



Stock Code: 000613, 200613

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

# 海南大东海旅游中心股份有限公司

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



## Annual Report 2017

Disclosure Date: 1 February 2018



## 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.

Li Yuanbin, Principal of the Company, Fu Zongren, person in charge of accounting works and Fu Zongren, person in charge of accounting organ (accounting principal) hereby confirm that the Financial Report of 2017 Annual Report is authentic, accurate and complete.

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.

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 or 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.         |
| Luoniushan                                    | Refers to | Luoniushan Co., Ltd.  |
| Yuan  | Refers to | CNY/RMB   |
| In the reporting period, the reporting period | Refers to | 1 January 2017 to 31 December 2017  |



## Section II Company Profile and Main Financial Indexes

### I. Company information

|   |   |            |                |
|---|---|------------|----------------|
| Short form of the stock                   | *ST Donghai-A, *ST 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                           | ---   |            |                |
| Email                                     | hddhhn@21cn.com                                     |            |                |

### II. Person/Way to contact

|              | Secretary of the Board | Rep. of security affairs |
|--------------|------------------------|--------------------------|
| Name         | Wang Hongjuan          |                          |
| Contact add. | Dadonghai Sanya        |                          |
| Tel.         | 0898-88219921          |                          |
| Fax.         | 0898-88214998          |                          |
| E-mail       | hddhhn@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 | <a href="http://www.cninfo.com.cn">http://www.cninfo.com.cn</a> |
| Preparation place for annual report                 | Security department of the Company                              |

**IV. Registration changes of the Company**

|   |  |
|---|--|
| Organization code                             | Unified social credit code 91460000201357188U  |
| 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 &amp; Industry &amp; 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 &amp; Industry &amp; Trade Luoniushan Co., Ltd., the shares' ownership have been transfer dated 29 January 2010. Therefore, Haikou Agriculture &amp; Industry &amp; 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  | Zhu Jianqing, Liu Zebo                                 |

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

## VI. Main accounting data and financial indexes

Whether it has retroactive adjustment or re-statement on previous accounting data

Yes  No

|  | 2017          | 2016           | Changes over last year        | 2015           |
|--|---------------|----------------|-------------------------------|----------------|
| Operating income (RMB)   | 27,906,564.23 | 21,708,883.51  | 28.55%                        | 15,885,922.90  |
| Net profit attributable to shareholders of the listed company (RMB)  | 2,858,998.66  | -2,661,052.49  | 207.44%                       | -7,477,866.40  |
| Net profit attributable to shareholders of the listed company after deducting non-recurring gains and losses (RMB) | 779,389.74    | -4,072,689.97  | 119.14%                       | -9,474,005.29  |
| Net cash flow arising from operating activities (RMB)  | 5,127,288.47  | 2,766,372.02   | 85.34%                        | -1,745,526.28  |
| Basic earnings per share (RMB/Share)   | 0.0079        | -0.0073        | 208.22%                       | -0.0205        |
| Diluted earnings per share (RMB/Share)   | 0.0079        | -0.0073        | 208.22%                       | -0.0205        |
| Return on Equity   | 3.78%         | -3.52%         | 207.39%                       | -9.27%         |
|  | End of 2017   | End of 2016    | Changes over end of last year | End of 2015    |
| Total assets (RMB)   | 87,466,661.80 | 105,444,153.63 | -17.05%                       | 104,887,596.60 |
| Net assets attributable to shareholder of listed company (RMB)   | 77,135,414.10 | 74,276,415.44  | 3.85%                         | 76,937,467.93  |

## VII. 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

The Company had no difference of the net profit or net assets disclosed in financial report, under either IAS (International Accounting Standards) or Chinese GAAP (Generally Accepted Accounting Principles) in the period.

### 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

The Company had no difference of the net profit or net assets disclosed in financial report, under either foreign accounting rules or



Chinese GAAP (Generally Accepted Accounting Principles) in the period.

### VIII. Quarterly main financial index

In RMB

|  | First quarter | Second quarter | Third quarter | Fourth quarter |
|--|---------------|----------------|---------------|----------------|
| Operating income   | 9,383,454.29  | 5,712,819.13   | 5,239,573.04  | 7,570,717.77   |
| Net profit attributable to shareholders of the listed company  | 2,410,257.23  | -691,003.43    | -1,478,166.83 | 2,617,911.69   |
| Net profit attributable to shareholders of the listed company after deducting non-recurring gains and losses | 2,410,257.23  | -691,003.43    | -1,478,166.83 | 538,302.77     |
| Net cash flow arising from operating activities  | 2,609,325.33  | 621,747.77     | -917,735.98   | 2,813,951.35   |

Whether there are significant differences between the above-mentioned financial index or its total number and the relevant financial index disclosed in the company's quarterly report and semi-annual report

Yes  No

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

Applicable  Not applicable

In RMB

| Item  | 2017         | 2016         | 2015         | Note  |
|---|--------------|--------------|--------------|---|
| Gains/losses from the disposal of non-current asset (including the write-off that accrued for impairment of assets) | -30,016.43   | 380,866.43   | -90,560.75   | Loss from fixed assets disposal                               |
| Capital occupation fees charged by non financial enterprises recorded in the current profits and losses             | 805,825.24   | 961,165.05   | 422,000.00   | Net income from creditors' investment                         |
| Other non-operating income and expenditure except for the aforementioned items                                      | 1,303,800.11 | 69,606.00    | 1,664,699.64 | Debt written off from receivables and account paid in advance |
| Total   | 2,079,608.92 | 1,411,637.48 | 1,996,138.89 | --  |

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 III Summary of Company Business

### I. Main businesses of the company in the reporting period

Whether the company needs to comply with the disclosure requirements of the particular industry

No

The company's main business is hotel accommodation and catering services. Procurement of goods is mainly the goods and materials necessary for hotel and catering operations by taking the principle of low price and fine quality, some goods are purchased by directly signing purchase contracts with suppliers, and some good are purchased by procurement agents. The operation are mainly including the network billing and overseas travel agency team, and supplemented by the individual travelers of non-internet marketing and business and the tourists from travel agencies. The hotel is located at the central zone of Dadonghai scenic spot in Sanya City, Hainan Province, and it has become a member of the nationwide famous hotels because of the convenient transportation, beautiful environment, long history, and rich culture. However, in recent years, the local high-, middle- and low-grade hotels or guesthouses numerously emerge, resulting in the supply much larger than the market demand, the industry competition is rather fierce, and the pressure of decline in business remains.

### II. Major changes in main assets

#### 1. Major changes in main assets

| Major assets                           | Note of major changes   |
|--|---|
| Equity assets                          | Decreased for the irrevocable investments as long-term un-payment written off, which have been approved by the Board and shareholders general meeting |
| Monetary funds                         | Decreased for paying the fines to CSRC  |
| Other receivables                      | Decreased for the irrevocable receivables written off, which have been approved by the Board and shareholders general meeting                         |
| Non current assets due within one year | Increased due to the decoration and renovation for C/F and villa and swimming pool  |
| Long-term deferred expenses            | Increased due to the decoration and renovation for C/F and villa and swimming pool  |

#### 2. Main overseas assets

Applicable  Not applicable

### III. Core Competitiveness Analysis

Whether or not the Company complies with disclosure requirement of the special industry

No

The company takes hotel accommodation and catering services as the principle works, locates at Dadonghai bay which is one of the China "Top 40 scenery" and the only AAAA scenic spot open for free in Sanya and has the maximum passenger flow volume in



Sanya City, and is about a 5-minute drive from downtown of Sanya City and about a 30-minute drive from Sanya Phoenix Airport. The hotel is only tens of meters distant from the sea level, possesses beautiful landscaping full of blooming flowers all the year round, and enjoys exceptional geography, natural environmental advantages. The hotel has opened for more than two decades which is one of the oldest hotels in Sanya and has received many domestic and foreign heads of state and national leaders. In the recent years, the company has comprehensively upgraded and rebuilt the hotel's software and hardware facilities, further improved the hotels internal and external business environment, and effectively enhanced the business competitiveness. Currently, the management of the company's hotel is still in the front rank among hotels in the same area, with the same scale, and at the same level. In the future work, the company will keep trying to improve the hotel's internal and external business environment, strengthen the sales efforts and the staff construction, and further improve the operational capability. During the reporting period, the company's core competence had no significant change.



## Section IV Discussion and Analysis of Operation

### I. Introduction

During the reporting period, the company realized main business income of 27,906,600 Yuan, increased by 6,197,700 Yuan compared with the same period last year, an increase of 28.55%; investment income of 805,800 Yuan, decreased by 585,100 Yuan compared with the same period last year, an decrease of 42.70%; operating profit of 1,585,200 Yuan, increased by 4,267,000 Yuan compared with the same period last year, an increase of 159.11%; net non-operating income of 1,273,800 Yuan, increased by 1,253,100 Yuan compared with the same period last year, an increase of 6053.62%; net profit of 2,859,000 Yuan, increased by 5,520,100 Yuan compared with the same period last year, an increase of 207.44%.

During the reporting period, the Company focus on market-oriented and use marketing strategy in a flexible way to exploited the sales channel, meanwhile, strengthening enterprise culture construction as well as the employee team-building, making efforts to improve product's quality, strictly controlling the cost management, perfect the Company's internal control system in order to reduce the risks and consumptions for more income earns and less expenditure costs, we completed the operation targets that formulated at beginning of the year basically. Main works are as:

#### 1. Market-oriented, use marketing strategy in a flexible way to exploite the sales channel

During the reporting period, the Company actively expanded the network market, the Russian market and the southwest, north, east and southern China markets in addition to further consolidating its existing customer bases oriented by markets with flexible utilization of marketing strategies. Besides, increasing cooperation was made by the Company with domestic and foreign well-known travel agencies, sales network platforms and direct-sale travel agencies in the first and second tier cities. The Company also conducted implementation of sales incentives and sales mechanism involving every staff, to increase the market share in terms of sales. During the reporting period, the revenue of the Company from overseas sales, network sales, meeting teams and individual visitors from travel agencies increased significantly over the same period of last year. The revenue from its major operating business was RMB27.9066 million, representing a year-on-year increase of 28.55% as compared to the revenue of RMB6.1977 million of previous year.

#### 2. People-oriented, strengthen the enterprise with high-quality, strive to improve product quality and enhance the competitive-ness of enterprises

In reporting period, in line with the Human-Oriented employment ideality, we continuously enriched the culture life for employees, create a harmonious working environment and strengthen the construction of enterprise culture and staff-building. At the same time, create new management mechanism, motivate and mobilized the enthusiasm, initiative and creativity of the staff. Based on the management ideal of "strengthen the enterprise with high-quality", we constantly strengthen the hotel management and carried out skill training in pre-job for their



basic information and the after-job for business ability improvement. Enhance the service standards and consciousness, as well as the sense of responsibility and quality, effectively improved the service quality and management standards, and improving the quality of the hotel and comprehensive competitiveness.

3. Strictly curb the costs and budget management, improve internal control mechanism, reducing risks and consumptions, increase revenue and reduce expenditures, safety in production to maximize the interest of the enterprise

During the reporting period, the Company continued to focus on financial management, improve the procurement management system, strengthen management of procurement cost control and budget management, adopt diversified means to obtain procurement price inquiry, such as network price inquiry, the hotel industry price inquiry and other measures, obtain cost inquiry from over three suppliers to select the best one, control operating costs in a scientific manner, strictly control various expense and expenditures, frequent inspection and repair to prevent waste of resources, which enabled the Company to effectively improve the reasonableness of procurement cost and cost effectiveness. Besides, human resources cost was effectively brought down due to optimized organ establishment and personnel distribution. At the same time, the Company continued to improve the internal control system, strengthen regulation and implementation of internal control system, strengthen the effective implementation of internal control work, reduce risks and consumption, increase revenue and control expenditures, emphasize production safety and improve operational efficiency, to ensure the operation safety and thus maximize the interests of the Company as a whole.

In 2018, the Company continue to consolidate and expand sales channels, improve the hotel's quality and service standards, and enhance the comprehensive competitiveness, to laying out a solid foundation for sustained, stable and healthy development of the Company.

## II. Main business analysis

### 1. Introduction

See the "I-Introduction" in "Discussion and Analysis of Operation"

### 2. Revenue and cost

#### (1) Constitute of operation revenue

In RMB

|                               | 2017          |                               | 2016          |                               | Increase/decrease<br>y-o-y |
|-------------------------------|---------------|-------------------------------|---------------|-------------------------------|----------------------------|
|                               | Amount        | Ratio in operation<br>revenue | Amount        | Ratio in operation<br>revenue |                            |
| Total of operation<br>revenue | 27,906,564.23 | 100%                          | 21,708,883.51 | 100%                          | 28.55%                     |
| According to industries       |               |                               |               |                               |                            |



|                                |               |         |               |         |        |
|--------------------------------|---------------|---------|---------------|---------|--------|
| Tourism catering service       | 24,691,592.86 | 88.48%  | 19,117,791.52 | 88.06%  | 29.15% |
| Other business                 | 3,214,971.37  | 11.52%  | 2,591,091.99  | 11.94%  | 24.08% |
| According to products          |               |         |               |         |        |
| Room revenue                   | 21,103,123.09 | 75.62%  | 16,914,028.50 | 77.91%  | 24.77% |
| Catering entertainment revenue | 3,588,469.77  | 12.86%  | 2,203,763.02  | 10.15%  | 62.83% |
| Other business                 | 3,214,971.37  | 11.52%  | 2,591,091.99  | 11.94%  | 24.08% |
| According to region            |               |         |               |         |        |
| Hainan area                    | 27,906,564.23 | 100.00% | 21,708,883.51 | 100.00% | 28.55% |

**(2) About the industries, products, or regions accounting for over 10% of the company's operating income or operating profit**

Applicable  Not applicable

Whether or not the Company complies with disclosure requirement of the special industry

No

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 service       | 24,691,592.86     | 10,665,396.03  | 56.81%             | 29.16%                                       | 10.02%                                    | 15.24%  |
| Other business                 | 3,214,971.37      | 474,523.56     | 85.24%             | 24.08%                                       | -15.93%                                   | 8.98%   |
| According to products          |                   |                |                    |  |   |   |
| Room revenue                   | 21,103,123.09     | 8,758,364.38   | 58.50%             | 24.77%                                       | 2.30%                                     | 18.46%  |
| Catering entertainment revenue | 3,588,469.77      | 1,907,031.65   | 46.86%             | 62.83%                                       | 68.37%                                    | -3.60%  |
| Other business                 | 3,214,971.37      | 474,523.56     | 85.24%             | 24.08%                                       | -15.93%                                   | 8.98%   |
| According to region            |                   |                |                    |  |   |   |
| Hainan area                    | 27,906,564.23     | 11,139,919.59  | 60.08%             | 28.55%                                       | 8.59%                                     | 13.91%  |

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

**(3) Income from physical sales larger than income from labors**

□ Yes √ No

**(4) Fulfillment of the company's signed significant sales contracts up to this reporting period**

□ Applicable √ Not applicable

**(5) Constitute of operation cost**

Industry classification

Industry classification

In RMB

| Industries               | Item                     | 2017          |                         | 2016         |                         | Increase/decrease y-o-y |
|--------------------------|--------------------------|---------------|-------------------------|--------------|-------------------------|-------------------------|
|                          |                          | Amount        | Ratio in operation cost | Amount       | Ratio in operation cost |                         |
| Tourism catering service | Raw material             | 1,907,031.65  | 17.12%                  | 1,132,620.87 | 11.04%                  | 68.37%                  |
| Tourism catering service | Salary welfare           | 1,891,709.80  | 16.98%                  | 1,526,437.63 | 14.88%                  | 23.93%                  |
| Tourism catering service | Water and electricity    | 1,564,778.83  | 14.05%                  | 2,909,128.71 | 28.36%                  | -46.21%                 |
| Tourism catering service | Depreciation             | 2,009,886.94  | 18.04%                  | 2,271,348.02 | 22.14%                  | -11.51%                 |
| Tourism catering service | Repair cost              | 964,425.22    | 8.66%                   | 713,218.96   | 6.95%                   | 35.22%                  |
| Tourism catering service | Knitted and Cotton Goods | 170,130.34    | 1.53%                   | 2,640.00     | 0.03%                   | 6,344.33%               |
| Tourism catering service | Washing fee              | 594,068.64    | 5.33%                   | 471,750.30   | 4.60%                   | 25.93%                  |
| Tourism catering service | Total cost               | 10,665,396.03 | 95.74%                  | 9,693,974.20 | 94.50%                  | 10.02%                  |

