



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



Annual Report 2014

(Full Text)

Disclosure Date: 31 January 2015



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 Zhen, person in charger of accounting works and Liu Xianghai, person in charge of accounting organ (accounting principal) hereby confirm that the Financial Report of 2014 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	Refers to	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 2015, 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	hnddhn@21cn.com		

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	hnddhn@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
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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 "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.</p>				

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

	2014	2013	Changes over last year	2012
Operating income (RMB)	20,202,134.10	23,660,779.80	-14.62%	32,184,700.50
Net profit attributable to shareholders of the listed company(RMB)	2,503,486.47	-2,199,319.96	213.83%	2,126,042.00
Net profit attributable to shareholders of the listed company after deducting non-recurring gains and losses(RMB)	-2,709,988.03	-2,283,020.26	-18.70%	-68,230.26
Net cash flow arising from operating activities(RMB)	2,432,068.08	2,615,368.77	-7.01%	1,392,506.26
Basic earnings per share (RMB/Share)	0.0069	-0.0060	215.00%	0.0058
Diluted earnings per share (RMB/Share)	0.0069	-0.0060	215.00%	0.0058
Weighted average ROE	3.01%	-2.65%	5.66%	2.56%
	End of 2014	End of 2013	Changes over end of last year	End of 2012
Total assets (RMB)	114,080,998.28	113,960,862.69	0.11%	115,785,974.55
Net assets attributable to shareholder of listed company (RMB)	84,415,334.33	81,911,847.86	3.06%	84,111,167.82

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)

☒ Applicable ☐ Not applicable

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	2,503,486.47	-2,199,319.96	84,415,334.33	81,911,847.86
Items and amount adjusted by IAS				
IAS	2,503,486.47	-2,199,319.96	84,415,334.33	81,911,847.86

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)

☒ Applicable ☐ Not applicable

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	2,503,486.47	-2,199,319.96	84,415,334.33	81,911,847.86
Items and amount adjusted by foreign accounting rules				
By foreign accounting rules	2,503,486.47	-2,199,319.96	84,415,334.33	81,911,847.86

No differences

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

☐ Applicable ☒ Not applicable

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

☒ Applicable ☐ Not applicable

In RMB

Item	2014	2013	2012	Note
Gains/losses from the disposal of non-current asset (including the write-off that accrued for impairment of assets)	5,119,583.45	-39,699.50	894,927.42	-
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	93,891.05	123,399.80	911,596.95	-
Total	5,213,474.50	83,700.30	2,194,272.26	--

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

In reporting period, the Company has no particular about 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*



Section IV. Report of the Board of Directors

I. Introduction

During the reporting period, the Company achieved main business income of 20,202,100 Yuan, reduced by 3,458,700 Yuan compared to the same period of last year, a decrease of 14.62%; operating profit was -709,900 Yuan, reduce losses of 1,573,100 Yuan compared to the same period of last year, an increase of 68.90%; net amount of non-operating revenue and expenditure was 3,213,400 Yuan, increased by 3,129,800 Yuan compared to the same period of last year with increase of 3739.30%; net profit was 2,503,500 Yuan, increased by 4,702,800 Yuan compared to the same period of last year, an increase of 213.83 %.

In reporting period, the Company took various measurements positively with market oriented, building effective mechanism of internal control management, reducing risk and consumption as well as strives for diversified operation. We curb the decline in business and making up the deficits and get surpluses in the Year even facing national macro regulation, overseas tourism market transfer, and imbalance between supply and demand in hotel industry as well as the influence of bad operation environment. We basically achieved the operation goal the Company planed at year-beginning. Main work conducted as the following:

1. Maintaining stability, try every means to stabilize and grab the market share with market orientation

In reporting period, affected by cumulated influence of deep slump in tourism market, downward pressure on hotel operation still not decreased. Facing the complex changeable market and serious operation situation in hotel industry, operation team of the Company adhere to operation strategy of “market-oriented and maintaining stability”, continues to strengthening cooperation with traditional business groups, travel agents and tourist attractions, and reaching mutual benefit and all-win by resource sharing, carrying out special tourism package for convenient services to all tourists.

At the same time, reinforcing official website maintenance and cooperated with the leading travel websites in China so far as Ctrip, eLong and Qunar; internet channel and e-commerce platform were fully made use of where a series of discounted packages were promoted, and consolidate regular customs, develop new clients and try every means to stabilize and grab the market share. In the Period, the Company hit an income of 20,202,100 Yuan in main business with 3,458,700 Yuan down compared with same period of last year, a 14.62% declined.

2. Improve the establishment of internal control (IC) management mechanism; reduce risk and consumption, further enhancing hotel service quality

The Company formulated the Enterprise Risk Management and Internal Control Manual pursuit to regulations and requirement of Basic Norm of Internal Control for Enterprise and supporting guidelines and in combination with practical situation of the Company and hotel. The Company established a more complete IC mechanism, effectively strengthen risk management in IC and improve risk prevention ability for enterprise. In addition, we



vigorously advocated energy-saving principle, pursued principles of sources enlarging and losses dwindling strictly control cost and expenditure, put an end to extravagance and waste. During the Period, staff salary and welfare in management expenses declined 3.09% compare to last year, and the expenditure of management expenses down 8.35% compare with same period of last year. Meanwhile, hotel administration and staff training were further strengthened to improve the service and administration quality as well as competitiveness.

3. Revitalize stock assets, looking for diversification

The Company's main business is single and small-scaled, which cannot effectively resist the business risk and it always being a "bottleneck" that restricted the development. In the reporting period, the Company disposes equity of Haikou Luoniushan Microcredit Co., Ltd., and part of the fixed assets are invested in Sanya Xiangyu E-Commerce Co., Ltd. Strive for liquidize remnant assets and looking for diversify operation, reduce operation risk and maximize interests.

In 2015, the Company will continue to forge ahead, makes the core business refined, continuously explore and innovate, raise quality and efficiency, improve the overall competitiveness and continuing viability, to achieve sustainable, healthy, stable and rapid development.

II. Main business analysis

1. Introduction

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, building effective mechanism of internal control management, reducing risk and consumption as well as strives for diversified operation. We curb the decline in business and making up the deficits and get surpluses in the Year even facing national macro regulation, overseas tourism market transfer, and imbalance between supply and demand in hotel industry as well as the influence of bad operation environment. We basically achieved the operation goal the Company planed at year-beginning. In 2015, the Company will continue to forge ahead, makes the core business refined, continuously explore and innovate, raise quality and efficiency, improve the overall competitiveness and continuing viability, to achieve sustainable, healthy, stable and rapid development.

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

☐ Applicable ☒ Not applicable

Changes of main operation mode

☐ Applicable ☒ Not applicable

2. Revenue

Notes

In the reporting period, main business achieved revenue of 20.2021 million Yuan, a y-o-y down of 3.4587 million Yuan with 14.62% down, mainly due to the declined of hotel occupancy rate and average room price drops.

In ten thousand Yuan

Product category	2014	2013	Increase/decrease y-o-y (%)
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Guest room	1,955.02	2,366.08	-17.37%
Food & beverage	65.19	0.00	100%
Total	2,020.21	2,366.08	-14.62%

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)	6,440,571.00
Proportion in total annual sales volume for top five clients	31.88%

Information of top five clients of the Company

☒ Applicable ☐ Not applicable

Serial	Clients	Sales (RMB)	Ratio in annual sales
1	PGS INTERNATIONAL LIMITED	3,388,408.00	16.77%
2	Sanya branch of Guangzhou South Holiday International Travel Service Co., Ltd.	1,585,756.00	7.85%
3	Li Fei (Xinghai Holiday Travel Agency Co., Ltd.)	563,464.00	2.79%
4	Ji Jinjun (Sanya Shengda International Tourism Ltd.)	522,070.00	2.58%
5	Sanya Baishun International Tourism Ltd.	380,873.00	1.89%
Total	--	6,440,571.00	31.88%

Other situation of main clients

☐ Applicable ☒ Not applicable

3. Cost

Industry classification

In RMB

Industry classification	Item	2014		2013		Y-o-y changes
		Amount	Ratio in operation cost	Amount	Ratio in operation cost	
Tourism & catering	Clients, Food & beverage	337,785.89	100.00%	7,841.74	100.00%	4,207.54%

Product classification

In RMB

Product classification	Item	2014		2013		Y-o-y changes
		Amount	Ratio in operation	Amount	Ratio in operation	



			cost		cost	
Guest room	Guest room	8,464.71	2.51%	7,841.74	100.00%	7.94%
Food & beverage	Food & beverage	329,321.18	97.49%	0	0	100%

Note

Operating cost increased 329,944.15 Yuan with 4,207.54% up, main because the breakfast managerial authority in Chinese restaurant was taking back in the Year and food service costs increased

Main suppliers of the Company

Total purchase amount from top five suppliers (RMB)	1,517,284.04
Proportion in total annual purchase amount for top five suppliers	70.45%

Information of top five suppliers of the Company

☐ Applicable ☒ Not applicable

Other situation of main suppliers

☐ Applicable ☒ Not applicable

4. Expenses

Item	2014	2013	y-o-y changes	Ratio changed (%)
Sales expenses	11,783,411.89	11,896,106.61	-112,694.72	-0.95%
Administration expenses	11,423,202.87	12,463,470.06	-1,040,267.19	-8.35%
Financial expenses	39,516.35	54,758.44	-15,242.09	-27.84%
Assets impairment loss	212,606.59	187,419.68	25,186.91	13.44%
Investment income	4,020,000.00		4,020,000.00	100.00%
Non-operating revenue	3,220,345.27	125,394.92	3,094,950.35	2468.16%
Non-operating	6,870.77	41,694.62	-34,823.85	-83.51%



expenditure				
Income tax	0.00	0.00	0.00	0.00%

1. Investment gains mainly due to collect cash dividend by Haikou Luoniushan Petty Loan Co., Ltd. and equity transfer income;
2. Increase of non-operating revenue mainly due to the Company contributed houses and land use rights as investment to establish Sanya Xiangyu E-business Ltd., the value increased when valuation.
3. Decrease of non-operating expenditure mainly due to fixed assets disposal loss decrease

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	2014	2013	Y-o-y changes
Subtotal of cash in-flow from operation activity	23,049,988.56	23,247,225.60	-0.85%
Subtotal of cash out-flow from operation activity	20,617,920.48	20,631,856.83	-0.07%
Net cash flow from operation activity	2,432,068.08	2,615,368.77	-7.01%
Subtotal of cash in-flow from investment activity	14,024,200.00	51,700.00	27,026.11%
Subtotal of cash out-flow from investment activity	741,664.00	11,026,052.00	-93.27%
Subtotal of cash flow from investment activity	13,282,536.00	-10,974,352.00	221.03%
Net increased amount of cash and cash equivalent	15,714,604.08	-8,358,983.23	288.00%

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

☒ Applicable ☐ Not applicable

1. Cash in-flow from investment activity has a y-o-y increased, mainly because investment was taken back from equity transfer and bonus received;
2. Cash out-flow from investment activity has a y-o-y decreased, mainly because monetary investment in the Year decrease over same period of last year;
3. Increase of cash flow from investment activity, mainly because investment was taken back from equity transfer and bonus received and the monetary investment in the Year decrease over same period of last year;
4. Increase of cash and cash equivalent, mainly due to transfer shares to recoup the capital outlay and received dividends as well as current account of Sanya Haiyuan Hotel Management Ltd. had been collected back.



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	20,202,134.10	337,785.89	98.33%	-14.62%	4,207.54%	-1.64%
According to products						
Guest room	19,550,223.60	8,464.71	99.96%	-17.37%	7.94%	-0.01%
Food & beverage	651,910.50	329,321.18	49.48%	100.00%	100.00%	49.48%
According to region						
Hainan	20,202,134.10	337,785.89	98.33%	-14.62%	4,207.54%	-1.64%

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 2014		End of 2013		Ratio changes	Notes of major changes
	Amount	Ratio in total assets	Amount	Ratio in total assets		
Monetary fund	22,550,289.54	19.77%	6,835,685.46	6.00%	13.77%	-
Account receivable	2,632,379.02	2.31%	3,509,377.76	3.08%	-0.77%	-
Inventory	307,057.29	0.27%	317,334.23	0.28%	-0.01%	-
Fix assets	56,301,360.07	49.35%	60,628,905.47	53.20%	-3.85%	-
Account paid in advance	40,778.52	0.04%	201,053.21	0.18%	-0.14%	-
Other account receivable	332,661.26	0.29%	3,299,051.36	2.89%	-2.60%	-
Non-current assets due	196,354.90	0.17%	386,191.87	0.34%	-0.17%	-



within one year						
Financial assets available for Sale	4,500,000.00	3.94%	10,000,000.00	8.77%	-4.83%	-
Intangible assets	27,220,117.68	23.86%	28,586,908.43	25.08%	-1.22%	-
Long-term unamortized expenses		0.00%	196,354.90	0.17%	-0.17%	-

2. Major changes of liability

In RMB

	2014		2013		Ratio changes	Notes of major changes
	Amount	Ratio in total assets	Amount	Ratio in total assets		
Account payable	2,390,345.19	2.10%	2,171,955.96	1.91%	0.19%	-
Account received in advance	1,360,245.91	1.19%	1,599,994.81	1.40%	-0.21%	-
Wages payable	3,451,674.05	3.03%	3,549,851.04	3.11%	-0.08%	-
Taxes payable	-1,155,972.31	-1.01%	-1,164,999.99	-1.02%	0.01%	-
Other payables	23,619,371.11	20.70%	25,892,213.01	22.72%	-2.02%	-

3. Assets and liability measure by fair value

☐ Applicable ☒ Not applicable

4. Main overseas assets

☐ Applicable ☒ Not applicable

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

☒ Applicable ☐ Not applicable

Investment outside		
Investment in the reporting period (RMB)	Investment in the same period of last year (RMB)	Changes
4,500,000.00	10,000,000.00	-55.00%
Invested company		
Name	Main business	Proportion of equity in invested company for listed company
Sanya Xiangyu E-Business Co., Ltd.	E-business, software etc.	18.00%

(2) Holding the equity of financial enterprise

☐ Applicable ☒ Not applicable

The company had not held the equity of financial enterprise in the reporting period-end.

(3) Securities investment

☐ Applicable ☒ Not applicable

The company had no securities investment in the reporting period.

(4) Explanation on equity of other listed company held

☐ Applicable ☒ Not applicable

The Company had no equity of other listed company held in Period.

2. Trust financing, derivative investment and entrusted loans

(1) Trust financing

☐ Applicable ☒ Not applicable

The company had no trust financing in the reporting period.

(2) Derivative investment



☐ Applicable ☒ Not applicable

The company had no derivative investment in the reporting period.

(3) Entrusted loans

☐ Applicable ☒ Not applicable

The company had no entrusted loans in the reporting period.

3. Application of raised proceeds

☐ Applicable ☒ Not applicable

The company had no application of raised proceeds in the reporting period.

4. Main subsidiaries and stock-jointly company analysis

☐ Applicable ☒ Not applicable

The Company had no main subsidiaries or stock-jointly company analysis to be disclosed in the reporting

5. Major projects invested by non-raised fund

☐ Applicable ☒ Not applicable

The company had no major projects invested by non-raised fund in the reporting period.

