Controlling Shareholders

1. Business Independence: the Company business operates independently with integrated structure, and is free from horizontal competition with controlling shareholders. The controlling shareholders do not intervene the Company's operation either directly or indirectly.
2. Personnel Independence, the Company is independent on controlling shareholders in the aspects of labor, personnel and Remuneration management.
3. Assets Independence: the Company has proprietary rights and control rights on its assets. Controlling shareholders occupy no assets or funds of the listed company.
4. Institution Independence: the company's board of directors and board of supervisors, managers and other internal institutions operate independently and manage independently with integrated structures.
5. Financial Independence: the Company has an independent financial sector, and sets up independent accounting system and financial management system. The Company opens independent bank accounts and pay independent taxes to laws without controlling shareholders' intervention.

VII. Horizontal competition

Nil



VIII. Appraisal and incentive mechanism for senior executives

1. Pursuant to People-oriented Principle, the Company employs outstanding persons in long-term, and admits the best candidates on the premise of openness, fairness, justice. Those who pass trial comprehensive appraisal and be nominated by general managers and approved by the board meeting can be employed as senior management of the Company.
2. The Company adopts a clear appraisal system in which assessment methods are made to the performance and duty fulfillment of senior management. Assessments are carried out monthly and annually by the same level and higher level and the results are taken as factors for post lift and rewards and punishment of senior management.
3. The company sets up effective incentive mechanism, including material incentives and spiritual incentives. The clear rewards and punishments, balance between remuneration and work performance, survival of fittest encourage senior management to make constantly progress and improve their own comprehensive ability which in turn help the Company develop rapidly.



Section IX. Internal control

I. Construction of internal control

Since listed in the market, in accordance with Company Law, Securities Law, Rules Governing the Listing of Stocks and other relevant laws, regulations and other normative documents requirements, the Company has established a relatively perfect internal organization framework, and formulated some internal control systems. In the Articles of Association clearly established are the rights and obligations of general meeting, board of directors, board of supervisors and managers, which are executed strictly in the actual work. These are largely in line with relevant provisions of Basic Norms of Enterprises Internal Control, Supporting Guidelines for Enterprise Internal Control and Internal Control Guidelines for Listed Companies issued by Shenzhen stock exchange.

On 23 October 2012, pursuant to Notice on Classified and Partial Implementation of Enterprise Internal Control Standard System for Listed Companies in Main Board 2012(CNH [2012] No.30), the Company did not finish all of the defect rectification works in a short time within the year of 2012 due to the practical situation of the company. The company decided to apply for delay the implementation of internal control standard system work plan to 2014 which was approved in the 8th session of 7th board meeting. The application was approved by relevant departments and disclosed at Securities Times, Hong Kong Commercial Daily and www.cninfo.com.cn on.

II. Statement of the Board on responsibility for internal control

In line with the regulation mechanism of enterprise' internal control, Board of the Company has responsibility to established and improve its internal control and implemented internal control effectively, evaluate the effectiveness and release the evaluation report of internal control strictly according to the facts. Supervisory committee kept eyes on the implementation and establishment of internal control from the Board. Managers are responsible for organizing and leading the daily running of company internal control. Board of the Company, Supervisory Committee, Directors, Supervisors and Senior Executives guarantee that there are no any fictitious statements, misleading statements or important omissions carried in the "Appraisal Report of Internal Control for year of 2013", and shall take all responsibilities, individual and/or joint, for the reality, accuracy and completion of the whole contents.

The Company's internal control aims at guarantee a legal operation management reasonably, assets safety, the real and completion of the financial report and relevant information, improve the business results and achieve the development strategy. Because of the inherent feature of internal control, reasonable assurance only can be provided for the realization of the above mentioned targets. Furthermore, inappropriate internal control may be resulted by the changes of conditions, or failure of controlling policy and procedures implementation, the validity of internal control that calculated according to evaluation results of internal control has a certain risks.

III. Bases for establishment of financial report internal control

Pursuant to relevant state laws and regulations such as Accounting Law, Accounting Standard for Business Enterprises, Norms of Enterprises Internal Control and supporting guidelines, the Company, combined with its actual situation developed several systems such as Accounting System of the Company, Financial Management System and Internal Audit System, and strictly implemented these systems. During the reporting period, no major



defect of internal control has been found in the financial report.

IV. Self-evaluation report of internal control

Details of major defects in evaluation report of internal control that found in reporting period	
The defects in internal control of the Company needs further well-identified in later works due to the plan of implementation of internal control system is postponed to year of 2014	
Date of evaluation report of internal control (full-text) disclosed	2014-04-29
Index of evaluation report of internal control (full-text) disclosed	Relevant information published on Securities Times, Hong Kong Commercial Daily and Juchao website dated 29 April 2013

V. Auditing report of internal control

Applicable Not applicable

VI. Establishment and enforcement of Accountability Mechanism for Major Errors in Annual Report

The Company strictly enforced the Annual Report Disclosure Major Mistake Responsibility System. During the reporting period, the Company has made no major accounting errors correction, no major information omissions supplement or no earnings forecast correction.



Section X. Financial Report

I. Audit report

Type of audit opinion	Standard unqualified opinion
Signing date of audit report	2014-04-27
Name of audit institute	BDO CHINA Shu Lun Pan Certified Public Accountants LLP
Document serial of audit report	Xin Kuai Shi Bao Zi. [2014] No. 112099
Name of the CPA	Liu Zebo, Zhu Meirong

Auditor's Report

To All Shareholders of Hainan Dadonghai Tourism Center (Holdings) Co., Ltd.:

We have audited the accompanying financial statements of Hainan Dadonghai Tourism Center (Holdings) Co., Ltd. (hereinafter referred to as "the Company"), which comprise the balance sheet as at December 31, 2013, and the income statement, statement of cash flows and statement of changes in owners' equity for the year then ended, and notes to the financial statements.

I. Management's Responsibilities for the Financial Statements

Management of the Company is responsible for the preparation and fair presentation of these financial statements. This responsibility includes: (1) preparing the financial statements in accordance with the requirements of Accounting Standards for Business Enterprises to achieve a fair presentation; (2) designing, implementing and maintaining internal control that is necessary to ensure that the financial statements are free from material misstatements, whether due to frauds or errors.

II. Auditor's Responsibilities

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Auditing Standards for Certified Public Accountants in China. Those standards require that we comply with professional and ethical requirements of Chinese certified public accountants, and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatements.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgments, including the assessment of the risks of material misstatements of the financial statements, whether due to fraud or error. In making those risk assessments, we consider the internal control relevant to the preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control. An audit also includes evaluating the



appropriateness of accounting policies used and the reasonableness of accounting estimates made by the management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

III. Opinion

In our opinion, the financial statements of the Company are prepared, in all material respects, in accordance with Accounting Standards for Business Enterprises and present fairly the financial position of the Company as at December 31, 2013 and its operating results and cash flows for the year then ended.

II. Financial Statement

Expressed in Renminbi unless otherwise stated

1. BALANCE SHEET

Prepared by HAINAN DADONGHAI TOURISM CENTER (HOLDINGS) CO., LTD.

In RMB

Item	Balance at period-end	Balance at period-begin
Current assets:		
Monetary funds	6,835,685.46	15,194,668.69
Settlement funds		
Lending funds		
Financial assets held for trading		
Notes receivable		
Accounts receivable	3,509,377.76	2,523,510.68
Prepayments	201,053.21	86,579.35
Insurance receivable		
Reinsurance receivables		
Contract reserve of reinsurance receivable		
Interest receivable		
Dividends receivable		
Other receivables	3,299,051.36	2,221,769.24
Purchase restituted finance asset		
Inventories	317,334.23	291,524.72
Non-current assets maturing within		



one year		
Other non-current assets		
Total current assets	14,162,502.02	20,318,052.68
Non-current assets:		
Granted entrust loans and advances		
Available-for-sale financial assets		
Held-to-maturity investments		
Long-term receivables		
Long-term equity investments	10,000,000.00	0.00
Investment properties		
Fixed assets	60,628,905.47	65,533,275.02
Construction in progress		
Project materials		
Disposal of fixed assets		
Productive biological assets		
Oil and natural gas assets		
Intangible assets	28,586,908.43	28,957,572.00
Research and development costs		
Goodwill		
Long-term deferred expenses	582,546.77	977,074.85
Deferred tax assets		
Other non-current assets		
Total non-current assets	99,798,360.67	95,467,921.87
Total assets	113,960,862.69	115,785,974.55
Current liabilities		
Short-term borrowings		
Loan from central bank		
Absorbing deposit and interbank deposit		
Capital borrowed		
Transaction financial liabilities		
Notes payable		
Accounts payable	2,171,955.96	1,981,833.63
Accounts received in advance	1,599,994.81	2,031,429.61



Selling financial asset of repurchase		
Commission charge and commission payable		
Wage payable	3,549,851.04	3,638,558.05
Taxes payable	-1,164,999.99	-1,131,657.47
Interest payable		
Dividend payable		
Other accounts payable	25,892,213.01	25,154,642.91
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	32,049,014.83	31,674,806.73
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	32,049,014.83	31,674,806.73
Owners' equity(or Shareholders' equity):		
Paid-in capital(or share capital)	364,100,000.00	364,100,000.00
Capital public reserve	54,142,850.01	54,142,850.01
Less: Inventory shares		
Reasonable reserve		
Surplus public reserve		
Provision of general risk		



Retained profit	-336,331,002.15	-334,131,682.19
Balance difference of foreign currency translation		
Total owner's equity attributable to parent Company	81,911,847.86	84,111,167.82
Minority interests		
Total owner's equity(or shareholders equity)	81,911,847.86	84,111,167.82
Total liabilities and owner's equity(or shareholders equity)	113,960,862.69	115,785,974.55

Legal Representative: Li Yuanbin

Accounting Principal: Chen Liurong

The Accounting Firm's Principal: Li Zhi

2. Profit statement

Prepared by HAINAN DADONGHAI TOURISM CENTER (HOLDINGS) CO., LTD.

In RMB

Item	Amount in this period	Amount in last period
I. Total operating income	23,660,779.80	32,184,700.50
Including: Operating income	23,660,779.80	32,184,700.50
Interest income		
Insurance gained		
Commission charge and commission income		
II. Total operating cost	25,943,800.06	32,272,935.17
Including: Operating cost	7,841.74	3,026,517.87
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	1,334,203.53	1,808,638.27
Sales expenses	11,896,106.61	14,834,301.97
Administration expenses	12,463,470.06	12,348,853.72



Financial expenses	54,758.44	236,382.95
Losses of devaluation of asset	187,419.68	18,240.39
Add: Changing income of fair value(Loss is listed with “-”)		
Investment income (Loss is listed with “-”)	0.00	961,833.80
Including: Investment income on affiliated Company and joint venture	0.00	20,004.41
Exchange income (Loss is listed with “-”)		
III. Operating profit (Loss is listed with “-”)	-2,283,020.26	873,599.13
Add: Non-operating income	125,394.92	1,304,564.84
Less: Non-operating expense	41,694.62	52,121.97
Including: Disposal loss of non-current asset	40,494.62	51,621.97
IV. Total Profit (Loss is listed with “-”)	-2,199,319.96	2,126,042.00
Less: Income tax		
V. Net profit (Net loss is listed with “-”)	-2,199,319.96	2,126,042.00
Including: net profit realized for merged party before combination		
Net profit attributable to owner’s equity of parent Company	-2,199,319.96	2,126,042.00
Minority shareholders’ gains and losses		
VI. Earnings per share	--	--
i. Basic earnings per share	-0.006	0.0058
ii. Diluted earnings per share	-0.006	0.0058
VII. Other consolidated income		
VIII. Total consolidated income	-2,199,319.96	2,126,042.00
Total consolidated income attributable to owners of parent Company	-2,199,319.96	2,126,042.00
Total consolidated income attributable to minority shareholders		

Legal Representative: Li Yuanbin

Accounting Principal: Chen Liurong

The Accounting Firm’s Principal:Li Zhi

3. Cash flow statement

Prepared by HAINAN DADONGHAI TOURISM CENTER (HOLDINGS) CO., LTD.