Note

1. Raw material increased mainly due to the growth of catering entertainment income;
2. Salary welfare increased mainly because business from guest rooms growth and the bonus for employees increased;
3. Water and electricity decreased mainly because the electricity fee for previous years are understated by Sanya Power Supply Bureau;
4. Repair costs increased mainly due to the redecoration and renovation in the hotel during period;
5. Knitted and Cotton Goods decreased mainly because we changed the cotton and knitted goods for the guest rooms;
5. Knitted and Cotton Goods declined mainly because we change the hotel linen for guest room in Period;



6. Washing fee increased mainly due to the growth of business.

### (6) Whether the changes in the scope of consolidation in Reporting Period

Yes  No

### (7) Major changes or adjustment in business, product or service of the Company in Reporting Period

Applicable  Not applicable

### (8) Major sales and main suppliers

Major sales client of the Company

|   |               |
|---|---------------|
| Total top five clients in sales (RMB)                                     | 15,423,782.42 |
| Proportion in total annual sales volume for top five clients              | 55.27%        |
| Ratio of related parties in annual total sales among the top five clients | 0.00%         |

Information of top five clients of the Company

| Serial | Name  | Sales (RMB)   | Proportion in total annual sales |
|--------|---|---------------|----------------------------------|
| 1      | Sanya Youyi International Travel Agency Co., Ltd.       | 4,913,440.00  | 17.61%                           |
| 2      | Sanya Haolide International Travel Service Co., Ltd.    | 4,157,223.00  | 14.90%                           |
| 3      | Shanghai Hecheng International Travel Service Co., Ltd. | 2,598,649.42  | 9.31%                            |
| 4      | ANEX TOUR   | 2,184,663.00  | 7.83%                            |
| 5      | Shenzhen Choi Fu Tong Technology Co.,Ltd                | 1,569,807.00  | 5.63%                            |
| Total  | --  | 15,423,782.42 | 55.27%                           |

Other situation of main clients

Applicable  Not applicable

Main suppliers of the Company

|   |              |
|---|--------------|
| Total purchase amount from top five suppliers (RMB)                         | 6,742,744.65 |
| Proportion in total annual purchase amount for top five suppliers           | 76.20%       |
| Ratio of related parties in annual total sales among the top five suppliers | 0.00%        |

Information of top five suppliers of the Company

| Serial | Name   | Sales (RMB)  | Proportion in total annual sales |
|--------|--|--------------|----------------------------------|
| 1      | Sanya Yunfang Food Distribution Co., Ltd.      | 2,842,833.72 | 32.13%                           |
| 2      | Sanya Power Supply Bureau of Hainan Power Grid | 2,273,594.35 | 25.70%                           |



|       |  |              |        |
|-------|--|--------------|--------|
| 3     | Sanya Zhengzhuang Industrial Co., Ltd.                     | 635,943.55   | 7.19%  |
| 4     | Sinofrench Water Supply Co., Ltd.                          | 602,845.23   | 6.81%  |
| 5     | Sanya Changfeng Marine Gas Supply and Gas Supply Co., Ltd. | 387,527.80   | 4.38%  |
| Total | --   | 6,742,744.65 | 76.20% |

Other notes of main suppliers of the Company

Applicable  Not applicable

### 3. Expenses

In RMB

|                    | 2017         | 2016         | Increase/decrease y-o-y | Note of major changes  |
|--------------------|--------------|--------------|-------------------------|--|
| Sales expense      | 5,124,503.55 | 4,931,333.26 | 3.92%                   | Sales business increased, thus the expenses increased correspondingly              |
| Management expense | 9,665,525.83 | 9,374,635.91 | 3.10%                   | The salary expenses increased  |
| Financial expense  | -249,176.18  | -193,645.29  | 28.68%                  | Handling charge from the bank decreased and interest income from savings increased |

### 4. R&D expenses

Applicable  Not applicable

### 5. Cash flow

In RMB

| Item   | 2017           | 2016          | Y-o-y changes |
|--|----------------|---------------|---------------|
| Subtotal of cash in-flow from operation activity   | 30,557,863.93  | 23,114,982.69 | 32.20%        |
| Subtotal of cash out-flow from operation activity  | 25,430,575.46  | 20,348,610.67 | 24.97%        |
| Net cash flow from operation activity              | 5,127,288.47   | 2,766,372.02  | 85.34%        |
| Subtotal of cash in-flow from investment activity  | 9,840,550.00   | 14,920,000.00 | -34.04%       |
| Subtotal of cash out-flow from investment activity | 32,496,479.32  | 10,258,516.27 | 216.78%       |
| Net cash flow from investment activity             | -22,655,929.32 | 4,661,483.73  | -586.02%      |
| Subtotal of cash in-flow from financing activity   | 19,810,000.00  |               |               |
| Subtotal of cash out-flow from financing activity  | 19,810,000.00  |               |               |
| Net increased amount of cash and cash equivalent   | -17,528,640.85 | 7,427,855.75  | -335.99%      |

Main reasons for y-o-y major changes in aspect of relevant data



√Applicable    □ Not applicable

1. Cash in-flow from operating activities increased 32.20% from a year earlier, mainly because revenue from operation increased dramatically and sales return increased correspondingly;
2. Cash out-flow from operating activities increased 24.97% from a year earlier, mainly because sales volume increased dramatically, and purchasing business and salary expenses increased as well as the fine for CSRC are paid in the period;
3. Net cash flow from operating activity increased 85.34% from a year earlier, mainly because cash in-flow over the out-flow from operating activities in the period;
4. Cash in-flow from investment activity decreased 34.04% from a year earlier, mainly because equity of Sanya Xiangyu E-Business are paid with revenue earned last year;
5. Cash out-flow from investment activity increased 216.78% from a year earlier, mainly because fine for CSRC are paid in the period;
6. Net cash flow from investment activity decreased 586.02% from a year earlier, mainly because paying the fine to CSRC in the period and received revenue from equity transfer in first half year of 2017;
7. Net increased amount of cash and cash equivalent decreased 335.99% from a year earlier, mainly because paying the fine to CSRC in the period.

Reasons of major difference between the cash flow of operation activity in report period and net profit of the Company

□ Applicable    √ Not applicable

### III. Analysis of the non-main business

√Applicable    □ Not applicable

In RMB

|                      | Amount       | Ratio in total profit | Note  | Whether be sustainable        |
|----------------------|--------------|-----------------------|---|-------------------------------|
| Investment income    | 805,825.24   | 28.19%                | Income from debt investment                                       | Have a certain sustainability |
| Asset impairment     | 11,709.50    | 0.41%                 | Assets impairment losses from provision for bad debts             | Un-sustainability             |
| Non-operating income | 1,303,800.11 | 45.60%                | The account payable with long-term credit in book are written off | Un-sustainability             |

### IV. Assets and liability

#### 1. Major changes of assets composition

In RMB

|               | End of 2017  |                       | End of 2016   |                       | Ratio changes | Notes of major changes  |
|---------------|--------------|-----------------------|---------------|-----------------------|---------------|-------------------------|
|               | Amount       | Ratio in total assets | Amount        | Ratio in total assets |               |                         |
| Monetary fund | 9,681,607.16 | 11.07%                | 27,210,248.01 | 25.81%                | -14.74%       | Paying the fine to CSRC |



|                        |               |        |               |        |       |                   |
|------------------------|---------------|--------|---------------|--------|-------|-------------------|
| Account receivable     | 594,130.89    | 0.68%  | 690,444.72    | 0.65%  | 0.03% | In normal changes |
| Inventory              | 227,005.11    | 0.26%  | 219,179.72    | 0.21%  | 0.05% | In normal changes |
| Investment real estate | 8,859,003.99  | 10.13% | 9,333,527.55  | 8.85%  | 1.28% | In normal changes |
| Fix assets             | 39,088,708.83 | 44.69% | 40,395,680.91 | 38.31% | 6.38% | In normal changes |

## 2. Assets and liability measured by fair value

Applicable  Not applicable

## 3. Assets right restriction till end of reporting period

Nil

## V. Investment

### 1. Overall situation

Applicable  Not applicable

| Investment in the reporting (RMB) | Investment in the same period of last year ( RMB) | Changes |
|-----------------------------------|---|---------|
| 9,000,000.00                      | 9,000,000.00                                      | 0.00%   |

### 2. The major equity investment obtained in the reporting period

Applicable  Not applicable

### 3. The major non-equity investment doing in the reporting period

Applicable  Not applicable

### 4. Financial assets investment

#### (1) Securities investment

Applicable  Not applicable

The company had no securities investment in the reporting period.

#### (2) Derivative investment

Applicable  Not applicable



The Company has no derivatives investment in the reporting period.

## 5. Application of raised proceeds

Applicable  Not applicable

The Company has no application of raised proceeds in the reporting period.

## VI. Sales of major assets and equity

### 1. Sales of major assets

Applicable  Not applicable

The Company had no sales of major assets in the reporting period.

### 2. Sales of major equity

Applicable  Not applicable

## VII. Analysis of main holding company and stock-jointly companies

Applicable  Not applicable

The Company had no information of main holding company and stock-jointly companies disclosed in the reporting period.

## VIII. Structured vehicle controlled by the Company

Applicable  Not applicable

## IX. Future Development Prospects

### 1. Industrial development trend and competition facing the Company

Sanya is the only tropical seaside city in China with a world-leading eco-environment, and has a wonderful air quality that can be numbered in China, it owns an abundant marine resources with unique resource advantage. Sanya has a geographical position advantage and under the help of preferential policy of duty-free for the internationalization of tourism island, with the improvement of people's life quality in recent years, and enhancement of tourism consumption consciousness while haze air environment outside the island, the tourism market prospects has a good trend in Hainan. However, in reporting period, the whole world has a slump in economic resurgence, the tourism market lack of vitality, and the supply far greater than the demand while home inn hotel rapidly expanding blindly, the market competition comes more and more intensify. In addition, with the soaring operation costs and expenditures for the salary of hospitality industry in Sanya and shrinking operation profit, the hotel industry faced a downward pressure on operation.

In the future work, the company will continue to strengthen the updating and transformation of the hotel's equipment and facilities, improve and upgrade the hardware and software equipments and facilities and the quality of internal and external business environment, enhance the construction of enterprise culture and staff teams,



improve service level and service quality, actively expand the sales channels, make full use of the internet platform, expand the sales network, increase the market share, and further improve the management level and core competitiveness.

## 2. Future development plans and operation plan for year of 2018

(1) Market-oriented, continues to improve the quality management of the software equipment and facilities in the Hotel, enhancing the hotel brand image, expanding market channel, and center with enterprises performance, making the brand more bigger and stronger droved by pioneer and invent.

(2) Continue to expand financing channels, enrich the industrial construction, widen the company size, increased more profit points in order to strengthen the sustainability, stable and healthily of the operation.

(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) Risks of HR

Demand for talent in aspect of hotel sales and management are increasingly due to the constantly rise of hotel industry, flow of hotel talented people comes more widespread and more frequent, we may face the risks of development restrained from brain drain.

Countermeasure: we will continue to improved the talent introduction, training system, incentive mechanism, remuneration and welfare as well as insurance mechanism, strive to attract talent, cultivate them and retain them. Meanwhile, strengthen staff quality and skills as well as the management ability, further putting more efforts in



enterprise culture construction, enhance the cohesion in the Company, and guarantee a stable of the core management and skill technicians.

#### (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.

Countermeasure: made a scientific management and decision-making procedures, strengthen the awareness of risk prevention, building and improving relevant mechanism and regulized the management in the Company. Furthermore, increase the sales ability, on base of the former sales network, continues to exploit foreign high-end tourism market under the superior geographical location and environment for improving the occupancy rate. Besides, continues to exploit financing channel, expanding operation projects, enrich the industrial structure for increasing the profit increasing point.

## X. Reception of research, communication and interview

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

√Applicable    □ Not applicable

| Time   | Way                     | Type       | Basic situation index of investigation   |
|--|-------------------------|------------|--|
| 2017-10-17   | Telephone communication | Individual | Investor Mr./Ms/ Huang from Shenzhen ask about the commitment from majority shareholders, no material provided   |
| 2017-10-21   | Telephone communication | Individual | Investor Mr./Ms/ Zhang from Beijing ask about the operation assets and 3Q performance , no any material provided |
| 2017-11-08   | Telephone communication | Individual | Investor Mr./Ms/ Wang from Shanghai ask about the commitment from majority shareholders, no material provided    |
| 2017-11-28   | Telephone communication | Individual | Investor Mr./Ms/ Li from Beijing ask about the listing of staff shares, no any material provided                 |
| 2017-12-15   | Telephone communication | Individual | Investor Mr./Ms/ Lu from Hebei ask about the performance of 2017, no any material provided                       |
| Reception (times)  |                         |            | 27   |
| Number of hospitality  |                         |            | 0  |
| Number of individual reception                               |                         |            | 27   |
| Number of other reception                                    |                         |            | 0  |
| Disclosed, released or let out major undisclosed information |                         |            | No   |



## Section V. Important Events

### I. Profit distribution plan of common stock and capitalizing of common reserves plan

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

Applicable  Not applicable

Profit distribution plan (pre-plan) of common stock and capitalizing of common reserves plan (pre-plan) in latest 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 of common stock in latest three years (including the reporting period)

In RMB

| Year for bonus shares | Amount for cash bonus (tax included) | Net profit attributable to common stock shareholders of listed company in consolidation statement for bonus year | Ratio in net profit attributable to common stock shareholders of listed company contained in consolidation statement | Amount for cash bonus by other ways | Proportion for cash bonus by other ways |
|-----------------------|--------------------------------------|--|--|-------------------------------------|---|
| 2017                  | 0.00                                 | 2,858,998.66   | 0.00%  | 0.00                                | 0.00%                                   |
| 2016                  | 0.00                                 | -2,661,052.49  | 0.00%  | 0.00                                | 0.00%                                   |
| 2015                  | 0.00                                 | -7,477,866.40  | 0.00%  | 0.00                                | 0.00%                                   |

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

Applicable  Not applicable

### II. 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.

**III. Implementation of commitment****1. Commitments completed in Period and those without completed till end of the Period from actual controller, shareholders, related parties, purchaser and companies**

√Applicable    □ Not applicable

| Commitments  | Promis e   | Type of comm itment s                 | Content of commitments   | Commitm ent date | Com mitm ent term | Impleme ntation   |
|--|--|---------------------------------------|--|------------------|-------------------|---|
| Commitments for Share Merger Reform  | Luoniushan Co., Ltd  | Comm itment s for Share Merger Reform | On May 30, 2007, Luoniushan Co., Ltd. made commitments in the Company's "Instructions for reform of non-tradable shares" (Revision) and "Instructions for reform of non-tradable shares" (Abstract of revision) that in view of Dadonghai Company's losses in successive years and on the verge of delisting, in order to reverse the company's business difficulties, improve profitability and recover the continuous business capacity, Luoniushan Co., Ltd., the controlling shareholder of Dadonghai Company made commitments to actively seek restructuring parties to reorganize the assets of Dadonghai Company at the appropriate time. | 2017-06-27       | 6 months          | The original plans of material assets reorganization was terminated |
| Commitments in report of acquisition or equity change  |  |                                       |  |                  |                   |   |
| Commitments in assets reorganization   |  |                                       |  |                  |                   |   |
| Commitments make in initial public offering or re-financing  |  |                                       |  |                  |                   |   |
| Equity incentive commitment  |  |                                       |  |                  |                   |   |
| Other commitments for medium and small shareholders  |  |                                       |  |                  |                   |   |
| Completed on time (Y/N)  | No   |                                       |  |                  |                   |   |
| If the commitments is not fulfilled on time, shall explain the specify reason and the next work plan | The Company's stock commenced suspension of trading from the opening session on 15 February 2017 as it planned to fulfill its commitments. On 13 August 2017, 12 proposals relating to Material Asset Acquisition and Connected Transaction Report (Plan) of Hainan Dadonghai Tourism Centre (Holdings) Co., Ltd. were denied at the 11 <sup>th</sup> extraordinary general meeting of the |                                       |  |                  |                   |   |



|  |   |
|--|---|
|  | 8 <sup>th</sup> session of board of directors of the Company. On 15 August 2017, the Company announced to terminate this restructuring relating to material assets acquisition, and the stock of the Company commenced trading since 17 August 2017. up to date, there is no information which should be disclosed by the Company and which is not disclosed yet. |
|--|---|

## 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

## IV. 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.

## V. Explanation from Board of Directors, Supervisory Committee and Independent Directors (if applicable) for “Qualified Opinion” that issued by CPA

Applicable  Not applicable

## VI. Particulars about the changes in aspect of accounting policy, estimates and calculation method compared with the financial report of last year

Applicable  Not applicable

### 1. Change of accounting policy

According to the Notice from the Ministry of Finance on Issuing and Amending the "Enterprise Accounting Standards No. 16 - Government Subsidy" (CK[2017]15), any enterprise applying Enterprise Accounting Standards is required to implement the notice since 12 June 2017, and future applicable method shall be adopted with respect to the government subsidies existed on 1 January 2017. Any enterprise applying Enterprise Accounting Standards is required to implement the "Enterprise Accounting Standards No. 42 - Non-current Assets Held for Sale, Disposal Group and Discontinuing Operation" issued in 2017 since 28 May 2017, and future applicable method shall be adopted with respect to the non-current assets held for sale, disposal group and discontinuing operation existed as of the date of implementation. On 25 December 2017, the Ministry of Finance issued the Notice on Amending the General Formatting of Enterprise Financial Statement (CK[2017]30) to make amendment to the general formatting of financial statements, which was applicable to the financial statements prepared for 2017 and other future accounting periods.