VII. Prediction of business performance from January –March 2015

Estimation on accumulative net profit from the beginning of the year to the end of next report period to be loss probably or the warning of its material change compared with the corresponding period of the last year and explanation on reason

☐ Applicable ☒ Not applicable

VIII. Special purpose vehicle controlled by the Company

☐ Applicable ☒ Not applicable

IX. Prospect for future development of the Company

1. Industrial development trend and competition facing the Company

With the recovery of world's economy, the improvement of people's income and increased awareness of the tourism consumption, tourist market requirements in and out of China expanding continuously, and with the Hainan International Tourism Island's well-known unique climatic conditions, ocean resource and natural environment both at home and abroad, the development prospects of Hainan tourism market looks good. However, under the influence of State's macro-economic policies and the Party's stayle honesty building has been promoted, and with the external market's increasingly fierce competition, tourists are split frequently. The blind expansions of local family inn and hotel is much more about supply than demand, which including top, middle and low-grade; the normalization of malignant price competitions and more and more serious external operation environment, the hotle industry, as a whole, has great downward pressure.



In recent 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 increasingly fierce in hotel industry of Sanya. 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 2015 annual business plan

(1) Further to strengthen the quality control for 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 risks

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 to 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

☐ Applicable ☒ Not applicable

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

☒ Applicable ☐ Not applicable

1. Changes of accounting policies

Ministry of Finance issued and revised the “Accounting Standard for Business Enterprises – Basic Standards” (amendment), “Accounting Standard for Business Enterprises No. 2 – Long-Term Equity Investment”(amendment), “Accounting Standard for Business Enterprises No. 9 – Employee



Benefits”(amendment), “Accounting Standard for Business Enterprises No. 30 – Presentation of Financial Statements”(amendment), “Accounting Standard for Business Enterprises No. 33 – Consolidated Financial Statements”(amendment), “Accounting Standard for Business Enterprises No. 37 – Presentation of Financial Instruments”(amendment), “Accounting Standard for Business Enterprises No. 39 – Fair Value Measurements”(amendment), “Accounting Standard for Business Enterprises No. 40 – Joint Arrangements”(amendment), “Accounting Standard for Business Enterprises No. 41- Disclosure of Interests in Other Entities”(amendment) etc. in 2014. The Company had made adjustments according to the Accounting Standard for Business Enterprise issued and revised. The Company had changed the relevant accounting policies according to the recent issued and revised Accounting Standards for Business Enterprises, the influence of the amount during the reporting period due to the retrospective adjustment of changes of accounting policies are as follows:

		In RMB
The contents and reasons for the changes of accounting policies	The names of the affected items in the financial statements	2013-12-31
According to the revised “Accounting Standard for Business Enterprises No. 30 – Presentation of Financial Statements”, the amount needed to be amortized within a year of long-term deferred expenses is adjusted to non-current assets maturing within one year.	Long-term deferred expenses	-386,191.87
	Non-current assets maturing within one year	386,191.87
According to the revised “Accounting Standard for Business Enterprises No. 2 – Long-Term Equity Investment”, the investments which are not quoted price on an active market and whose fair value cannot be measured reliably as well as the Company cannot exercise significant influence over the investee are adjusted to available-for-sale financial assets.	Long-term equity investment	-10,000,000.00
	Available-for-sale financial assets	10,000,000.00

2. Changes of accounting estimate

Main accounting estimate of the Company has no change in the Period

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

☐ Applicable ☒ Not applicable

No particular about major accounting errors correction that needs retroactive re-statement for the Company in the reporting.

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

☐ Applicable ☒ Not applicable

No changes in consolidation statement’s scope for the Company in the reporting.

**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	Amount reckoned into cash bonus from cash repurchase	Proportion of the amount reckoned into cash bonus from cash repurchase
2014	0.00	2,503,486.47	0.00%	0.00	0.00%
2013	0.00	-2,199,319.96	0.00%	0.00	0.00%
2012	0.00	2,126,042.00	0.00%	0.00	0.00%

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

The Company has no plans of cash dividend distributed, no bonus shares and has no share converted from capital reserve either for the year

XVI. Social responsibility

☒Applicable ☐Not applicable

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

☒Applicable ☐Not applicable

Date	Place	Way	Type	objects	Main information discussed and material provided
Form January to December in 2014	Sanya	Telephone communication	Individual	Individual investor	Operation situation of the Company, financial state, no material provided
2014-5-21	Haikou	On-line group reception day	Individual	Individual investor	
Reception (times)					26
Number of hospitality					0
Number of individual reception					26
Number of other reception					0
Disclosed, released or let out major undisclosed information					No



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

No non-operational fund occupation from controlling shareholders and its related party in period period.

IV. Bankruptcy reorganization

☐ Applicable ☒ Not applicable

No bankruptcy reorganization for the Company in reporting period

V. Assets transaction

1. Purchase of assets

☐ Applicable ☒ Not applicable

No purchase of assets for the Company in reporting period

2. Assets sold

☒ Applicable ☐ Not applicable

Counterparty	Assets sold	Sales date	Trading price (in 10 thousand Yuan)	Net profit contributed to the listed Company from the begin of the reporting to the sales date (in 10 thousand Yuan)	Impact on Company	Ratio of net profit contributed by the sold assets for listed company in total profit	Pricing principle	Related transaction or not	The related relationship (applicable for related transaction)	Assets rights concerned transferred ownership fully or not	Credit and liability concerned shifted fully or not	Date of disclosure	Index of disclosure
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Hainan Shen gyan Invest ment Co., Ltd.	9.09 percent equity of Haikou Luonius han Petty Loan Co., Ltd.	2014-12-8	1,200	200	Gains 2 million Yuan investm ent earnings	79.89%	Market price	No	Not applicab le	Yes	Yes	2014-12-09	Resolution No.: 2014-045; Notice name "Announcement of Equity Transfer"; released on Securities Times, Hong Kong Commercial Daily and Juchao Website (http://www.cninfo.com.cn) dated 9 December 2014
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3. Enterprise merger

☐ Applicable ☒ Not applicable

No enterprise merger for the Company in reporting period

VI. Implementation and its influence of equity incentive plan

☐ Applicable ☒ Not applicable

No implementation of equity incentive plan for the Company in reporting period

VII. Material related transactions

1. Related transaction with daily operation concerned

☒ Applicable ☐ Not applicable

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 Yuan)	Proportion to amount of transaction or the same type	Settlement method of related transaction	Market price of similar transaction available	Disclosure date	Index of disclosure
Luoniushan Co., Ltd.	First majority shareholder	Consumption	Accommodation and catering	Market price	Market price	7.66	0.38%	Same as the transaction with non-related party	-	-	-
Total				--	--	7.66	--	--	--	--	--
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				No differences							



the way in this period according to classification, as well as actual implementation in reporting period

2. Related transactions by assets acquisition and sold

☐ Applicable ☒ Not applicable

No related transactions by assets acquisition and sold for the Company in reporting period

3. Main related transactions of mutual investment outside

☐ Applicable ☒ Not applicable

No main related transactions of mutual investment outside for the Company in reporting period

4. Contact of related credit and debt

☒ Applicable ☐ Not applicable

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 shareholder	Debt payable to related party	Current account	Yes	80	80	0
Influence on operation result and financial statue of the Company from related credit and debts		N/A					

5. Other related transactions

☐ Applicable ☒ Not applicable

No other related transactions for the Company in reporting period

VIII. Major contract and implantation

1. Trusteeship, contract and leasing

(1) Trusteeship

☐ Applicable ☒ Not applicable

No trusteeship for the Company in reporting period

(2) Contract

☐ Applicable ☒ Not applicable

No contract for the Company in reporting period

(3) Leasing



☐ Applicable ☒ Not applicable

No leasing for the Company in reporting period

2. Guarantee

☐ Applicable ☒ Not applicable

No guarantee for the Company in reporting period

3. Other material contracts

☐ Applicable ☒ Not applicable

No other material contracts for the Company in reporting period

4. Other material transaction

☐ Applicable ☒ Not applicable

No other material transactions for the Company in reporting period

IX. Implementation of commitment

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

☒ Applicable ☐ Not applicable

Commitments	Acceptor	Contents	Commitment time	Commitment period	Implementation
Commitments for Share Merger Reform	The largest shareholder of the Company Luoniushan Co., Ltd	seeking acquisition partners to take asset restructuring	2014-06-27	Within 3 years	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	4
Name of domestic CPA	Liu Zebo, Zhu Meirong

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

On 21 May 2014, the Company holding the fist meeting of 8th session of the Board, and decided to appointed BDO CHINA Shu Lun Pan Certified Public Accountants LLP as the auditing institute of the internal control for year of 2014 and the decision has been deliberated and approved in first extraordinary general meeting of 2014. During the period, auditing fee 80,000 Yuan in total has been paid to the institute for internal control auditing

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

☐ Applicable ☒ Not applicable

XII. Penalty and rectification

☐ Applicable ☒ Not applicable

No penalty and rectification for the Company in reporting period.

XIII. Suspension and delisting after disclosure of annual report

☐ Applicable ☒ Not applicable

XIV. Explanation on other significant events

☐ Applicable ☒ Not applicable

No explanation on other significant events for the Company in reporting period.



XV. Significant events of the subsidiaries

☐ Applicable ☒ Not applicable

XVI. Corporate bond offering

☐ Applicable ☒ Not applicable



Section VI. Changes in Shares and Particulars about Shareholders

I. Changes in shares

1. 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	16,529,200	4.54%				-994,000	-994,000	15,535,200	4.27%
1. State-owned shares									
2. State-owned corporate shares	3,953,400	1.09%				-924,000	-924,000	3,029,400	0.83%
3. Other domestic shares	12,575,800	3.45%				-70,000	-70,000	12,505,800	3.43%
Including: Domestic legal person shares	12,373,800	3.40%				0	0	12,373,800	3.40%
Domestic natural person shares	202,000	0.06%				-70,000	-70,000	132,000	0.04%
II. Unrestricted shares	347,570,800	95.46%				994,000	994,000	348,564,800	95.73%
1. RMB common shares	259,570,800	71.29%				994,000	994,000	260,564,800	71.56%
2. Domestically listed foreign shares	88,000,000	24.17%				0	0	88,000,000	24.17%
III. Total shares	364,100,000	100.00%						364,100,000	100.00%

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**2. Changes of restricted shares**☒ Applicable ☐ Not applicable

In Share

Shareholders' name	Number of shares restricted at Period-beg in	Number of shares released in the Year	Number of new shares restricted in the Year	Number of shares restricted at Period-end	Restriction reasons	Released date
Yangpu Tongrong Investment Management Consultation Co., Ltd.	4,420,800	0	0	4,420,800	Legal commitment in share reform	After remove restricted procedures complete
Sanya Zhongxing Development Co., Ltd.	2,541,000	0	0	2,541,000	Legal commitment in share reform	After remove restricted procedures complete
Sanya Real Estate Valuation Agent	924,000	0	0	924,000	Legal commitment in share reform	After remove restricted procedures complete
Hainan Hong Kong-Macao International Trade Development Co., Ltd.	924,000	0	0	924,000	Legal commitment in share reform	After remove restricted procedures complete
Haikou Dongfang Urban credit Cooperative	924,000	0	0	924,000	Legal commitment in share reform	After remove restricted procedures complete
Hainan Branch of Bank of Communications Co., Ltd.	924,000	0	0	924,000	Legal commitment in share reform	After remove restricted procedures complete
Guangzhou Dongzhan Industrial Co. LTD	924,000	0	0	924,000	Legal commitment in share reform	After remove restricted procedures complete
Shenyang Jin'an Industrial Corporation	831,600	0	0	831,600	Legal commitment in share reform	After remove restricted procedures complete
Hainan Dadonghai Tourism Co.	739,200	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 remove restricted procedures complete
Guangzhou Company of Hainan International Investment Co., Ltd.	660,000	0	0	660,000	Legal commitment in share reform	After remove restricted procedures complete
Southern Industrial and Trading Corporation	660,000	0	0	660,000	Legal commitment in share reform	After remove restricted procedures complete
Beijing Xueli Clothing Accessories Co., Ltd.	132,000	0	0	132,000	Legal commitment in share reform	After remove restricted procedures complete
Xiao Tiefeng	132,000	0	0	132,000	Legal commitment in share reform	After remove restricted procedures complete
Sanya Wangli Building Materials Sales	92,400	0	0	92,400	Legal commitment in share reform	After remove restricted procedures complete
Hainan Nongkeng Sanya Timber Mill	46,200	0	0	46,200	Legal commitment in share reform	After remove restricted procedures complete
Tao Fumin	70,000	70,000	0	0	-	-
Haina Zhongjin Industry&Trade Company	924,000	924,000	0	0	-	-
Total	16,529,200	994,000	0	15,535,200	--	--

II. Securities issue and listing

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

☐ Applicable ☒ Not applicable

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

☐ Applicable ☒ Not applicable

3. Existing internal staff shares

☐ Applicable ☒ Not applicable



III. Shareholders and actual controller

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

In shares

Total common shareholders in reporting period-end	20,901	Total common shareholders at end of the 5 th trading day before annual report disclosed	21,150	Total preference shareholders with voting rights recovered at end of reporting period	0			
Particulars about shares held above 5% by shareholders or top ten shareholders								
Full name of Shareholders	Nature of shareholder	Proportion of shares held	Total shareholder s 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 corporate	16.81%	61,190,270	0	0	61,190,270		
Pan Guoping	Domestic nature person	8.26%	30,079,791	-2949792	0	30,079,791	Pledged	30,000,000
China Everbright Securities (HK) Limited	Foreign corporate	7.28%	26,502,424	18294740	0	26,502,424		
Construction Investment CITIC Assets Management Co., Ltd.	Domestic non state-owned corporate	1.27%	4,620,000	0	0	4,620,000		
Yangpu Tongrong Investment Management Consultation Co., Ltd.	Domestic non state-owned corporate	1.21%	4,420,800	-5729282	4,420,800	0		
CITRINE CAPITAL LIMITED	Foreign corporate	0.90%	3,265,200	0	0	3,265,200		
Sanya Yongli Investment Co., Ltd.	Domestic non state-owned corporate	0.75%	2,714,110	-4215890	0	2,714,110		
Sanya Zhongxing Development Co., Ltd.	Domestic non state-owned corporate	0.70%	2,541,000	0	2,541,000	0		
Sanya Rural Credit Cooperative	Domestic non state-owned corporate	0.63%	2,310,000	0	0	2,310,000		



Yunnan International Trust Co., Ltd. – Yuxin Growth No. 2014-10 Group Capital Trust Plan	Other	0.58%	2,100,000	0	0	2,100,000		
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		30,079,791			Domestically listed foreign share		30,079,791	
China Everbright Securities (HK) Limited		26,502,424			Domestically listed foreign share		26,502,424	
CITRINE CAPITAL LIMITED		3,265,200			Domestically listed foreign share		3,265,200	
Sanya Yongli Investment Co., Ltd.		2,714,110			RMB common share		2,714,110	
Sanya Rural Credit Cooperative		2,310,000			RMB common share		2,310,000	
Yunnan International Trust Co., Ltd. – Yuxin Growth No. 2014-10 Group Capital Trust Plan		2,100,000			RMB common share		2,100,000	
JP MORGAN INTERNATIONAL BANK LIMITED		2,039,071			Domestically listed foreign share		2,039,071	
FOTIC		1,850,101			RMB common share		1,850,101	
Zhongshan Industrial Group Co., Ltd.		1,848,000			RMB common share		1,848,000	
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 shareholders involving margin business about top ten common shareholders with un-restrict shares held		N/A						

Whether top ten common shareholders or top ten common shareholders with un-restrict shares held have a buy-back agreement



dealing in reporting period

☐ Yes ☒ No

The top ten common shareholders or top ten common shareholders with un-restrict shares held of the Company have no buy-back agreement dealing in reporting period.