In RMB



Item	Amount in this period	Amount in last period
I. Cash flows arising from operating activities:		
Cash received from selling commodities and providing labor services	22,389,511.92	29,315,688.43
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	857,713.68	2,583,633.39
Subtotal of cash inflow arising from operating activities	23,247,225.60	31,899,321.82
Cash paid for purchasing commodities and receiving labor service	5,186,782.24	4,182,954.56
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	7,479,198.86	10,124,133.20
Taxes paid	3,189,361.65	3,179,863.80
Other cash paid concerning operating activities	4,776,514.08	13,019,864.00
Subtotal of cash outflow arising from operating activities	20,631,856.83	30,506,815.56
Net cash flows arising from operating activities	2,615,368.77	1,392,506.26
II. Cash flows arising from investing activities:		
Cash received from recovering investment	0.00	10,000,000.00
Cash received from investment income		
Net cash received from disposal of fixed, intangible and other long-term assets	51,700.00	4,720.00
Net cash received from disposal of subsidiaries and other units		
Other cash received concerning investing activities		1,530,000.00



Subtotal of cash inflow from investing activities	51,700.00	11,534,720.00
Cash paid for purchasing fixed, intangible and other long-term assets	1,026,052.00	1,107,140.05
Cash paid for investment	10,000,000.00	9,000,000.00
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	11,026,052.00	10,107,140.05
Net cash flows arising from investing activities	-10,974,352.00	1,427,579.95
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		
Including: Dividend and profit of minority shareholder paid by subsidiaries		
Other cash paid concerning financing activities		
Subtotal of cash outflow from financing activities		
Net cash flows arising from financing activities		
IV. Influence on cash due to fluctuation in exchange rate		
V. Net increase of cash and cash equivalents	-8,358,983.23	2,820,086.21
Add: Balance of cash and cash equivalents at the period -begin	15,194,668.69	12,374,582.48
VI. Balance of cash and cash equivalents at the period -end	6,835,685.46	15,194,668.69

Legal Representative: Li Yuanbin

Accounting Principal: Chen Liurong

The Accounting Firm's Principal: Li Zhi

4. Statement on Changes of Owners' Equity

Prepared by HAINAN DADONGHAI TOURISM CENTER (HOLDINGS) CO., LTD.

Amount in this period

In RMB



Item	Amount in this period									
	Owners' equity attributable to the parent Company								Minority's equity	Total Owners' equity
	Paid-in capital(or share capital)	Capital reserves	Less: Treasury Stock	Reasonable reserve	Surplus reserves	General risk provision	Retained profit	Other		
I. Balance at the end of the last year	364,100,000.00	54,142,850.01					-334,131,682.19			84,111,167.82
Add: Changes of accounting policy										
Error correction of the last period										
Other										
II. Balance at the beginning of this year	364,100,000.00	54,142,850.01					-334,131,682.19			84,111,167.82
III. Increase/Decrease in this year (Decrease is listed with "-")							-2,199,319.96			-2,199,319.96
(I) Net profit							-2,199,319.96			-2,199,319.96
(II) Other consolidated income										
Subtotal of (I) and (II)							-2,199,319.96			-2,199,319.96
(III) Owners' devoted and decreased										



capital										
1. Owners' devoted capital										
2. Amount calculated into owners' equity paid in shares										
3. Other										
(IV) Profit distribution										
1. Withdrawal of surplus reserves										
2. Withdrawal of general risk provisions										
3. Distribution for owners (or shareholders)										
4. Other										
(V) Carrying forward internal owners' equity										
1. Capital reserves converted to capital (share capital)										
2. Surplus reserves converted to										



capital (share capital)											
3. Remedying loss with surplus reserve											
4. Other											
(VI) Reasonable reserve											
1. Withdrawal in the report period											
2. Usage in the report period											
(VII) Others											
IV. Balance at the end of the report period	364,100,000.00	54,142,850.01								-336,331,002.15	81,911,847.86

Amount at last year

In RMB

Item	Amount at last year										
	Owners' equity attributable to the parent Company								Minority's equity	Total Owners' equity	
	Paid-in capital (or share capital)	Capital reserves	Less: Treasury Stock	Reasonable reserve	Surplus reserves	General risk provision	Retained profit	Other			
I. Balance at the end of the last year	364,100,000.00	54,142,850.01					-336,257,724.19				81,985,125.82
Add: Retroactive adjustment arising from combination											



under same control										
Add: Changes of accounting policy										
Error correction of the last period										
Other										
II. Balance at the beginning of this year	364,100,000.00	54,142,850.01								-336,257,724.19
III. Increase/Decrease in this year (Decrease is listed with "-")										2,126,042.00
(I) Net profit										2,126,042.00
(II) Other consolidated income										
Subtotal of (I) and (II)										2,126,042.00
(III) Owners' devoted and decreased capital										
1. Owners' devoted capital										
2. Amount calculated into owners' equity paid in shares										



3. Other										
(IV) Profit distribution										
1. Withdrawal of surplus reserves										
2. Withdrawal of general risk provisions										
3. Distribution for owners (or shareholders)										
4. Other										
(V) Carrying forward internal owners' equity										
1. Capital reserves converted to capital (share capital)										
2. Surplus reserves converted to capital (share capital)										
3. Remedying loss with surplus reserve										
4. Other										



(VI) Reasonable reserve										
1. Withdrawal in the report period										
2. Usage in the report period										
(VII)Others										
IV. Balance at the end of the report period	364,100,000.0 0	54,142,850.0 1					-334,131,682.1 9			84,111,167.8 2

Legal Representative: Li Yuanbin

Accounting Principal: Chen Liurong

The Accounting Firm's Principal: Li Zhi

III. Company profile

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

As of December 31, 2012, the Company's total capital stock is 364,100,000 shares, in which the restricted tradable stock is 16,529,200 shares, accounting for 4.54% of the total, and the unrestricted tradable stock is 347,570,800 shares, accounting for 95.46 % of the total. The Company's registered capital is RMB 364.1 million. The legal representative is Li Yuanbin. The registration number of its Business License for Enterprise Legal Person (Duplicate) is 4600001003983. The legal registered residence is Dadonghai, Hedong District, Sanya.



The Company operates business in the industry of tourism and catering services. Its scope of business includes: accommodation and catering industry (limited to those operated by branches); photography; operation of ornamental plant bonsai, knitwear and textiles, general merchandise, hardware and electrical equipment, chemical products (excluding those require specialized licenses), daily necessities, industrial means of production (excluding those require specialized licenses), metal materials and machinery equipment; commission sale of plane, bus, train and ship tickets (items in require of administrative permission shall be operated under license).

IV. Principal accounting policies, estimates and errors of previous period

1. Basis of preparation for financial statements

Based on going concern, according to actually occurred transactions and events, the Company prepares its financial statements in accordance with the Accounting Standards for Business Enterprises – Basic Standards and 38 concrete accounting standards issued on February 15, 2006 by the Ministry of Finance, the subsequently issued Accounting Standards for Business Enterprises – Application Guidelines, and the Accounting Standards for Business Enterprises – Interpretations and other relevant provisions (collectively known as “Accounting Standards for Business Enterprises”), as well as the disclosure requirements of Regulation on the Preparation of Information Disclosure of Companies Issuing Public Shares No.15 - General Requirements for Financial Reports (as revised in 2010) by the China Securities Regulatory Commission.

2. Statement on compliance with Accounting Standards for Business Enterprises

The financial statements prepared by the Company meet the requirements of the Accounting Standards for Business Enterprises and truly and completely reflect the Company’s financial position as at December 31, 2013, and its operating results, cash flows and other related information for the year then ended.

3. Accounting period

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

4. Functional currency

RMB is adopted as the functional currency.

5. Accounting treatment for business combinations under the same control and those not under the same control

(1) Business combination under the same control

Nil

(2) Business combination not under the same control

Nil



6. Relevant specific accounting policy for equity disposal on step-by-step basis to lose control

(1) A principle of judgment of “Package Deal”

Nil

(2) Accounting method for “Package Deal”

Nil

(3) Accounting method for Non “Package Deal”

Nil

7. Methods for preparation of consolidated financial statements

(1) Methods for preparation of consolidated financial statements

Nil

(2) Accounting treatment method that should be disclosed for the equity of same subsidiary, which sold after sales or sales after sold in two accounting period in a row

Nil

8. Recognition criteria of cash and cash equivalents

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

9. Foreign business and foreign currency statement translation

(1) Foreign currency transactions

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

(2) Foreign currency statement translation

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

10. Financial instruments

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

**(1) Classification of financial instruments**

Financial assets and liabilities are classified into the following categories according to the purpose of acquisition: financial assets or financial liabilities measured at fair value through current profit and loss, including financial assets or financial liabilities held for trading (and financial assets or financial liabilities directly designated to be measured at fair value through current profit and loss), accounts receivable, and other financial liabilities, etc.

(2) Recognition basis and measurement method of financial instruments**(1) Financial assets (financial liabilities) measured at fair value through current profit and loss**

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

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

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

(2) Accounts receivable

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

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

(3) Other financial liabilities

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

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

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

The principle of substance over form is adopted to determine whether the transfer of a financial asset satisfies the criteria as described above for derecognition of a financial asset. The Company shall classify the transfer of a



financial asset into the entire transfer and the partial transfer of financial asset. If the entire transfer of financial asset satisfies the criteria for derecognition, the difference between the amounts of the following two items shall be included in the current profit and loss:

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

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

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

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

(4) Derecognition criteria of financial liabilities

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

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

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

Where the Company redeems part of its financial liabilities, it shall, on the redemption date, allocate the entire book value of whole financial liabilities according to the comparative fair value of the part that continues to be



recognized and the de-recognized part. The difference between the book value allocated to the derecognized part and the considerations paid (including non-cash assets surrendered and the new financial liabilities assumed) shall be included in the current profit and loss.

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

For financial assets and financial liabilities measured at fair value by the Company, their fair values are determined with direct reference to the quoted prices in the active market.

(6) Method of impairment testing and impairment provision for financial assets (account receivables excluded)

Nil

Judging standards for vary impairment of financial assets available for sale

Nil

(7) For the financial assets available for sales which was re-classified from held-to-maturity investment undue, explain changes of holding purpose or ability basis

Nil

11. Standards of recognition and accrual method for bad debt provision of receivables

Nil

(1) Provision for bad debts of accounts receivable those are individually significant:

Assessment basis or standard of amount individually significant	Top five accounts receivable and other receivables in terms of individual amount at the end of the year.
Accrual method for amount individually significant and withdrawal bad debt provision single	After separate impairment test, provision for bad debts shall be made at the difference of present value of estimated future cash flows in short of their book values, and shall be include in current profit and loss. For accounts receivable with no impairment found after separate tests, they shall be included in corresponding portfolios for provisions for bad debts. For accounts receivable with confirmed impairment losses after separate tests, they shall not be included in portfolios of accounts receivable with similar credit risk features for impairment tests.

(2) Provision for bad debts of accounts receivable made on the basis of portfolio

Portfolio	Method of making provision for bad debts on the basis of portfolio	Basis of determining portfolio
Aging portfolio	Aging analysis method	Length of the aging

Proportions of provision for bad debts on the basis of aging analysis in portfolios are as follows

Applicable Not applicable

Aging	Proportion of provision for account receivable (%)	Proportion of provision for other receivables (%)
1 to 2 years	5%	5%



2 to 3 years	15%	15%
3 to 4 years	25%	25%
4 to 5 years	50%	50%
Over 5 years	100%	100%

In portfolio, adopting balance percentage method for bad debt provision

Applicable Not applicable

In portfolio, adopting other method for bad debt provision

Applicable Not applicable

(3) Accounts receivable that are individually insignificant but with bad debt provision provided on an individual basis

Reason for bad debt provision provided on an individual basis	For account receivable with an individual balance lower than the top five at the end of the year and with objective evidence showing it may be impaired, and for uncollectible accounts receivable arising from repeal and liquidation of debtor after taking legal clearance procedures, their provision for bad debts shall be provided on an individual basis.
Method of provision for bad debt	For accounts receivable with objective evidence showing they may be impaired, they shall be separate from relevant portfolios and separately tested for impairment to recognize the impairment losses. Other remarks: provision for impairment of accounts receivable, excluding debts receivable and other receivables, shall be made at the specific identification method

12. Inventories

(1) Classification of inventories

Inventories are classified into raw materials, stock commodities, low-cost consumables, food materials, fuels, etc.