The above changes in accounting policies have no effect on the amount reported in the financial statements of the Company.

### 2. Change of accounting estimates

Major accounting estimates have no changes in the reporting period.

**VII. Major accounting errors within reporting period that needs retrospective restatement**

Applicable  Not applicable

No major accounting errors within reporting period that needs retrospective restatement for the Company in the period.

**VIII. 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 period.

**IX. 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)  | 39   |
| Continuous life of auditing service for domestic accounting firm | 7  |
| Name of domestic CPA   | Zhu Jianqing, Liu Zebo                                 |

Re-appointed accounting firms in this period

Yes  No

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

Applicable  Not applicable

On 29 March 2017, the Company holding the 12<sup>th</sup> meeting of 8<sup>th</sup> 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 2017 and the decision has been deliberated and approved in general meeting of 2017. During the period, auditing fee 80,000 Yuan in total has been paid to the institute for internal control auditing.

**X. Particular about suspended and delisting after annual report disclosed**

Applicable  Not applicable

**XI. Bankruptcy reorganization**

Applicable  Not applicable

No bankruptcy reorganization for the Company in reporting period

**XII. Significant lawsuits and arbitrations of the Company**

Applicable  Not applicable

No significant lawsuits and arbitrations occurred in the reporting period

**XIII. Penalty and rectification**

Applicable  Not applicable

No penalty and rectification for the Company in reporting period.

**XIV. Integrity of the company and its controlling shareholders and actual controllers**

Applicable  Not applicable

**XV. Implementation of the company's stock incentive plan, employee stock ownership plan or other employee incentives**

Applicable  Not applicable

During the reporting period, the company has no stock incentive plan, employee stock ownership plan or other employee incentives that have not been implemented.

**XVI. Major related transaction****1. Related transaction with routine operation concerned**

Applicable  Not applicable

| Related party   | Relationship             | Type of related transaction | Content of related transaction | Pricing principle | Related transaction price | Related transaction amount (in 10 thousand and Yuan) | Proportion in similar transactions | Trading limit approved (in 10 thousand and Yuan) | Whether over the approved limit or not (Y/N) | Clearing form for related transaction          | Available similar market price                 | Date of disclosure | Index of disclosure |
|---|--------------------------|-----------------------------|--------------------------------|-------------------|---------------------------|--|------------------------------------|--|--|--|--|--------------------|---------------------|
| Luoniushan Co., Ltd.  | First major share holder | Consumption                 | Accommodation                  | Market price      | Market price              | 78.75  | 2.82 %                             | 0  | Yes  | Same as the transaction with non-related party | Same as the transaction with non-related party |                    |                     |
| Total   |                          |                             |                                | --                | --                        | 78.75  | --                                 | 0  | --   | --   | --   | --                 | --                  |
| Detail of sales return with major amount involved   |                          |                             |                                | N/A               |                           |  |                                    |  |  |  |  |                    |                     |
| Report the actual implementation of the daily related transactions which were projected about their total |                          |                             |                                | N/A               |                           |  |                                    |  |  |  |  |                    |                     |



|  |     |
|--|-----|
| amount by types during the reporting period                                    |     |
| Reasons for major differences between trading price and market reference price | N/A |

## 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. 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

There are non-operational contact of related credit and debts in the Company

Yes  No

Related party claims receivable

Nil

Debt payable to related parties

| Related party  | Related relationship | Resulted reason  | Balance of period-beg in (in 10 thousand Yuan) | The newly added amount in Period (in 10 thousand Yuan) | The amount of recovery in Period (in 10 thousand Yuan) | Interest rate | Current interest (in 10 thousand Yuan) | Balance at period-end (in 10 thousand Yuan) |
|--|----------------------|------------------|--|--|--|---------------|--|---|
| Luoniushan Group Co., Ltd.   | Related party        | Capital exchange | 0  | 1,981  | 1,981  |               |  | 0   |
| Influence on operation result and financial statue of the Company from related debts |                      | N/A              |  |  |  |               |  |   |

## 5. Other significant related transactions

Applicable  Not applicable



The company had no other significant related transactions in reporting period.

## XVII. Significant contract and implementations

### 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

Note of leasing

| Item                          | Tenant  | Lease life | Term of lease            |
|-------------------------------|---|------------|--------------------------|
| B/F of the Hotel              | Ma Ming (Hainan Hangpai Food Co., Ltd. )            | 5 years    | 2016-01-01 to 2020-12-31 |
| Shopping mall –B/F            | Xu Jipeng   | 3 years    | 2016-11-15 to 2019-11-14 |
| A/F ground floor              | Chen Junwei   | 3 years    | 2016-03-01 to 2019-02-28 |
| Seaside stall and wood house  | Sanya Leda Food Management Co., Ltd.                | 5 years    | 2018-01-01 to 2022-12-31 |
| Seaside locker room           | Zhong Zhengao                                       | 3 years    | 2016-12-01 to 2019-11-30 |
| Multi-functional meeting room | Sanya Haolide International Travel Agency Co., Ltd. | 5 years    | 2017-10-01 to 2022-09-30 |

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

Applicable  Not applicable

| Name of lessor | Name of the leasing party | Leasing assets | Leasing assets involved in the amount (in 10 thousand Yuan) | Lease start date | Lease termination date | Leasing income (in 10 thousand Yuan) | Basis for determining the leasing income | The impact of leasing income on the company | Whether be related transactions | Association relation |
|----------------|---------------------------|----------------|---|------------------|------------------------|--------------------------------------|--|---|---------------------------------|----------------------|
|----------------|---------------------------|----------------|---|------------------|------------------------|--------------------------------------|--|---|---------------------------------|----------------------|



|             |   |                               |       |            |            |      |          |                 |    |     |
|-------------|---|-------------------------------|-------|------------|------------|------|----------|-----------------|----|-----|
| The Company | Ma Ming (Hainan Hangpai Food Co., Ltd.)             | B/F restaurant in first floor | 1,886 | 2016-01-01 | 2020-12-31 | 75.6 | Contract | Increase income | No | N/A |
| The Company | Sanya Leda Food Management Co., Ltd.                | Seaside stall and wood house  | 653   | 2018-01-01 | 2022-12-31 | 145  | Contract | Increase income | No | N/A |
| The Company | Zhong Zhengao                                       | Seaside locker room           | 10    | 2016-12-01 | 2019-11-30 | 36   | Contract | Increase income | No | N/A |
| The Company | Sanya Haolide International Travel Agency Co., Ltd. | Multi-functional meeting room | 190   | 2017-10-01 | 2022-09-30 | 30   | Contract | Increase income | No | N/A |

## 2. Major Guarantee

Applicable  Not applicable

The Company had no guarantee in the reporting period.

## 3. Entrust others to cash asset management

### (1) Trust financing

Applicable  Not applicable

The Company had no trust financing in the reporting period.

### (2) Entrusted loans

Applicable  Not applicable

The company had no entrusted loans in the reporting period.

## 4. Other material contracts

Applicable  Not applicable

No other material contracts for the Company in reporting period



## **XVIII. Social responsibility**

### **1. Social responsibilities**

Nil

### **2. Execution of social responsibility of targeted poverty alleviation**

#### **(1) Precision poverty alleviation program**

#### **(2) Annual precision poverty alleviation**

#### **(3) Accuracy of poverty alleviation**

#### **(4) Follow-up targeted poverty alleviation plans**

Nil

### **3. Environmental protection**

Listed company and its subsidiary belongs to the key pollution enterprise listed by Department of Environmental Protection

No

Nil

## **XIX. Explanation on other significant events**

Applicable  Not applicable

1. On 8 March 2001, the Company received a written decision of administrative penalty ZJFZi [2001] No.3 “Penalty Decision on Hainan Dadonghai Tourism Center (Holdings) Co., Ltd. in Violation of Securities Laws and Regulations” from CSRC for false profit and rule-violation. Penalty including confiscate their illegal income of 19.31 million Yuan and impose a fine of 0.5 million Yuan. On 20 February 2017, the Company paid the penalty in full to CSRC.

2. The Lawyer’s Letter received by the Company: by preliminary accounting from Sanya Power Bureau, the 10313373 Kwh electricity was understated under the name of South China Hotel from July 2006 to April 2016. Found more in “Notice of Lawyer’s Letter received by Hainan Dadonghai Tourism Center (Holdings) Co., Ltd.” (Notice No.: 2016-016) released on Securities Times, Hong Kong Commercial Daily and Juchao Website dated 31 May 2016. The Company is communicated and negotiates with Sanya Power Bureau in the above mentioned event without negotiation results so far.

## **XX. Significant event of subsidiary of the Company**

Applicable  Not applicable



## Section VI. Particulars about Changes in Shares and Shareholders

### I. Changes in Share Capital

#### 1. Changes in Share Capital

In Share

|   | Before the Change |            | Increase/Decrease in the Change (+, -) |              |                                  |          |          | After the Change |            |
|---|-------------------|------------|--|--------------|----------------------------------|----------|----------|------------------|------------|
|   | Amount            | Proportion | New shares issued                      | Bonus shares | Capitalization of public reserve | Others   | Subtotal | Amount           | Proportion |
| I. Restricted shares                    | 10,455,687        | 2.87%      |  |              |                                  | -1,287   | -1,287   | 10,454,400       | 2.87%      |
| 1. State-owned shares                   |                   |            |  |              |                                  |          |          |                  |            |
| 2. State-owned corporate shares         | 2,369,400         | 0.65%      |  |              |                                  | -46,200  | -46,200  | 2,323,200        | 0.64%      |
| 3. Other domestic shares                | 8,086,287         | 2.22%      |  |              |                                  | 44,913   | 44,913   | 8,131,200        | 2.23%      |
| Including: Domestic legal person shares | 7,953,000         | 2.18%      |  |              |                                  | -132,000 | -132,000 | 7,821,000        | 2.15%      |
| Domestic natural person shares          | 133,287           | 0.04%      |  |              |                                  | 176,913  | 176,913  | 310,200          | 0.09%      |
| II. Unrestricted shares                 | 353,644,313       | 97.13%     |  |              |                                  | 1,287    | 1,287    | 353,645,600      | 97.13%     |
| 1. RMB common shares                    | 265,644,313       | 72.96%     |  |              |                                  | 1,287    | 1,287    | 265,645,600      | 72.96%     |
| 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%    |  |              |                                  | 0        | 0        | 364,100,000      | 100.00%    |

Reasons for share changed

√ Applicable    □ Not applicable

And during the follow-up process of non-tradable shares reform, relevant shares are released in line with relevant regulations and some of the shareholders are repaying the advance money for another, thus the share structure of the Company changed in the Period while total shares remain the same.

Approval of share changed

□ Applicable    √ Not applicable



## Ownership transfer of share changes

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 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                               |
|--|--|---------------------------------------|---|---|----------------------------------|---|
| Xiao Tiefeng   | 132,000                                      | 0                                     | 0   | 132,000                                   | 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 |
| Shenyang Jin'an Industrial Corporation                           | 831,600                                      | 0                                     | 0   | 831,600                                   | 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 |
| 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 |
| Guangzhou Dongzhan Industrial Co. LTD       | 924,000    | 0 | 0 | 924,000    | 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 |
| Hainan Dadonghai Tourism Co.                | 739,200    | 0 | 0 | 739,200    | Legal commitment in share reform | After remove restricted procedures complete |
| Ma Xiaoping                                 | 132,000    | 0 | 0 | 132,000    | Legal commitment in share reform | After remove restricted procedures complete |
| Zheng Youxiong                              | 46,200     | 0 | 0 | 46,200     | Legal commitment in share reform | After remove restricted procedures complete |
| Total                                       | 10,454,400 | 0 | 0 | 10,454,400 | --                               | --  |

## II. Securities issuance and listing

### 1. Security offering (without preferred stock) in reporting Period

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. Particulars about shareholder and actual controller of the Company

### 1. Amount of shareholders of the Company and particulars about shares holding

In Share

|                                 |        |                    |        |                               |   |                                    |   |
|---------------------------------|--------|--------------------|--------|-------------------------------|---|------------------------------------|---|
| Total common stock shareholders | 21,624 | Total common stock | 21,624 | Total preference shareholders | 0 | Total preference shareholders with | 0 |
|---------------------------------|--------|--------------------|--------|-------------------------------|---|------------------------------------|---|



| in reporting period-end  | shareholders at end of last month before annual report disclosed |                           | with voting rights recovered at end of reporting period |                          | voting rights recovered at end of last month before annual report disclosed |                                     |                                |        |
|--|--|---------------------------|---|--------------------------|---|-------------------------------------|--------------------------------|--------|
| Particulars about shares held above 5% by shareholders or top ten shareholders |  |                           |   |                          |   |                                     |                                |        |
| Full name of Shareholders  | Nature of shareholder  | Proportion of shares held | Number of shares held at period-end                     | Changes in report period | Amount of restricted shares held  | Amount of un-restricted shares held | Number of share pledged/frozen |        |
|  |  |                           |   |                          |   |                                     | State of share                 | Amount |
| Luoniushan Co., Ltd.   | Domestic non state-owned corporate                               | 17.55%                    | 63,885,980  | 2370610                  | 0   | 63,885,980                          |                                |        |
| Pan Guoping  | Domestic nature person   | 8.48%                     | 30,879,791  | 0                        | 0   | 30,879,791                          |                                |        |
| HGNH International Asset Management Co., Ltd – customer deposit                | Foreign corporate  | 2.29%                     | 8,327,502   | 2468200                  | 0   | 8,327,502                           |                                |        |
| First Shanghai Securities Limited  | Foreign corporate  | 2.28%                     | 8,297,473   | -1255325                 | 0   | 8,297,473                           |                                |        |
| Hainan Ya'an Residence Property Service Co., Ltd.                              | Domestic non state-owned corporate                               | 2.25%                     | 8,205,800   | 8205800                  | 0   | 8,205,800                           |                                |        |
| Jiang Shuntou  | Domestic nature person   | 1.80%                     | 6,570,600   | 6570600                  | 0   | 6,570,600                           |                                |        |
| Hu Jianguo   | Domestic nature person   | 1.71%                     | 6,227,640   | 564700                   | 0   | 6,227,640                           |                                |        |
| Wan Hua Tianzhi Investment and Development Co., Ltd.                           | Domestic non state-owned corporate                               | 1.45%                     | 5,277,400   | 5277400                  | 0   | 5,277,400                           |                                |        |
| China Investment Securities (HK) Co., Ltd. – customer deposit                  | Foreign corporate  | 1.30%                     | 4,722,300   | 1090000                  | 0   | 4,722,300                           |                                |        |
| Zhang Fengxiu  | Domestic nature person   | 1.07%                     | 3,901,372   | 0                        | 0   | 3,901,372                           |                                |        |



| 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  | Among the above shareholders, Hainan Ya'an Residence Property Service Co., Ltd. is the wholly-owned subsidiary of Luoniushan Co., Ltd. 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 un-restrict shares held at Period-end  | Type of shares                    |            |
|  |  | Type                              | Amount     |
| Luoniushan Co., Ltd.   | 63,885,980   | RMB common share                  | 63,885,980 |
| Pan Guoping  | 30,879,791   | Domestically listed foreign share | 30,879,791 |
| HGNH International Asset Management Co., Ltd – customer deposit  | 8,327,502  | RMB common share                  | 8,327,502  |
| First Shanghai Securities Limited  | 8,297,473  | Domestically listed foreign share | 8,297,473  |
| Hainan Ya'an Residence Property Service Co., Ltd.  | 8,205,800  | RMB common share                  | 8,205,800  |
| Jiang Shuntou  | 6,570,600  | RMB common share                  | 6,570,600  |
| Hu Jianguo   | 6,227,640  | RMB common share                  | 6,227,640  |
| Wan Hua Tianzhi Investment and Development Co., Ltd.   | 5,277,400  | RMB common share                  | 5,277,400  |
| China Investment Securities (HK) Co., Ltd. – customer deposit  | 4,722,300  | RMB common share                  | 4,722,300  |
| Zhang Fengxiu  | 3,901,372  | RMB common share                  | 3,901,372  |
| 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 | Among the above shareholders, Hainan Ya'an Residence Property Service Co., Ltd. is the wholly-owned subsidiary of Luoniushan Co., Ltd. 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 stock shareholders with   | N/A  |                                   |            |