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	1987-12-19	28408974-7	880,132,000.00	Plantation and cultivation industry; industrial investment; real estate development and management; decoration; processing and sales of agricultural products, animal products, aquatic products as well as fodder(branch of the Company operates with certificate only); sales of parts of cars and motorcycles, electronics, metallic materials (franchised excluded), chemical products (franchised excluded), household appliances, modern office supplies, sporting goods, general merchandise, building material, agricultural and sideline products; development and construction of trading market; rental service and warehouse service. (self-employed the general business, relevant license or approval license should prevail for the licensing projects)(as for the approval projects that pursuant to the law, operation activities should be carried out after relevant authorities approved)
Future development strategy	Found more details in full text of Annual Report 2014 of Luoniushan Co., Ltd.(Short form of the stock: Luoniushan, Stock code: 000735)				
Operation result, financial status, cash flow etc.	Found more details in full text of Annual Report 2014 of 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 2014 of Luoniushan Co., Ltd.(Short form of the stock: Luoniushan, Stock code: 000735)				

Changes of controlling shareholder in reporting period

☐ Applicable ☒ Not applicable

No changes of controlling shareholder for the Company in reporting period

**3. Actual controller of the Company**

Natural person

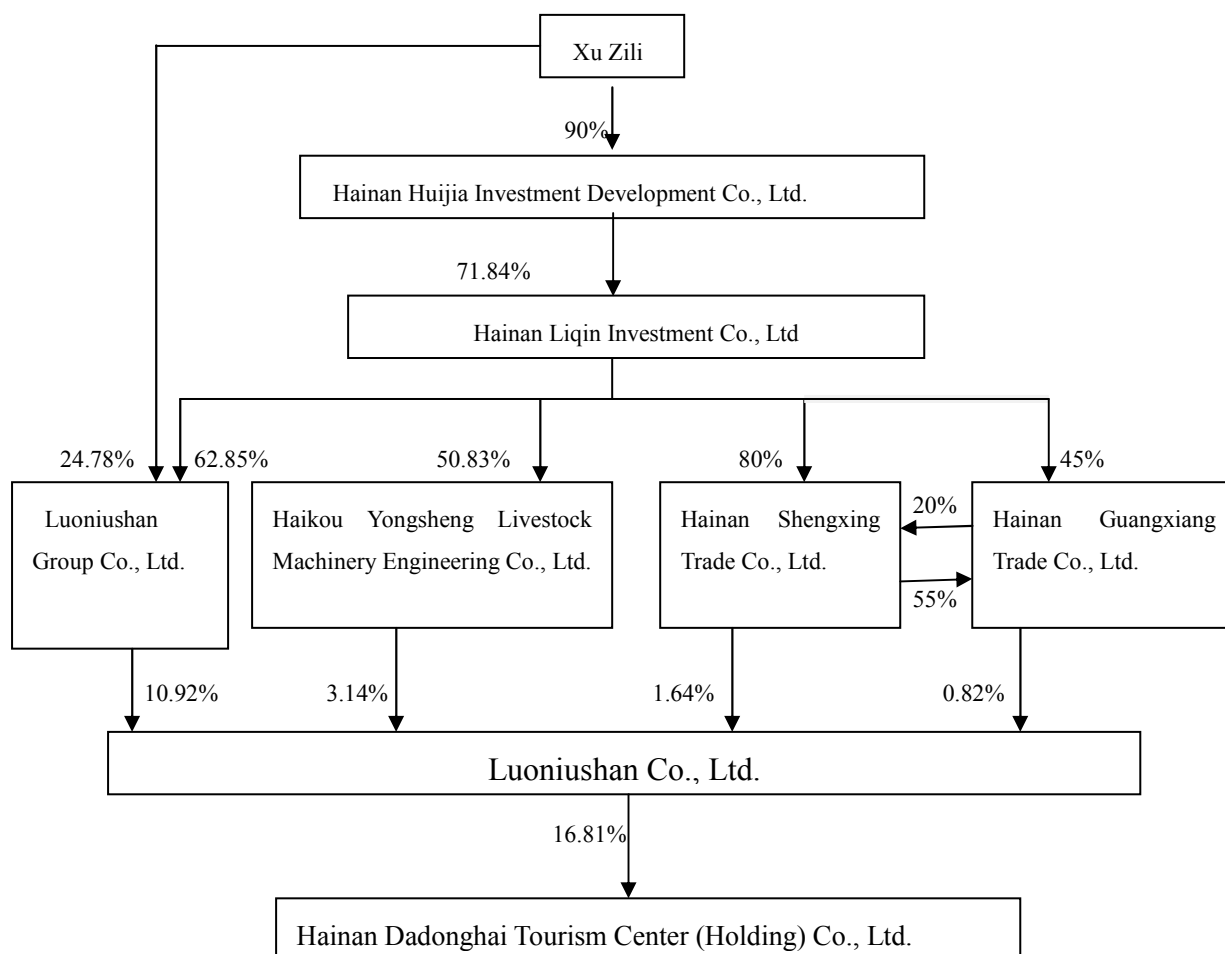
Name of actual controller	Nationality	Whether obtained right of residence of other countries or regions or not
Xu Zili	P.R.C	No
Profession and title in latest five years	Xu Zili, male, was born in 1966, is a senior engineer with a master degree. He successively served as Vice President of Hubei Huangshi 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; he took as the 6th CPPCC member of Hainan Province , the 13 th session of the standing committee of CPPCC of Haikou City, the deputy chairman of national federation of industry and agriculture industry chamber of commerce and the deputy chairman of Hainan Entrepreneur Society.	
Listed company in and out of China controlled in past decades	N/A	

Changes of actual controllers reporting period

☐ Applicable ☒ Not applicable

No changes of actual controllers for the Company in reporting period

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

☐ Applicable ☒ Not applicable

As far as the Company known, there are no shareholders of the Company and their concerted action people propose or implement overweight in the Period



Section VII. Preferred Stock

☐ Applicable ☒ Not applicable

The Company had no preferred stock in the reporting.



Section VIII. 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	64	2001-10-25	2017-05-22	0	0	0	0
Zhao Man	Independent Director	Currently in office	F	62	2014-05-22	2017-05-22	0	0	0	0
Tang Guoping	Independent Director	Currently in office	M	50	2014-05-22	2017-05-22	0	0	0	0
Leng Mingquan	Independent Director	Currently in office	M	59	2014-05-22	2017-05-22	0	0	0	0
Li Wei	Director	Currently in office	M	53	2002-06-16	2017-05-22	0	0	0	0
Liu Juntao	Director	Currently in office	M	46	2002-06-16	2017-05-22	0	0	0	0
Huang Wencai	Chairman of supervisory committee	Currently in office	M	45	2002-06-16	2017-05-22	0	0	0	0
Wang	Supervisor	Currently	F	48	2011-06-16	2017-05-22	0	0	0	0



Jialing		in office								
Liu Xianghai	Supervisor	Currently in office	M	38	2014-05-22	2017-05-22	0	0	0	0
Chen Zhen	CFO	Currently in office	F	50	2014-10-18	2017-05-22	0	0	0	0
Wang Hongjuan	Vice president & secretary of the Board	Currently in office	F	38	2008-04-27	2017-05-22	0	0	0	0
Chen Rijin	Independent Director	Leave the post	M	69	2009-05-21	2014-05-22	0	0	0	0
Li Guangzhong	Independent Director	Leave the post	M	68	2008-06-05	2014-05-22	0	0	0	0
Feng Daan	Independent Director	Leave the post	M	67	2008-06-05	2014-05-22	0	0	0	0
Li Zhi	Supervisor	Leave the post	M	34	2008-06-05	2014-05-22	0	0	0	0
Chen Liurong	Vice president & person in charge of finance	Leave the post	M	50	2001-06-01	2014-09-02	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 deputy director of 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, 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 serves as GM of Sanya Haiya Tourism Co., Ltd. right now; he held the position of director of the Company since 2002.

Independent Directors

Ms. Zhao Man, born in February 1952, member of the CPC, Doctor of Economic, a professor and doctoral tutor. Professional affiliations so far: member of social sciences commission of the Ministry of Education, committee of experts member of the MHRSS, committee of experts member of the Ministry of Civil Affairs, director of academic council of the Center for Social Security Study of Wuhan University, the key research center for social sciences by CECC, standing director of The China Association for Labor Studies, standing director of China Social Insurance Association, member of Advisory Committee of Hubei Provincial Peoples Government, decision-support expert of CPC Hubei Provincial Committee, consultant expert of budget expert group for the Wuhan People's Congress Standarding Committee and member of Expert Consultation Committee of CPC Hubei Provincial Committee Organization Department. Now she serves as independent director of hubei Kaile Technology Co., Ltd. and she took post as independent director of the Company since May 2014.

Mr. Leng Mingquan, born in April 1955, on-job graduate and Master of Administration. He was secretary and section chief of CPC Suizhou Municipal propaganda Department and director of Haikou Office of the Suizhou Government. Now he serves as executive vice president, secretary and legal representative of the Confederation of Hainan Enterprise and Hainan Association of Entrepreneurs; executive chairman of Hainan labor relations tripartite meeting; inspector of Hainan Procuratorate; police-style inspector of Hainan Provincial Public Security Department; specially-invited inspector of Hainan Provincial Supervision Department; member of Hainan Provincial Literature Federation; member of Hainan Federation of Social Science; member of Hainan Provincial Arbitration Committee; director of Hainan Enterprise Credit Evaluation Administration; Chairman of Hainan Dashun Movie & TV Cultural Communication Co., Ltd.; independent director of Hainan Yedao Group and independent director of Haima Automobile Group Co., Ltd. He serves as independent directors of the Company since May 2014.

Mr. Tang Guoping, born in August 1964, hold Doctor degree, a professor, Chinese CPA and member of CPC. Now he serves as dean of the MBA school of Zhongnan University of Economics and Law, and he took member of a council of China Accounting Society, standing director of Hubei Provincial Accounting Society, and also took independent directors of Boai NKY Pharmaceuticals Ltd, Tongling Trinity Technology Co., Ltd. and Wuhan Boiler Company Limited. He serves as independent directors of the Company since May 2014.

**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, once served as accountant of financial dept of the Company; she serves as staff supervisor of the Company since 2011.

Mr. Liu Xianghai, born in April 1976, member of CPC, a senior accountant and senior economist; he was the manager of finance department (finance manager) of Shandong Highway & Bridge Construction Co., Ltd., and CFO of the Haikou Xinxi Trading Co., Ltd. He serves as employee supervisor of the Company since May 2014.

Ms. Chen Zhen, born in July 1964, hold Master's degree, NBA, senior accountant, served as cashier, accountant, chief of financial office of Hainan Port Authority, Haikou Port; vice director of finance department and accountant of Haikou Port Group Co., Ltd.; deputy chief accountant, senior accountant of head office of Hainan Harbore & Shipping Holding Co., Ltd. She serves as CFO of the Company since October 2014.

Ms. 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	Total remuneration obtained from	Remuneration actually obtained at period-end
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					Company	shareholder's unit	
Li Yuanbin	Chairman, General Manager	M	64	Currently in office	31.09	0	31.09
Zhao Man	Independent Director	F	62	Currently in office	2.4	0	2.4
Tang Guoping	Independent Director	M	50	Currently in office	2.4	0	2.4
Leng Mingquan	Independent Director	M	59	Currently in office	2.4	0	2.4
Li Wei	Director	M	53	Currently in office	3.6	0	3.6
Liu Juntao	Director	M	46	Currently in office	3.6	0	3.6
Huang Wencai	Chairman of supervisory committee	M	45	Currently in office	1.8	0	1.8
Wang Jialing	Supervisor	F	48	Currently in office	7.85	0	7.85
Liu Xianghai	Supervisor	M	38	Currently in office	5.29	0	5.29
Chen Zhen	CFO	F	50	Currently in office	3.19	0	3.19
Wang Hongjuan	Vice president and Secretary of the Board	F	38	Currently in office	21.3	0	21.3
Chen Liurong	Deputy GM and person in charge of the Financial	M	50	Leave the post	17.88	0	17.88
Chen Rijin	Independent Director	M	69	Leave the post	1.2	0	1.2
Li Guangzhong	Independent Director	M	68	Leave the post	1.2	0	1.2
Feng Daan	Independent Director	M	67	Leave the post	1.2	0	1.2
Li Zhi	Supervisor	M	32	Leave the	3.46	0	3.46



				post			
Total	--	--	--	--	109.86	0	109.86

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
Chen Rijin	Independent Director	Leave the post while office terms expired	2014-05-22	Terms of office expired
Feng Daan	Independent Director	Leave the post while office terms expired	2014-05-22	Terms of office expired
Li Guangzhong	Independent Director	Leave the post while office terms expired	2014-05-22	Terms of office expired
Li Zhi	Supervisor	Leave the post while office terms expired	2014-05-22	Terms of office expired
Chen Liurong	Deputy GM and person in charge of the Financial	Leave the post	2014-09-02	Leave the post for personal reason

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

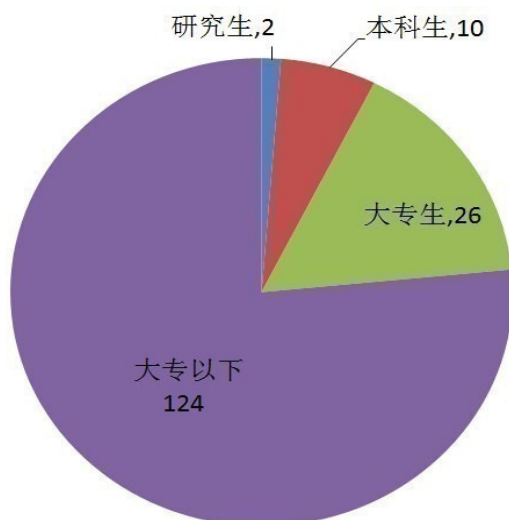
In reporting period, the Company owes 162 personnel in total, including 97 service staff, 18 financial staff, 20 technician, 7 sales personnel and 20 administration staff.

1. Education background of employees:

Category of education degree	Educational background
Master	2 people
Undergraduate	10 people
Junior college	26 people
Junior college below	124 people
Total	162 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 IX. 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	Resolution	Date of disclosure	Index of disclosure
Annual shareholders' general meeting of 2013	2014-05-21	Annual shareholders' general meeting of 2013	1. "work report of the Board for year of 2013"; 2. "work report of Supervisory Committee for year of 2013" 3. "Annual report of 2013 and summary" 4. "Financial Statement for year of 2013"; 5. "Profit distribution plan for year of 2013"; 6. "Accrual and charge off of Assets for impairment"; 7. "proposal of re-engaged financial auditing institution"; 8. "general election of the Board"; 9. "general election of supervisory committee"	2014-05-22	The "Resolution Notice of Annual Shareholders' General Meeting of 2013" (No.: 2014-016) published on Securities Times, Hong Kong Commercial Daily and Juchao website (http://www.cninfo.com.cn) dated 22 May 2014 respectively

2. Extraordinary shareholders' general meeting in the report period

Session of meeting	Date	Name of meeting motion	Situation	Date of disclosure	Index of disclosure
1st extraordinary general meeting for year of 2014	2014-06-10	1st extraordinary general meeting for year of 2014	1. "Proposal of re-engaged financial auditing institution"; 2. "proposal of revised Article of Association"	2014-06-11	The resolution Notice "resolution of 1 st extraordinary general meeting for year of 2014" (No.: 2014-024) published on Securities Times, Hong Kong Commercial Daily and Juchao website (http://www.cninfo.com.cn) dated 11 June 2014
2nd extraordinary general meeting for year of 2014	2014-06-27	2nd extraordinary general meeting for year of 2014	"proposal of commitment changed by majority shareholder of the Company"	2014-06-28	The resolution Notice "resolution of 2 nd extraordinary general meeting for year of 2014" (No.: 2014-031) published on Securities Times, Hong Kong Commercial Daily and Juchao website (http://www.cninfo.com.cn) dated 28 June 2014

**3. Request for extraordinary general meeting by preferred stockholders whose voting rights restore**

☐ Applicable ☒ Not applicable

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
Zhao Man	7	0	7	0	0	No
Tang Guoping	7	0	7	0	0	No
Leng Mingquan	7	0	7	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 2014 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 2014 and the financial status as well as the report on annual financial report audit work arrangement of 2014, 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 early January 2015, 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 middle of January 2015, 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 2014 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 2015.