(2) Measurement method of dispatched inventories

Measurement method:

Stock commodities are measured at selling price and their purchase and sale price differential are amortized over every month at the method of comprehensive differential. The purchasing and storage of stock materials are measured at actual cost, and at the first-in first-out method when fetched for use. Low-cost consumables are amortized in full when fetched for use.

(3) Determination basis of net realizable values of inventories and provision method of inventory depreciation reserve

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

In normal operation process, for merchandise inventories for direct sale, including stock commodities and materials for sale, their net realizable values are determined at the estimated selling prices minus the estimated selling expenses and relevant taxes and surcharges; for inventories held to execute sales contract or service contract, their net realizable values are calculated on the basis of contract price. If the quantities of inventories



specified in sales contracts are less than the quantities held by the Company, the net realizable value of the excess portion of inventories shall be based on general selling prices.

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

If any factor rendering write-downs of the inventories has been eliminated, the amounts written down are recovered and reversed from the inventory depreciation reserve, which has been provided for. The reversed amounts are included into the current profit and loss.

(4) Inventory system

Inventory system: Perpetual inventory system

Inventory system: Perpetual inventory system

(5) Amortization method of low-cost consumables and packaging materials

Low-cost consumables

Amortization method: lump-sum method

Low-cost consumables are amortized at lump-sum method.

Packaging materials

Amortization method: lump-sum method

Packaging materials are amortized at lump-sum method.

13. Long-term equity investment

(1) Determination of investment cost

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

For business combination under common control: if the Company makes payment in cash, transfer non-cash assets or bear debts and issues equity securities as the consideration for the business combination, the book value of the owners' equity of the combinee obtained is recognized as the initial cost of the long-term equity investment on the combination date. The stock premium in the capital reserve is adjusted according to the difference between the initial cost of long-term equity investment and the consideration for the combination paid; if there is no sufficient premium in the capital reserve for write-downs, the retained earnings are adjusted. Relevant direct costs arising from the business combination, including audit fee, appraisal fee and legal service fee paid for the business combination, are included in the current profit and loss when incurred. For business combination not under common control, the Company recognizes the combination cost determined on the combination date as the initial cost of long-term equity investment. The combination cost is the fair value of assets paid, liabilities incurred or born and the equity securities issued to obtain the control of the acquiree. Intermediary costs such as audit fee, legal service fee, appraisal and consultancy fee paid for the business combination by the acquirer and other



relevant administrative expenses are included in the current profit and loss when incurred; the transaction costs for the acquirer's issuance of equity securities or the debt securities as the consideration for the business combination are included in the initially recognition amounts of the equity or debt securities. For business combination not under common control through multiple transactions and by stage, the total of the book values of equity investment held by the acquirer before the combination date and the newly increased investment on the combination date are recognized as the initial cost of such investment. The Company regards the contingent consideration agreed in the combination agreement as part of the consideration transferred for the combination, and includes it in the combination cost at its fair value on the combination date.

(2) Long-term equity investment acquired by other means

For long-term equity investments acquired from making payments in cash, the initial cost is the actually paid purchase cost. For long-term equity investments acquired from issuance of equity securities, the initial cost is the fair value of the issued equity securities. For long-term equity investments of investors, the initial cost is the value stipulated in the investment contract or agreement (deducting the cash dividend or profit that has been declared but not distributed) unless the value stipulated in the contract or agreement is unfair. If the exchange of non-monetary assets has commercial substance, and the fair values of assets traded out and traded in can be measured reliably, the initial cost of long-term equity investment traded in with non-monetary assets are determined based on the fair values of the assets traded out unless there is any conclusive evidence that the fair values of the assets traded in are more reliable. If the exchange of non-monetary assets does not meet the above criteria, the book value of the assets traded out and relevant taxes and surcharges payable are recognized as the initial cost of long-term equity investment traded in. For long-term equity investment acquired from debt restructuring, the initial cost is determined based on the fair value.

(2) Subsequent measurement and recognition of profit or loss

(1) Long-term equity investments of the Company in its subsidiaries are accounted for at cost method and adjusted at equity method when preparing the consolidated financial statements. For long-term equity investment which has no joint control or significant influence over the investee and no quotation available on the active market and whose fair value cannot be reliably measured, the cost method is adopted for accounting. For long-term equity investment which has joint control or significant influence over the investee, the equity method is adopted for accounting. If the cost of initial investment is in excess of the proportion of the fair value of the net identifiable assets in the investee when the investment is made, the difference will not be adjusted to the initial cost of long-term equity investment; if the cost of initial investment is in short of the proportion of the fair value of the net identifiable assets in the investee when the investment is made, the difference will be included in the current profit and loss. Treatment for other changes in owners' equity other than the net profit or loss of the investee: for other changes in owners' equity other than the net profit or loss of the investee accounted for at equity method, when the shareholding ratio is unchanged, the Company calculates the proportion it shall enjoy or undertake according to such ratio, adjusts the book value of long-term equity investment and increases or decreases capital reserves (other capital reserves) at the same time.



(2) Under the cost method, except for the actual price paid for acquisition of investment or the cash dividends or profits contained in the consideration which have been declared but not yet distributed, the Company recognizes the proportion it shall enjoy in the cash dividends or profits declared by the investee as its investment income. Under the equity method, based on the net book profit of investee, the Company shall consider: when the accounting policy and period adopted by the investee and the Company are not the same, the financial statements of the investee shall be adjusted in accordance with the accounting policy and period of the Company; the influence of the depreciation amount, amortization amount and relevant asset impairment provision accrued based on the fair value of fixed assets and intangible assets of the investee on acquisition of investment on the net profit of the investee; after making proper adjustments, including the cancellation of unrealized internal transitions between the Company and the associates or joint ventures, the Company shall recognize its shared or undertaken net profit or loss in the investee. When the Company confirms that it should share losses of the investee, treatment shall be done in following sequence: firstly, the book value of the long-term equity investment shall be reduced; secondly, where the book value is insufficient to cover the share of losses, investment losses are recognized to the extent of book value of long-term equity (note: mainly limited to those long-term equity with no clear recovery plan and that are not prepared to be collected in the foreseeable future period) which form net investment in the investee in substance and the book value of long-term equity shall be reduced; finally, after all the above treatments, if the Company is still responsible for any additional liabilities in accordance with the provisions stipulated in the investment contracts or agreements, estimated liabilities are recognized and included into current investment loss according to the obligations estimated to undertake. If the investee achieves profit in subsequent periods, the treatment is in the reversed sequence described above, i.e. after deduct any unrecognized investment losses, reduce book value of estimated liabilities recognized, restore book values of other long-term equity which form net investment in the investee in substance, and of long-term equity investment, and recognize investment income at the same time. When holding the investment, if the investee is capable of providing consolidated financial statements, the profit or loss shall be measured based on the net profit and other changes in equity recorded in the consolidated financial statements.

(3) Determination basis of joint control or significant influence over the investee

Joint control is the contractually agreed sharing of control over an economic activity, and exists only when the strategic financial and operating decisions relating to the activity require the unanimous consent of the parties sharing control. Where an investing enterprise and other parties do joint control over an investee, the investee shall be their joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies. Where an investing enterprise is able to have significant influences on an investee, the investee shall be its associate.

(4) Testing and provision method of impairment

For long-term equity investment measured at cost, with no quoted price in active market and whose fair value can be reliably measured, its impairment loss is determined at the difference between its book value and its present value. For long-term equity investment which is measured at cost and has no quoted price in the active market, and whose fair value cannot be reliably measured, the difference between its book value and the present value of the future cash flows discounted at the prevailing market rate of return for a similar financial asset is recognized



as impairment loss. For long-term equity investment measured at cost other than that mentioned above, if its book value is higher than the net assets it shares in the investee, the Company shall consider the impairment in value. And the provision for such impairment shall be made at the difference of the recoverable amount in short of the book value of the long-term equity investment. For other long-term equity investments, if the measurement result shows that the recoverable amount of the long-term equity investment is lower than its book value; such difference shall be recognized as impairment loss. Once recognized, the impairment loss of long-term equity investment shall not be reversed.

14. Investment real estate

Nil

15. Fixed assets

(1) Recognition criteria of fixed assets

Fixed assets refer to the tangible assets held for the purpose of producing commodities, rendering services, renting or business management with useful lives exceeding one year. Fixed assets will only be recognized when all the following criteria are satisfied:

- (1) It is probable that the economic benefits relating to the fixed assets will flow into the Company;
- (2) The costs of the fixed assets can be measured reliably.

(2) Recognition criteria and valuation method for fixed assets under financing lease

Nil

(3) Method of provision for impairment of fixed assets

The fixed assets are depreciated at straight-line-method, and the depreciation rates are determined as follows based on the category, estimated economic useful lives and estimated residual values (5% of original values)

Category	Estimated useful life (Year)	Estimated residual rate (%)	Annual depreciation rate (%)
Buildings and constructions	20-40	5%	4.75-2.37
Machinery equipment	8-20	5%	11.87-4.75
Electronic equipment	5-16	5%	19-5.93
Transportation equipment	7-12	5%	13.57-7.91
Other equipment	8	5%	11.87
Improvement	5		19

(4) Testing and provision methods of impairment of fixed assets

The Company assesses whether there is any indication that fixed assets may be impaired at the end of each period.

If there is any indication that fixed assets may be impaired, the Company estimates the recoverable amounts of the assets. The recoverable amounts of fixed assets are the higher of their fair values less costs to disposal and the present values of the estimated future cash flows of the assets.

If the recoverable amounts of fixed assets are lower than their book values, the book values of the assets are written down to their recoverable amounts. The write-downs are recognized as impairment losses and included to the current profit and loss. Provisions for impairment of the assets are made accordingly.



After impairment losses are recognized, the depreciation charges for the impaired fixed assets are adjusted in future periods to amortize their revised book values (less their estimated net residual values) over their remaining useful lives on a systematic basis.

The impairment loss on fixed assets will not be reversed in subsequent accounting period once it is recognized.

If any indication suggests that a fixed asset may be impaired, the Company estimates the recoverable amount of the individual asset. If it is difficult to estimate the recoverable amount of the individual asset, the Company estimates the recoverable amount of the asset group that the individual asset belongs to.

(5) Other explanation

Nil

16. Construction in progress

(1) Category of construction in progress

Construction in progress is measured on an individual basis.

(2) Criteria and timing for conversion of construction in progress into fixed assets

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

(3) Testing and provision methods of impairment of construction in progress

The Company assesses whether there is any indication that construction in progress may be impaired at the end of each period.

If there is any indication that construction in progress may be impaired, the Company estimates its recoverable amounts. If any indication suggests that one construction in progress may be impaired, the Company estimates the recoverable amount of the individual construction in progress. If it is difficult to estimate the recoverable amount of the individual construction in progress, the Company estimates the recoverable amount of the asset group that the individual construction in progress belongs to.

The recoverable amount of construction in progress is the higher of its fair value less costs to disposal and the present value of the estimated future cash flows of the construction in progress.

If the recoverable amount of construction in progress is lower than its book values, the book value of the



construction in progress is written down to its recoverable amount. The write-down is recognized as impairment loss and included in current profit and loss. Provision for impairment of the construction in progress is made accordingly.

The impairment loss on construction in progress will not be reversed in subsequent accounting period once it is recognized.

17. Borrowing costs

(1) Recognition principles of capitalization of borrowing costs

Borrowing costs include the interest of borrowings, the amortization of discount or premium, auxiliary expenses, exchange differences incurred by foreign currency borrowings, etc.

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

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

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

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

(2) Capitalization period of borrowing costs

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

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

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

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

**(3) Period of capitalization suspension**

If the acquisition and construction or production activities of assets eligible for capitalization are interrupted abnormally and this condition lasts for more than three months, the capitalization of borrowing costs should be suspended; if the interruption is necessary for the acquisition and construction or production to prepare the assets for their intended use or sale, the capitalization of borrowing costs should continue. The borrowing costs incurred during interruption are recognized in the current profit and loss, and the capitalization of borrowing costs continues after the restart of the acquisition and construction or production activities of the assets.