## un-restrict shares held

Whether top ten common stock shareholders or top ten common stock shareholders with un-restrict shares held have a buy-back agreement dealing in reporting period

Yes  No

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

## 2. Controlling shareholder of the Company

Nature of controlling shareholders: community collective holding

Type of controlling shareholders: legal person

| Controlling shareholders   | Legal person/person in charge of the unit  | Date of foundation | Organization code                                   | Main operation business  |
|--|--|--------------------|---|--|
| Luoniushan Co., Ltd.   | Xu Zili  | 1987-12-19         | Unified social credit code<br>914600028<br>4089747P | Planting and breeding industry; initiating industry; real estate development and management; building decoration works; sales of agricultural and animal by-products, aquatic products and feed processing(operates only for branch with voucher); machinery and automobile and motorcycle parts, electronic products, metal materials (except for the monopoly), chemical products (except for the monopoly), household appliances, modern office supplies, stationery, daily necessities, building materials, sales of agricultural and native products; the development and construction of trading market; leasing services; warehousing services; collecting and remitting water and electricity costs. |
| Equity of other domestic/oversea listed company control by controlling shareholder as well as stock-joint in report period | Found more details in full text of Annual Report 2017 of Luoniushan Co., Ltd.(Short form of the stock: Luoniushan, Stock code: 000735) |                    |   |  |

Changes of controlling shareholders in reporting period

Applicable  Not applicable

The Company had no changes of controlling shareholders in reporting period

## 3. Actual controller of the Company

Nature of actual controller: domestic natural person

Type of actual controller: 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   |



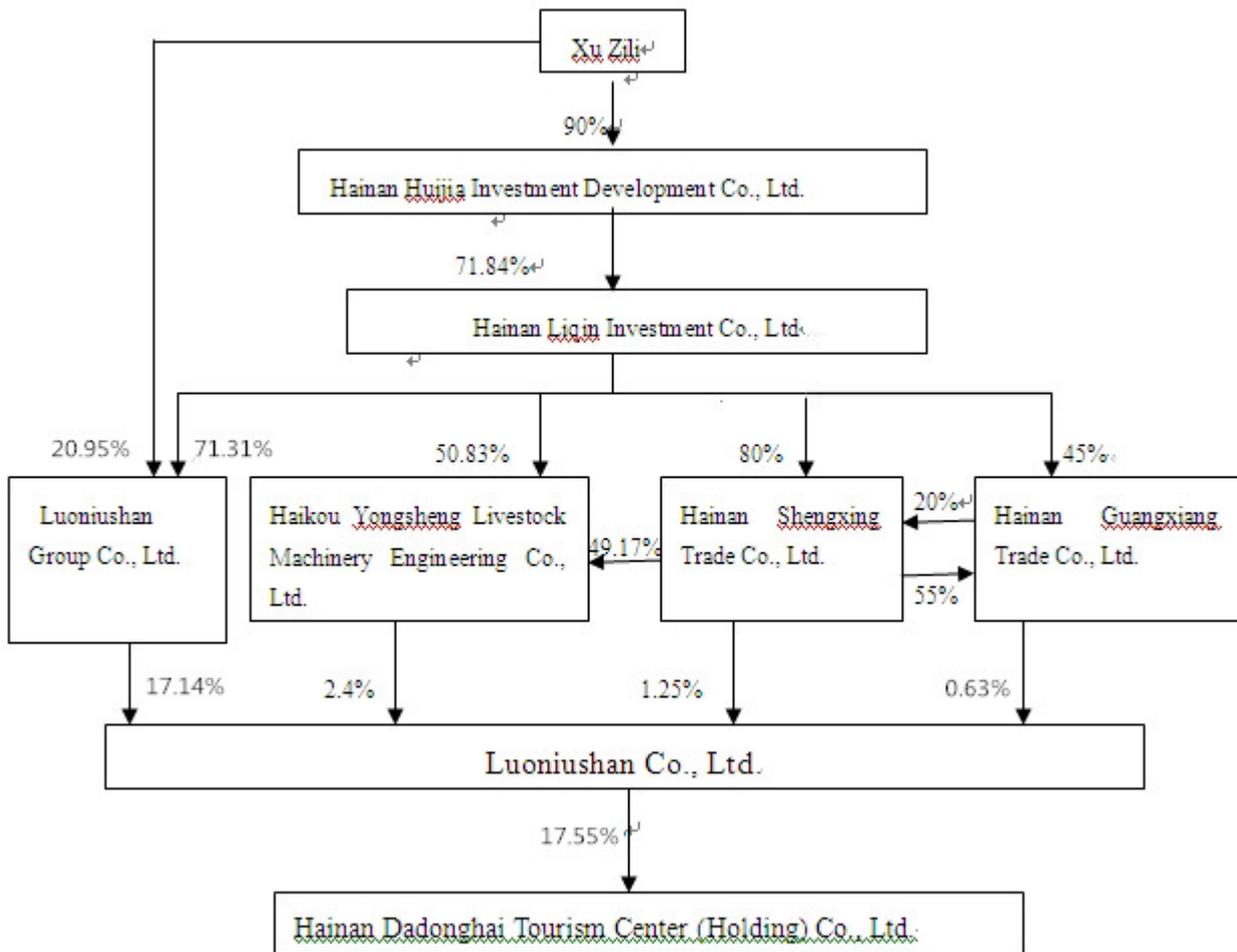
|   |   |
|---|---|
| Main profession and title                                     | Xu Zili, male, was born in 1966, is a senior engineer with a master degree. He successively served as Vice President of Hubei Huangshi Mine Bureau Machinery; General Manager of Haikou Animal Husbandry Machinery Engineering Co., Ltd.; Chairman of Tianjin Baodi Agricultural Technology Co., Ltd.; he also served as standing committee of the Haikou 13 <sup>th</sup> CPPCC; Vice Chairman and General Manager of the Company from August 2006 to November 2011; serves as Chairman of the Company since November 2011; now he takes as the 7 <sup>th</sup> CPPCC member of Hainan Province. |
| Listed company in and out of China controlled in past decades | N/A   |

Changes of actual controller in 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

**5. Limitation and reducing the holdings of shares of controlling shareholders, actual controllers, restructuring side and other commitment subjects**

Applicable  Not applicable



## Section VII. Preferred Stock

Applicable     Not applicable

The Company had no preferred stock in the Period.



## Section VIII. Particulars about Directors, Supervisors, 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) | Amount of shares increased in this period (Share) | Amount of shares decreased in this period (Share) | Other changes (share) | Shares held at period-end (Share) |
|---------------|--|---------------------|-----|-----|----------------------------|-------------------------|-------------------------------------|---|---|-----------------------|-----------------------------------|
| Li Yuanbin    | Chairman, General Manager                          | Currently in office | M   | 67  | 2001-10-25                 | 2017-05-22              | 0                                   | 0   | 0   | 0                     | 0                                 |
| Zhao Man      | Independent Director                               | Currently in office | F   | 65  | 2014-05-22                 | 2017-05-22              | 0                                   | 0   | 0   | 0                     | 0                                 |
| Tang Guoping  | Independent Director                               | Currently in office | M   | 53  | 2014-05-22                 | 2017-05-22              | 0                                   | 0   | 0   | 0                     | 0                                 |
| Leng Mingquan | Independent Director                               | Currently in office | M   | 62  | 2014-05-22                 | 2017-05-22              | 0                                   | 0   | 0   | 0                     | 0                                 |
| Liu Juntao    | Director   | Currently in office | M   | 49  | 2002-06-16                 | 2017-05-22              | 0                                   | 0   | 0   | 0                     | 0                                 |
| Huang Wencai  | Chairman of supervisory committee                  | Currently in office | M   | 48  | 2002-06-16                 | 2017-05-22              | 0                                   | 0   | 0   | 0                     | 0                                 |
| Wang Jialing  | Supervisor   | Currently in office | F   | 51  | 2011-06-16                 | 2017-05-22              | 0                                   | 0   | 0   | 0                     | 0                                 |
| Fu Zongren    | Person in charge of finance                        | Currently in office | M   | 50  | 2015-04-15                 | 2017-05-22              | 0                                   | 0   | 0   | 0                     | 0                                 |
| Wang Hongjuan | Director & Vice president & secretary of the Board | Currently in office | F   | 41  | 2008-04-27                 | 2017-05-22              | 0                                   | 0   | 0   | 0                     | 0                                 |
| Chen Gang     | Supervisor   | Currently in office | M   | 52  | 2016-07-29                 | 2017-05-22              | 1287                                | 0   | 0   | 0                     | 1287                              |



|       |    |    |    |    |    |    |      |   |   |   |      |
|-------|----|----|----|----|----|----|------|---|---|---|------|
| Total | -- | -- | -- | -- | -- | -- | 1287 | 0 | 0 | 0 | 1287 |
|-------|----|----|----|----|----|----|------|---|---|---|------|

## II. Changes of directors, supervisors and senior executives

Applicable  Not applicable

## III. Post-holding

Professional background, major working experience and present main responsibilities in Company of directors, supervisors and senior executive

### 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, EMBA of China Europe International Business School. 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., assistant president and Secretary of the Board of Tianmao Industry Group Co., Ltd., currently holds the post of Assistant President of AXA Insurance Co., Ltd. and serve as director of the Company since 2002.

Ms. Wang Hongjuan, was born in Feb. 1976, Han nationality, Undergraduate Degree, an attorney; she served as representative of securities affairs of the Company since 2004 and serves as secretary of the Board since 2008 and deputy GM of the Company since 2014. and serves as Director of the Company since 2016.

### 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 Standing 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. , Mayinglong Pharmaceutical Group Co., Ltd., and Wuhan Mingde Biological Technologies



Co., Ltd. and she took post as independent director of the Company since May 2014.

Mr. Tang Guoping, born in August 1964, graduated from Zhongnan University of Economics and Law. Hold Doctor Degree, a professor, Chinese CPA and member of CPC. He serves as professor in Zhongnan University of Economics and Law-School of Accounting, the director of Chinese Accounting Society, and serves as independent director of Cabio Biotechnology (Wuhan) Co., Ltd., Shengang Securities Co., Ltd., Shenzhen ShenZhuangZong Decoration Co., Ltd., and Wuhan Boiler Co., Ltd. He participated in (2012) the China Securities Regulatory Commission independent director training, and obtained the post qualification. He serves as independent directors 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 Dederation; 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 Nanyang Shipping Group Co., Ltd. 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 February 1966, once served as accountant of financial dept of the Company; serves as deputy manager of the financial department of the Company. She serves as staff supervisor of the Company since 2011.

Mr. Chen Gang, born in September 1966, the Han nationality, a junior accountant. He worked as accountant in Hainan Sanya Phoenix Co., Ltd. from February 1988 to June 1989, worked as chief accountant in Sanya Hardware Electrical Mall from July 1989 to September 1992, and serves as cost accounting, chief accountant, deputy GM and GM of the financial dept. in the Company since October 1992. He serves as staff supervisor of the



Company since August 2016.

#### Senior executives

Mr. Fu Zongren, born in February 1967, intermediate accountant, served as financial manager of the Company, financial controller of Sanya Yalong Bay Universal Resort, and general manager of Financial Management Center of Hainan Sunup Group, and serves as the financial administrator of the Company since April 2015.

Post-holding in shareholder's unit

Applicable  Not applicable

Post-holding in other unit

Applicable  Not applicable

Punishment of securities regulatory authority in recent three years to the company's current and outgoing directors, supervisors and senior management during the reporting period

Applicable  Not applicable

#### IV. Remuneration for directors, supervisors and senior executives

Decision-making procedures, recognition basis and payment 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 10 thousand Yuan

| Name          | Title                | Sex | Age | Post-hold ing status | Total remuneration obtained from the Company (before taxes) | Whether remuneration obtained from related party of the Company |
|---------------|----------------------|-----|-----|----------------------|---|---|
| Li Yuanbin    | Chairman & CEO       | M   | 67  | Currently in office  | 67.1  | No  |
| Zhao Man      | Independent Director | F   | 65  | Currently in office  | 4.8   | No  |
| Tang Guopin   | Independent Director | M   | 53  | Currently in office  | 4.8   | No  |
| Leng Mingquan | Independent Director | M   | 62  | Currently in office  | 4.8   | No  |



|               |  |    |    |                     |        |    |
|---------------|--|----|----|---------------------|--------|----|
| Liu Juntao    | Director                                       | M  | 49 | Currently in office | 4.8    | No |
| Wang Hongjuan | Director, Secretary of the Board and Deputy GM | F  | 41 | Currently in office | 44.48  | No |
| Huang Wencai  | Supervisor                                     | M  | 48 | Currently in office | 2.4    | No |
| Chen Gang     | Supervisor                                     | M  | 51 | Currently in office | 11.78  | No |
| Wang Jialing  | Supervisor                                     | F  | 51 | Currently in office | 9.77   | No |
| Fu Zongren    | CFO  | M  | 50 | Currently in office | 33.84  | No |
| Total         | --   | -- | -- | --                  | 188.57 | -- |

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

Applicable  Not applicable

## V. Particulars of workforce

### 1. Number of staff, professional composition and education background

|   |   |
|---|---|
| The number of current employees of parent company (people)  | 145   |
| The number of current employees of main subsidiaries (people)   | 0   |
| Total number of current employees (people)  | 145   |
| The total number of current employees to receive pay (people)   | 145   |
| The total number of retired staff and workers that the parent company and main subsidiaries need to bear the costs (people) | 0   |
| Professional composition  |   |
| Category of professional composition  | Number of professional composition (people) |
| Production staff  | 80  |
| Salesman  | 6   |
| Technical staff   | 22  |
| Financial staff   | 12  |
| Administrative staff  | 25  |



|                       |                 |
|-----------------------|-----------------|
| Total                 | 145             |
| Education background  |                 |
| Category of education | Number (people) |
| Graduate student      | 3               |
| Undergraduate         | 6               |
| Junior college above  | 30              |
| High school and below | 106             |
| Total                 | 145             |

## 2. Remuneration policy

The compensation of company's employees includes wages, bonuses, and benefits, which take the principle of distributing according to the work, giving priority to efficiency and taking count of equity simultaneously, wage increase adapting to the company's business development and benefits improvement, optimizing the labor allocation, pay level agreeing with the local average in the same industry. Set or adjust the wage standards in accordance with the job valuation result, the local pay level in the same industry, the company's annual operation target and operational budget, and the individual performance.

## 3. Training programs

Strengthen the training of senior executives by combining the voluntary organization of training and the external training, widen the thought, and enhance the decision-making ability and modern operation and management ability. Strengthen the training of middle management, improve the overall quality of managers, improve the knowledge structure, and enhance the comprehensive management capability, innovation capability and implementation capability. Strengthen the training of professional and technical personnel, improve the theoretical level of technology and professional skills, and enhance the technological innovation, technical transformation capability. Strengthen the technical training of hotel service staff, constantly improve the professional skills and service skills of service staff, and enhance the ability to strictly fulfill their responsibilities. Strengthen the cultural training, improve the cultural level of personnel at all levels, and enhance the overall cultural quality of the staff team.