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, the Company continue to hired Mr. Li Yuanbin as the GM of the Company, Mr. Chen Liurong as deputy GM and financial administrator and Ms. Wang Hongjuan was engaged as deputy GM of the Company as well as secretary of the Board with the same term as to 8th session of the Board. On 2 September 2014, former deputy GM and financial administrator Mr. Chen Liurong requested from the deputy GM and financial administrator due to personal reasons, and Ms. Chen Zhen was engaged as CFO of the Company with the same term as to 8th 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

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

☐ Applicable ☒ Not applicable

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 X. Internal control

I. Construction of internal control

During the reporting period, in strictly 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, formulated the Enterprise Risk Management and Internal Control Manual and established a more complete IC mechanism. In the Articles of Association, the rights and obligations of general meeting, board of directors, board of supervisors and managers are well-defined, 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.

The Self-evaluation Report of IC for year of 2014 has been deliberated and approved by 4th meeting of 8th session of the Board, more details can be found in Juchao Website.

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 the Company's 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 Report, 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. Appraisal report of internal control

Details of major defects in appraisal report of internal control that found in reporting period



No major defects being found in Internal Control during the Period	
Date of appraisal report of internal control (full-text) disclosed	2015-01-31
Index of appraisal report of internal control (full-text) disclosed	Relevant information found in Self-evaluation Report of Internal Control for 2014 published on Juchao Website dated 31 January 2015

V. Auditing report and authentication report of internal control

Auditing report of IC

Deliberation section of auditing report of IC	
To All Shareholders of Hainan Dadonghai Tourism Center (Holdings) Co., Ltd.:	
<p>In accordance with Audit Guideline for Enterprise Internal Control and relevant requirement of the practicing standards of Chinese Certified Public Accountant, we audited the effective-ness of the financial report's internal control for Hainan Dadonghai Tourism Center (Holdings) Co., Ltd. (the Company) dated 31 December 2014.</p> <p>I. As for responsibility of internal control, the Company established and improved and implemented internal control effectively pursuit to Basic Norms of Enterprises Internal Control, Supporting Guidelines for Enterprise Internal Control and Evaluation Guild lines for Enterprises Internal Control, and board of the director is responsible for evaluating its effectiveness.</p> <p>II. Auditor's responsibilities: Our responsibility is to express an opinion on the effectiveness of internal control for the financial statements based on our audit. And disclosed major deficits of noted internal control without financial statement concerned.</p> <p>III. Inherent feature of internal control: the internal control has an inherent limitation, and exist mistakes that can not prevent and being discovered. Moreover, the internal control might be inappropriate due to the changes of conditions, or fails to follow the controlling policies and procedures, to speculate future effectiveness of the internal control in line with the auditing result has a certain risks.</p> <p>IV. Auditing opinion: in our opinion, the Company, in line with Basic Norms of Enterprises Internal Control and relevant regulations, shows an effectiveness internal control of financial report in all major aspects dated 31 December 2014.</p>	
<div style="display: flex; justify-content: space-between;"> <div> <p>BDO CHINA Shu Lun Pan Certified Public Accountants LLP Shanghai, China</p> </div> <div> <p>Certified Public Accountant of China:Liu Zebo Certified Public Accountant of China:Zhu Meirong January 29, 2015</p> </div> </div>	
Disclosure date of audit report of internal control (full-text)	2015-01-31
Index of audit report of internal control (full-text)	Relevant information found in Audit Report of Internal Control for 2014 published on Juchao Website dated 31 January 2015

Issued a modified audit opinions for internal control



☐Y ☒N

Auditing report of internal control issued by CPA shows the same opinion as self-evaluation report issued by the Board

☒Y ☐N

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 XI. Financial Report

I. Audit report

Type of audit opinion	Standard unqualified opinion
Signing date of audit report	2015-01-29
Name of audit institute	BDO CHINA Shu Lun Pan Certified Public Accountants LLP
Document serial of audit report	PCPAR [2015] No.110108
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, 2014, 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, 2014 and its operating results and cash flows for the year then ended.

BDO CHINA Shu Lun Pan
Certified Public Accountants LLP

Certified Public Accountant of China:Liu Zebo

Certified Public Accountant of China:Zhu Meirong

Shanghai, China

January 29, 2015

II. Financial Statement

Expressed in Renminbi unless otherwise stated

1. BALANCE SHEET

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

2014-12-31		In RMB
Item	Closing Balance	Opening Balance
Current assets:		
Monetary funds	22,550,289.54	6,835,685.46
Settlement funds		
Lending funds		
Financial liability measured by fair value and with variation reckoned into current gains/losses		
Derivative financial liability		
Notes receivable		
Accounts receivable	2,632,379.02	3,509,377.76
Prepayments	40,778.52	201,053.21
Insurance receivable		
Reinsurance receivables		
Contract reserve of reinsurance receivable		
Interest receivable		



Dividends receivable		
Other receivables	332,661.26	3,299,051.36
Purchase restituted finance asset		
Inventories	307,057.29	317,334.23
Divided into assets held for sale		
Non-current assets maturing within one year	196,354.90	386,191.87
Other current assets		
Total current assets	26,059,520.53	14,548,693.89
Non-current assets:		
Loans and payments on behalf		
Available-for-sale financial assets	4,500,000.00	10,000,000.00
Held-to-maturity investments		
Long-term receivables		
Long-term equity investments		
Investment real estate		
Fixed assets	56,301,360.07	60,628,905.47
Construction in progress		
Project materials		
Disposal of fixed assets		
Productive biological assets		
Oil and natural gas assets		
Intangible assets	27,220,117.68	28,586,908.43
Research and development costs		
Goodwill		
Long-term deferred expenses		196,354.90
Deferred tax assets		
Other non-current assets		
Total non-current assets	88,021,477.75	99,412,168.80
Total assets	114,080,998.28	113,960,862.69
Current liabilities		
Short-term borrowings		
Loan from central bank		
Absorbing deposit and interbank deposit		
Capital borrowed		
Financial liability measured by fair value and with variation		



reckoned into current gains/losses		
Derivative financial liability		
Notes payable		
Accounts payable	2,390,345.19	2,171,955.96
Accounts received in advance	1,360,245.91	1,599,994.81
Selling financial asset of repurchase		
Commission charge and commission payable		
Wage payable	3,451,674.05	3,549,851.04
Taxes payable	-1,155,972.31	-1,164,999.99
Interest payable		
Dividend payable		
Other accounts payable	23,619,371.11	25,892,213.01
Reinsurance payables		
Insurance contract reserve		
Security trading of agency		
Security sales of agency		
Divided into liability held for sale		
Non-current liabilities due within 1 year		
Other current liabilities		
Total current liabilities	29,665,663.95	32,049,014.83
Non-current liabilities:		
Long-term loans		
Bonds payable		
Including: preferred stock		
Perpetual capital securities		
Long-term account payable		
Long-term wages payable		
Special accounts payable		
Projected liabilities		
Deferred income		
Deferred income tax liabilities		
Other non-current liabilities		
Total non-current liabilities		
Total liabilities	29,665,663.95	32,049,014.83
Owners' equity:		
Share capita	364,100,000.00	364,100,000.00
Other equity instrument		



Including: preferred stock		
Perpetual capital securities		
Capital public reserve	54,142,850.01	54,142,850.01
Less: Inventory shares		
Other comprehensive income		
Reasonable reserve		
Surplus reserve		
Provision of general risk		
Retained profit	-333,827,515.68	-336,331,002.15
Total owner's equity attributable to parent Company	84,415,334.33	81,911,847.86
Minority interests		
Total owner's equity	84,415,334.33	81,911,847.86
Total liabilities and owner's equity	114,080,998.28	113,960,862.69

Legal Representative: Li Yuanbin

Accounting Principal: Chen Zhen

Accounting Firm's Principal: Liu Xianghai

2. Profit statement

In RMB

Item	Current Period	Last Period
I. Total operating income	20,202,134.10	23,660,779.80
Including: Operating income	20,202,134.10	23,660,779.80
Interest income		
Insurance gained		
Commission charge and commission income		
II. Total operating cost	24,932,122.13	25,943,800.06
Including: Operating cost	337,785.89	7,841.74
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	1,135,598.54	1,334,203.53
Sales expenses	11,783,411.89	11,896,106.61
Administration expenses	11,423,202.87	12,463,470.06
Financial expenses	39,516.35	54,758.44
Losses of devaluation of asset	212,606.59	187,419.68
Add: Changing income of fair value(Loss is listed with “-”)		
Investment income (Loss is listed with “-”)	4,020,000.00	
Including: Investment income on affiliated Company and joint venture		
Exchange income (Loss is listed with “-”)		
III. Operating profit (Loss is listed with “-”)	-709,988.03	-2,283,020.26
Add: Non-operating income	3,220,345.27	125,394.92
Including: Disposal earnings of non-current asset	3,126,454.22	795.12
Less: Non-operating expense	6,870.77	41,694.62
Including: Disposal loss of non-current asset	6,870.77	40,494.62
IV. Total Profit (Loss is listed with “-”)	2,503,486.47	-2,199,319.96
Less: Income tax		
V. Net profit (Net loss is listed with “-”)	2,503,486.47	-2,199,319.96
Net profit attributable to owner’s equity of parent Company	2,503,486.47	-2,199,319.96
Minority shareholders’ gains and losses		
VI. Net after-tax of other comprehensive income		
Net after-tax of other comprehensive income attributable to owners of parent company		
(I) Other comprehensive income items which will not be reclassified subsequently to profit of loss		
1. Changes as a result of re-measurement of net defined benefit plan liability or asset		
2. Share of the other comprehensive income of the investee accounted for using equity method which will not be reclassified subsequently to profit and loss		
(II) Other comprehensive income items which will be reclassified subsequently to profit or loss		
1. Share of the other comprehensive income of the investee accounted for using equity method which will be reclassified subsequently to profit or loss		
2. Gains or losses arising from changes in fair value of available-for-sale financial assets		



3. Gains or losses arising from reclassification of held-to-maturity investment as available-for-sale financial assets		
4. The effect hedging portion of gains or losses arising from cash flow hedging instruments		
5. Translation differences arising on translation of foreign currency financial statements		
6. Other		
Net after-tax of other comprehensive income attributable to minority shareholders		
VII. Total comprehensive income	2,503,486.47	-2,199,319.96
Total comprehensive income attributable to owners of parent Company	2,503,486.47	-2,199,319.96
Total comprehensive income attributable to minority shareholders		
VIII. Earnings per share:		
(i) Basic earnings per share	0.0069	-0.0060
(ii) Diluted earnings per share	0.0069	-0.0060

Enterprise combine under the same control in the Period, the combined party realized net profit of 0 Yuan before combination, and realized 0 Yuan at last period for combined party

Legal Representative: Li Yuanbin

Accounting Principal: Chen Zhen

Accounting Firm's Principal: Liu Xianghai

3. Cash flow statement

In RMB

Item	Current Period	Last Period
I. Cash flows arising from operating activities:		
Cash received from selling commodities and providing labor services	19,224,101.23	22,389,511.92
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 amount from disposal financial assets that measured by fair value and with variation reckoned into current gains/losses		
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	3,825,887.33	857,713.68
Subtotal of cash inflow arising from operating activities	23,049,988.56	23,247,225.60
Cash paid for purchasing commodities and receiving labor service	4,327,919.22	5,186,782.24
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	8,787,810.43	7,479,198.86
Taxes paid	2,575,932.59	3,189,361.65
Other cash paid concerning operating activities	4,926,258.24	4,776,514.08
Subtotal of cash outflow arising from operating activities	20,617,920.48	20,631,856.83
Net cash flows arising from operating activities	2,432,068.08	2,615,368.77
II. Cash flows arising from investing activities:		
Cash received from recovering investment	10,000,000.00	
Cash received from investment income	4,020,000.00	
Net cash received from disposal of fixed, intangible and other long-term assets	4,200.00	51,700.00
Net cash received from disposal of subsidiaries and other units		
Other cash received concerning investing activities		
Subtotal of cash inflow from investing activities	14,024,200.00	51,700.00
Cash paid for purchasing fixed, intangible and other long-term assets	167,410.00	1,026,052.00
Cash paid for investment	574,254.00	10,000,000.00
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	741,664.00	11,026,052.00
Net cash flows arising from investing activities	13,282,536.00	-10,974,352.00
III. Cash flows arising from financing activities:		
Cash received from absorbing investment		
Including: Cash received from absorbing minority shareholders' investment by subsidiaries		
Cash received from loans		



Cash received from issuing bonds		
Other cash received concerning financing activities		
Subtotal of cash inflow from financing activities		
Cash paid for settling debts		
Cash paid for dividend and profit distributing or interest paying		
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	15,714,604.08	-8,358,983.23
Add: Balance of cash and cash equivalents at the period -begin	6,835,685.46	15,194,668.69
VI. Balance of cash and cash equivalents at the period -end	22,550,289.54	6,835,685.46

Legal Representative: Li Yuanbin

Accounting Principal: Chen Zhen

Accounting Firm's Principal: Liu Xianghai

**4. Statement on Changes of Owners' Equity**

Current Period

In RMB

Item	Current Period												
	Owners' equity attributable to the parent Company										Minority interests	Total owners' equity	
	Share capital	Other equity instrument			Capital reserve	Less: Inventory shares	Other comprehensive income	Reasonable reserve	Surplus reserve	Provision of general risk			Retained profit
Preferred stock		Perpetual capital securities	Other										
I. Balance at the end of the last year	364,100,000.00				54,142,850.01						-336,331,002.15		81,911,847.86
Add: Changes of accounting policy													
Error correction of the last period													
Enterprise combine under the same control													
Other													
II. Balance at the beginning of this year	364,100,000.00				54,142,850.01						-336,331,002.15		81,911,847.86
III. Increase/ Decrease in this year (Decrease is listed with “-”)											2,503,486.47		2,503,486.47
(i) Total comprehensive income											2,503,486.47		2,503,486.47
(ii) Owners’ devoted and decreased capital													
1.Common shares invested by shareholders													
2. Capital invested by holders of other equity instruments													
3. Amount reckoned into owners equity with share-based payment													
4. Other													
(III) Profit distribution													
1. Withdrawal of surplus reserves													



2. Withdrawal of general risk provisions													
3. Distribution for owners (or shareholders)													
4. Other													
(IV) Carrying forward internal owners' equity													
1. Capital reserves converted to capital (share capital)													
2. Surplus reserves converted to capital (share capital)													
3. Remedying loss with surplus reserve													
4. Other													
(V) Reasonable reserve													
1. Withdrawal in the report period													
2. Usage in the report period													
(VI) Others													
IV. Balance at the end of the report period	364,100,000.00				54,142,850.01							-333,827,515.68	84,415,334.33

Last Period

In RMB

Item	Last Period												
	Owners' equity attributable to the parent Company											Minority interests	Total owners' equity
	Share capital	Other equity instrument			Capital reserve	Less: Inventory shares	Other comprehensive income	Reasonable reserve	Surplus reserve	Provision of general risk	Retained profit		
		Preferred stock	Perpetual capital securities	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													



Enterprise combine under the same control													
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) Total comprehensive income											-2,199,319.96		-2,199,319.96
(ii) Owners' devoted and decreased capital													
1.Common shares invested by shareholders													
2. Capital invested by holders of other equity instruments													
3. Amount reckoned into owners equity with share-based payment													
4 Other													
(III) Profit distribution													
1. Withdrawal of surplus reserves													
2. Withdrawal of general risk provisions													
3. Distribution for owners (or shareholders)													
4. Other													
(IV) Carrying forward internal owners' equity													
1. Capital reserves conversed to capital (share capital)													
2. Surplus reserves conversed to capital (share capital)													
3. Remedying loss with surplus reserve													
4. Other													
(V) Reasonable reserve													



1. Withdrawal in the report period													
2. Usage in the report period													
(VI)Others													
IV. Balance at the end of the report period	364,100,000.00				54,142,850.01						-336,331,002.15		81,911,847.86



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. The Company operates business in the industry of tourism and catering services.