(4) Calculation method of capitalization amount of borrowing costs

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

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

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

18. Biological assets

Nil

19. Oil-and-gas assets

Nil

20. Intangible assets**(1) Measurement method of intangible assets**

(1) The Company initially measures intangible assets at cost on acquisition;

The cost of an externally acquired intangible asset comprises its purchase price, related taxes and surcharges and any other directly attributable expenditure of preparing the asset for its intended use. If the deferred payment of purchase price of intangible assets exceeding normal credit terms is substantially of financial nature, the cost of intangible assets should be recognized at the present value of the purchase price.

The intangible assets which the debtor uses to pay back the debt in debt restructuring should be recognized at the fair value of the intangible assets. The difference between the book value of restructured debts and the fair value



of intangible assets used to pay back the debt should be recorded into the current profit and loss;

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

The intangible assets obtained by the absorption and merger of an enterprise under common control are recognized at the book value of the merged enterprise; the intangible assets obtained by the absorption and merger of an enterprise not under common control are recognized at the fair value.

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

(2) Subsequent measurement

The useful life of intangible asset is analyzed on acquisition.

As for intangible assets with limited useful lives, straight-line amortization method is adopted in the period when the intangible assets generate economic benefit for enterprise; if the period when the intangible assets generate economic benefit for enterprise cannot be forecasted, the intangible assets should be deemed as those with indefinite useful lives and should not be amortized.

(2) Estimation of useful life of intangible assets with limited useful life

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

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

Item	Estimated useful life (Year)	Basis
Land use right	50 years	Validity term of land use certificate

(3) Determination basis of intangible assets with indefinite useful lives

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

(4) Provision for impairment of intangible assets

If the intangible asset with definite useful life has any obvious impairment sign, impairment test should be conducted at the end of the period.



As to the intangible asset with indefinite useful life, impairment test should be conducted at the end of each period.

Impairment test is conducted for intangible assets to estimate their recoverable amounts. If any indication suggests that an intangible asset may be impaired, the Company estimates the recoverable amount of such individual asset. If it is difficult to estimate the recoverable amount of the individual asset, the Company estimates the recoverable amount of the asset group that the individual asset belongs to.

The recoverable amounts of intangible assets are the higher of their fair values less costs to disposal and the present values of the estimated future cash flows of the intangible assets.

If the recoverable amounts of intangible assets are lower than their book values, the book values of the assets are written down to their recoverable amounts. The write-downs are recognized as impairment losses and included in the current profit and loss. Provisions for impairment of the intangible assets are made accordingly.

After impairment losses are recognized, the depletion or amortization charges for the intangible assets are adjusted in future periods to depreciate their revised book values (less their estimated net residual values) over their remaining useful lives on a systematic basis.

The impairment loss on intangible assets will not be reversed in subsequent accounting period once it is recognized.

(5) Detail criteria on classification of research stage and development stage for internal R&D projects of the Company

Nil

(6) Calculation of expenditure for internal R&D projects

Nil

21. Long-term deferred expenses

Long-term deferred expenses are various expenses already incurred, which shall be amortized over current and subsequent periods with the amortization period exceeding one year.

1. Amortization method

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

2. Amortization period

Item	Amortization period
Roof waterproofing	3 years



Exterior wall coatings	4 years
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22. Assets transfer with buy-back conditions attached

Nil

23. Estimated liabilities

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

(1) Recognition criteria of estimated liabilities

The Company recognizes the estimated liabilities when obligations related to contingencies satisfy all the following conditions:

- (1) This obligation is a present obligation of the Company;
- (2) The performance of such obligation is likely to result in outflow of economic benefits from the Company; and
- (3) The amount of the obligation can be measured reliably.

(2) Measurement method of estimated liabilities

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

The Company, when determining the best estimate, has had a comprehensive consideration of risks with respect to contingencies, uncertainties and the time value of money. If the time value of money is significant, the best estimate shall be determined after discounting the relevant future outflow of cash.

The best estimate shall be accounted as follows in different circumstance:

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

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

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



24. Share-based payment and equity instruments

(1) Type of share-based payment

Nil

(2) Recognition method for fair-value of equity instrument

Nil

(3) Basis of best estimation for vesting equity instrument

Nil

(4) Relevant accounting treatment for implementation, amendment and termination of shares payment plan

Nil

25. Shares of the Company buy-back

Nil

26. Revenue

(1) Recognition and measurement principles of revenue from sales of goods

(1) Overall recognition and measurement principles of revenue from sales of goods

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

(2) Specific recognition timing criteria of revenue of the Company

After the customer order is received and the manager of sales department confirms and verifies the terms of payment, the manager places advanced orders and records them in the Qualia Sales Management System; most customers will pay advance payment or the sales department provides guarantees; the receptionists, according to the advanced orders of the sales department, review relevant data recorded in the computer system, and handle check-in formalities after the customers arrive, collect deposit and record relevant information into the computer system. Each consumption department, after checking with the receptionists, deals with the consumption sign bills and make pre-settlements in the reception desk. The evening reviewer of reception desk reviews the consumption bills every night and makes verifications in the computer system, and prepares daily business report containing each items of income and detailed report of accounts receivable, and submits the reports to the finance department, which recognizes the revenue after examining the daily reports.

(2) Recognition basis of revenue from transferring the use right of assets

The economic benefits related to the transaction may flow into entities and the amount of revenue can be reliably measured. The amount of revenue from transferring use right of assets is recognized as follows in different circumstances:



(1) The amount of interest income is determined by the time and effective interest rate for others to use the monetary funds of the Company.

(2) The amount of revenue from usage is determined according to the charging time and method as agreed in relevant contract or agreement.

(3) Specific recognition criteria of revenue from rendering of service

When the outcome of a service transaction can be estimated reliably on the balance sheet date, revenue from rendering of service shall be recognized at the percentage-of-completion method. The percentage of completion of rendering of service is determined based on the proportion of services that is already rendered in the total amount of service that is supposed to be rendered.

The total amount of revenue from rendering of service is determined at the contract or agreement price received or receivable, unless such price received or receivable is unfair. The revenue from rendering of service for the current period shall be recognized at the total amount of revenue from rendering of service, multiplying the progress of completion and deducting the revenue from rendering of service accumulated and recognized in the previous accounting period. Meanwhile, the costs of rendering of service for the current period shall be carried forward at the total estimated costs of rendering of service, multiplying the progress of completion and deducting the costs of rendering of service accumulated and recognized in the previous accounting period.

When the outcome of a service transaction cannot be estimated reliably on the balance sheet date, revenue shall be treated as follows:

(1) If the service costs incurred are expected to be fully compensated, revenues from rendering of service are recognized at the service costs incurred, and the service costs should be carried forward by the same amount.

(2) If the service costs incurred are not expected to be compensated, revenues from rendering of service are not recognized and the service costs incurred are included in the current profit and loss.

(4) While income from labor service provided and income of construction contract recognized by percentage-of-completion method, basis and methods for recognize the completion progress of contract

Nil

27. Government subsidies

(1) Types

Government subsidies are monetary assets and non-monetary assets acquired free of charge by the Company from the government. Government subsidies are classified into government subsidies related to assets and government subsidies related to income.

(2) Accounting treatment

Government subsidies related to acquisition and construction of fixed assets, intangible assets and other long-term assets are recognized as deferred income, and included in non-operating income by stages within the useful life of the assets acquired and constructed;



If government subsidies related to income are used to compensate the enterprise's relevant expenses or losses in future periods, such government subsidies should be recognized as deferred income on acquisition and be included into the current non-operating income in the period of recognizing relevant expenses; if government subsidies related to income are used to compensate the enterprise's relevant expenses or losses incurred, such government subsidies are directly included into the current non-operating income on acquisition.

28. Deferred income tax assets and deferred income tax liabilities

(1) Basis of recognition of deferred income tax assets

Deductible temporary differences are recognized as deferred income tax assets to the extent that it shall not exceed future taxable income possibly available to be against the deductible temporary difference. Deductible temporary differences are recognized as deferred income tax liabilities except in special circumstances.

(2) Basis of recognition of deferred income tax liability

Special circumstances in which deferred income tax assets or deferred income tax liabilities shall not be recognized include: the initial recognition of goodwill; other transactions or matters excluding business combinations, which affect neither accounting profits nor the taxable income (or deductible losses) when occurred. If the Company has the legal right of netting and intends to settle in net amount or to obtain assets and discharge liabilities simultaneously, the income tax assets and income tax liabilities of the Company for the current period shall be presented based on the net amount after offset. When the Company has the legal rights to balance income tax assets and income tax liabilities in current period with net settlement, and deferred income tax assets and deferred income tax liabilities are related to the income tax which imposed on the same taxpaying subject by the same tax collection authority or to different tax paying subjects, but, in each important future period in connection with the reverse of deferred income tax assets and liabilities, the involved tax paying subject intends to balance income tax assets and liabilities in current period with net settlement at the time of obtaining assets and discharging liabilities, deferred income tax assets and deferred income tax liabilities of the Company shall be presented based on the net amount after offset.

29. Operating lease, financing lease

(1) Accounting of operating lease

Accounting of leased assets:

Lease fees paid by the Company for leased asset shall be amortized at straight-line method over the whole lease period (including rent-free period) and shall be included in the current expenses. Initial direct costs related to lease transactions paid by the Company shall be included in the current expenses.

If the expense related to the lease which shall be paid by the Company is assumed by the lessor of the asset, such expenses shall be deducted from total lease fees, and residual lease fees shall be amortized over the lease period and included in the current expenses.

Accounting of leasing assets:



Lease fees received by the Company from leasing assets shall be amortized at straight-line method over the whole lease period (including rent-free period), and shall be recognized as lease income. Initial direct costs related to lease transactions paid by the Company shall be included in the current expenses; if the amount is large, it shall be capitalized, and shall be included in the current income by stages within the whole lease period on same basis for recognition of lease income.

If the expenses related to the lease which shall be paid by the lessee are borne by the Company, such expenses shall be deducted from total lease income by the Company, and residual lease fees shall be amortized over the lease period.

(2) Accounting of financing lease

Nil

(3) Accounting of leaseback

Nil

30. Assets held for sales

(1) Recognition criteria for assets held for sale

Nil

(2) Accounting treatment for assets held for sale

Nil

31. Assets securitization

Nil

32. Hedge accounting

Nil

33. Adjustments for changes in principal accounting policies and estimates

Whether the principal accounting policies and estimates have changed in reporting period or not

Yes No

No changes in principal accounting policies and estimates in reporting period

(1) Adjustments for changes in accounting policies

Whether have changes in accounting policies or not

Yes No

There are no changes in principal accounting policies for the Company during the reporting period.

(2) Adjustments for changes in accounting estimates

Whether have changes in accounting estimates or not

Yes No

There are no changes in principal accounting estimates for the Company during the reporting period.