## 4. Labor outsourcing

Applicable     Not applicable



## Section IX. Corporate Governance

### I. Corporate governance of the Company

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.

Is there any difference between the actual condition of corporate governance and relevant regulations about corporate governance for listed company from CSRC?

Yes  No

There are no differences between the actual condition of corporate governance and relevant regulations about corporate governance for listed company from CSRC.

### II. Independency of the Company relative to controlling shareholders' in aspect of businesses, personnel, assets, organization 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.

### III. Horizontal competition

Applicable     Not applicable

## IV. In the report period, the Company held annual shareholders' general meeting and extraordinary shareholders' general meeting

### 1. Annual Shareholders' General Meeting in the report period

| Session of meeting                                | Type                               | Ratio of investor participation | Date       | Date of disclosure | Index of disclosure   |
|---|------------------------------------|---------------------------------|------------|--------------------|---|
| Annual general meeting 2016                       | Annual general meeting             | 26.37%                          | 2017-04-21 | 2017-04-22         | The "Resolution Notice of Annual Shareholders' General Meeting of 2016" (No.: 2017-027) published on Securities Times, Hong Kong Commercial Daily and Juchao website ( <a href="http://www.cninfo.com.cn">http://www.cninfo.com.cn</a> ) dated 22 April 2017 respectively         |
| First Extraordinary Shareholders Meeting of 2017  | Extraordinary shareholders meeting | 9.48%                           | 2017-05-12 | 2017-05-13         | The "Resolution Notice of First Extraordinary Shareholders Meeting of 2017" (No.: 2017-038) published on Securities Times, Hong Kong Commercial Daily and Juchao website ( <a href="http://www.cninfo.com.cn">http://www.cninfo.com.cn</a> ) dated 13 May 2017 respectively       |
| Second Extraordinary Shareholders Meeting of 2017 | Extraordinary shareholders meeting | 9.47%                           | 2017-07-12 | 2017-07-13         | The "Resolution Notice of Second Extraordinary Shareholders Meeting of 2017" (No.: 2017-057) published on Securities Times, Hong Kong Commercial Daily and Juchao website ( <a href="http://www.cninfo.com.cn">http://www.cninfo.com.cn</a> ) dated 13 July 2017 respectively     |
| Third Extraordinary Shareholders Meeting of 2017  | Extraordinary shareholders meeting | 29.28%                          | 2017-11-10 | 2017-11-11         | The "Resolution Notice of Third Extraordinary Shareholders Meeting of 2017" (No.: 2017-087) published on Securities Times, Hong Kong Commercial Daily and Juchao website ( <a href="http://www.cninfo.com.cn">http://www.cninfo.com.cn</a> ) dated 11 September 2017 respectively |
| Fourth Extraordinary Shareholders Meeting of 2017 | Extraordinary shareholders meeting | 22.79%                          | 2017-12-22 | 2017-12-23         | The "Resolution Notice of Fourth Extraordinary Shareholders Meeting of 2017" (No.: 2017-095) published on Securities Times, Hong Kong Commercial Daily and Juchao website ( <a href="http://www.cninfo.com.cn">http://www.cninfo.com.cn</a> ) dated 23 December 2017 respectively |

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

Applicable     Not applicable

**V. Responsibility performance of independent directors****1. The attending of independent directors to Board meetings and general meeting**

| The attending of independent directors to Board Meeting        |  |                   |                                     |                             |                  |   |
|--|--|-------------------|-------------------------------------|-----------------------------|------------------|---|
| Name of independent director                                   | Times of Board meeting supposed to attend in the report period | Times of Presence | Times of attending by communication | Times of entrusted presence | Times of Absence | Absent the Meeting for the second time in a row (Y/N) |
| Zhao Man   | 12   | 1                 | 11                                  | 0                           | 0                | No  |
| Tang Guoping   | 12   | 1                 | 11                                  | 0                           | 0                | No  |
| Leng Mingquan  | 12   | 1                 | 11                                  | 0                           | 0                | No  |
| Times for attending general meeting from independent directors |  | 5                 |                                     |                             |                  |   |

**2. Objection for relevant events from independent directors**

Independent directors come up with objection about Company's relevant matters

Yes     No

| Name of independent director                         | Objection from independent directors   | Objection items  |
|--|--|--|
| Zhao Man   | Major assets purchasement and Report of Related Transactions (Plan) and etc.   | The major assets restructuring has major risks, the Company do not have enough debt repayment capacity   |
| Tang Guoping   | Major assets purchasement and Report of Related Transactions (Plan) and etc.   | Currently, the plan has many risks in implementation, the Company do not has correspondingly payment ability. Though we need the restructures for future development, relevant risks are unable to control |
| Leng Mingquan  | Major assets purchasement and Report of Related Transactions (Plan) and etc.   | Immature conditions  |
| Explanation on objections from independent directors | Found more in "Resolution Notice of 11 <sup>th</sup> extraordinary meeting of 8 <sup>th</sup> BOD" (Notice No.: 2017-066) released on Securities Times, Hong Kong Commercial Daily and Juchao Website dated 14 August 2017 |  |



### 3. Other explanation about responsibility performance of independent directors

The opinions from independent directors have been adopted

Yes  No

Explanation on advice that accepted/not accepted from independent directors

It is suggested that the Company should strengthen the introduction of foreign capital, introduce excellent assets and diversify the current single business portfolio in addition to focusing on its major operations. The Company's stock commenced suspension of trading from the opening session on 15 February 2017 as it planned to fulfill its commitments. On 13 August 2017, 12 proposals relating to Material Asset Acquisition and Connected Transaction Report (Plan) of Hainan Dadonghai Tourism Centre (Holdings) Co., Ltd. were denied at the 11<sup>th</sup> extraordinary general meeting of the 8<sup>th</sup> session of board of directors of the Company. On 15 August 2017, the Company announced to terminate this restructuring relating to material assets acquisition, and the stock of the Company commenced trading since 17 August 2017.

## VI. Duty performance of the special committees under the board during the reporting 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, the audit committee audited the first quarter and the three quarter financial report of 2017, and the 2017 semi-annual financial report. In the process of annual financial report auditing 2017 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 2017 and the financial status as well as the report on annual financial report audit work arrangement of 2017, 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 2017, in annual report audit process, audit committee members listened to the work report by annual examination certified public accountants and the company management; In late January 2017, 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 2017 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 2018.

### 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, 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 did not have the nomination.

## VII. Works from Supervisory Committee

The Company has risks in reporting period that found in supervisory activity from supervisory committee

Yes  No

Supervisory committee has no objection about supervision events in reporting period

## VIII. Examination and incentives of senior management

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.

## IX. Internal Control

### 1. Details of major defects in IC appraisal report that found in reporting period

Yes  No

### 2. Appraisal Report of Internal Control

|   |   |
|---|---|
| Disclosure date of full internal control evaluation report  | 2018-02-01  |
| Disclosure index of full internal control evaluation report | Relevant information found in Self-evaluation Report of |



|   | Internal Control for 2017 published on Juchao Website dated 1 February 2018.  |   |
|---|---|---|
| The ratio of the total assets of units included in the scope of evaluation accounting for the total assets on the company's consolidated financial statements         |   | 100.00%   |
| The ratio of the operating income of units included in the scope of evaluation accounting for the operating income on the company's consolidated financial statements |   | 100.00%   |
| Defects Evaluation Standards  |   |   |
| Category  | Financial Reports   | Non-financial Reports   |
| Qualitative criteria  | <p>Major deficiencies: fraud of directors, supervisors and senior management; material misstatements are found in current financial statements by the certified public accountant but are not found in the process of internal control; the supervision of the audit committee to the company's external financial reports and internal control of financial reports is invalid.</p> <p>Significant deficiencies: the selection and application of accounting policies are not in accordance with the GAAP; anti-fraud program and control measures have not been established; the accounting treatment of unusual or special transactions has no appropriate control mechanisms or have not implemented the control mechanisms and has no appropriate compensatory controls; the control to period-end financial reporting process has one or more deficiencies and cannot reasonably ensure that the organizational financial statements are true and accurate.</p> <p>General deficiencies: other internal control deficiencies do not constitute major or significant deficiencies.</p> | <p>Major deficiencies: the company is lack of democratic decision-making process; the company's decision-making process leads to major mistakes; the company violates the state laws and regulations and is severely punished; serious brain drain of the company's senior management personnel and senior technical staff; frequent negative news on media covering a wide range and the negative effects are not eliminated; the company's significant business is lack of system control or systematic-ness is invalid; the major deficiencies and significant deficiencies of the company's internal controls have not been rectified and reformed; the company is punished by CSRC or warned by stock exchange.</p> <p>Significant deficiencies: the company has democratic decision-making process which is not complete; the company's decision-making process leads to general mistakes; the company violates the enterprise internal regulations which causes losses; serious brain drain of the company's business personnel in key positions; negative news on media affecting local areas; the company's significant business system has deficiencies; the significant deficiencies and general deficiencies of the company's internal controls have not been rectified and reformed;</p> <p>General deficiencies: other internal control deficiencies do not constitute major or significant deficiencies.</p> |
| Quantitative standard   | <p>Major deficiencies: misstatements <math>\geq 10\%</math> of total profits;</p> <p>Significant deficiencies: 5% of total profits <math>\leq</math> misstatements <math>&lt; 10\%</math> of total profits;</p> <p>General deficiencies: misstatements <math>&lt; 5\%</math> of</p>   | <p>Major deficiencies: misstatements <math>\geq</math> direct property loss of 100,000 Yuan;</p> <p>Significant deficiencies: direct property loss of 10,000 Yuan <math>\leq</math> misstatements <math>&lt;</math> direct property loss of 100,000 Yuan;</p>   |



|  |                |  |
|--|----------------|--|
|  | total profits. | General deficiencies: misstatements < direct property loss of 10,000 Yuan. |
| Amount of significant defects in financial reports     |                | 0  |
| Amount of significant defects in non-financial reports |                | 0  |
| Amount of important defects in financial reports       |                | 0  |
| Amount of important defects in non-financial reports   |                | 0  |

## X. Auditing report of internal control

Applicable  Not applicable

| Deliberations in Internal Control Audit Report   |            |
|--|------------|
| <p>To All Shareholders of Hainan Dadonghai Tourism Center (Holdings) Co., Ltd.:</p> <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 2017.</p> <p>I. As for responsibility of internal control</p> <p>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</p> <p>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</p> <p>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</p> <p>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 2017.</p> <p>BDO CHINA Shu Lun Pan<br/>Certified Public Accountants LLP<br/>Shanghai, China</p> <p>Certified Public Accountant of China: Zhu Jianqing<br/>Certified Public Accountant of China: Liu Zebo<br/>30 January 2018</p> |            |
| Disclosure details of audit report of internal control   | Disclosed  |
| Disclosure date of audit report of   | 2018-02-01 |



|   |  |
|---|--|
| internal control (full-text)                          |  |
| Index of audit report of internal control (full-text) | Relevant information found in Self-evaluation Report of Internal Control for 2017 published on Juchao Website dated 1 February 2018. |
| Opinion type of auditing report of IC                 | Standard unqualified   |
| whether the non-financial report had major defects    | No   |

Carried out modified opinion for internal control audit report from CPA

Yes  No

The internal control audit report, issued by CPA, has concerted opinion with self-evaluation report, issued from the Board

Yes  No



## **Section X. Corporation bonds**

Whether or not the Company public offering corporation bonds in stock exchange, which undue or without payment in full at maturity on the approval date for annual report disclosed

No

## Section XI. Financial Report

### I. Audit report

|                                 |  |
|---------------------------------|--|
| Type of audit opinion           | Standard unqualified opinion                           |
| Signing date of audit report    | 2018-01-30   |
| Name of audit institute         | BDO CHINA Shu Lun Pan Certified Public Accountants LLP |
| Document serial of audit report | PCPAR [2018] No.10037                                  |
| Name of the CPA                 | Zhu Jianqing, Liu Zebo                                 |

#### Auditor's Report

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

#### I. Opinion

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

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

#### II. Basis for Our Opinion

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

#### III. Key Audit Matters

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

(I) Recognition of room income

1. Factual description

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

(1) For travel agencies and individual guests, make advance collection of payments from them or pre-authorization; recognize



income of each day after 0:00 of the night of such day after confirmation with the Room Department and the hotel front desk.

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

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

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

## 2. How our audit addressed the matter

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

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

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

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

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

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

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

### 1. Factual description

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



payable with original book value of RMB1,303,540.11. The write-offs resulted in increase in the Company's non-operating income by RMB1,303,540.11 in 2017.

2. How our audit addressed the matter

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

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

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

**IV. Other information**

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

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

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

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

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

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

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



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

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

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

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

- (1) Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, omissions, misrepresentations, or the override of internal control.
- (2) Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances.
- (3) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management of the Company.
- (4) Conclude on the appropriateness of using the going concern assumption by the management of the Company, and conclude, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- (5) Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- (6) Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the financial statements and bear all liability for the opinion.

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

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



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

BDO CHINA Shu Lun Pan

Certified Public Accountant of China:Zhu Jianqing

Certified Public Accountants LLP

Certified Public Accountant of China:Liu Zebo

Shanghai, China

30 August 2018

## II. Financial Statement

Expressed in Renminbi unless otherwise stated

### 1. Balance sheet

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

2017-12-31

In RMB

| Item   | Closing Balance | Opening Balance |
|--|-----------------|-----------------|
| Current assets:  |                 |                 |
| Monetary funds   | 9,681,607.16    | 27,210,248.01   |
| 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  | 594,130.89      | 690,444.72      |
| Prepayments  | 49,530.21       | 58,783.23       |
| Insurance receivable   |                 |                 |
| Reinsurance receivables  |                 |                 |
| Contract reserve of reinsurance receivable   |                 |                 |
| Interest receivable  |                 |                 |
| Dividends receivable   |                 |                 |
| Other receivables  | 139,561.29      | 174,103.52      |



|   |               |                |
|---|---------------|----------------|
| Purchase restituted finance asset                             |               |                |
| Inventories   | 227,005.11    | 219,179.72     |
| Assets held for sale  |               |                |
| Non-current assets maturing within one year                   | 1,173,597.68  | 584,369.42     |
| Other current assets  | 1,957,863.56  | 1,876,449.22   |
| Total current assets  | 13,823,295.90 | 30,813,577.84  |
| Non-current assets:   |               |                |
| Loans and payments on behalf                                  |               |                |
| Available-for-sale financial assets                           |               |                |
| Held-to-maturity investments                                  |               |                |
| Long-term receivables   |               |                |
| Long-term equity investments                                  |               |                |
| Investment real estate  | 8,859,003.99  | 9,333,527.55   |
| Fixed assets  | 39,088,708.83 | 40,395,680.91  |
| Construction in progress                                      |               |                |
| Project materials   |               |                |
| Disposal of fixed assets                                      |               |                |
| Productive biological assets                                  |               |                |
| Oil and natural gas assets                                    |               |                |
| Intangible assets   | 23,017,636.20 | 23,830,023.36  |
| Research and development costs                                |               |                |
| Goodwill  |               |                |
| Long-term deferred expenses                                   | 2,678,016.88  | 1,071,343.97   |
| Deferred tax assets   |               |                |
| Other non-current assets                                      |               |                |
| Total non-current assets                                      | 73,643,365.90 | 74,630,575.79  |
| Total assets  | 87,466,661.80 | 105,444,153.63 |
| 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                          | 2,161,172.26  | 1,967,565.51  |
| Accounts received in advance              | 1,271,174.12  | 1,894,524.28  |
| Selling financial asset of repurchase     |               |               |
| Commission charge and commission payable  |               |               |
| Wage payable                              | 2,459,015.93  | 2,148,514.36  |
| Taxes payable                             | 539,023.76    | 582,944.27    |
| Interest payable                          |               |               |
| Dividend payable                          |               |               |
| Other accounts payable                    | 2,411,176.59  | 23,084,504.73 |
| Reinsurance payables                      |               |               |
| Insurance contract reserve                |               |               |
| Security trading of agency                |               |               |
| Security sales of agency                  |               |               |
| Liability held for sale                   |               |               |
| Non-current liabilities due within 1 year |               |               |
| Other current liabilities                 |               |               |
| Total current liabilities                 | 8,841,562.66  | 29,678,053.15 |
| 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                     | 1,489,685.04  | 1,489,685.04  |
| Deferred income                           |               |               |
| Deferred income tax liabilities           |               |               |
| Other non-current liabilities             |               |               |
| Total non-current liabilities             | 1,489,685.04  | 1,489,685.04  |
| Total liabilities                         | 10,331,247.70 | 31,167,738.19 |



|   |                 |                 |
|---|-----------------|-----------------|
| 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                                     | -341,107,435.91 | -343,966,434.57 |
| Total owner's equity attributable to parent Company | 77,135,414.10   | 74,276,415.44   |
| Minority interests                                  |                 |                 |
| Total owner's equity                                | 77,135,414.10   | 74,276,415.44   |
| Total liabilities and owner's equity                | 87,466,661.80   | 105,444,153.63  |