As of December 31, 2014, the Company’s total capital stock is 364,100,000 shares. 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. 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).

The scope of consolidated financial statements include the Company headquarter and South China Grand Hotel with Independent accountability.

IV. Basis of preparation for financial statements

1. Basis of preparation

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 concrete accounting standards, Accounting Standards for Business Enterprises – Application Guidelines, 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 2014) by the China Securities Regulatory Commission.

2 Going concern

The Company is currently operating normal, net cash flows from operating activities is positive, the Company is expected to continue operate as going concern in the next twelve months.

V. Principal accounting policies and estimates

Tips of accounting policies and estimates:

Nil

1. 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, 2014, and its operating results, cash flows and other related information for the year then ended.

2. Accounting period

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

3. Operating cycle

The operating cycle of the Company is twelve months.

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

Nil

6. Methods for preparation of consolidated financial statements

Nil

7. Accounting treatment for joint venture and joint operation

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 transactions

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

Balances of foreign currency monetary items are measured at the spot exchange rate on the balance sheet date. The exchange difference arising therefrom 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 therefrom 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 and whose variation is included in the current profit and loss, including financial assets or financial liabilities held for trading and financial assets or financial liabilities directly designated to be measured at fair value through current profit and loss, held-to-maturity investments, accounts receivables, available-for-sale financial assets and other financial liabilities, etc.

2. Recognition basis and measurement method of financial instruments

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

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

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

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



(2) Held-to-maturity investments

Held-to-maturity investments are initially recorded at fair values plus the related trade expenses when acquired (deducting bond interests that have matured but not been drawn). The interest revenue calculated at amortization cost and effective interest rate (nominal interest rate is adopted when the difference between the actual interest rate and the nominal interest rate is minor) during the holding period is recognized as investment income. Effective interest is recognized when obtained, and remains unchanged in the predictable holding period or applicable shorter period.

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

(3) Accounts receivable

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

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

(4) Available-for-sale financial assets

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

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

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

(5) Other financial liabilities

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



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

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

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

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

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

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

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

4. Derecognition criteria of financial liabilities

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

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

Upon total or partial derecognition of financial liabilities, the difference between the book value of the financial



liabilities derecognized and the consideration paid (including non-cash assets surrendered or new financial liabilities assumed) shall be included in the current profit and loss.

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

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

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

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

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

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

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

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

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

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

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

**11. Accounts receivable****(1) Provision for bad debts of account receivables that 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.
Method of provision for bad debts of accounts receivable that are individually significant	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	Provision for bad debts
Aging portfolio	Aging analysis method

Proportions of provision for bad debts on the basis of aging analysis in portfolios:

√Applicable □Not applicable

Aging	Proportion of provision for account receivable	Proportion of provision for other receivables
Within 1 year (including 1 year)	0.00%	0.00%
1—2 years	5.00%	5.00%
2—3 years	15.00%	15.00%
3—4 years	25.00%	25.00%
4—5 years	50.00%	50.00%
More than five years	100.00%	100.00%

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.

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

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

Perpetual inventory system is adopted.

5. Amortization method of low-cost consumables and packaging materials

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

13. Divided into assets held for sale

Nil



14. Long-term equity investments

1. Determination basis of joint control or significant influence over the investee

Joint control is the relevant agreed sharing of control over an arrangement, and the arranged relevant activity must be decided under unanimous consent of the parties sharing control. When the company and other joint parties do joint control and have rights to the net assets over an investee, the investee shall be the company's 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. When an investing enterprise is able to have significant influences on an investee, the investee shall be its associate.

2. Determination of initial investment cost

(1) Long-term equity investments acquired from business combinations

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 difference between the initial investment cost and the carrying amount of cash paid, non-cash assets transferred, liabilities assumed and par value of share issued shall be adjusted to the stock premium in the capital reserved; if there is no sufficient premium in the capital reserve for write-downs, the retained earnings are adjusted.

When exercising control over an investee under common control due to additional investment or other reasons, the initial investment cost of the long-term equity investment shall be determined by the absorbing party's share of the net assets of the party being absorbed in the consolidated financial statements of the ultimate controlling party at combination date. The difference between the initial investment cost of the long-term equity investment at combination date and the sum of the total of the carrying amount of equity investment held by the acquirer before the combination date and the newly increased investment on the combination date shall be adjusted to share premium. If the balance of share premium is not sufficient, any excess shall be adjusted to retained earnings.

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.

When exercising control over an investee not under common control due to additional investment or other reasons, in stand-alone financial statements, the investor shall change to the cost method and use the carrying amount of the previously-held equity investment, together with the additional investment cost, as the initial investment cost under the cost method. The audit, legal, valuation and consulting fees, other intermediary fees, and related administrative fees paid by the absorbing party or acquirer for the business combination, shall be recognized in profit or loss as incurred; the cost of issuing equity securities or debt securities as the combination consideration shall be included in the initial cost of the equity securities or debt securities.



(2) Long-term equity investments 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.

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 together with relevant taxes 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 are recognized as the initial cost of long-term equity investment traded in.

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

3. Subsequent measurement and recognition of profit or loss

(1) Long-term equity investment adopting cost method

Long-term equity investments of the Company in its subsidiaries are accounted for at 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 current investment income.

(2) Long-term equity investment adopting equity method

A long-term equity investment in an associate or a joint venture shall be accounted for using the equity method. 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.

The Company recognizes the share of the investee's net profits or losses, as well as its share of the investee's other comprehensive income, as investment income or losses and other comprehensive income, and adjusts the carrying amount of the investment accordingly. The carrying amount of the investment shall be reduced by the portion of any profit distributions or cash dividends declared by the investee that is attributable to the investor. The investor's share of the investee's owners' equity changes, other than those arising from the investee's net profit or loss, other comprehensive income or profit distribution, would be recognized in the investor's equity, and the carrying amount of the long-term equity investment shall be adjusted accordingly.



The Company recognizes its share of the investee's net profits or losses after making appropriate adjustments based on the fair values of the investee's identifiable net assets at the acquisition date according to the Company's accounting policies and accounting period. 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, other comprehensive income and other changes in owners' equity attributed to the company recorded in the consolidated financial statements.

The unrealized profits or losses resulting from transactions between the company and its associate or joint venture are eliminated in proportion to the company's equity interest in the investee, based on which investment income or losses shall be recognized. Any losses resulting from transactions between the investor and the investee, which are attributable to asset impairment shall be recognized in full. The transactions of investing or selling assets between the company and its associate or joint venture are accounted for under relevant accounting policies when the asset constitutes a business.

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 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.

(3) Disposal of long-term equity investment

On disposal of a long-term equity investment, the difference between the proceeds actually received and the carrying amount shall be recognized in profit or loss for the current period.

For a long-term equity investment accounted for using the equity method, any other comprehensive income previously recognized shall be accounted for on the same basis as would have been required if the investee had directly disposed of the related assets or liabilities on a pro-rata basis upon the disposal of the equity investment. The owners' equity recognized due to the investor's share of the investee's owners' equity changes, other than those arising from the investee's net profit or loss, other comprehensive income or profit distribution, is included in current profit or loss on a pro-rata basis.

When the Company can no longer exercise joint control of or significant influence over an investee due to partial disposal of equity investment or other reasons, the remaining equity investment shall be accounted for in



accordance with “Accounting Standard for Business Enterprises No.22-Financial Instruments: Recognition and Measurement”. The difference between the fair value and the carrying amount at the date of the loss of joint control or significant influence shall be charged to profit or loss for the current period. When the previously-held equity investment is accounted for under the equity method, any other comprehensive income previously recognized shall be accounted for on the same basis as would have been required if the investee had directly disposed of the related assets or liabilities for the current period upon discontinuation of the equity method. The owners’ equity recognized due to the investor’s share of the investee’s owners’ equity changes, other than those arising from the investee’s net profit or loss, other comprehensive income or profit distribution, is transferred to current profit or loss upon discontinuation of the equity method.

When no longer exercise control over an investee due to partial disposal of equity investment or other reasons, and with the retained interest, still has joint control of , or significant influence over, the investee, when preparing the individual financial statements, the Company shall change to the equity method and adjust the remaining equity investment as if the equity method had been applied from the date of the first acquisition. If the Company can not exercise joint control of or significant influence over the investee after partial disposal of equity investment, the remaining equity investment shall be accounted for in accordance with “Accounting Standard for Business Enterprises No.22-Financial Instruments: Recognition and Measurement”, and the difference between the fair value and carrying amount at the date of the loss of control shall be charged to profit or loss for the current period.

The equity investment disposed was obtained over additional investment or other reasons through business combination, when preparing the individual financial statements, and the remaining equity investment accounted on cost method or equity method, the other comprehensive income and other owner’s equity recognized due to the equity investment held before acquisition date was accounted for under the equity method are carried forward on a pro-rata basis; when the remaining equity investment is accounted for in accordance with “Accounting Standard for Business Enterprises No. 22 – Financial Instruments: Recognition and Measurement”, the other comprehensive income and other owner’s equity are totally carried forward.

15. Investment real estate

Measurement model of investment real estate

Not applicable

16. 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.

Classification of fixed assets: Fixed assets are classified into buildings and constructions, machinery equipment, transportation equipment, electronic entertainment equipment, other equipment and Improvement. Fixed assets are initially measured at their actual cost when acquired. The costs of a purchased fixed asset are determined at the purchase price, the relevant taxes, and the traffic expenses, loading and unloading fees, installation fees and professional service fees arising from preparing the fixed asset for its intended use. If the payment for a fixed asset is delayed beyond the normal credit conditions and it is of financing nature in effect, the costs of the fixed asset shall be determined based on the present value of the purchase price. The cost of a self-constructed fixed asset shall be formed by the necessary expenses incurred for preparing the asset for its intended use. The fixed assets which the debtor uses to pay back the debt in debt restructuring should be recognized at the fair value of the fixed assets. The difference between the book value of restructured debts and the fair value of fixed assets used to pay back the debt should be recorded into current profit and loss; On the premise that non-monetary asset trade is of commercial nature and the fair value of the asset traded in or out can be measured reliably, the fixed asset traded in with non-monetary asset should be recognized at the fair value of the asset traded out, unless any unambiguous evidence indicates that the fair value of the asset traded in is more reliable; as to the non-monetary asset trade not meeting the aforesaid premise, the book value of the asset traded out and related taxes and surcharges payable should be recognized as the cost of the fixed asset, with gains or losses not recognized. As for the book-entry value, the fixed assets acquired from the absorption and merger of an enterprise under common control are recognized at the book value of the merged enterprise; the fixed assets acquired from the absorption and merger of an enterprise not under common control are recognized at the fair value. The book-entry value of a fixed asset acquired under financing lease is measured at the asset's fair value on the commencement date of the lease or the present value of the minimum lease payment, whichever is lower.

(2) Method of provision for impairment of fixed assets

Category	Depreciated	Estimated useful life (Year)	Estimated net residual rate	Annual depreciation rate
Buildings and constructions	straight-line-method	20-40	5.00%	4.75-2.37
Machinery equipment	straight-line-method	8-20	5.00%	8-20
Electronic entertainment equipment	straight-line-method	5-16	5.00%	19-5.93
Transportation equipment	straight-line-method	7-12	5.00%	13.57-7.91
Other equipment	straight-line-method	8	5.00%	11.87
Improvement	straight-line-method	5	5.00%	19

**(3) Recognition basis, pricing and depreciation method for fixed assets under financing lease****17. Construction in progress**

The initial book values of the fixed assets are stated at total expenditures incurred before construction in progress reaches 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.

18. Borrowing costs

The initial book values of the fixed assets are stated at total expenditures incurred before reaching working condition for their intended use. For construction in progress that has reached working condition for intended use but relevant budgets for the completion of projects have not been completed, the estimated values of project budgets, prices, or actual costs should be included in the costs of relevant fixed assets, and depreciation should be provided according to relevant policies of the Company when working condition is reached. After the completion of budgets needed for the completion of projects, the estimated values should be substituted by actual costs, but depreciation already provided is not adjusted.

19. Biological assets

Nil

20. Oil-and-gas assets

Nil

21. Intangible assets**(1) Measurement, service life and impairment test****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

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

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.

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.

**(2) Accounting policy for internal research and development spending****22. Impairment of long-term assets**

If there is any indication that the long-term assets such as long-term equity investment, investment properties accounted through cost pattern, fixed assets, construction in progress, intangible assets etc. may be impaired at the balance sheet date, an impairment test would be implemented. If the result of impairment test indicates the recoverable amounts of the long-term assets are lower than their book values, the difference between the recoverable amounts and book values is recognized as impairment loss, provisions for impairment of the long-term assets are made. The recoverable amounts of the long-term assets are the higher of their fair values less costs to disposal and the present values of the estimated future cash flows of the long-term assets. The provision for impairment is recognized and calculated on the individual basis. 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 asset group is the minimum asset group which can generate cash flows independently.

The mentioned impairment loss will not be reversed in subsequent accounting period once it had been recognized.

23. 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
Hotel exterior wall decoration	4 years

24. Employee compensation**(1) Short-term employee benefits**

The Company recognizes, in the accounting period in which an employee provides service, actually occurred short-term employee benefits as a liability, with a corresponding charge to current profit or loss or relevant cost of assets.

Payments made by the Company of social security contributions for employees, and union running costs and employee education costs provided in accordance with relevant requirements, in the accounting period in



which employees provide services, is calculated according to prescribed bases and percentages of provision in determining the amount of employee benefits.

Employee benefits which are non-monetary benefits are measured at fair value.

(2) Post-employment benefits

Payments made by the Company of basic endowment insurance and unemployment insurance in accordance with relevant requirements of local government, in the accounting period in which employees provide services, is calculated according to prescribed bases and percentages of provision of local requirements in determining the amount payable, is recognized as a liability, with a corresponding charge to current profit or loss or relevant cost of assets.

(3) Termination benefits

When the Company cannot unilaterally withdraw the offer of termination benefits because of an employment termination plan or a curtailment proposal, or when the Company recognizes costs or expenses related to a restructuring that involves the payment of termination benefits (the earlier is adopted), the employee benefits liabilities caused by termination benefits are recognized and included in current profit or loss.

(4) Accounting method for other long-term employee benefits

Nil

25. 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) the obligation is a present obligation of the Company;
- (2) the performance of the 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 circumstances:

If there is continuous range (or interval) for the necessary expenses, and probabilities of occurrence of all the outcomes within this range are equal, the best 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.