**34. Correction of accounting errors in previous period**

Whether correction of accounting errors in previous period occurred in reporting period or not

Yes No

No accounting errors of previous period been found in reporting period

(1) Retrospective restatement method

Whether has accounting errors of previous period with retrospective restatement method in reporting period or not

Yes No

(2) Prospective application method

Whether has accounting errors of previous period with prospective application method in reporting period or not

Yes No

35. Other principal accounting policies and estimates as well as formulation method of financial statement

Nil

V. Taxation**1. Major tax types and tax rates applicable to the Company**

Taxation	Basis of tax assessment	Tax rate
Value added tax (VAT)	Revenue from sale of goods	3%
Business tax	Operating income	5%
Urban maintenance and construction tax	Turnover tax	7%
Enterprise income tax	Income tax payable	25%
Education surcharge	Turnover tax	3%
Local education surcharge	Turnover tax	2%
Property tax	Remaining value after deducting 30% of the original value of houses (including land price)	1.2%
Land use tax	Land area	12 Yuan/m ²

Income tax rates implemented by vary companies and branch plants

Nil

2. Tax preference and approvals

Nil

3. Other explanation

Nil



VI. Business combination and consolidated financial statements

1. Subsidiary

Nil

(1) Subsidiary obtained through establishment or investment

Nil

(2) Subsidiary obtained through combination under the same control

Nil

(3) Subsidiary obtained through combination under different control

Nil

2. Operational entity with controlling rights form through entrust operation or accepting leases from special purpose entity

Nil

3. Explanation on changes of consolidation scope

Explanation on changes of consolidation scope

Nil

Applicable Not applicable

4. Subject newly in consolidation scope and subject excluding the consolidation scope in reporting period

Nil

5. Enterprise consolidation under the same control in reporting period

Nil

6. Enterprise consolidation not under the same control in reporting period

Applicable Not applicable

7. Subsidiary reduced due to the equity with control losses sold in reporting period

Applicable Not applicable

**8. Counter purchase occurred in reporting period**

Nil

9. Consolidation by merger in reporting period

Nil

10. Discount rate on main statement items of overseas operational entity

Nil

VII. Notes to the main items of financial statements**1. Monetary funds**

In RMB

Item	Ending balance			Beginning balance		
	Foreign amount	Conversion rate	RMB amount	Foreign amount	Conversion rate	RMB amount
Cash	--	--	613,560.04	--	--	585,674.66
RMB	--	--	613,560.04	--	--	585,674.66
Bank deposit	--	--	6,209,144.39	--	--	14,549,636.02
RMB	--	--	6,209,144.39	--	--	14,549,636.02
Other monetary funds	--	--	12,981.03	--	--	59,358.01
RMB	--	--	12,981.03	--	--	59,358.01
Total	--	--	6,835,685.46	--	--	15,194,668.69

Explanation separately on accounts with use restriction, account save overseas and accounts has potential collected risk that due to pledge, mortgage or frozen

Nil

2. Transactional financial assets

Nil

3. Note receivable

Nil

**4. Dividend receivable**

Nil

5. Interest receivable

Nil

6. Accounts receivable**(1) Accounts receivable by type**

In RMB

Type	Ending balance				Beginning balance			
	Book balance		Provision for bad debts		Book balance		Provision for bad debts	
	Amount	Proportion (%)	Amount	Proportion (%)	Amount	Proportion (%)	Amount	Proportion (%)
Accounts receivable with large single amount and accrued for provision of bad debt on a single basis	1,339,625.51	24.14%	1,339,625.51	100%	1,339,625.51	29.94%	1,339,625.51	100%
Accounts receivable accrued for provision of bad debt by portfolio								
Accounts receivable accrued for provision of bad debt by portfolio	4,208,809.28	75.86%	699,431.52	16.62%	3,135,248.33	70.06%	611,737.65	19.51%
Portfolio subtotal	4,208,809.28	75.86%	699,431.52	16.62%	3,135,248.33	70.06%	611,737.65	19.51%
Accounts receivable with insignificant single amount but accrued for provision of bad debt on a single basis	0.00	0%	0.00	0%	0.00	0%	0.00	0%
Total	5,548,434.79	--	2,039,057.03	--	4,474,873.84	--	1,951,363.16	--

Explanation on account receivable

Nil

Accounts receivable with large single amount and accrued for provision of bad debt on a single basis as at December 31, 2013

√ Applicable □ Not applicable

In RMB

Content of accounts receivable	Book balance	Provision for bad debt	Proportion of provision (%)	Reason for provision
Sanya Power Supply Company	773,409.98	773,409.98	100%	Expected unrecoverable due to the long aging
Hainan Hong Kong & Macao	464,563.21	464,563.21	100%	Expected unrecoverable due to



International Tourism Ltd.				the long aging
Sanya City Council	101,652.32	101,652.32	100%	Expected unrecoverable due to the long aging
Total	1,339,625.51	1,339,625.51	--	--

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

Applicable Not applicable

In RMB

Aging	Ending balance			Beginning balance		
	Book balance		Provision for bad debt	Book balance		Provision for bad debt
	Amount	Proportion (%)		Amount	Proportion (%)	
Within 1 year						
Including:	--	--	--	--	--	--
Within 1 year	2,560,372.79	46.15%		2,339,771.39	52.29%	
Subtotal of within 1 year	2,560,372.79	46.15%		2,339,771.39	52.29%	
1-2 years	857,441.57	15.45%	42,872.08	26,895.00	0.6%	1,403.65
2-3 years	22,659.00	0.41%	3,398.85	108,094.91	2.42%	16,173.43
Over 3 years	3,440,473.36	62.01%	46.27	2,474,861.30	55.31%	17,577.08
3-4 years	108,094.91	1.95%	27,023.73	68,208.31	1.52%	17,117.33
4-5 years	68,208.09	1.23%	34,104.14	30,522.00	0.68%	15,287.00
Over 5 years	1,931,658.23	34.81%	1,931,658.23	1,901,382.23	42.49%	1,901,381.75
Total	5,548,434.79	--	2,039,057.03	4,474,873.84	--	1,951,363.16

Account receivables accrued for provision of bad debt by balance percentage method in portfolio

Applicable Not applicable

Account receivables accrued for provision of bad debt by other method in portfolio

Applicable Not applicable

Accounts receivable with insignificant single amount but accrued for provision of bad debt on a single basis at period-end

Applicable Not applicable

(2) Accounts receivable switch-back or collected in reporting period

Nil

(3) Accounts receivable actually verified in reporting period

Nil

**(4) Amount due from shareholder holding more than 5% (inclusive) voting shares of the Company among ending balances**

In RMB

Company name	Ending balance		Beginning balance	
	Book balance	Provision for bad debts	Book balance	Provision for bad debts
Luoniushan Co., Ltd.	19,977.00	0.00	6,179.00	0.00
Total	19,977.00	0.00	6,179.00	0.00

(5) Top five accounts receivable

In RMB

Company name	Relationship with the Company	Book balance	Aging	Proportion in total accounts receivable (%)
Sanya Haiyuan Hotel Management Ltd.	Non-related party	2,843,378.15	Within 2 years	51.25%
Sanya Power Supply Company	Non-related party	775,304.98	Over 5 years	13.97%
Hainan Hong Kong & Macao International Tourism Ltd.	Non-related party	464,563.21	Over 5 years	8.37%
Hainan Haiyuan Aoda Travel Agency Co., Ltd. Chengdu Branch	Non-related party	114,200.00	Within 1 year	2.06%
Sanya City Council	Non-related party	101,652.32	Over 5 years	1.83%
Total	--	4,299,098.66	--	77.48%

(6) Account receivable from related parties

In RMB

Company name	Relationship with the Company	Amount	Proportion in total accounts receivable (%)
Luoniushan Co., Ltd.	First majority shareholder	19,977.00	0.36%
Total	--	19,977.00	0.36%

(7) De-recognition of account receivable

Nil

(8) Securitization with object of account receivables, listed the amount of assets and liability that continues to involved

Nil

**7. Other receivables****(1) Other receivables by type**

In RMB

Type	Ending balance				Beginning balance			
	Book balance		Provision for bad debt		Book balance		Provision for bad debt	
	Amount	Proportion (%)	Amount	Proportion (%)	Amount	Proportion (%)	Amount	Proportion (%)
Other receivables with large single amount and accrued for provision of bad debt on a single basis	77,363,143.31	94.93%	77,363,143.31	100%	77,363,143.31	96.31%	77,363,143.31	100%
Other receivables accrued for provision of bad debt by portfolio								
Other receivables accrued for provision of bad debt by portfolio	4,134,679.28	5.07%	835,627.92	20.21%	2,957,671.35	3.68%	735,902.11	24.88%
Portfolio subtotal	4,134,679.28	5.07%	835,627.92	20.21%	2,957,671.35	3.68%	735,902.11	24.88%
Other receivables with insignificant single amount but accrued for provision of bad debt on a single basis					5,690.00	0.01%	5,690.00	100%
Total	81,497,822.59	--	78,198,771.23	--	80,326,504.66	--	78,104,735.42	--

Explanation on type of other receivables

Nil

Other receivables with large single amount and accrued for provision of bad debt on a single basis as at December 31, 2013

√ Applicable □ Not applicable

In RMB

Content of other receivables	Book balance	Bad debt amount	Proportion of provision (%)	Reason
Hainan Dadonghai Hotel Co., Ltd.	54,767,945.15	54,767,945.15	100%	Unrecoverable
Cash dividends distributed in 1994-1996	16,899,000.00	16,899,000.00	100%	Unrecoverable
Hainan Hong Kong & Macao International Tourism Ltd.	4,145,704.16	4,145,704.16	100%	Unrecoverable
Guangdong Jinma Tourism Ltd.	1,200,494.00	1,200,494.00	100%	Unrecoverable
Shareholder custody fee	350,000.00	350,000.00	100%	Unrecoverable



Total	77,363,143.31	77,363,143.31	--	--
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Other receivables accrued for provision of bad debt by aging analysis method in portfolio

Applicable Not applicable

In RMB

Aging	Ending balance			Beginning balance		
	Book balance		Provision for bad debt	Book balance		Provision for bad debt
	Amount	Proportion (%)		Amount	Proportion (%)	
Within 1 year						
Including:						
Within 1 year	1,296,276.62	1.59%		2,168,115.42	2.7%	
Subtotal of within 1 year	1,296,276.62	1.59%		2,168,115.42	2.7%	
1-2 years	2,107,235.61	2.59%	105,361.77	39,377.57	0.05%	1,968.88
2-3 years	288.70		43.31	14,610.98	0.02%	2,191.64
Over 3 years	3,403,800.93	4.18%	105,405.08	2,222,103.97	2.77%	4,160.52
3-4 years	707.36		176.85	4,434.39	0.01%	1,108.60
4-5 years	250.00		125.00	1,000.00		500.00
Over 5 years	78,093,064.30	95.82%	78,093,064.30	78,098,966.30	97.23%	78,098,966.30
Total	81,497,822.59	--	78,198,771.23	80,326,504.66	--	78,104,735.42

Other account receivables accrued for provision of bad debt by balance percentage method in portfolio

Applicable Not applicable

Other account receivables accrued for provision of bad debt by other method in portfolio

Applicable Not applicable

Other receivables with insignificant single amount but accrued for provision of bad debt on a single basis as at December 31, 2013

Applicable Not applicable

(2) Other receivables reversed or recovered in 2013

In RMB

Contents of receivables	Reason of reversal or recovery	Basis for recognition of previous provision for bad debts	Amount reversed or recovered	Accumulated amount of provision for bad debts before reversal or recovery
Chen Caijian	Recovery of petty cash	Petty cash that is not expected to be recovered	1,212.00	1,212.00
Total	--	--	1,212.00	--

Accrual for bad debt provision of other receivables with significant (or insignificant) single amount but conducting impairment test on a single basis



Nil

Explanation on other receivables with insignificant single amount but has major risks by portfolio

Nil

(3) Other receivables actually written off in the reporting period

In RMB

Company name	Nature of other receivables	Time for written off	Amount written off	Reason for written-off	Related transactions or not
Wu Congfeng	Phone payment	2013-12-31	5,690.00	Resigned	No
Total	--	--	5,690.00	--	--

Explanation on other receivables written off

Wu Congfeng has resigned for yeras, account is unable to collected

(4) No amount was due from shareholders holding more than 5% (inclusive) voting shares of the Company among other receivables as at December 31, 2013.

Nil

(5) Nature and content of other receivables with major amount

Nil

(6) Top five other receivables

In RMB

Company name	Relationship with the Company	Amount	Term	Proportion in total other receivables (%)
Hainan Dadonghai Hotel Co., Ltd.	Non-related party	54,767,945.15	Over 5 years	67.2%
Cash dividends distributed in 1994-1996	Non-related party	16,899,000.00	Over 5 years	20.74%
Hainan Hong Kong & Macao International Tourism Ltd.	Non-related party	4,145,704.16	Over 5 years	5.09%
Sanya Haiyuan Hotel Management Ltd.	Non-related party	2,808,368.63	Within 2 years	3.44%
Guangdong Jinma Tourism Ltd.	Non-related party	1,200,494.00	Over 5 years	1.47%
Total	--	79,821,511.94	--	97.94%

(7) Other account receivable from related parties

Nil

**(8) De-recognition other account receivable**

Nil

(9) Securitization with object of other account receivables, listed the amount of assets and liability that continues to involved

Nil

(10) Government subsidy recognized based on account receivable at period-end

Nil

8. Prepayments**(1) Prepayments by aging**

In RMB

Aging	Ending balance		Beginning balance	
	Amount	Proportion (%)	Amount	Proportion (%)
Within 1 year	201,053.21		86,579.35	100%
Total	201,053.21	--	86,579.35	--

Explanation on prepayment

Increased 114,473.86 Yuan form a year earlier, mainly due to the prepayments of bathroom renovation for guest room and A/C installment

(2) Top five prepayments

Nil

(3) No amount was due from shareholders holding more than 5% (inclusive) voting shares of the Company among prepayments as at December 31, 2013.