Legal Representative: Li Yuanbin

Accounting Principal: Fu Zongren

Accounting Firm's Principal: Fu Zongren

## 2. Profit statement

In RMB

| Item                                     | Current Period | Last Period   |
|--|----------------|---------------|
| I. Total operating income                | 27,906,564.23  | 21,708,883.51 |
| Including: Operating income              | 27,906,564.23  | 21,708,883.51 |
| Interest income                          |                |               |
| Insurance gained                         |                |               |
| Commission charge and commission income  |                |               |
| II. Total operating cost                 | 27,127,174.49  | 25,781,573.48 |
| Including: Operating cost                | 11,139,919.59  | 10,258,440.62 |
| 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   | 1,434,692.20 | 1,412,039.97  |
| Sales expenses   | 5,124,503.55 | 4,931,333.26  |
| Administration expenses  | 9,665,525.83 | 9,374,635.91  |
| Financial expenses   | -249,176.18  | -193,645.29   |
| Losses of devaluation of asset   | 11,709.50    | -1,230.99     |
| Add: Changing income of fair value(Loss is listed with “-”)  |              |               |
| Investment income (Loss is listed with “-”)  | 805,825.24   | 1,390,918.55  |
| Including: Investment income on affiliated Company and joint venture                               |              |               |
| Exchange income (Loss is listed with “-”)  |              |               |
| Income on disposal of assets (Loss is listed with “-”)   |              |               |
| Other income   |              |               |
| III. Operating profit (Loss is listed with “-”)  | 1,585,214.98 | -2,681,771.42 |
| Add: Non-operating income  | 1,303,800.11 | 69,606.00     |
| Including: Disposal earnings of non-current asset  |              |               |
| Less: Non-operating expense  | 30,016.43    | 48,887.07     |
| Including: Disposal loss of non-current asset  | 30,016.43    | 48,887.07     |
| IV. Total Profit (Loss is listed with “-”)   | 2,858,998.66 | -2,661,052.49 |
| Less: Income tax   |              |               |
| V. Net profit (Net loss is listed with “-”)  | 2,858,998.66 | -2,661,052.49 |
| (i) continuous operating net profit (net loss listed with “-”)                                     |              |               |
| (ii) termination of net profit (net loss listed with “-”)  |              |               |
| Net profit attributable to owner’s equity of parent Company  | 2,858,998.66 | -2,661,052.49 |
| 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   | 2,858,998.66 | -2,661,052.49 |
| Total comprehensive income attributable to owners of parent Company   | 2,858,998.66 | -2,661,052.49 |
| Total comprehensive income attributable to minority shareholders  |              |               |
| VIII. Earnings per share:   |              |               |
| (i) Basic earnings per share  | 0.0079       | -0.0073       |
| (ii) Diluted earnings per share   | 0.0079       | -0.0073       |

Legal Representative: Li Yuanbin

Accounting Principal: Fu Zongren

Accounting Firm's Principal: Fu Zongren

### 3. Cash flow statement

In RMB



| Item  | Current Period | Last Period   |
|---|----------------|---------------|
| <b>I. Cash flows arising from operating activities:</b>   |                |               |
| Cash received from selling commodities and providing labor services   | 29,475,377.07  | 22,525,732.45 |
| 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  |                | 4,801.73      |
| Other cash received concerning operating activities   | 1,082,486.86   | 584,448.51    |
| Subtotal of cash inflow arising from operating activities   | 30,557,863.93  | 23,114,982.69 |
| Cash paid for purchasing commodities and receiving labor service  | 8,848,190.06   | 5,520,980.68  |
| 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  | 10,028,995.69  | 9,341,192.06  |
| Taxes paid  | 2,678,621.46   | 2,515,054.34  |
| Other cash paid concerning operating activities   | 3,874,768.25   | 2,971,383.59  |
| Subtotal of cash outflow arising from operating activities  | 25,430,575.46  | 20,348,610.67 |
| Net cash flows arising from operating activities  | 5,127,288.47   | 2,766,372.02  |
| <b>II. Cash flows arising from investing activities:</b>  |                |               |
| Cash received from recovering investment  | 9,000,000.00   | 9,000,000.00  |
| Cash received from investment income  | 830,000.00     | 961,165.05    |
| Net cash received from disposal of fixed, intangible and other long-term assets   | 10,550.00      | 4,929,753.50  |
| Net cash received from disposal of subsidiaries and other units   |                |               |



|   |                |               |
|---|----------------|---------------|
| Other cash received concerning investing activities                                       |                | 29,081.45     |
| Subtotal of cash inflow from investing activities   | 9,840,550.00   | 14,920,000.00 |
| Cash paid for purchasing fixed, intangible and other long-term assets                     | 4,186,479.32   | 1,258,516.27  |
| Cash paid for investment  | 9,000,000.00   | 9,000,000.00  |
| Net increase of mortgaged loans   |                |               |
| Net cash received from subsidiaries and other units                                       |                |               |
| Other cash paid concerning investing activities   | 19,310,000.00  |               |
| Subtotal of cash outflow from investing activities  | 32,496,479.32  | 10,258,516.27 |
| Net cash flows arising from investing activities  | -22,655,929.32 | 4,661,483.73  |
| 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                                       | 19,810,000.00  |               |
| Subtotal of cash inflow from financing activities   | 19,810,000.00  |               |
| 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   | 19,810,000.00  |               |
| Subtotal of cash outflow from financing activities  | 19,810,000.00  |               |
| 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  | -17,528,640.85 | 7,427,855.75  |
| Add: Balance of cash and cash equivalents at the period -begin                            | 27,210,248.01  | 19,782,392.26 |
| VI. Balance of cash and cash equivalents at the period -end                               | 9,681,607.16   | 27,210,248.01 |



## Current period

| 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   |                        |                            |                    |                 |                           | -343,966,434.57 |                    | 74,276,415.44        |
| Add: Changes of accounting policy         |   |                              |       |  |                 |                        |                            |                    |                 |                           |                 |                    |                      |
| Error correction of the last period       |   |                              |       |  |                 |                        |                            |                    |                 |                           |                 |                    |                      |
| Enterprise combine under the same control |   |                              |       |  |                 |                        |                            |                    |                 |                           |                 |                    |                      |
| Other                                     |   |                              |       |  |                 |                        |                            |                    |                 |                           |                 |                    |                      |
| II. Balance at the beginning              | 364,100,000.00                                    |                              |       |  | 54,142,850.01   |                        |                            |                    |                 |                           | -343,966,434.57 |                    | 74,276,415.44        |



|  |  |  |  |  |  |  |  |  |  |  |              |  |              |
|--|--|--|--|--|--|--|--|--|--|--|--------------|--|--------------|
| of this year   |  |  |  |  |  |  |  |  |  |  |              |  |              |
| III. Increase/<br>Decrease in<br>this year<br>(Decrease is<br>listed with “-”) |  |  |  |  |  |  |  |  |  |  | 2,858,998.66 |  | 2,858,998.66 |
| (i) Total<br>comprehensive<br>income   |  |  |  |  |  |  |  |  |  |  | 2,858,998.66 |  | 2,858,998.66 |
| (ii) Owners’<br>devoted and<br>decreased<br>capital                            |  |  |  |  |  |  |  |  |  |  |              |  |              |
| 1.Common<br>shares<br>invested by<br>shareholders                              |  |  |  |  |  |  |  |  |  |  |              |  |              |
| 2. Capital<br>invested by<br>holders of<br>other equity<br>instruments         |  |  |  |  |  |  |  |  |  |  |              |  |              |
| 3. Amount<br>reckoned into<br>owners equity<br>with<br>share-based<br>payment  |  |  |  |  |  |  |  |  |  |  |              |  |              |
| 4. Other   |  |  |  |  |  |  |  |  |  |  |              |  |              |
| (III) Profit<br>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 |  |  |  |  |  |  | -341,107,435.91 | 77,135,414.10 |

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

In RMB

Last Period

| 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   |                        |                            |                    |                 |                           |                 | -341,305,382.08    | 76,937,467.93        |
| 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 |  |  |  |  |  | -341,305,382.08 |  | 76,937,467.93 |
| III. Increase/Decrease in this year (Decrease is listed with "-") |                |  |  |  |               |  |  |  |  |  | -2,661,052.49   |  | -2,661,052.49 |
| (i) Total comprehensive income                                    |                |  |  |  |               |  |  |  |  |  | -2,661,052.49   |  | -2,661,052.49 |
| (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 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 |  |  |  |  |  |  | -343,966,434.57 | 74,276,415.44 |



### III. Company profile

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

As at December 31, 2017, the Company's accumulative total issued capital was 364.1 million shares and the Company's registered capital was RMB 364.1 million. Legal representative: Li Yuanbin. Unified social credit code: 91460000201357188U. Domicile: Dadonghai, Hedong District, Sanya. Business scope: Accommodation and catering industry (limited to branches); photography; flower bonsai, knitwear, general merchandise, hardware, chemical products (except franchised operations), daily necessities, industrial means of production (except franchised operations), metal materials, machinery equipment; sales of train, bus, vehicle tickets on an agent basis etc. The Company's largest shareholder is Luoniushan Co., Ltd.

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

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

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

### IV. Basis of preparation of the financial statements

#### 1. Preparation basis

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

#### 2 Going concern



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

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

Does the Company need to comply with the disclosure requirement of the special industry

No

Specific accounting policies and estimation attention:

Nil

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

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

#### **2. Accounting period**

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

#### **3. Operating cycle**

The Company's operating cycle is 12 months.

Note: when the operating cycle is different from 12 months, and such operating cycle is the classification standards for assets and liability mobility, explain the cycle and determination basis.

#### **4. Reporting currency**

The Company adopts RMB as its reporting currency.

#### **5. Accounting Treatment Method for Business Combinations (under the same/different control)**

#### **6. Preparation method for consolidated financial statement**

#### **7. Joint arrangement classification and accounting treatment for joint operations**

#### **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 of the Company. The term “cash equivalents” refers to short-term (maturing within three months from acquisition) and highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value.

#### **9. Foreign currency business and foreign currency statement conversion**

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



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

Note: explain the follow items as the determination of conversion rate while foreign currency trade occurred, the conversion method for foreign currency monetary items in balance sheet date, the treatment for exchange gains or losses as well we the accounting treatment for foreign currency statement translation

## **10. Financial instruments**

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

### **10.1 Classification of financial instruments**

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

### **10.2 Recognition and measurement of financial instruments**

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

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

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

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

#### **(2) Held-to-maturity investments**

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

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

Upon disposal, the difference between the purchase price obtained and the book value of the investment is



recognized in investment income.

(3) Receivables

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

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

(4) Available-for-sale financial assets

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

The interests or cash dividends to be received during the holding period are recognized as investment income. The interest or cash dividends should be measured at fair value and their changes in fair value should be included in other comprehensive income. However, for an equity instrument investment that has no quoted price in an active market and whose fair value cannot be reliably measured, and for derivative financial asset linked to the said equity instrument investment and settled by delivery of the same equity instrument, they shall be measured at cost. Difference between the proceeds and the book value of the financial assets is recognized as investment profit or loss upon disposal; meanwhile, amount of disposal corresponding to the accumulated change in fair value which is originally and directly included in other comprehensive income shall be transferred out and recognized as investment gains or losses.

(5) Other financial liabilities

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

### 10.3 Recognition and measurement of transfer of financial assets

When a financial assets transfer occurs, the financial assets will be derecognized when substantially all the risks and rewards on the ownership of the financial assets have been transferred to the transferee; and they will not be derecognized if substantially all the risks and rewards on the ownership of the financial assets have been retained.

When determining whether the transfer of a financial asset meets the above de-recognition criteria of financial assets, the Company adopts the principle of substance over form. The Company classifies the transfer of a financial asset into the entire transfer and the partial transfer of financial asset. Where the entire transfer of the financial asset meets the de-recognition conditions, the difference of the following two amounts will be included in current profit and loss:

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



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

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

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

#### **10.4 De-recognition criteria of financial liabilities**

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

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

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

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

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

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

#### **10.6 Testing and accounting methods of impairment of financial assets (excluding receivables)**

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



provision for impairment shall be made.

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

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

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

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

(2) Impairment provision for held-to-maturity investments:

Measurement of impairment losses on held-to-maturity investments is treated in accordance with the measurement method for impairment losses on receivables.

## 11. Accounts receivable

### (1) Account receivable with individually significant amount and with bad debt provision accrual independently

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

### (2) Receivables with bad debt provision accrual by credit portfolio:

| Portfolio   | Methods for provision for bad debts |
|---|-------------------------------------|
| Receivables provided for bad debts on a portfolio basis | Aging analysis                      |

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

Applicable  Not applicable

| Aging                     | Provision ratio for receivables | Proportion ratio for other receivables |
|---------------------------|---------------------------------|--|
| Within 1 year (inclusive) | 0.00%                           | 0.00%                                  |



|              |         |         |
|--------------|---------|---------|
| 1-2 years    | 5.00%   | 5.00%   |
| 2-3 years    | 15.00%  | 15.00%  |
| 3-4 years    | 25.00%  | 25.00%  |
| 4-5 years    | 50.00%  | 50.00%  |
| Over 5 years | 100.00% | 100.00% |

In combination, withdrawal proportion of bad debt provision based on balance proportion

Applicable  Not applicable

In combination, withdrawal proportion of bad debt provision based on other methods:

Applicable  Not applicable

### (3) Accounts receivable with individually insignificant amounts and individual allowance for bad debt

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

## 12. Inventories

Does the Company need to comply with the disclosure requirement of the special industry

No

### 1. Classification

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

### 2. Valuation method of inventories dispatched

Stock commodity is accounted for at the selling price and the difference between the purchase and sale prices are adjusted on a monthly basis by using the integrated price difference rate. The purchase and storage of all materials of inventories is measured at actual cost, and by using the first-in first-out method when applied for use. Low-cost consumables are amortized at lump-sum method when applied for use.

### 3. Determining basis of the net realizable value of inventories and method for inventory impairment provision

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

For merchandise inventories for direct sale, including stock commodities, goods in progress and materials for sale, during normal operations, their net realizable values are recognized at the estimated selling prices minus the estimated selling expenses and the relevant taxes and surcharges; for material inventories held for production,



their net realizable values are recognized at the estimated selling prices of finished goods minus estimated costs until completion, estimated selling expenses and relevant taxes and surcharges.

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

Where the previous factors affecting the written-down of the value of inventory have disappeared, the amount of write-down shall be resumed and be reversed from the original provision for inventory devaluation with the reversal being included in current profit and loss.

#### **4. Inventory system**

The perpetual inventory system is adopted for accounting.

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

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

### **13. Assets held for sale**

### **14. Long-term equity investments**

#### **1. Judgment criteria for common control and significant influence**

Joint control refers to the control shared over an arrangement in accordance with the relevant stipulations, and the decision-making of related activities of the arrangement should not be made before the party sharing the control right agrees the same. Where the Company exercises joint control over the investee together with other parties to the joint venture and enjoys the right on the investee's net assets, the investee is a joint venture of the Company.



Significant influence refers to the power to participate in making decisions on the financial and operating policies of an enterprise, such as appointing representative to the board of directors or similar organs of authority of the investee, but not the power to control the investee, or jointly control, the formulation of such policies with other parties. Where an investor is able to have significant influences on an investee, the investee shall be the Company's associate.

## 2. Determining of initial investment cost

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

Business combination under the common control: if the Company pays a consideration to the combinee in cash, by transferring non-cash assets or by assuming debts, the share of book value of its owners' equity in the combinee in the consolidated financial statements of the ultimate controlling party shall be regarded, on the merger date, as the initial investment cost of the long-term equity investment. If there is a difference between the initial investment cost of the long-term equity investment and the total of book values of the paid cash, transferred non-cash assets and of assumed debts as well as the face value of issued share, the difference shall be used to adjust the share premium in the capital reserve; and if the share premium in the capital reserve is insufficient to be offset, retained earnings shall be adjusted.