26. Share-based payment

Nil

27. Other financial instrument as preferred stock and perpetual capital securities

Nil

28. 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) Recognition criteria of revenue from selling goods and specific recognition timing criteria of revenue of the Company

The Company provides hotel accommodation service as well as goods. After the recognition of both housekeeping department and hotel reception desk, the daily business report is established. The accounting department makes sure the significant risks and rewards of ownership of the goods have been transferred to the client, the selling revenue is recognized.

2. Recognition and measurement principles of revenue from providing labor services

(1) The hotel room service, catering (breakfast) service etc. of the Company, after the hotel room service, catering (breakfast) service etc. had provided, and each consumption department had checked with the receptionist, the daily business report and detailed report of account receivables are established, and the reports are submitted to accounting department, which recognizes the revenue after examining the daily reports.

(2) Revenue from outsourced restaurant and site rental is recognized according to contract or agreement time period and time of collecting.

3. 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.

29. Government subsidies

(1) Recognition basis and accounting treatment for government subsidies related to assets

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

(2) Recognition basis and accounting treatment for government subsidies related to income

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.

30. Deferred income tax assets and deferred income tax liabilities

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.

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.

31. Leasing

(1) Accounting of operating lease

1. 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.

2. 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 treatment of finance lease

32. Other significant accounting policies and estimate

Nil

33. Significant accounting policies and changes of accounting estimate

(1) Changes of major accounting policies

☐Applicable ☒ Not applicable

(2) Changes of major accounting estimate

☐Applicable ☒ Not applicable

34. Other

VI. Taxation

1. Major tax types and tax rates

Taxation type	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	RMB 18/m ²

As for the taxpaying body with different tax rate for enterprise income tax, disclosed explanations: Nil

**2. Tax preference**

Nil

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

In RMB

Item	Ending balance	Beginning balance
Cash	346,943.61	613,560.04
Bank deposit	22,203,345.93	6,209,144.39
Other monetary funds		12,981.03
Total	22,550,289.54	6,835,685.46

Other explanation

Nil

2. Financial assets measured by fair value and with variations reckoned into current gains/losses

Nil

3. Derivative financial assets☐Applicable ☒Not applicable**4. Notes receivables**

Nil

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

In RMB

Type	Ending balance					Beginning balance				
	Book balance		Provision for bad debts		Book value	Book balance		Provision for bad debts		Book value
	Amount	Proportion (%)	Amount	Provision ratio		Amount	Proportion (%)	Amount	Provision ratio	
Accounts receivable with large single amount and accrued for provision of bad debt on a single basis	1,464,505.49	29.36%	1,464,505.49	100.00%	0.00	1,339,625.51	24.14%	1,339,625.51	100.00%	0.00
Accounts receivable accrued for provision of	3,523,141.14	70.64%	890,762.12	25.28%	2,632,379.02	4,208,809.28	75.86%	699,431.52	16.62%	3,509,377.76



bad debt by portfolio										
Total	4,987,646.63	100.00%	2,355,267.61		2,632,379.02	5,548,434.79	100.00%	2,039,057.03		3,509,377.76

Accounts receivable with large single amount and accrued for provision of bad debt on a single basis at period-end:

√ Applicable □ Not applicable

In RMB

Content of accounts receivable	Ending balance			
	Accounts receivable	Provision for bad debts	Provision ratio	Reason for provision
Sanya Power Supply Company	773,409.98	773,409.98	100.00%	Expected unrecoverable due to long account age
Hainan Hong Kong & Macao International Tourism Ltd.	464,563.21	464,563.21	100.00%	Expected unrecoverable due to long account age
Sanya City Council reception	101,652.32	101,652.32	100.00%	Expected unrecoverable due to long account age
LLC SOUTH CROSS TRAVELINN	124,879.98	124,879.98	100.00%	Had declared bankruptcy
Total	1,464,505.49	1,464,505.49	--	--

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

√ Applicable □ Not applicable

In RMB

Aging	Ending balance		
	Accounts receivable	Provision for bad debts	Provision ratio
Within 1 year			
Subtotal within one year	238,732.56	0.00	
1-2 years	2,031,831.46	101,591.57	5.00%
2-3 years	461,782.20	69,267.33	15.00%
3-4 years	22,459.00	5,614.75	25.00%
4-5 years	108,094.91	54,047.46	50.00%
More than five years	660,241.01	660,241.01	100.00%
Total	3,523,141.14	890,762.12	

Portfolio recognized:

Based on aging

Accounts receivable accrued for provision of bad debt by percentage of balance in portfolio:

□ Applicable √ Not applicable

Accounts receivable accrued for provision of bad debt by other methods in portfolio:

Nil

(2) Provision for bad debts accrued, regain or switch back in the Period

In the Period, 316,210.58 Yuan accrued for provision of bad debts; no provision for bad debts regains or switch back in the Period.

Nil

(3) Account receivables actually cancel after verification in Period

Nil

**(4) Top five account receivables collected by arrears party at ending balance****Top five accounts receivable**

Name	Relationship with the Company	Book balance	Aging	Proportion in total accounts receivable (%)
Sanya Haiyuan Hotel Management Ltd.	Non-related party	2,602,716.62	Within 3 years	52.18
Sanya Power Supply Company	Non-related party	775,304.98	More than five years	15.54
Hainan Hong Kong & Macao International Tourism Ltd.	Non-related party	464,563.21	More than five years	9.31
LLC SOUTH CROSS TRAVELINN	Non-related party	124,879.98	Within 1 year	2.50
Sanya City Council reception	Non-related party	101,652.32	More than five years	2.04
Total		4,069,117.11		81.57

(5) Account receivables recognition terminated due to transfer of financial assets

Nil

(6) Account receivables transferred and assets & liability formed by its continuous involvement

Nil

6. Prepayments**(1) Aging analysis of repayment**

In RMB

Aging	Ending balance		Beginning balance	
	Amount	Proportion (%)	Amount	Proportion (%)
Within 1 year	40,778.52	100.00%	201,053.21	100.00%
Total	40,778.52	--	201,053.21	--

Reasons for significant repayment with over one year age without settle:

(2) Top five prepayment collected by objects at ending balance

Other explanation:

The prepayments are prepaid insurance fees, newspapers and books fees, etc.

7. Interest receivables

Nil

8. Dividend receivables

Nil

**9. Other receivables****(1) Other receivables by type:**

In RMB

Type	Ending balance					Beginning balance				
	Book balance		Provision for bad debts		Book value	Book balance		Provision for bad debts		Book value
	Amount	Proportion (%)	Amount	Provision ratio		Amount	Proportion (%)	Amount	Provision ratio	
Other receivables with large single amount and accrued for provision of bad debt on a single basis	77,363,143.31	98.64%	77,363,143.31	100.00%	0.00	77,363,143.31	94.93%	77,363,143.31	100.00%	0.00
Other receivables accrued for provision of bad debt by portfolio	1,064,685.19	1.36%	732,023.93	68.75%	332,661.26	4,134,679.28	5.07%	835,627.92	20.21%	3,299,051.36
Total	78,427,828.50	100.00%	78,095,167.24		332,661.26	81,497,822.59	100.00%	78,198,771.23		3,299,051.36

Other receivables with large single amount and accrued for provision of bad debt on a single basis at period-end:

√ Applicable □ Not applicable

In RMB

Content of other receivables	Ending balance			
	Other receivables	Provision for bad debts	Provision ratio	Reason for provision
Hainan Dadonghai Hotel Co.,	54,767,945.15	54,767,945.15	100.00%	Unrecoverable



Ltd.				
Cash dividends distributed in 1994-1996	16,899,000.00	16,899,000.00	100.00%	Unrecoverable
Hainan Hong Kong & Macao International Tourism Ltd.	4,145,704.16	4,145,704.16	100.00%	Unrecoverable
Guangdong Jinma Tourism Ltd.	1,200,494.00	1,200,494.00	100.00%	Unrecoverable
Shareholder custody fee	350,000.00	350,000.00	100.00%	Unrecoverable
Total	77,363,143.31	77,363,143.31	--	--

Other receivables accrued for provision of bad debt by aging analysis method in portfolio:

√ Applicable □ Not applicable

In RMB

Aging	Ending balance		
	Other receivables	Provision for bad debts	Provision ratio
Within 1 year			
Subtotal within one year	308,799.04		
1-2 years	21,000.00	1,050.00	5.00%
2-3 years	4,235.61	635.34	15.00%
3-4 years	288.70	72.17	25.00%
4-5 years	190.85	95.43	50.00%
More than five years	730,170.99	730,170.99	100.00%
Total	1,064,685.19	732,023.93	

Portfolio recognized:

Based on aging

Other accounts receivable accrued for provision of bad debt by percentage of balance in portfolio:

□ Applicable √ Not applicable

Other accounts receivable accrued for provision of bad debt by other methods in portfolio:

□ Applicable √ Not applicable

(2) Provision for bad debts accrued, regain or switch back in the Period

There is no provision for bad debts accrued in the Period; and 103,603.99 Yuan regains or switch back in the Period. Including the followed significant amount:

In RMB

Company	Regains or switch back	Way of regain
Sanya Haiyuan Hotel Management Ltd.	2,808,368.63	Monetary fund
Total	2,808,368.63	--

The commission sale of guest rooms collected from Sanya Haiyuan Hotel Management Ltd., and withdrawal bad debt provision by aging analysis originally.

(3) Other account receivables actually cancel after verification in Period

Nil

(4) Other account receivables category by nature of money

In RMB



Nature of money	Ending book balance	Beginning book balance
With hotel management concerned	764,685.19	3,773,053.82
Without hotel management concerned	77,663,143.31	77,724,768.77
Total	78,427,828.50	81,497,822.59

(5) Top five other account receivables collected by arrears party at ending balance

In RMB

Company name	Nature of money	Ending balance	Aging	Proportion in total other receivables	Ending balance of bad debt provision
Hainan Dadonghai Hotel Co., Ltd.		54,767,945.15	More than five years	69.83%	54,767,945.15
Cash dividends distributed in 1994-1996		16,899,000.00	More than five years	21.55%	16,899,000.00
Hainan Hong Kong & Macao International Tourism Ltd.		4,145,704.16	More than five years	5.29%	4,145,704.16
Guangdong Jinma Tourism Ltd.		1,200,494.00	More than five years	1.53%	1,200,494.00
Shareholder custody fee		350,000.00	More than five years	0.45%	350,000.00
Total	--	77,363,143.31	--	98.65%	77,363,143.31

(6) Account receivables with government subsidies involved

Nil

(7) Other account receivables recognition terminated due to transfer of financial assets

Nil

(8) Other account receivables transferred and assets & liability formed by its continuous involvement

Nil

10. 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	1,042,431.89	747,043.57	295,388.32	1,053,761.59	748,096.33	305,665.26
Stock commodities	22,771.38	11,102.41	11,668.97	22,771.38	11,102.41	11,668.97
Total	1,065,203.27	758,145.98	307,057.29	1,076,532.97	759,198.74	317,334.23

(2) Inventory depreciation reserve

In RMB



Item	Beginning balance	Increased in 2014		Decreased in 2014		Ending balance
		Accrual	Other	Reversing or write-off	Other	
Raw materials	748,096.33			1,052.76		747,043.57
Stock commodities	11,102.41					11,102.41
Total	759,198.74			1,052.76		758,145.98

Write-off with the stock materials delivery

(3) Explanation on inventories with capitalization of borrowing costs included at ending balance

Nil

(4) Assets unsettled formed by construction contract which has completed at period-end

Nil

11. Divided into assets held for sale

Nil

12. Non-current assets maturing within one year

In RMB

Item	Ending balance	Beginning balance
Long-term differed expenses needed to be amortized within one year	196,354.90	386,191.87
Total	196,354.90	386,191.87

13. Other non-current assets

Nil

14. Available-for-sale financial assets

(1) Available-for-sale financial assets

In RMB

Item	Ending balance			Beginning balance		
	Book balance	Provision for impairment	Book value	Book balance	Provision for impairment	Book value
Available-for-sale equity instruments:	9,500,000.00	5,000,000.00	4,500,000.00	15,000,000.00	5,000,000.00	10,000,000.00
Measured at cost	9,500,000.00	5,000,000.00	4,500,000.00	15,000,000.00	5,000,000.00	10,000,000.00
Total	9,500,000.00	5,000,000.00	4,500,000.00	15,000,000.00	5,000,000.00	10,000,000.00

(2) Available-for-sale financial assets measured at fair value at period-end

Nil

**(3) Available-for-sale financial assets measured at cost at the end of the period**

In RMB

Item	Book balance				Provision for impairment				Shareholdin g ratio in investee (%)	Cash dividends in 2014
	Beginning balance	Increase in 2014	Decrease in 2014	Ending balance	Beginning balance	Incr ease in 2014	Decr ease in 2014	Ending balance		
Shenzhen Difu Investment & Developm ent Ltd	5,000,000.00			5,000,000.00	5,000,000.00			5,000,000.00	14.28%	
Haikou Luoniusha n Petty Loan Co., Ltd.	10,000,000.00		10,000,000.00						9.09%	2,020,000.00
Sanya Xiangyu E-business Ltd.		4,500,000.00		4,500,000.00					18.00%	
Total	15,000,000.00	4,500,000.00	10,000,000.00	9,500,000.00	5,000,000.00			5,000,000.00	--	2,020,000.00

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

In RMB

Type	Impairment opening balance accrued	Accrued in 2014	Incl: transfer-in from other comprehensive income	Decreased in 2014	Incl: switch-back due to fair value increased after period	Impairment ending balance accrued
Equity instrument available for sale	5,000,000.00					5,000,000.00
Total	5,000,000.00					5,000,000.00

(5) Fair value of the available-for-sale equity instrument drops significantly or not contemporarily without depreciation reserves accrued

Nil

15. Held-to-maturity investment

Nil

16. Long-term account receivables

Nil

17. Long-term equity investments

In RMB

Investee	Beginnin	Changes in 2014	Ending	Impairme
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	g balance	Additional investment	Capital reduction	Investment gains/losses recognized by equity method	Adjustment of other comprehensive income	Other equity changes	Cash dividend or profit declare to issue	Provision for impairment losses	Other	balance	nt provision at ending balance
I. Joint venture											
Subtotal											
II. Associated enterprise											
Subtotal											
Total	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00

Other explanation

Investee	Beginning balance	Changes in 2014								Ending balance	Impairment provision at ending balance
		Additional investment	Capital reduction	Investment gains/losses recognized by equity method	Adjustment of other comprehensive income	Other equity changes	Cash dividend or profit declare to issue	Provision for impairment losses	Other		
Hubei Jingsha Dadonghai Club Ltd.	4,566,207.42									4,566,207.42	4,566,207.42
Sanya Shun'an Casino	5,150,166.84									5,150,166.84	5,150,166.84
Subtotal	9,716,374.26									9,716,374.26	9,716,374.26

18. Investment real estate

Nil

19. Fixed assets

(1) Fixed assets

In RMB

Item	Buildings and Constructions	Machinery equipment	Electronic Equipments	Transportation equipment	Others	Total
1.Beginning balance	156,679,569.41	13,858,617.00	2,895,261.78	1,635,734.77	12,363,198.98	187,432,381.94
2. Increase in 2014			107,910.00	455,588.00		563,498.00
(1) Purchase			107,910.00	455,588.00		563,498.00
3. Decrease in 2014	1,258,281.82		87,220.00		4,200.00	1,349,701.82
(1) Disposal or scrap	1,258,281.82		87,220.00		4,200.00	1,349,701.82
4.Ending balance	155,421,287.59	13,858,617.00	2,915,951.78	2,091,322.77	12,358,998.98	186,646,178.12
1.Beginning balance	68,907,346.70	8,832,534.14	1,979,777.20	762,866.36	11,121,811.38	91,604,335.78
2. Increase in 2014	3,377,906.64	339,745.68	328,455.12	166,742.06	339,681.06	4,552,530.56
(1) Withdraw	3,377,906.64	339,745.68	328,455.12	166,742.06	339,681.06	4,552,530.56