Nil

(4) Explanation on prepayment

Nil

**9. Inventories****(1) Classification of inventories**

In RMB

Item	Ending balance			Beginning balance		
	Book balance	Depreciation reserve	Book value	Book balance	Depreciation reserve	Book value
Raw materials	1,028,333.60	748,096.33	280,237.27	976,543.28	752,585.71	223,957.57
Stock commodities	22,771.38	11,102.41	11,668.97	22,771.38	11,102.41	11,668.97
Food and beverages	11,486.19		11,486.19	29,836.85		29,836.85
Fuels	13,941.80		13,941.80	26,061.33		26,061.33
Total	1,076,532.97	759,198.74	317,334.23	1,055,212.84	763,688.12	291,524.72

(2) Inventory depreciation reserve

In RMB

Category of inventories	Beginning balance	Provision in 2013	Decrease in 2013		Balance as at December 31, 2013
			Reversal	Write-off	
Raw materials	752,585.71			4,489.38	748,096.33
Stock commodities	11,102.41				11,102.41
Total	763,688.12			4,489.38	759,198.74

(3) Particular about inventory depreciation reserve

Nil

10. Other current assets

Nil

11. Financial assets available for sales**(1) Financial assets available for sales**

Nil

(2) Long-term equity investment in financial assets available for sales

Nil

**(3) Depreciation of financial assets available for sales**

Nil

(4) Changes of impairment of financial assets available for sales in Period

Nil

(5) Explanation on closing fair value of equity instrument available for sale which was down sharply and drop continuously

Nil

12. Investment held-to-maturity**(1) Investment held-to-maturity**

Nil

(2) Held-to-maturity investment that sold in report period but not expired

Nil

13. Long-term payables

Nil

14. Investment for joint venture and affiliated enterprises

Nil

15. Long-term equity investment**(1) Details of long-term equity investment**

In RMB

Investee	Accounting method	Investment cost	Beginning balance	+,- changes	Ending balance	Shareholding ratio in	Voting ratio in investee (%)	Remark on different ratios of shareholding	Provision for impairment	Provision for impairment in	Cash dividends in 2013



	d					investee (%)		g and voting in investee		2013	
Shenzhen Difu Investment & Development Ltd.	Cost method	5,000,000.00	5,000,000.00		5,000,000.00	14.28%			5,000,000.00		
Hubei Jingsha Dadonghai Club Ltd.	Cost method	4,566,207.42	4,566,207.42		4,566,207.42	91%			4,566,207.42		
Sanya Shun'an Casino	Cost method	5,150,166.84	5,150,166.84		5,150,166.84	70%			5,150,166.84		
Haikou Luoniushan Petty Loan Co., Ltd.	Cost method	10,000,000.00		10,000,000.00	10,000,000.00	9.09%	9.09%				
Total	--	24,716,374.26	14,716,374.26	10,000,000.00	24,716,374.26	--	--	--	14,716,374.26		

(2) Relevant particular about restriction of the ability of capital transfer to investment enterprises

Nil

16. Investment real estate

(1) Investment real estate measured by cost

Nil

(2) Investment real estate measured by fair value

Nil

17. Fixed assets

(1) Fixed assets

In RMB

Item	Beginning balance	Increase in 2013	Decrease in 2013	Ending balance
1. Total original book value:	187,518,993.94	112,240.00	198,852.00	187,432,381.94



Including: buildings and constructions	156,679,569.41				156,679,569.41
Machinery equipment	13,842,157.00		16,460.00		13,858,617.00
Transportation facility	1,808,106.77			172,372.00	1,635,734.77
Electronic equipment	2,847,961.78		73,780.00	26,480.00	2,895,261.78
Other equipment	2,226,275.09		22,000.00		2,248,275.09
Improvement	10,114,923.89				10,114,923.89
--	Beginning balance	Increase in 2013	Provision in 2013	Decrease in 2013	Ending balance
2. Total accumulated depreciation	86,786,578.23		4,925,210.05	107,452.50	91,604,335.78
Including: buildings and constructions	65,337,026.94		3,570,319.76		68,907,346.70
Machinery equipment	8,302,218.92		530,315.22		8,832,534.14
Transportation facility	701,590.34		143,153.40	81,877.38	762,866.36
Electronic equipment	1,671,122.77		334,229.55	25,575.12	1,979,777.20
Other equipment	1,160,710.70		200,327.36		1,361,038.06
Improvement	9,613,908.56		146,864.76		9,760,773.32
--	Beginning balance		--		Ending balance
3. Total net book value of fixed assets	100,732,415.71		--		95,828,046.16
Including: buildings and constructions	91,342,542.47		--		87,772,222.71
Machinery equipment	5,539,938.08		--		5,026,082.86
Transportation facility	1,106,516.43		--		872,868.41
Electronic equipment	1,176,839.01		--		915,484.58
Other equipment	1,065,564.39		--		887,237.03
Improvement	501,015.33		--		354,150.57
4. Total depreciation reserve	35,199,140.69		--		35,199,140.69
Including: buildings and constructions	32,449,653.81		--		32,449,653.81
Machinery equipment	2,527,851.26		--		2,527,851.26
Electronic equipment	21,643.05		--		21,643.05
Other equipment	199,992.57		--		199,992.57
Improvement			--		
5. Total book value of fixed assets	65,533,275.02		--		60,628,905.47
Including: buildings and	58,892,888.66		--		55,322,568.90



constructions			
Machinery equipment	3,012,086.82	--	2,498,231.60
Transportation facility	1,106,516.43	--	872,868.41
Electronic equipment	1,155,195.96	--	893,841.53
Other equipment	865,571.82	--	687,244.46
Improvement	501,015.33	--	354,150.57

Note: The depreciation in 2013 amounted to RMB4, 925,210.05

(2) Fixed assets temporarily idled as at December 31, 2013

Nil

(3) Fixed assets rent-in through financing lease

Nil

(4) Fixed assets rent-out through operating lease

Nil

(5) Fixed assets held for sales at period-end

Nil

(6) Fixed assets without property license completed

Nil

18. Construction in process

(1) Construction in process

Nil

(2) Changes of major construction in process

Nil

(3) Impairment of construction in process

Nil

**(4) Progress of construction in process**

Nil

(5) Explanation on construction in process

Nil

19. Construction materials

Nil

20. Disposal of fixed assets

Nil

21. Productive biological assets**(1) Measured by cost**

Nil

(2) Measured by fair value

Nil

22. Oil-and-gas assets

Nil

23. Intangible assets**(1) Intangible assets**

In RMB

Item	Beginning balance	Increase in 2013	Decrease in 2013	Ending balance
1. Total original book value:	87,315,277.74	517,724.00		87,833,001.74
Land use right	87,315,277.74	517,724.00		87,833,001.74
2 Total accumulated amortization	29,013,814.76	888,387.57		29,902,202.33
Land use right	29,013,814.76	888,387.57		29,902,202.33
3. Total net book value of	58,301,462.98	-370,663.57		57,930,799.41



intangible assets				
Land use right	58,301,462.98	-370,663.57		57,930,799.41
4. Total provision for impairment	29,343,890.98			29,343,890.98
Land use right	29,343,890.98			29,343,890.98
5. Total book value of intangible assets	28,957,572.00	-370,663.57		28,586,908.43
Land use right	28,957,572.00	-370,663.57		28,586,908.43

RMB 888,387.57 amortized in 2013

(2) Expenditure of development projects

Nil

24. Goodwill

Nil

25. Long-term deferred expenses

In RMB

Item	Beginning balance	Increase in 2013	Amortization in 2013	Other decreases	Ending balance	Reason for other decreases
Hotel exterior wall coating project	785,408.14		294,528.12		490,880.02	
Roof waterproofing project	191,666.71		99,999.96		91,666.75	
Total	977,074.85		394,528.08		582,546.77	--

Explanation on long-term deferred expenses

Nil

26. Deferred income tax assets and deferred income tax liability

(1) List of net amount of deferred income tax assets and deferred income tax liability before offset

Nil

(2) List of net amount of deferred income tax assets and deferred income tax liability after offset

Nil

27. Provision for assets impairment

In RMB



Item	Beginning balance	Increase in 2013	Decrease in 2013		Ending balance
			Reversal	Write-off	
1. Provision for bad debt	80,056,098.58	188,631.68	1,212.00	5,690.00	80,237,828.26
2. Inventory depreciation reserve	763,688.12			4,489.38	759,198.74
5. Provision for impairment of long-term equity investments	14,716,374.26				14,716,374.26
7. Provision for impairment of fixed assets	35,199,140.69				35,199,140.69
9. Provision for impairment of construction in progress	0.00	0.00			0.00
12. Provision for impairment of intangible assets	29,343,890.98				29,343,890.98
13. Provision for impairment of goodwill					0.00
Total	160,079,192.63	188,631.68	1,212.00	10,179.38	160,256,432.93

Explanation on provision for assets impairment

Nil

28. Other non-current assets

Nil

29. Short-term loans

(1) Category of short-term loans

Nil

(2) Short-term loans due without payment

Nil

30. Transactional financial liability

Nil

31. Note payable

Nil

**32. Accounts payable****(1) Accounts payable**

In RMB

Item	Ending balance	Beginning balance
Within 1 year (including 1 year)	1,142,768.65	1,090,278.72
1-2 years (including 2 years)	145,272.00	383,671.98
2-3 years (including 3 years)	376,032.38	
Over 3 years	507,882.93	507,882.93
Total	2,171,955.96	1,981,833.63

(2) Amount was payable to shareholders holding more than 5% (inclusive) voting shares of the Company among ending balances.

Nil

(3) Accounts payable with large amount and aging of over one year

Nil

33. Accounts received in advance**(1) Accounts received in advance**

In RMB

Item	Ending balance	Beginning balance
Within 1 year (including 1 year)	1,010,172.16	1,460,314.82
1-2 years (including 2 years)	185,737.68	247,432.38
2-3 years (including 3 years)	232,497.38	193,842.27
Over 3 years	171,587.59	129,840.14
Total	1,599,994.81	2,031,429.61

(2) Amount was received in advance from shareholders holding more than 5% (inclusive) voting shares of the Company among ending balances.

Nil

**(3) Accounts received in advance with large amount and aging of over one year:**

Company name	Ending balance	Reason for not carry-forward	Remark
Hainan Sea-view Paradise International Co., Ltd, Sanya Wuzhizhou Island Resort	263,189.40	Unsettled accounts	

34. Employee compensation payable

In RMB

Item	Beginning balance	Increase in 2013	Decrease in 2013	Ending balance
1. Salary, bonus, allowance and subsidy	2,911,971.27	6,431,916.58	6,491,851.38	2,852,036.47
2. Employee welfare		1,116,611.95	1,116,611.95	
3. Social insurance premium		1,068,460.87	1,068,460.87	
Including: medical insurance expenses		295,815.16	295,815.16	
Basic medical insurance expenses		694,519.81	694,519.81	
Annuity				
Unemployment insurance expenses		37,292.89	37,292.89	
Work injury insurance expenses		18,643.87	18,643.87	
Maternity insurance		22,189.14	22,189.14	
4. Housing provident funds		87,415.70	87,415.70	
6. Others	726,586.78	225,605.56	254,377.77	697,814.57
Total	3,638,558.05	8,930,010.66	9,018,717.67	3,549,851.04

Default amount in employee compensation payable was 0.00

Labor union expenditure and employee education funds was 0.00 Yuan, non-monetary welfare was 0.00 Yuan and compensation for labor service derminated was 0.00 Yuan

Arrangement of pay date and amount for employee compensation payable

Item	Ending balance	Estimated payment date
Salary, bonus, allowance and subsidy	2,852,036.47	January-February 2014
Total	2,852,036.47	

**35. Taxes and surcharges payable**

In RMB

Item	Ending balance	Beginning balance
VAT	135,982.62	135,982.62
Business tax	111,018.40	156,316.48
Enterprise income tax	-1,702,702.80	-1,702,702.80
Urban maintenance and construction tax	7,771.29	10,942.15
Educational surtax	5,550.92	7,815.83
Property tax	204,986.58	187,595.25
Land use tax	72,393.00	72,393.00
Total	-1,164,999.99	-1,131,657.47