In case the Company can exercise control over the investee under common control for additional investment or other reasons, the initial investment cost of long-term equity investments is recognized at the share of book value of net asset of the acquiree after the combination in the consolidated financial statements of the ultimate controller on the combination date. The stock premium should be adjusted at the difference between the initial investment cost of long-term equity investments on the combination date and the book value of long-term equity investments before the combination plus the book value of consideration paid for additional shares; if there is no sufficient stock premium for write-downs, the retained earnings are adjusted.

Business combination not under the common control: the Company recognizes the combination cost determined on the combination date as the initial cost of long-term equity investments. Where the Company can control the investee not under common control from additional investments, the initial investment cost should be changed to be accounted for under the cost method and recognized at the sum of the book value of equity investments originally held and newly increased investment cost. Under business combination not under the common control, the auditing, legal services, consulting and other intermediary fees and other related administrative expenses for business combination will be included into current profit and loss upon occurrence; the transaction costs for the issuance of equity securities or debt securities shall be included into the initial recognition amount of equity securities or debt securities.

### (2) Long-term equity investments obtained by other means

For long-term equity investments acquired from making payments in cash, the initial cost is the actually paid purchase cost.

For long-term equity investments acquired from issuance of equity securities, the initial investment cost is the fair value of the issued equity securities.



If the exchange of non-monetary assets has commercial substance and the fair values of assets traded out and traded in can be measured reliably, the initial cost of long-term equity investment traded in with non-monetary assets are determined based on the fair values of the assets traded out and the relevant taxes and surcharges payable unless there is any conclusive evidence that the fair values of the assets traded in are more reliable; if the exchange of non-monetary assets does not meet the above criteria, the book value of the assets traded out and the relevant taxes and surcharges payable are recognized as the initial cost of long-term equity investment traded in.

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

### **3. Subsequent measurements and recognition of gain or loss**

#### **(1) Long-term equity investment under cost method**

Long-term equity investments in subsidiaries are accounted for under the cost method. Except for the actual price paid for acquisition of investment or the cash dividends or profits contained in the consideration which have been declared but not yet distributed, the Company recognizes the investment income in the current year at the cash dividends or profits declared by the investee.

#### **(2) Long-term equity investment accounted for in the equity method**

The Company's long-term equity investments in associates and joint ventures are accounted for by using the equity method. If the initial cost is more than the share of the fair value of the investee' identifiable net asset to which the Company shall be entitled when investing, the initial cost of the long-term equity investment will not be adjusted. If the initial cost of a long-term equity investment is less than the share of the fair value of the investee's identifiable net asset to which the Company shall be entitled when investing, the difference shall be included in the current profit or loss.

The Company respectively recognizes the investment income and other comprehensive income according to the shares of net profit or loss and other comprehensive income realized by the investee that should enjoyed or assumed by the Company, and adjusts the book value of long-term equity investment; according to the profit declared to be distributed by the investee or the part shall be enjoyed cash dividends calculation, to reduce the book value of long-term equity investment correspondingly; for other changes in owners' equity excepting for ex all profit or loss of the investee, other comprehensive income and profit distribution, the book value of long-term equity investment shall be adjusted and included in the owners' equity.

When recognizing the share of net profit or loss of the investee that the Company shall enjoy, based on fair value of various identifiable assets and others of the investee on acquisition and according to accounting policies and accounting periods of the Company, the Company shall recognize such share after making adjustments to net profit of the investee. When holding the investment, the investee should prepare the consolidated financial statements, it shall account for the investment income based on the net profit, other comprehensive income and the changes in other owner's equity attributable to the investee.



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

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

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

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

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

In case the joint control or significant influence over the investee is lost for disposing part of equity investments or other reasons, the remaining equity will be changed to be accounted for according to the recognition and measurement principles of financial instruments. The difference between the fair value and the book value on the date of the loss of joint control or significant influence should be included in the current profit and loss. As to other comprehensive income recognized based on measurement of the original equity investment under the equity method, accounting treatment shall be made on the same basis as would be required if the investee had directly



disposed of the assets or liabilities related thereto when measurement under the equity method is terminated. Owner's equity recognized from the investee's changes in other owner's equity other than net profit or loss, other comprehensive income and profit distribution should all transferred to the current profit and loss when the equity method confirmed is no longer adopted.

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

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

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

## 15. Investment property

Measurement mode

Measured by cost method

Depreciation or amortization method

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

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

**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 are recognized when they simultaneously meet the following conditions:

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

**(2) Depreciation method of fixed assets**

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

**(3) Reorganization basis, valuation and depreciation method for financial lease assets****17. Construction in progress**

Does the Company need to comply with the disclosure requirement of the special industry

No

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

**18. Borrowing costs****1. Recognition principles of capitalization of borrowing costs**



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

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

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

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

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

## **2. Capitalization period of borrowing costs**

Capitalization period refers to the period from commencement of capitalization of borrowing costs to its cessation; period of suspension for capitalization is excluded.

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

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

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

## **3. Period of suspension for capitalization**

If the acquisition and construction or production activities of assets eligible for capitalization are abnormally interrupted and such condition lasts for more than three months, the capitalization of borrowing costs should be suspended; if the interruption is necessary procedures for the acquired, constructed or produced assets eligible for capitalization to reach the working conditions for its intended use or sale, the borrowing costs continue to be capitalized. Borrowing costs incurred during the interruption are recognized as the current profit and loss and continue to be capitalized until the acquisition, construction or production of the asset restarts.

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

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

As for general borrowings used for acquiring and constructing or producing assets eligible for capitalization, the



interest of general borrowings to be capitalized should be calculated by multiplying the weighted average of asset disbursements of the part of accumulated asset disbursements exceeding special borrowings at end of each month by the capitalization rate of used general borrowings. The capitalization rate is calculated by weighted average interest rate of general borrowings.

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

## **19. Biological assets**

## **20. Oil-and-gas assets**

## **21. Intangible assets**

### **(1) Valuation method, useful lives and impairment**

#### **1. Valuation method of intangible assets**

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

The costs of externally purchased intangible assets include purchase prices, relevant taxes and surcharges and other directly attributable expenditures incurred to prepare the assets for their intended use. If the payment for an intangible asset is delayed beyond the normal credit conditions and it is of the financing nature, the cost of the intangible asset shall be determined on the basis of the current value of the purchase price.

For an intangible asset obtained in debt restructuring by a debtor for the settlement of relevant liability, the book-entry value shall be initially recognized based on the fair value of the intangible asset. Difference between the book value of restructured debts and the fair value of the intangible asset used for debt off-set shall be included in the current profit or loss;

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

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

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

**(2) Subsequent measurement**

The useful lives of the intangible assets are analyzed and determined on their acquisition.

For intangible assets with definite useful lives, the Company shall adopt the straight-line method for amortization within the period during which they can bring economic benefits to the Company; where the period during which they can bring economic benefits to the Company cannot be forecast, those intangible assets shall be deemed as assets with indefinite lives and no amortization will be made.

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

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

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

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

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

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

Note: explain the measurement of intangible assets. Explain the estimation condition for use of life, while the intangible assets have limited service life. If the intangible assets have uncertain use of life, explain the judgment basis and procedures for use of life

**(2) Accounting policy of internal R&D expenditures****22. Impairment of long-term assets**

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

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

**23. Long-term deferred expenses**

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

**1. Amortization method**

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

**2. Amortization period**



| Item                      | Amortization period |
|---------------------------|---------------------|
| Hotel exterior decoration | 4年                  |
| Fire stairs renovation    | 4年                  |
| C FLOOR ROOM RENOVATION   | 5年                  |
| Villa renovation          | 5年                  |
| Swimming pool renovation  | 5年                  |

## 24. Employee compensation

### (1) Accounting method for short-term compensation

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

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

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

### (2) Accounting method for post-employment benefits

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

### (3) Accounting method for dismiss welfare

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

### (4) Accounting method for other long-term employee welfare

## 25. Estimated liabilities

When the Company is involved in litigation, debt guarantees, loss-making contract, reorganization matters, if such



matters are likely to be satisfied by delivery of assets or provision of services in the future and the amount can be measured reliably, they shall be recognized as estimated liabilities.

### **1. Recognition criteria for estimated liabilities**

When an obligation relating to a contingency meets all the following conditions at the same time, it is recognized as an estimated liability:

- (1) Such obligation is a present obligation of the Company;
- (2) The performance of such obligation may well cause outflows of economic benefits from the Company; and
- (3) The amount of such obligation can be measured reliably.

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

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

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

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

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

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

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

## **26. share-based payment**

Nil

## **27. Other financial instrument as preferred stock and perpetual bond etc.**

Nil



## 28. Revenue

Does the Company need to comply with the disclosure requirement of the special industry

Nil

### 1. Recognition and measurement principles for revenues from sale of goods

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

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

(2) Recognition criteria and time of revenue from sale of goods of the Company

In the provision of hotel housing services at the same time, the Company provides goods to customers and will prepare daily sales list after confirming with the Rooms Department and the hotel front desk. Based on the sales list, the finance department confirms that the major risks and rewards of ownership of the goods have been transferred to the customer and then the sales revenue is recognized.

### 2. Recognition and measurement principles of revenue from rendering of service

(1) For the hotel rooms, catering (breakfast) and other services to be provided by the Company, after they are provided, and the Company checks with the sales department and the front check, the Company will prepare the daily sales reports and accounts receivable list to the finance department, which will review the same, after which, the revenue will be recognized.

(2) For the revenue from restaurants and venues contracted out, they will be recognized in accordance with the period stipulated in the contract or agreement and the collection timing.

### 3. Recognition basis for revenue from transfer of right to use assets

When the economic benefit related to the transaction is probably to flow into the Company and the relevant revenue can be reliably measured, the revenue from transfer of the asset use right is determined as follows: the revenue from transferring use right of assets shall be recognized based on the following circumstances:

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

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

## 29. Government subsidies

### (1) Judgment criteria and accounting method for government subsidies related to assets

Set off the book value of related assets or be recognized as deferred income. Government subsidies related to assets are recognized as deferred income to be evenly distributed over the useful lives of the relevant assets and



shall be recorded in current profit or loss by stages in a reasonable and systematic manner. Government subsidies measured in nominal amounts, are directly included in current profits and losses.

Where relevant assets are sold, transferred, scraped or damaged before the end of their lives, balance of the unallocated deferred income is transferred to the current profit and loss on asset disposal.

## **(2) Judgment criteria and accounting method for government subsidies related to income**

- 1) To be used as compensation for future costs, expenses or losses are recognized as deferred income and are recorded in current profits and losses or used to write off the related costs where the relevant costs, expenses or losses are recognized.
- 2) To be used to compensate the related costs, expenses or losses incurred by the Company are directly included in current profit and loss or used to write off the related costs.
- 3) Accounting treatment will be conducted for government subsidies that at the same time include those associated with assets and income by different parts: if it is difficult to distinguish, they will be deemed as government subsidies associated with income.

## **30. Deferred income tax assets and deferred income tax liabilities**

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

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

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

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

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

**31. Lease****(1) Accounting treatment of operating lease****1. Accounting treatment of assets leased**

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

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

**2. Accounting treatment of leasing-out assets**

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

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

**(2) Accounting treatment of finance lease****32. Other principal accounting policies and accounting estimates****33. Changes to principal accounting policies and accounting estimates****(1) Changes in principal accounting policies**

Applicable  Not applicable

| Changes of accounting policies and reasons  | Approval procedures | Note  |
|---|---------------------|---|
| The Accounting Standards for Business Enterprises No.16 - Government Subsidies (Cai Kuai [2017] No.15) issued and revised by the Ministry of Finance have been implemented by enterprises adopting the Accounting Standards for Business Enterprises since June 12, 2017; therefore, for the government subsidies on January 1, 2017, the prospective application method shall apply for their accounting treatment; the Accounting Standards for Business Enterprises No.42 - Held-for-sale Non-current Assets and Disposal Group and Termination of Operation issued by the Ministry of Finance in 2017 have been implemented by enterprises adopting the Accounting Standards for Business Enterprises | N/A                 | The above-mentioned changes in accounting policies have no impacts on those figures |



|  |  |   |
|--|--|---|
| <p>since May 28, 2017; therefore, for the held-for-sale non-current assets and disposal group and termination of operation existing on the implementation date, the prospective application method shall be applied for accounting treatment. On December 25, 2017, the Ministry of Finance issued the Circular of the Ministry of Finance on Revising the Format of General Financial Statements (Cai Kuai [2017] No.30), which revised the format of general financial statements, and applied to the financial statements in 2017 and afterwards.</p> |  | <p>listed in the Company's financial statements</p> |
|--|--|---|

## (2) Changes in principal accounting estimates

Applicable  Not applicable

## 34. Other

## VI. Taxation

### 1. Major tax types and tax rates

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

Disclose reasons for different taxpaying body

Nil

### 2. Tax preference

### 3. Other

## VII. Notes to the items of financial statements

**1. Monetary Fund**

In RMB/CNY

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

Other explanation: Nil

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

**2. Financial assts measured by fair value and with its variation reckoned into current gains/losses**

Nil

**3. Derivative financial assets**

□ Applicable √ Not applicable

**4. Note receivable**

Nil

**5. Accountsreceivable****(1) Disclosure of account receivables by category**

In RMB/CNY

| Category  | Ending balance |            |                        |                 |            | Beginning balance |            |                        |                 |            |
|---|----------------|------------|------------------------|-----------------|------------|-------------------|------------|------------------------|-----------------|------------|
|   | Book balance   |            | Provision for bad debt |                 | Book value | Book balance      |            | Provision for bad debt |                 | Book value |
|   | Amount         | Proportion | Amount                 | Provision ratio |            | Amount            | Proportion | Amount                 | Provision ratio |            |
| Accounts receivable with significant single amount subject to provision for bad |                |            |                        |                 |            | 1,466,400.49      | 50.22%     | 1,466,400.49           | 100.00%         |            |



|  |            |         |           |        |            |              |         |              |        |            |
|--|------------|---------|-----------|--------|------------|--------------|---------|--------------|--------|------------|
| debts on a single basis  |            |         |           |        |            |              |         |              |        |            |
| Accounts receivable with provision for bad debts based on portfolios | 662,651.14 | 100.00% | 68,520.25 | 10.34% | 594,130.89 | 1,453,566.38 | 49.78%  | 763,121.66   | 52.50% | 690,444.72 |
| Total  | 662,651.14 | 100.00% | 68,520.25 | 10.34% | 594,130.89 | 2,919,966.87 | 100.00% | 2,229,522.15 | 76.35% | 690,444.72 |

Account receivable with single significant amount and withdrawal bad debt provision separately at period-end:

Applicable  Not applicable

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

Applicable  Not applicable

In RMB/CNY

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

Explanation on combination determines:

In combination, withdrawal proportion of bad debt provision based on balance proportion for account receivable

Applicable  Not applicable

In combination, withdrawal proportion of bad debt provision based on other methods for account receivable:

Nil

## (2) Provision, reversal or recovery of provision for bad debts in 2017

The provision for bad debts amounts to RMB15, 211.00 in 2017; re-versal or recovery of provision for bad debts amounts to RMB



Including major re-versal or recovery of provision for bad debts amounts to RMB in the period: Nil

### (3) Accounts receivable actually written off in 2017

In RMB/CNY

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

Including major receivables written-off:

In RMB/CNY

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

Explanation:

In accordance with the “Plan of Underwriting Long-term Investment and Intercourse Funds”, deliberated and approved by 12th extraordinary meeting of 8th BOD held on 25 October 2017 and the 3rd extraordinary general shareholders meeting dated 10 November 2017, the long-term equity investment, which have totally provision preVIOUS year, and the financial assets available for sale and some of the creditors rights are been written off in



the period. Meanwhile, part of the long-term unpayable are underwritten. Among the account underwritten, the long-term equity investment amounted as 9,716,374.26 Yuan, financial assets available for sale amounted as 5,000,000.00 Yuan, account receivable amounted as 2,176,212.90 Yuan, other receivables amounted as 78,067,592.72 Yuan, account payables amounted as 375,553.60 Yuan, account received in advance amounted as 251,057.21 Yuan and other payables amounted as 676,929.30. Non-operating revenue arising from the underwriting amounted as 1,303,540.11 Yuan.