3. Decrease in 2014	166,345.70		77,356.73		2,992.50	246,694.93
(1) Disposal or scrap	166,345.70		77,356.73		2,992.50	246,694.93
4. Ending balance	72,118,907.64	9,172,279.82	2,230,875.59	929,608.42	11,458,499.94	95,910,171.41
1. Beginning balance	32,449,653.81	2,527,851.26	21,643.05		199,992.57	35,199,140.69
3. Decrease in 2014	764,494.05					764,494.05
(1) Disposal or scrap	764,494.05					764,494.05
4. Ending balance	31,685,159.76	2,527,851.26	21,643.05		199,992.57	34,434,646.64
1. Ending book value	51,617,220.19	2,158,485.92	663,433.14	1,161,714.35	700,506.47	56,301,360.07
2 Beginning book value	55,322,568.90	2,498,231.60	893,841.53	872,868.41	1,041,395.03	60,628,905.47

(2) Fixed assets temporarily idled

In RMB

Item	Original book value	Accumulated depreciation	Provision for impairment	Book value	Remark
24 inches Shanrui cup	153,919.64	5,433.83	140,788.83	7,696.98	-
Furniture cleaning machine	20,322.04	5,434.94	13,871.00	1,016.10	-
Four heads coffee machine	7,758.14	2,070.23	5,300.00	387.91	-
Thermal cabinet	26,202.02	6,917.92	17,974.00	1,310.10	-
Milk shaker	9,221.94	184.00	9,037.94		-
VIP card stamping and coloring machine	13,286.80	266.00	13,020.80		-

(3) Fixed assets rented by finance leases

Nil

(4) Fixed assets leased in the operating leases

Nil

(5) Fixed assets without certificate of title completed

Nil

Other explanation

No fixed assets were mortgaged or guaranted at end of the Period

20. Construction in process

Nil

21. Engineering materials

Nil

**22. Disposal of fixed assets**

Nil

23. Productive biological assets**(1) Measured by cost**☐ Applicable ☒ Not applicable**(2) Measured by fair value**☐ Applicable ☒ Not applicable**24. Oil-and-gas assets**☐ Applicable ☒ Not applicable**25. Intangible assets****(1) Intangible assets**

In RMB

Item	Land use right	Patent right	Non-patent technology	Others	Total
I. Original book value					
1. Beginning balance	87,833,001.74				87,833,001.74
2. Increase in the period					
(1) Purchase					
(2) Internal R&D					
(3) Increase in enterprise merger					
3. Decrease in the period	517,724.00				517,724.00
(1) Disposal	517,724.00				517,724.00
4. Ending balance	87,315,277.74				87,315,277.74
II. Accumulated amortization					
1. Beginning balance	29,902,202.33				29,902,202.33
2. Increase in the period	894,941.04				894,941.04
(1) Withdraw	894,941.04				894,941.04
3. Decrease in the period	45,874.29				45,874.29
(1) Disposal	45,874.29				45,874.29
4. Ending balance	30,751,269.08				30,751,269.08
III. Depreciation reserve					
1. Beginning balance	29,343,890.98				29,343,890.98
2. Increase in the period					



(1) Withdraw					
3. Decrease in the period					
(1) Disposal					
4. Ending balance	29,343,890.98				29,343,890.98
IV. Booking value					
1. Ending book value	27,220,117.68				27,220,117.68
2. Beginning book value	28,586,908.43				28,586,908.43

(2) Land use right without certificate of title completed

Nil

26. Development expenditure

Nil

27. Goodwill

Nil

28. Long-term deferred expenses

In RMB

Item	Beginning balance	Increase in the period	Amortization in the period	Other decreases	Ending balance
Hotel exterior wall coating project	196,354.90			196,354.90	
Total	196,354.90			196,354.90	

Nil

30 .Other non-current assets

Nil

31 .Short-term loans

Nil

32. Financial liabilities measured at fair value through current profit and loss

Nil

33. Derivative financial liabilities☐ Applicable√ Not applicable

**34. Note payable**

Nil

35. Accounts payable**(1) Details of accounts payable are as follows**

In RMB

Item	Ending balance	Beginning balance
Within 1 year (including 1 year)	798,580.05	1,142,768.65
1-2 years (including 2 years)	562,577.83	145,272.00
2-3 years (including 3 years)	145,272.00	376,032.38
Over 3 years	883,915.31	507,882.93
Total	2,390,345.19	2,171,955.96

(2) Accounts payable with major amount and aging of over one year

Nil

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

In RMB

Item	Ending balance	Beginning balance
Within 1 year (including 1 year)	861,565.30	1,010,172.16
1-2 years (including 2 years)	48,544.76	185,737.68
2-3 years (including 3 years)	77,206.88	232,497.38
Over 3 years	372,928.97	171,587.59
Total	1,360,245.91	1,599,994.81

(2) Accounts received in advance with major amount and aging of over one year Nil**(3) Assets settled formed by construction contract which has un-completed at period-end**

Nil

37.Employee compensation payable**(1)Classification of employee compensation payable**

In RMB

Item	Beginning balance	Increase in the period	Decrease in the period	Ending balance
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I. Short-term employee benefits	3,549,851.04	8,422,822.78	8,520,999.77	3,451,674.05
II. Post-employment benefits - defined contribution plans		751,297.97	751,297.97	
Total	3,549,851.04	9,174,120.75	9,272,297.74	3,451,674.05

(2) Short-term employee benefits

In RMB

Item	Beginning balance	Increase in the period	Decrease in the period	Ending balance
1.Salary, bonus, allowance and subsidy	2,852,036.47	6,537,600.63	6,750,324.46	2,639,312.64
2.Employee welfare		1,179,780.97	1,179,780.97	
3.Social insurance premium		367,991.27	367,991.27	
Of which: including: medical insurance expenses		323,511.74	323,511.74	
Work injury insurance expenses		20,215.58	20,215.58	
Maternity insurance		24,263.95	24,263.95	
4.Housing provident funds		108,450.30	108,450.30	
5.Labor union expenditures and employee education expenses	697,814.57	228,999.61	114,452.77	812,361.41
Total	3,549,851.04	8,422,822.78	8,520,999.77	3,451,674.05

(3) Details of defined contribution plans

In RMB

Item	Beginning balance	Increase in the period	Decrease in the period	Ending balance
1.Basic endowment insurance expenses		710,856.40	710,856.40	
2.Unemployment insurance expenses		40,441.57	40,441.57	
Total		751,297.97	751,297.97	

38.Taxes and surcharges payable

In RMB



Item	Ending balance	Beginning balance
VAT	135,982.62	135,982.62
Business tax	86,744.38	111,018.40
Enterprise income tax	-1,702,702.80	-1,702,702.80
Individual income tax	16.52	
Urban maintenance and construction tax	6,072.11	7,771.29
Educational surtax	4,337.22	5,550.92
Property tax	204,986.70	204,986.58
Land use tax	108,590.94	72,393.00
Total	-1,155,972.31	-1,164,999.99

39. Interest payable

Nil

40. Dividend payable

Nil

41 .Other payables**(1) Other payables by items**

In RMB

Item	Ending balance	Beginning balance
Within 1 year (including 1 year)	860,464.13	2,458,050.52
1-2 years (including 2 years)	142,349.99	308,551.68
2-3 years (including 3 years)	299,546.18	122,605.47
Over 3 years	22,317,010.81	23,003,005.34
Total	23,619,371.11	25,892,213.01

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

In RMB

Company name	Ending balance	Reason for non-repayment or carryover
China Securities Regulatory Commission	19,810,000.00	Financial difficulty
Sun Hongjie	1,000,000.00	Guarantee deposit



Hong Kong Deloitte & Touche LLP	285,003.21	Audit fees
Fu Yumei	215,780.23	Rental expenses
Total	21,310,783.44	--

Other notes

42. Divided into liability held for sale

Nil

43. Non-current liability due within one year Nil

44. Other current liability

Nil

45. Long-term loans

Nil

46. Bond payable

Nil

47. Long-term payable

Nil

48. Long-term employee salary payable

Nil

49. Specific payable

Nil

50. Estimates liabilities

Nil

51. Deferred income

Nil

52. Other non-current liability

Nil

53 .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 shares	364,100,000.00						364,100,000.00

54. Other equity instruments

Nil

55 .Capital reserves

In RMB

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

56. Treasury stock

Nil

57. Other comprehensive income

Nil

58. Reasonable reserves

Nil

59. Surplus reserves

Nil

60 .Undistributed profits

In RMB

Item	The period	Last period
Undistributed profit of period-begin after adjustment	-336,331,002.15	-334,131,682.19
Plus: net profit attributable to owner of parent company in the period	2,503,486.47	-2,199,319.96
Undistributed profits of period-end	-333,827,515.68	-336,331,002.15

Adjustment of undistributed profit at period-begin:

1) For the retroactive adjustment based on Accounting Standards for Business Enterprises and other relevant regulations, affected



undistributed profit at period-begin of 0 Yuan

2) For changes of accounting policies, affected undistributed profit at period-begin of 0 Yuan

3) For correction on major accounting errors, affected undistributed profit at period-begin of 0 Yuan

4) For changes of consolidation scope from same controlling, affected undistributed profit at period-begin of 0 Yuan

5) Other adjustment totally affected undistributed profit at period-begin of 0 Yuan

61 .Operating income and operating cost

In RMB

Item	Amount as the period		Amount as last period	
	Income	Cost	Income	Cost
Main business	20,202,134.10	337,785.89	23,660,779.80	7,841.74
Total	20,202,134.10	337,785.89	23,660,779.80	7,841.74

62 .Business tax and surcharges

In RMB

Item	Amount as the period	Amount as last period
Business tax	1,013,927.25	1,191,253.16
Urban maintenance and construction tax	70,974.91	83,387.72
Educational surtax	50,696.38	59,562.65
Total	1,135,598.54	1,334,203.53

63 .Selling expenses

In RMB

Item	Amount as the period	Amount as last period
Salary	3,148,970.88	2,770,875.24
Depreciation	4,219,719.22	4,663,061.63
Water and electricity fee	1,323,395.39	1,149,023.73
Repair charges	615,830.33	682,104.08
Other expenses	2,475,496.07	2,631,041.93
Total	11,783,411.89	11,896,106.61

64 .Administrative expenses

In RMB

Item	Amount as the period	Amount as last period
Staff salary and welfare	4,088,037.72	4,218,227.29
Taxes	1,265,633.31	1,619,469.82



Business entertainment	941,322.90	1,040,314.30
Labor insurance expenses	1,116,266.44	911,398.77
Amortization of site use right	868,727.16	868,727.16
Other expenses	3,143,215.34	3,805,332.72
Total	11,423,202.87	12,463,470.06

65 .Financial expenses

In RMB

Item	Amount as the period	Amount as last period
Interest expenses		
Less: interest income	71,232.46	96,292.99
Handling charges	110,748.81	151,051.43
Total	39,516.35	54,758.44

66. Losses on assets impairment

In RMB

Item	Amount as the period	Amount as last period
I. Losses on bad debt	212,606.59	187,419.68
Total	212,606.59	187,419.68

6. Gains from changes of fair value

In RMB

Source of gains from changes of fair value	Amount as the period	Amount as last period
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68. Gains on investment

In RMB

Item	Amount as the period	Amount as last period
Investment income of available-for-sale financial assets in holding period	2,020,000.00	
Investment income obtained from disposal of available-for-sale financial assets	2,000,000.00	
Total	4,020,000.00	

69 .Non-operating incomes

In RMB

Item	Amount as the period	Amount as last period	Amount included in current non-recurring profits or losses
Total gains on disposal of non-current assets	3,126,454.22	795.12	3,126,454.22



Including: gain on disposal of fixed assets	3,126,454.22	795.12	3,126,454.22
Income from compensation	91,123.01	84,448.70	91,123.01
Others	2,768.04	40,151.10	2,768.04
Total	3,220,345.27	125,394.92	3,220,345.27

Government subsidy reckoned into current gains/losses: Nil

70. Non-operating expenses

In RMB

Item	Amount as the period	Amount as last period	Amount included in current non-recurring profits or losses
Total losses on disposal of non-current assets	6,870.77	40,494.62	6,870.77
Including: loss on disposal of fixed assets	6,870.77	40,494.62	6,870.77
Other		1,200.00	
Total	6,870.77	41,694.62	6,870.77

71 .Income tax expenses

(1) Income tax expense table

Nil

(2) Adjustment process of accounting profit and income tax expense

In RMB

Item	Amount as the period
Total profit	2,503,486.47

72 .Other comprehensive income

More details can be seen in Note.

73. Notes to statement of cash flows

(1) Other cash receipts related to operating activities

In RMB

Item	Amount as the period	Amount as last period
Receive current account of Sanya Haiyuan Hotel Management Ltd.	2,808,368.63	



Handling charges for price adjustment fund	343,404.00	24,379.10
Individual social insurance	307,260.55	582,304.76
Compensation for articles in the guest rooms	91,123.01	114,210.05
Interest income	71,232.46	96,292.99
Electricity fee	40,547.95	40,526.78
Others	163,950.73	
Total	3,825,887.33	857,713.68

(2) Cash paid for other operating activities

In RMB

Item	Amount as the period	Amount as last period
Business entertainment expenses	1,017,733.30	1,804,532.20
Traveling expenses	906,196.32	477,298.08
Current account of Luoniushan Co., Ltd.	800,000.00	
Audit fee	352,000.00	342,756.00
Price adjustment fund	342,036.00	
Individual social insurance	307,260.55	
Announcement fee (A/B shares information disclosure)	280,000.00	490,428.17
Directors and supervisors membership dues	278,437.35	270,499.50
Fuel fee	114,961.00	168,048.60
Listing fee	80,000.00	80,000.00
Postage	38,624.99	65,201.21
Office expenses	11,557.60	19,752.20
Other expenses	377,626.63	233,962.19
Repair charge	19,824.50	119,415.30
Personal loans		553,569.20
Financial handling charge		151,051.43
Total	4,926,258.24	4,776,514.08

(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

74 .Supplementary information to statement of cash flows**(1) Supplementary information to statement of cash flows**

In RMB

Supplementary information	Amount as the period	Amount as last period
1.Net profit adjusted to cash flows from operating activities	--	--
Net profit	2,503,486.47	-2,199,319.96
Plus: provision for asset impairment	212,606.59	187,419.68
Depreciation of fixed assets, gas and oil assets and productive biological assets	4,552,530.56	4,925,210.05
Amortization of intangible assets	894,941.04	888,387.57
Amortization of long-term deferred expenses	386,191.87	394,528.08
Loss on disposals of fixed assets, intangible assets and other long-term assets ("-" for gains)	-3,119,583.45	39,699.50
Investments loss ("-" for gains)	-4,020,000.00	
Decrease in inventories ("-" for increases)	11,329.70	-25,809.51
Decrease in operating receivables ("-" for increases)	3,415,356.20	-2,142,605.87
Increase in operating payables ("-" for decreases)	-2,404,790.90	547,859.23
Net cash flows from operating activities	2,432,068.08	2,615,368.77
2. Significant investing and financing activities not involving cash receipts and payments	--	--
3. Net changes in cash and cash equivalents	--	--
Ending balance of cash	22,550,289.54	6,835,685.46
Less: Beginning balance of cash	6,835,685.46	15,194,668.69
Net increase in cash and cash equivalents	15,714,604.08	-8,358,983.23