For the mutual adjustment on taxable amount between vary companies and plants, authorized by local taxation bureau, explain the taxation procedures

Nil

36. Interest payable

Nil

37. Dividend payable

Nil

38. Other payables**(1) Other payables**

In RMB

Item	Ending balance	Beginning balance
Within 1 year (including 1 year)	2,458,050.52	1,692,773.93
1-2 years (including 2 years)	308,551.68	226,685.47
2-3 years (including 3 years)	122,605.47	2,729.00
Over 3 years	23,003,005.34	23,232,454.51
Total	25,892,213.01	25,154,642.91

(2) Amount due to shareholders holding more than 5% (inclusive) voting shares of the Company among ending balances

In RMB



Company name	Ending balance	Beginning balance
Luoniushan Co., Ltd.	800,000.00	800,000.00
Total	800,000.00	800,000.00

(3) Other payables with large amount and aging of over one year

Company name	Ending balance	Reason for non-repayment	Remark
China Securities Regulatory Commission	19,810,000.00	Financial difficulty	
Sun Hongjie	1,000,000.00	Guarantee deposit	
Luoniushan Co., Ltd.	800,000.00	Related debt	
Hong Kong Deloitte & Touche LLP	285,003.21	Audit fees	
Total	21,895,003.21		

(4) Other payables with large amount

Company name	Ending balance	Nature or content	Remark
China Securities Regulatory Commission	19,810,000.00	Fine for rule-breaking operation on the stock of the Company	
Sun Hongjie	1,000,000.00	Guarantee deposit	
Luoniushan Co., Ltd.	800,000.00	Current accounts	
Hong Kong Deloitte & Touche LLP	285,003.21	Audit fees	
Total	21,895,003.21		

39. Accrual liability

Nil

40. Non-current liability due within one year**(1) Non-current liability due within one year**

Nil

(2) Long-term loans due within one year

Nil



(3) Payable bonds due within one year

Nil

(4) Long-term payables due within one year

Nil

41. Other current liability

Nil

42. Long-term loans

(1) Category of long-term loans

Nil

(2) Top five long-term loans

Nil

43. Bond payable

Nil

44. Long-term payable

(1) Top five long-term payable

Nil

(2) Payable financing leasing amount in long-term payable

Nil

45. Specific payable

Nil

46. Other non-current liability

Nil

**47. Share capital**

In RMB

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

Explanation on changes of share capital

For the capital increased/decreased in reporting period, disclosed accounting firms that exercise verification and document serial of Verification Report; for company limited by shares established less in three years, explain the net assets of the year before established; for company limited by shares changed from limited liability company, explain the verification condition while established

Nil

48. Treasury stock

Explanation on treasury stock

Nil

49. Reasonable reserves

Explanation on reasonable reserves

Nil

50. Capital reserves

In RMB

Item	Beginning balance	Increase in 2013	Decrease in 2013	Ending balance
Capital (share capital) premium	33,336,215.58			33,336,215.58
Other capital reserves	20,806,634.43			20,806,634.43
Total	54,142,850.01			54,142,850.01

Explanation on capital reserves

Nil

51. Surplus reserves

Nil

52. General risk reserves

Explanation on general risk reserves



Nil

53. Undistributed profits

In RMB

Item	Amount	Proportion of appropriation or distribution (%)
Undistributed profit of year-end of last year before adjustment	-334,131,682.19	--
Total undistributed profit of year-begin adjusted (increase with +, decrease with -)	-2,199,319.96	--
Undistributed profit of year-begin after adjustment	-334,131,682.19	--
Undistributed profits as at December 31, 2013	-336,331,002.15	--

Adjustment of undistributed profit at year-begin:

- 1) For the retroactive adjustment based on Accounting Standards for Business Enterprises and other relevant regulations, affected undistributed profit at year-begin of RMB
- 2) For changes of accounting policies, affected undistributed profit at year-begin of RMB
- 3) For correction on major accounting errors, affected undistributed profit at year-begin of RMB
- 4) For changes of consolidation scope from same controlling, affected undistributed profit at year-begin of RMB
- 5) Other adjustment totally affected undistributed profit at year-begin of RMB

Explanation on undistributed profit

For company initially public offering securities, well explained that if the accumulated profit before offering, being decided by shareholders' general meeting, shares by old and new shareholders; for the accumulated profit before offering, being decided by shareholders' general meeting, distribute before offering and shares by old shareholders, well disclosed the audited profit shares by old shareholders in dividend payable

54. Operating income and operating costs**(1) Operating income and operating costs**

In RMB

Item	2013	2012
Income from primary business	23,660,779.80	32,184,700.50
Operating cost	7,841.74	3,026,517.87

(2) Primary business (by industry)

In RMB

Name of industry	2013		2012	
	Operating income	Operating cost	Operating income	Operating cost
Tourism catering services	23,660,779.80	7,841.74	32,184,700.50	3,026,517.87



Total	23,660,779.80	7,841.74	32,184,700.50	3,026,517.87
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(3) Primary business (by products)

In RMB

Name of products	2013		2012	
	Operating income	Operating cost	Operating income	Operating cost
Guest room	23,660,779.80	7,841.74	27,533,867.70	9,604.07
Catering	0.00	0.00	4,650,832.80	3,016,913.80
Total	23,660,779.80	7,841.74	32,184,700.50	3,026,517.87

(4) Primary business (by region)

In RMB

Name of region	2013		2012	
	Operating income	Operating cost	Operating income	Operating cost
Hainan region	23,660,779.80	7,841.74	32,184,700.50	3,026,517.87
Total	23,660,779.80	7,841.74	32,184,700.50	3,026,517.87

(5) Business income from top five customers

In RMB

Name of customers	Total business income	Proportion in total business income of the Company (%)
PGSINTERNATIONALLIMITED	4,288,759.00	18.13%
Hainan Chenda International Tourism Ltd.	839,690.00	3.55%
South Cross Travel	654,520.00	2.77%
Sanya Shengda International Tourism Ltd.	624,344.00	2.64%
Sanya Baishun International Tourism Ltd.	539,084.00	2.28%
Total	6,946,397.00	29.37%

Explanation on business income

Nil

55. Income from contract projects

Nil

**56. Business tax and surcharges**

In RMB

Item	2013	2012	Taxation basis(%)
Business tax	1,191,253.16	1,614,855.58	5
Urban maintenance and construction tax	83,387.72	113,039.89	7
Educational surtax	59,562.65	80,742.80	5
Total	1,334,203.53	1,808,638.27	--

Explanation on business tax and surcharges

Nil

57. Selling expenses

In RMB

Item	2013	2012
Selling expenses	11,896,106.61	14,834,301.97
Total	11,896,106.61	14,834,301.97

58. Administrative expenses

In RMB

Item	2013	2012
Administrative expenses	12,463,470.06	12,348,853.72
Total	12,463,470.06	12,348,853.72

59. Financial expenses

In RMB

Item	2013	2012
Less: Interest income	-96,292.99	-28,707.52
Others	151,051.43	265,090.47
Total	54,758.44	236,382.95

60. Gains from changes of fair value

Nil

**61. Gains on investment****(1) Details of gains on investment**

In RMB

Item	2013	2012
Gains on long-term equity investment calculated by equity method		20,004.41
Gains on disposal of long-term equity investment		941,829.39
Total	0.00	961,833.80

(2) Gains of long-term equity investment based on cost method

Nil

(3) Gains of long-term equity investment based on equity method

Nil

62. Losses on assets impairment

In RMB

Item	2013	2012
I. Losses on bad debt	187,419.68	18,240.39
Total	187,419.68	18,240.39

63. Non-operating income**(1) Non-operating income by items**

In RMB

Item	2013	2012	Amount included in current non-recurring profits or losses
Total gains on disposal of non-current assets	795.12	4,720.00	795.12
Including: gain on disposal of fixed assets	795.12	4,720.00	795.12
Gains from debt restructuring		349,581.69	
Income from compensation	84,448.70	145,949.00	84,448.70
Sale of land exchange title letter		719,100.00	
Others	40,151.10	85,214.15	40,151.10
Total	125,394.92	1,304,564.84	125,394.92

Explanation on non-operating income



Nil

(2) Government subsidy reckoned into current gains/losses

Nil

64. Non-operating expenses

In RMB

Item	2013	2012	Amount included in current non-recurring profits or losses
Total losses on disposal of non-current assets	40,494.62	51,621.97	
Including: loss on disposal of fixed assets	40,494.62	51,621.97	
Total	41,694.62	52,121.97	

Explanation on non-operating expenses

Nil

65. Income tax expenses

Nil

66. Calculation of basic earnings per share and diluted earnings per share**1. Basic earnings per share**Basic earnings per share= $P0 \div S$

$$S = S0 + S1 + Si \times Mi \div M0 - Sj \times Mj \div M0 - Sk$$

Of which, P0 represents net profit attributable to ordinary shareholders of the Company or net profits attributable to ordinary shareholders after deducting non-recurring profits or losses; S represents the weighted average number of outstanding ordinary shares; S0 represents total number of shares at the beginning of the period; S1 represents shares increased from conversion of reserve fund into share capital or share dividend distribution in the reporting period; Si represents shares increased from issue of new shares or conversion of debt into equity in the reporting period; Sj represents the shares reduced from repurchase during the reporting period; Sk represents the number of reduced shares during the reporting period; M0 represents number of months in the reporting period; Mi represents the number of months from the month immediately following the increase of shares to the end of the reporting period; Mj represents the number of months from the month immediately following the decrease of shares to the end of the reporting period.

2. Diluted earnings per share



Diluted earnings per share = $P1 / (S0 + S1 + S_i \times M_i \div M0 - S_j \times M_j \div M0 - S_k + \text{weighted average number of ordinary shares increased from warrants, share options and convertible bonds})$.

Of which, P1 represents net profits attributable to ordinary shareholders of the Company or net profits attributable to ordinary shareholders of the Company after deducting non-recurring profits or losses, and has been adjusted in accordance with Accounting Standards for Business Enterprises and the relevant regulations after taking the effect of dilutive potential ordinary shares into consideration. When calculating the diluted earnings per share, the Company shall take into account all the effect of dilutive potential ordinary shares on net profits attributable to ordinary shareholders of the Company or net profits attributable to ordinary shareholders of the Company after deducting non-recurring profits or losses and the weighted average number of shares, and include in diluted earnings per share according to the magnitude of dilution in an ascending order until the dilutive earnings per share is reduced to the lowest level.

(1) Basic earnings per share

Basic earnings per share is calculated by dividing combined net profits attributable to ordinary shareholders of the Company by weighted average number of outstanding ordinary shares of the Company:

Item	2013	2012
Combined net profits attributable to ordinary shareholders of the Company	-2,199,319.96	2,126,042.00
Weighted average number of outstanding ordinary shares of the Company	364,100,000.00	364,100,000.00
Basic earnings per share (RMB per share)	-0.0060	0.0058

Calculation of weighted average number of ordinary shares:

Item	2013	2012
Number of ordinary shares issued as at January 1, 2013	364,100,000.00	364,100,000.00
Plus: weighted number of ordinary shares issued in 2013		
Less: weighted number of ordinary shares repurchased in 2013		
Weighted number of ordinary shares outstanding as at December 31, 2013	364,100,000.00	364,100,000.00

(2) Diluted earnings per share

Diluted earnings per share is calculated by dividing combined net profits attributable to ordinary shareholders of the Company after adjustment by weighted average number of outstanding ordinary shares of the Company after adjustment:

Item	2013	2012
Combined net profits attributable to ordinary shareholders of the Company (diluted)	-2,199,319.96	2,126,042.00



Weighted average number of outstanding ordinary shares of the Company (diluted)	364,100,000.00	364,100,000.00
Diluted earnings per share (RMB per share)	-0.0060	0.0058

67. Other comprehensive income

Nil

68. Notes to statement of cash flows

(1) Other cash receipts related to operating activities

In RMB

Item	2013
Interest income	96,292.99
Individual amounts	582,304.76
Water and electricity fee	40,526.78
Handling charges for price adjustment fund	24,379.10
Compensation for articles in the guest rooms	114,210.05
Total	857,713.68

Explanation on other cash receipts related to operating activities

Nil

(2) Cash paid for other operating activities

In RMB

Item	2013
Traveling expenses	477,298.08
Office expenses	19,752.20
Repair charge	119,415.30
Postage	65,201.21
Directors and supervisors membership dues	270,499.50
Business entertainment expenses	1,804,532.20
Fuel fee	168,048.60
Agency fee	342,756.00
Listing fee	80,000.00
Announcement fee	490,428.17



Other expenses	233,962.19
Personal loans	553,569.20
Financial handling charge	151,051.43
Total	4,776,514.08

Explanation on cash paid for other operating activities

Nil

(3) Cash received with other investment activities concerned

Nil

(4) Cash paid for other investment activities

Nil

(5) Cash received with other financing activities concerned

Nil

(6) Cash paid for other financing activities

Nil

69. Supplementary information to statement of cash flows

(1) Supplementary information to statement of cash flows

In RMB

Item	2013	2012
1. Net profit adjusted to cash flows from operating activities	--	--
Net profit	-2,199,319.96	2,126,042.00
Plus: provision for asset impairment	187,419.68	18,240.39
Depreciation of fixed assets, gas and oil assets and productive biological assets	4,925,210.05	5,996,384.04
Amortization of intangible assets	888,387.57	868,727.16
Amortization of long-term deferred expenses	394,528.08	394,528.08
Loss on disposals of fixed assets, intangible assets and other long-term assets ("-" for gains)	39,699.50	51,621.97
Investments loss ("-" for gains)		-961,833.80
Decrease in inventories ("-" for increases)	-25,809.51	332,994.35



Decrease in operating receivables ("- for increases)	-2,142,605.87	-2,831,959.38
Increase in operating payables ("- for decreases)	547,859.23	-4,252,656.86
Other		-349,581.69
Net cash flow from operating activities	2,615,368.77	1,392,506.26
2. Significant investing and financing activities not involving cash inflow and outflow	--	--
3. Net changes in cash and cash equivalents	--	--
Ending balance of cash	6,835,685.46	15,194,668.69
Less: beginning balance of cash	15,194,668.69	12,374,582.48
Net increase in cash and cash equivalents	-8,358,983.23	2,820,086.21

(2) Subsidiary or other operation units obtained or disposed in reporting period

Nil

(3) Breakdowns of cash and cash equivalents

In RMB

Item	Ending balance	Beginning balance
1. Cash	6,835,685.46	15,194,668.69
Including: cash on hand	613,560.04	585,674.66
Bank deposit available for payment at any time	6,209,144.39	14,549,636.02
Other monetary funds available for payment at any time	12,981.03	59,358.01
3. Ending balance of cash and cash equivalents	6,835,685.46	15,194,668.69

Explanation on supplementary information of statement of cash flows

Nil

70. Notes on items of changes of owner's equity

Name and adjusted amount on "Other" at balance of year-end of last year, and retroactive adjustment arising from enterprise combination under the same control

Nil

VIII. Accounting on assets securitization

1. Main dealing arrangement, accounting treatment and bankruptcy-remote terms for assets securitization

Nil

**2. Special purpose entity without controlling rights by the Company but bear risk in nature**

Nil

IX. Related parties and related party transactions**1. The Company's parent company**

Name of parent company	Relationship with the Company	Business Type	Registered place	Legal representative	Nature of Business	Registered Capital (RMB 0'000)	Shareholding ratio in the Company (%)	Voting ratio in the Company (%)	Ultimate controller of the Company	Organization code
Luoniushan Co., Ltd.	Controlling shareholder	Listed company	Haikou City	Xu Zili	Plant and culturing business	RMB 880.132 million	16.81%	16.81%	Hainan LuoNiu Shan Holding Group	28408974-7

Explanation on parent company of the enterprise

Nil

2. Subsidiary of the Company

Nil

3. Joint-venture and affiliated enterprise of the Company

Nil

4. Other related parties

Nil

5. Related party transactions**(1) Sale of goods/rendering of labor services**

In RMB

Related party	Contents of related party transactions	Pricing method and decision-making procedure of related transaction	2013		2012	
			Amount	Proportion in similar transactions (%)	Amount	Proportion in similar transactions (%)
Luoniushan Co., Ltd.	Accommodation	Market price	231,213.66	0.98%	278,326.44	0.86%

Goods sold and labor service offering

Nil

**(2) Related entrust/contract**

Nil

(3) Related leasing

Nil

(4) Related guarantee

Nil

(5) Borrowed funds of related party

Nil

(6) Related party's assets transfer and debt reorganization

Nil

(7) Other related transactions

Nil

6. Receivables and payables of related parties

Receivables from related parties by listed company

In RMB

Name	Related party	Ending balance		Beginning balance	
		Book balance	Provision for bad debt	Book balance	Provision for bad debt
Accounts receivable	Luoniushan Co., Ltd.	19,977.00	0.00	6,179.00	0.00

Payables to related parties by listed company

In RMB

Name	Related party	Ending balance	Beginning balance
Other payables	Luoniushan Co., Ltd.	800,000.00	800,000.00

X. Share-base payment**1. Overall performance of share-base payment**

Nil



2. Share-base payment settled by equity

Nil

3. Share-base payment settled by cost

Nil

4. Service paid by share

Nil

5. Modification and termination of share-base payment

Nil

XI. Contingencies

1. Contingency liability and influences result from unsettle lawsuits or arbitration

Nil

2. Contingency liability and influences resulted from guarantee for other units' debt

Nil

Impact from other contingencies and finance

Nil

XII. Commitments

1. Material commitments

Nil。

2. Implementation of previous commitments

Commitments in split-share reform: the First Majority shareholder of the Company Luoniushan Co., Ltd. (Majority shareholder for short) made commitments on 30 May 2007 in “Instruction of Split-Share Reform”(Revised) and “Instruction of Split-Share Reform” (summary revised) as: given consequent years of loss, Dadonghai is facing to be delisted. To reverse this operation dilemma, improve profitability and restore continuing operation, controlling shareholder, Luoniushan Co., Ltd is seeking acquisition partners and appropriate time to take asset restructuring on Dadonghai.

Implementation: since equity allocation, the Company avoided to be delisted by seeking various favors. Finance was correspondingly improved. Till now, appropriate acquisitions partner hasn't been found



XIII. Event after balance sheet date

1. Explanation on important events after balance sheet date

Nil

2. Profit distribution after balance sheet date

Nil

3. Explanation on other events after balance sheet date

On 27 April 2014, being decision from 13th meeting of 7th session of the Board, the Company plans no profit distribution and capitalizing of common serves either

XIV. Other significant events

1. Non-monetary assets exchange

Nil

2. Debt reorganization

Nil

3. Enterprise combination

Nil

4. Leasing

Nil

5. Financial instrument issued and convertible to shares at period-end

Nil

6. Assets and liability measure by fair value

Nil

7. Foreign currency financial assets and foreign financial liability

Nil

**8. Pension plan and major changes**

Nil

9. Other

The Liabilities Statement on Objectives Operation and Management of South China Grand Hotel concluded by and between the Company and Mr. Sun Hongjie has a term of five years, i.e., from May 1, 2011 to April 30, 2016. According to stipulations in such Liabilities Statement on Objectives Operation and Management, during the objectives operation and management period, the base profit index of internal assessment shall be RMB 1.1 million, and 60% of the excess over such base index shall be rewarded to Mr. Sun Hongjie and his management team.

XV. Note on financial statement of parent company

Nil

XVI. Supplementary information**1. Details of current non-recurring profits and losses**

In RMB

Item	2013	Remark
Gains/losses from the disposal of non-current asset (including the write-off that accrued for impairment of assets)	-39,699.50	
Other non-operating income and expense other than the abovementioned ones	123,399.80	
Impairment of assets switch-back from value of exchange entitlement received		
Total	83,700.30	--

Explain recognition reasons item-by-item if the government subsidy reckoned into current gains/losses was the recurring gains/losses

Applicable Not applicable

2. Difference of the accounting data under accounting rules in and out of China**(1) Difference of the net profit and net assets disclosed in financial report, under both IAS (International Accounting Standards) and Chinese GAAP (Generally Accepted Accounting Principles)**

In RMB

	Net profit attributable to shareholders of listed company	Net assets attributable to shareholders of listed company



	2013	2012	Ending balance	Beginning balance
Chinese GAAP	-2,199,319.96	2,126,042.00	81,911,847.86	84,111,167.82
Items and amount adjusted by IAS				
IAS	-2,199,319.96	2,126,042.00	81,911,847.86	84,111,167.82

(2) Difference of the net profit and net assets disclosed in financial report, under both foreign accounting rules and Chinese GAAP (Generally Accepted Accounting Principles)

In RMB

	Net profit attributable to shareholders of listed company		Net assets attributable to shareholders of listed company	
	2013	2012	Ending balance	Beginning balance
Chinese GAAP	-2,199,319.96	2,126,042.00	81,911,847.86	84,111,167.82
Items and amount adjusted by foreign accounting rules				
By foreign accounting rules	-2,199,319.96	2,126,042.00	81,911,847.86	84,111,167.82

No differences

(3) Reasons for the differences of accounting data under accounting rules in and out of China

No differences

3. REO and earnings per share

In RMB

Profits during report period	Weighted average ROE (%)	Earnings per share	
		Basic EPS	Diluted EPS
Net profits belong to common stock stockholders of the Company	-2.65%	-0.006	-0.006
Net profits belong to common stock stockholders of the Company after deducting nonrecurring gains and losses	-2.75%	-0.0063	-0.0063

4. Abnormalities and reasons of the accounting statement items of the Company

Item	Ending balance (2013)	Beginning balance (2012)	+,- ratio (%)	Reasons
货币资金 Monetary fund	6,835,685.46	15,194,668.69	-55.01	Invested 10 million Yuan to Haikou Luoniushan Petty Loan Co., Ltd. in the Year with monetary



				fund
Account receivable	3,509,377.76	2,523,510.68	39.07	Reveivables from Sanya Haiyuan Hotel Management Ltd. increased
Account paid in advance	201,053.21	86,579.35	132.22	Mainly due to the account paid in advance for bathroom renovation for guest room and A/C installment
Other receivables	3,299,051.36	2,221,769.24	48.49	Current accoounts with Sanya Haiyuan Hotel Management Ltd. increased
Long-term equity investment	10,000,000.00		100.00	More investment for Haikou Luoniushan Petty Loan Co., Ltd. in the Year
Long-term unamortized expenses	582,546.77	977,074.85	-40.38	Amortized in the Year
Account received in advance	1,599,994.81	2,031,429.61	-21.24	Account of room charge received in advance at yera-end decreased
Operation revenue	23,660,779.80	32,184,700.50	-26.48	Occupancy rate and room price of South China Hotel decreased; no revenue from food and beverage after chinese restaurant of the Hotel contract outside since July 2012, and there has 6 months revenue from food and beverage in last year
Operation cost	7,841.74	3,026,517.87	-99.74	No revenue obtained from food and beverage in the Period while there has 6 months revenue from food and beverage in last year
Business tax and surcharge	1,334,203.53	1,808,638.27	-26.23	Mainly due to the decrease of operation revenue
Sales expenses	11,896,106.61	14,834,301.97	-19.81	Decrease of depreciation accrual for some of the fixed assets expired in the Period and no expenses from Chinese restaurant in the Period
Financial expenses	54,758.44	236,382.95	-76.83	Handling charges decreased
Assets impairment loss	187,419.68	18,240.39	927.50	The accrual of bad debt provision increased
Investment income		961,833.80	-100.00	Disposal of 31.03 percent equity of Hainan Luoniushan Agriculture and Technology Co., Ltd in last period
Non-operation revenue	125,394.92	1,304,564.84	-90.39	Sales of exchange entitlement in last period and debt reorganization income
Net cash flow arising from operation	2,615,368.77	1,392,506.26	87.82	Cash paid related with other opeation activities in the Year decreased and the payable



activities				operational amount increased
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Section XI. Documents available for references

I. Financial statement with signature and seal of legal person, person in charge of accounting works and person in charge of accounting organ(accountant in charge);

II. Original audit report seal with accounting firms and signature and seal from CPA;

III. The original manuscripts of all documents and announcements of the Company publicly disclosed on Securities Times and Hong Kong Commercial Daily during the report period

The above said documents are prepared in the security department of the Company

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

Chairman: Li Yuanbin

27 April 2014