**(2) Net cash paid for subsidiary obtained in Period**

Nil

(3) Net cash received from disposal of subsidiary in Period

Nil

(4) Breakdowns of cash and cash equivalents

In RMB

Item	Ending balance	Beginning balance
I. Cash	22,550,289.54	6,835,685.46
Including: cash on hand	346,943.61	613,560.04
Bank deposit available for payment at any time	22,203,345.93	6,209,144.39
Other monetary funds available for payment at any time		12,981.03
III. Ending balance of cash and cash equivalents	22,550,289.54	6,835,685.46

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

Name and adjusted amount on "Other" at balance of year-end of last year : Nil

76. Assets with ownership or right-to-use restricted

Nil

77. Foreign currency monetary items**(1) Foreign currency monetary items**

Nil

(2) Explanation on foreign operational entity, as for major foreign operational entity, disclosed foreign main operation land, book-keeping currency and basis; and disclosed reasons if the book-keeping currency changed☐ Applicable ☒ Not applicable**78. Hedging**

Disclose hedging items by type of hedging as well as relevant arbitrage tool, qualitative and quantitative information for arbitrage project: Nil



79. Other

Nil

VIII. Changes of consolidation scope

1. Enterprise consolidation not under the same control

(1) Enterprise consolidation not under the same control in reporting period

Nil

(2) Consolidation cost and goodwill

Nil

(3) Identifiable assts, liability of the acquiree on purchasing date

Nil

(4) Gains or losses of the equity held before purchasing date, arising from re-measured by fair value

Realized enterprise combine step by step through multi-trading and dealing obtained controlling rights in Period

☐Yes ☒No

(5) On purchasing date or current combine period, fails to determine the combination consideration or acquiree's fair value of identifiable assets and liabilities rationally

Nil

(6) Other notes

Nil

2. Enterprise consolidation under the same control

Nil

3. Counter purchase

Nil

4. Disposal of subsidiaries

Losing controlling rights while dispose subsidiary on one-time

☐Yes ☒No

Dispose subsidiary step by step through multi-dealings and losing controlling rights in the Period

☐Yes ☒No

5. Changes of combination scope

Other reasons contributed the changes for combination scope (e.g. new subsidiary established, liquidate subsidiary etc.): Nil

**6. Other**

Nil

IX. Equity in other entity

Nil

X. The risk associated with financial instruments

Nil

XI. Disclosure of fair value

Nil

XII. Related parties and related party transactions

Nil

3. Joint-venture and affiliated enterprise of the Company

Nil

4. Other related parties

Name	Relationship with the Company
Luoniushan Co., Ltd.	The largest shareholder

Other notes

As of December 31, 2014, Luoniushan Co., Ltd., as the largest shareholder, held 61,190,300 shares (16.81% of the total share capital of the Company).

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

Sale of goods/rendering of labor services

Nil

Goods sold and labor service offering

In RMB

Related party	Contents of related party transactions	Amount as the period	Amount as last period
Luoniushan Co., Ltd.	Accommodation	76,626.70	231,213.66

(2) Related trusteeship/contract and delegated administration/outsourcing

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) Remuneration of key management

Nil

(8) Other related transactions**6. Receivables and payables of related parties****(1) receivable**

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.	4,749.00		19,977.00	

(2) payables

In RMB

Name	Related party	Ending balance	Beginning balance
Other payables	Luoniushan Co., Ltd.	0	800,000.00

7. Related party commitment

On 7 June 2014, the Company received a letter of “Commitment Change for Hainan Dadonghai Tourism Center (Holdings) Co., Ltd.” from majority shareholder of the Company – Luoniushan Co., Ltd., and Luoniushan Co., Ltd. decided to regulate and change relevant commitments in line with the above mentioned documents. Original commitment changed as: within three years since the commitment change has been deliberated and approved by general meeting of Dadonghai, Luoniushan will actively seeking restructuring party for recapitalize. And being deliberated and approved in first extraordinary meeting of 8th session of the Board and first extraordinary meeting of 8th session of supervisory committee dated 10 June 2014. Relevant content found in “Notice of Commitment Change from Majority Shareholders” (No.: 2014-027) and “Resolution Notice of first extraordinary meeting of 8th



session of the Board” (No.: 2014-025) and “Resolution Notice of first extraordinary meeting of 8th session of supervisory committee” (No.: 2014-026) released on Securities Times, Hong Kong Commercial Daily and Juchao Website <http://www.cninfo.com.cn> dated 11 June 2014. On 27 June 2014, the 2nd extraordinary meeting of general meeting for year of 2014 was deliberated and approved the above mentioned changes, found more details in “Resolution Notice of 2nd extraordinary meeting of general meeting for year of 2014” (No.: 2014-031) released on Securities Times, Hong Kong Commercial Daily and Juchao Website <http://www.cninfo.com.cn> dated 28 June 2014.

8. Other

Nil

XIII. Share-base payment

1. Overall performance of share-base payment

☐ Applicable ☒ Not applicable

2. Share-base payment settled by equity

☐ Applicable ☒ Not applicable

3. Share-base payment settled by cost

☐ Applicable ☒ Not applicable

4. Modification and termination of share-base payment

Nil

5. Other

Nil

XIV. Commitments and contingencies

1. Material commitments

Major commitments on balance sheet date
No commitments should be disclosed

2. Contingencies

(1) Major contingencies on balance sheet date

No contingencies should be disclosed



(2) For no major contingencies disclosed, explain reasons

The Company has no major contingencies should be disclosed

3. Other

Nil

XV. Event after balance sheet date

1. Major non-adjustment events

Nil

2. Profit distribution

Nil

3. Sales return

Nil

4. Explanation on other events after balance sheet date

On 29 January 2015, being decision from 4th meeting of 8th session of the Board, the Company plans no profit distribution and capitalizing of common serves either

XVI. Other significant events

1 .Correction of accounting errors in previous period

(1) Retrospective restatement method

Nil

2. Debt reorganization

Nil

3. Assets replacement

(1) Non-monetary assets replacement

The Company setted up Sanya Xiangyu E-business Ltd. with individual Xu Xiang with registered capital RMB 25,000,000.00 according to the resolution of the 3rd interim meeting of the 8th Board of Directors and Investment Collaboration Agreement signed by both the Company and individual Xu Xiang. The Company contributed San Tu Fang Zi (2003) No. 06111, San Tu Fang Zi (2003) No.06110, San Tu Fang Zi (2003) No. 05969, totally four sets of houses, assessed land use rights of RMB 3,925,746.00 and cash of RMB 574,254.00, totally RMB 4,500,000.00 as investment, to replace 18.00% of Sanya Xiangyu E-business Ltd.'s shares. The transfer procedure of mentioned investment properties had been completed as at date December 31, 2014.



(2) Others assets replacement

4. Annuity plan

5. Termination of operation

Nil

6. Segment information

(1) Recognition basis and accounting policies for reportable segment

(2) Financial information of reportable segment

(3) If the Company has no reportable segment, or can not disclose total assets and liabilities of the reportable segment, explain reasons

(4) Other notes

7. Major trading and items shows influence on investors' decision-making

8. 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.

XVII. Note on financial statement of parent company

1. Accounts receivable

(1) Accounts receivable by type

Nil

(2) Provision for bad debts accrued, regain or switch back in the Period

Nil

(3) Account receivables actually cancel after verification in Period

Nil

(4) Top five account receivables collected by arrears party at ending balance

Nil

(5) Account receivables recognition terminated due to transfer of financial assets

Nil



(6) Account receivables transferred and assets & liability formed by its continuous involvement

Nil

2. Other receivables

(1) Other receivables by type

Nil

(2) Provision for bad debts accrued, regain or switch back in the Period

Nil

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

Nil

(4) Other account receivables category by nature of money

Nil

(5) Top five other account receivables collected by arrears party at ending balance

Nil

(6) Account receivables with government subsidies involved

Nil

(7) Other account receivables recognition terminated due to transfer of financial assets

Nil

(8) Other account receivables transferred and assets & liability formed by its continuous involvement

Nil

3. Long-term equity investment

Nil

4. Operation income and operation cost

Nil

5. Investment income

Nil

**6. Other**

Nil

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

√Applicable □Not applicable

In RMB

Item	Amount	Remark
Gains/losses from the disposal of non-current asset	5,119,583.45	-
Other non-operating income and expense other than the abovementioned ones	93,891.05	-
Total	5,213,474.50	--

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

2. REO and earnings per share

Profits during report period	Weighted average ROE	Earnings per share	
		Basic EPS (Yuan/share)	Diluted EPS (Yuan/share)
Net profits belong to common stock stockholders of the Company	3.01%	0.0069	0.0069
Net profits belong to common stock stockholders of the Company after deducting nonrecurring gains and losses	-3.26%	-0.0074	-0.0074

3. 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)**

√Applicable □Not applicable

In RMB

	Net profit		Net assets	
	Amount as the period	Amount as last period	Ending balance	Beginning balance
Chinese GAAP	2,503,486.47	-2,199,319.96	84,415,334.33	81,911,847.86
Items and amount adjusted by IAS:				
IAS	2,503,486.47	-2,199,319.96	84,415,334.33	81,911,847.86

(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)

√Applicable □Not applicable

Name of foreign accounting rules:



	Net profit		Net assets	
	Amount as the period	Amount as last period	Ending balance	Beginning balance
Chinese GAAP	2,503,486.47	-2,199,319.96	84,415,334.33	81,911,847.86
Items and amount adjusted by foreign accounting rules:				
By foreign accounting rules	2,503,486.47	-2,199,319.96	84,415,334.33	81,911,847.86

(3) Explanation on data differences under the accounting standards in and out of China; as for the differences adjustment audited by foreign auditing institute, listed name of the institute

Nil.

4. Supplementary information of accounting policies changed

√Applicable □Not applicable

According to the "Accounting Standards for Business Enterprise No.2- Long-term equity investment" issued by Ministry of Finance in 2014 and other seven items that changes the accounting policies, the Company practice retroactive restatement by comparison. The consolidated balance sheet after restatement dated 1 January 2013 and 31 December 2013 are as:

In RMB

Item	2013-1-1	2013-12-31	2014-12-31
Current assets:			
Monetary fund	15,194,668.69	6,835,685.46	22,550,289.54
Account receivable	2,523,510.68	3,509,377.76	2,632,379.02
Account paid in advance	86,579.35	201,053.21	40,778.52
Other receivables	2,221,769.24	3,299,051.36	332,661.26
Inventories	291,524.72	317,334.23	307,057.29
Non-current assets maturing within one year	394,528.08	386,191.87	196,354.90
Total current assets	20,908,935.66	14,548,693.89	26,059,520.53
Non-current assets:			
Available-for-sale financial assets		10,000,000.00	4,500,000.00
Fixed assets	65,533,275.02	60,628,905.47	56,301,360.07
Intangible assets	28,957,572.00	28,586,908.43	27,220,117.68
Long-term unamortized expenses	582,546.77	196,354.90	
Total non-current assets	94,877,038.89	99,412,168.80	88,021,477.75
Total assets	115,785,974.55	113,960,862.69	114,080,998.28
Current liabilities:			
Accounts payable	1,981,833.63	2,171,955.96	2,390,345.19
Accounts received in advance	2,031,429.61	1,599,994.81	1,360,245.91
Employee benefits payable	3,638,558.05	3,549,851.04	3,451,674.05
Taxes and surcharges payable	-1,131,657.47	-1,164,999.99	-1,155,972.31
Other payables	25,154,642.91	25,892,213.01	23,619,371.11
Total current liabilities	31,674,806.73	32,049,014.83	29,665,663.95
Non-current liabilities:			
Total liabilities	31,674,806.73	32,049,014.83	29,665,663.95
Owners' equity:			
Shares	364,100,000.00	364,100,000.00	364,100,000.00
Capital reserves	54,142,850.01	54,142,850.01	54,142,850.01



Undistributed profit	-334,131,682.19	-336,331,002.15	-333,827,515.68
Total owner's equity attributable to parent Company	84,111,167.82	81,911,847.86	84,415,334.33
Total owners' equity	84,111,167.82	81,911,847.86	84,415,334.33
Total liabilities and owners' equity	115,785,974.55	113,960,862.69	114,080,998.28

5. Other

Abnormalities and reasons of the accounting statement items of the Company

Item	Ending balance (or amount as the period)	Beginning balance (or amount as last period)	+,- ratio (%)	Reasons
Monetary fund	22,550,289.54	6,835,685.46	229.89%	Mainly due to transfer shares to recoup the capital outlay and received dividends
Account receivable	2,632,379.02	3,509,377.76	-24.99%	Mainly due to decrease of operating income
Account paid in advance	40,778.52	201,053.21	-79.72%	Mainly due to decrease of prepayment
Other receivables	332,661.26	3,299,051.36	-89.92%	Mainly due to the current account of Sanya Haiyuan Hotel Management Ltd. had been collected back.
Non-current assets maturing within one year	196,354.90	386,191.87	-49.16%	Mainly due to long-term deferred expenses needed to be amortized within one year is adjusted to non-current assets maturing within one year
Available-for-sale financial assets	4,500,000.00	10,000,000.00	-55.00%	Mainly due to the Company settled up Sanya Xiangyu E-business Ltd. with cash and real object, and transfer stake in Haikou Luoniushan Petty Loan Co., Ltd.
Long-term unamortized expenses		196,354.90	-100.00%	Mainly due to amortized and long-term deferred expenses needed to be amortized within one year is adjusted to non-current assets maturing within one year
Operation revenue	20,202,134.10	23,660,779.80	-14.62%	Mainly Due to the dip of occupancy rate and room rate of South China Hotel
Operation cost	337,785.89	7,841.74	4,207.54%	mainly due to the company had taken back the breakfast managing rights of Chinese restaurant of current year and restaurant cost increase
Business tax and surcharge	1,135,598.54	1,334,203.53	-14.89%	Mainly due to decrease of operating income
Administrative expenses	11,423,202.87	12,463,470.06	-8.35%	mainly due to the drop of the wages of senior executives and entertainment expenses, etc.
Financial expenses	39,516.35	54,758.44	-27.84%	Mainly due to decrease of handling charges
Assets impairment loss	212,606.59	187,419.68	13.44%	Mainly due to withdraw bad debt provision on the account receivable of LLC SOUTH CROSS TRAVELINN which had declared bankruptcy.
Investment income	4,020,000.00		100.00%	Investment gains mainly due to collect cash dividend by



				Haikou Luoniushan Petty Loan Co., Ltd. and equity transfer income
Non-operation revenue	3,220,345.27	125,394.92	2,468.16%	Mainly due to the Company contributed houses and land use rights as investment to establish Sanya Xiangyu E-business Ltd., the value increased when valuation.
Non-operating expenses	6,870.77	41,694.62	-83.51%	Mainly due to fixed assets disposal loss decrease
Net profit	2,503,486.47	-2,199,319.96	-213.83%	Mainly due to non-operational income from transfer equity income, dividend income and appreciation in fixed asset investment
Net cash flow arising from operation activities	2,432,068.08	2,615,368.77	-7.01%	Mainly due to decrease of operating income
Net increase in cash and cash equivalents	15,714,604.08	-8,358,983.23	-288%	Mainly due to transfer shares to recoup the capital outlay and received dividends as well as current account of Sanya Haiyuan Hotel Management Ltd. had been collected back.



Section XII. 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

29 January 2015