#### (4) Top five accounts receivable in terms of ending balance collected by the debtor

| Name of entity  | Relationship with the Company  | Book balance(RMB) | Aging         | Proportion in total amount of accounts receivable (%) |
|---|--------------------------------|-------------------|---------------|---|
| Shanghai Hecheng International Travel Service Co., Ltd. | Non-related party              | 280,668.00        | Within 1 year | 42.36   |
| Luoniushan Co., Ltd.                                    | Non-consolidated related party | 166,412.00        | Within 1 year | 25.11   |
| Guangzhou Institute of Design                           | Non-related party              | 38,980.00         | Over 5 years  | 5.88  |
| Tianjin Watermelon Tourism Limited Liability Company    | Non-related party              | 33,072.94         | Within 1 year | 4.99  |
| Yilong Network Information Technology Co., Ltd.         | Non-related party              | 25,581.00         | Within 1 year | 3.86  |
| Total   |                                | 544,713.94        |               | 82.20   |

#### (5) Account receivable derecognition due to financial assets transfer

Nil

#### (6) Assets and liabilities resulted by account receivable transfer and continues involvement

Nil

### 6. Advances to suppliers

#### (1) Advances to suppliers presented by aging

In RMB/CNY

| Aging         | Ending balance |            | Beginning balance |            |
|---------------|----------------|------------|-------------------|------------|
|               | Amount         | Proportion | Amount            | Proportion |
| Within 1 year | 49530.21       | 100.00%    | 58783.23          | 100.00%    |
| 1-2 years     |                |            |                   |            |
| 2-3 years     |                |            |                   |            |



|              |          |    |          |    |
|--------------|----------|----|----------|----|
| Over 3 years |          |    |          |    |
| Total        | 49530.21 | -- | 58783.23 | -- |

Explanation on reasons of failure to settle on important advance payment with age over one year:

Nil

## (2) Top five advances to suppliers in terms of the ending balance collected by the prepaid object

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

## 7. Interest receivable

Nil

## 8. Dividend receivable

Nil

## 9. Other receivables

### (1) Other receivables disclosed by category

In RMB/CNY

| Category   | Ending balance |            |                        |                      |            | Beginning balance |            |                        |                      |            |
|--|----------------|------------|------------------------|----------------------|------------|-------------------|------------|------------------------|----------------------|------------|
|  | Book balance   |            | Provision for bad debt |                      | Book value | Book balance      |            | Provision for bad debt |                      | Book value |
|  | Amount         | Proportion | Amount                 | Provision proportion |            | Amount            | Proportion | Amount                 | Provision proportion |            |
| Other receivables with significant single amount and |                |            |                        |                      |            | 77,363,143.31     | 98.85%     | 77,363,143.31          | 100.00%              |            |



|   |            |          |           |         |            |               |          |               |        |            |
|---|------------|----------|-----------|---------|------------|---------------|----------|---------------|--------|------------|
| individual allowance for bad debts                                |            |          |           |         |            |               |          |               |        |            |
| Other receivables with provision for bad debts based on portfolio | 160,709.19 | 100.00 % | 21,147.90 | 13.16 % | 139,561.29 | 903,202.33    | 1.15%    | 729,098.81    | 80.72% | 174,103.52 |
| Total   | 160,709.19 | 100.00 % | 21,147.90 | 13.16 % | 139,561.29 | 78,266,345.64 | 100.00 % | 78,092,242.12 | 99.78% | 174,103.52 |

Other receivables with insignificant single amount but with individual provision for bad debts at period-end

Applicable  Not applicable

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

Applicable  Not applicable

In RMB/CNY

| Aging                  | Ending balance    |                        |                      |
|------------------------|-------------------|------------------------|----------------------|
|                        | Other receivables | Provision for bad debt | Provision proportion |
| Within 1 year          |                   |                        |                      |
| Subtotal within 1 year | 139,111.29        |                        |                      |
| 3-4 years              | 600.00            | 150.00                 | 25.00%               |
| Over 5 years           | 20,997.90         | 20,997.90              | 100.00%              |
| Total                  | 150,709.19        | 21,147.90              | 14.03%               |

Explanations on combination determine:

In combination, withdrawal proportion of bad debt provision based on balance proportion for other account receivable:

Applicable  Not applicable

In combination, withdrawal proportion of bad debt provision based on other methods for other account receivable:

Applicable  Not applicable

## (2) Provision, reversal or recovery of provision for bad debts in 2017

The provision for bad debts in 2017 amounted to RMB-3,501.50.reversal or recovery of provision for bad debts amounted to RMB

Including major amount reversal or recovery: Nil

## (3) Other receivables actually written off in 2017

In RMB/CNY

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

Including major written-off other receivables:



In RMB/CNY

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

Explanation: Nil

**(4) Classification of other receivables by the nature of payment**

In RMB/CNY

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

**(5) Top 5 other receivables at ending balance by arrears party**

Nil

**(6) Account receivables related to government subsidies**

Nil

**(7) Other receivable for termination of confirmation due to the transfer of financial assets**

Nil

**(8) The amount of assets and liabilities that are transferred other receivable and continued to be involved**

Nil

**10. Inventories**

Whether the Company needs to comply with disclosure requirement of real estate industry

No

**(1) Classification of inventory**

In RMB/CNY

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

Does the Company comply with the disclosure requirement of “Information Disclosure Guidelines of Shenzhen Stock Exchange No.4 - Listed Companies Engaged in Seed Industry and Planting Business” or not

**(2) Provision for inventory depreciation**

In RMB/CNY

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

**(3) Explanation on capitalization of borrowing costs at ending balance of inventory****(4) Assets completed without unsettlement from construction contract at period-end**

Nil

**11. Assets held for sale**

Nil

**12. Non-current assets maturing within one year**

In RMB/CNY



| Item   | Ending balance      | Beginning balance |
|--|---------------------|-------------------|
| Long-term unamortized expenses amortized within one year | 1,173,597.68        | 584,369.42        |
| <b>Total</b>   | <b>1,173,597.68</b> | <b>584,369.42</b> |

Other explanation: Hotel exterior repair, and transformation of guest rooms, swimming pools and others

### 13. Other current assets

In RMB/CNY

| Item                          | Ending balance      | Beginning balance   |
|-------------------------------|---------------------|---------------------|
| Prepaid enterprise income tax | 1,702,702.80        | 1,702,702.80        |
| Input tax to be deducted      | 255,160.76          | 173,746.42          |
| <b>Total</b>                  | <b>1,957,863.56</b> | <b>1,876,449.22</b> |

Other explanation: nil

### 14. Available-for-sale-financial assets

#### (1) Available-for-sale financial assets

In RMB/CNY

| Item                                   | Ending balance |                          |            | Beginning balance   |                          |            |
|--|----------------|--------------------------|------------|---------------------|--------------------------|------------|
|  | Book balance   | Provision for impairment | Book value | Book balance        | Provision for impairment | Book value |
| Available-for-sale equity instruments: |                |                          |            | 5,000,000.00        | 5,000,000.00             |            |
| Measured at cost                       |                |                          |            | 5,000,000.00        | 5,000,000.00             |            |
| <b>Total</b>                           |                |                          |            | <b>5,000,000.00</b> | <b>5,000,000.00</b>      |            |

#### (2) Available-for-sale financial assets measured at fair value at December 31, 2017

Nil

#### (3) Available-for-sale financial assets measured at cost at December 31, 2017

In RMB/CNY

| Investee | Book balance     |                  |                  |               | Provision for impairment |                  |                  |               | Shareholding ratio in the investee | Cash dividend in 2017 |
|----------|------------------|------------------|------------------|---------------|--------------------------|------------------|------------------|---------------|------------------------------------|-----------------------|
|          | Period beginning | Increase in 2017 | Decrease in 2017 | Period ending | Period beginning         | Increase in 2017 | Decrease in 2017 | Period ending |                                    |                       |
|          |                  |                  |                  |               |                          |                  |                  |               |                                    |                       |



|  |              |  |              |                            |              |  |              |  |        |  |
|--|--------------|--|--------------|----------------------------|--------------|--|--------------|--|--------|--|
|  |              |  |              | o<br>d<br>-<br>e<br>n<br>d |              |  |              |  |        |  |
| Shenzhen Difu Investment Development Co., Ltd. | 5,000,000.00 |  | 5,000,000.00 |                            | 5,000,000.00 |  | 5,000,000.00 |  | 14.28% |  |
| Total  | 5,000,000.00 |  | 5,000,000.00 |                            | 5,000,000.00 |  | 5,000,000.00 |  | --     |  |

**(4) Changes of impairment in Period**

Nil

**(5) where the fair value of equity instruments available for sale drops significantly or not contemporarily at period-end, without impairment provision is made**

Nil

**15. Investment held-to-maturity****(1) Details of investment held-to-maturity**

In RMB/CNY

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

**(2) Major investment held-to-maturity at period-end**

nil

**(3) Investment held-to-maturity re-classify in the period**

Other explanation

In accordance with the “Plan of Underwriting Long-term Investment and Intercourse Funds”, deliberated and approved by 12th extraordinary meeting of 8th BOD held on 25 October 2017 and the 3rd extraordinary general shareholders meeting dated 10 November 2017, the long-term equity investment, which have totally provision previous year, and the financial assets available for sale and some of the creditors rights are been written off in the period. Meanwhile, part of the long-term payable are underwritten. Among the account underwritten, the long-term equity investment amounted as 9,716,374.26 Yuan, financial assets available for sale amounted as 5,000,000.00 Yuan, account receivable amounted as 2,176,212.90 Yuan, other receivables amounted as 78,067,592.72 Yuan, account payables amounted as 375,553.60 Yuan, account received in advance amounted as 251,057.21 Yuan and other payables amounted as 676,929.30. Non-operating revenue arising from the underwriting amounted as 1,303,540.11 Yuan.

**16. Long-term receivables**

Nil

**17. Long-term equity investment**

Nil

**18. Investment property****(1) Investment properties measured at cost**

√ Applicable □ Not applicable

In RMB/CNY

| Item  | Buildings and constructions | Land use rights | Construction in process | Total         |
|---|-----------------------------|-----------------|-------------------------|---------------|
| 1. Original book value  |                             |                 |                         |               |
| 1.Beginning balance   | 18,856,504.44               | 5,662,740.59    |                         | 24,519,245.03 |
| 2.Increase in 2017  |                             |                 |                         |               |
| (1) Purchase  |                             |                 |                         |               |
| (2) Transfer from inventories/ fixed assets/construction in process |                             |                 |                         |               |
| (3) Increase from   |                             |                 |                         |               |



|   |               |              |  |               |
|---|---------------|--------------|--|---------------|
| business combinations                                     |               |              |  |               |
|   |               |              |  |               |
| 3. Decrease in 2017                                       |               |              |  |               |
| (1) Disposal  |               |              |  |               |
| (2) Other transfer-out                                    |               |              |  |               |
|   |               |              |  |               |
| 4. Ending balance   | 18,856,504.44 | 5,662,740.59 |  | 24,519,245.03 |
| II. Accumulated depreciation and accumulated amortization |               |              |  |               |
| 1. Beginning balance                                      | 9,771,216.42  | 2,107,046.45 |  | 11,878,262.87 |
| 2. Increase in 2017                                       | 418,183.56    | 56,340.00    |  | 474,523.56    |
| (1) Provision or amortization                             | 418,183.56    | 56,340.00    |  | 474,523.56    |
|   |               |              |  |               |
| 3. Decrease in 2017                                       |               |              |  |               |
| (1) Disposal  |               |              |  |               |
| (2) Other transfer-out                                    |               |              |  |               |
|   |               |              |  |               |
| 4. Ending balance   | 10,189,399.98 | 2,163,386.45 |  | 12,352,786.43 |
| III. Provision for impairment                             |               |              |  |               |
| 1. Beginning balance                                      | 1,404,400.47  | 1,903,054.14 |  | 3,307,454.61  |
| 2. Increase in 2017                                       |               |              |  |               |
| (1) Provision   |               |              |  |               |
|   |               |              |  |               |
| 3. Decrease in 2017                                       |               |              |  |               |
| (1) Disposal  |               |              |  |               |
| (2) Other   |               |              |  |               |



|                       |              |              |  |              |
|-----------------------|--------------|--------------|--|--------------|
| transfer-out          |              |              |  |              |
| 4. Ending balance     | 1,404,400.47 | 1,903,054.14 |  | 3,307,454.61 |
| IV. Book value        |              |              |  |              |
| 1. Closing book value | 7,262,703.99 | 1,596,300.00 |  | 8,859,003.99 |
| 2. Opening book value | 7,680,887.55 | 1,652,640.00 |  | 9,333,527.55 |

**(2) Investment real estate measured by fair value**

Applicable  Not applicable

**(3) Investment real estate without property certification held**

Nil

**19. Fixed assets****(1) Fixed assets details**

In RMB/CNY

| Item                                      | Houses and buildings | Mechanical equipment | Transportation equipment | Electronic equipment | Other equipment | Total          |
|---|----------------------|----------------------|--------------------------|----------------------|-----------------|----------------|
| I. Original book value:                   |                      |                      |                          |                      |                 |                |
| 1. Beginning balance                      | 136,564,783.15       | 13,141,471.00        | 2,091,322.77             | 2,585,268.92         | 1,703,389.45    | 156,086,235.29 |
| 2. Increase in 2017                       | 224,718.67           | 138,461.54           | 253,752.14               | 258,270.53           | 623,373.72      | 1,498,576.60   |
| (1) Purchase                              | 224,718.67           | 138,461.54           | 253,752.14               | 258,270.53           | 623,373.72      | 1,498,576.60   |
| (2) Transfer from construction in process |                      |                      |                          |                      |                 |                |
| (3) Increase from business combinations   |                      |                      |                          |                      |                 |                |
| 3. Decrease in 2017                       |                      |                      |                          | 220,096.00           | 266,875.00      | 486,971.00     |
| (1) Disposal or scrap                     |                      |                      |                          | 220,096.00           | 266,875.00      | 486,971.00     |
| 4. Ending balance                         | 136,789,501.82       | 13,279,932.54        | 2,345,074.91             | 2,623,443.45         | 2,059,888.17    | 157,097,840.89 |
| II. Accumulated depreciation              |                      |                      |                          |                      |                 |                |



|                               |               |              |              |              |              |               |
|-------------------------------|---------------|--------------|--------------|--------------|--------------|---------------|
| 1.Beginning balance           | 68,185,246.92 | 9,092,676.08 | 1,252,935.70 | 2,111,146.45 | 1,447,909.80 | 82,089,914.95 |
| 2.Increase in 2017            | 2,135,104.65  | 278,374.63   | 162,863.22   | 110,942.10   | 88,247.65    | 2,775,532.25  |
| (1) Provision                 | 2,135,104.65  | 278,374.63   | 162,863.22   | 110,942.10   | 88,247.65    | 2,775,532.25  |
|                               |               |              |              |              |              |               |
| 3.Decrease in 2017            |               |              |              | 209,312.76   | 247,641.81   | 456,954.57    |
| (1) Disposal or scrap         |               |              |              | 209,312.76   | 247,641.81   | 456,954.57    |
|                               |               |              |              |              |              |               |
| 4.Ending balance              | 70,320,351.57 | 9,371,050.71 | 1,415,798.92 | 2,012,775.79 | 1,288,515.64 | 84,408,492.63 |
| III. Provision for impairment |               |              |              |              |              |               |
| 1.Beginning balance           | 31,072,788.17 | 2,527,851.26 |              |              |              | 33,600,639.43 |
| 2.Increase in 2017            |               |              |              |              |              |               |
| (1) Provision                 |               |              |              |              |              |               |
|                               |               |              |              |              |              |               |
| 3.Decrease in 2017            |               |              |              |              |              |               |
| (1) Disposal or scrap         |               |              |              |              |              |               |
|                               |               |              |              |              |              |               |
| 4.Ending balance              | 31,072,788.17 | 2,527,851.26 |              |              |              | 33,600,639.43 |
| IV. Book value                |               |              |              |              |              |               |
| 1. Ending book value          | 35,396,362.08 | 1,381,030.57 | 929,275.99   | 610,667.66   | 771,372.53   | 39,088,708.83 |
| 2. Opening book value         | 37,306,748.06 | 1,520,943.66 | 838,387.07   | 474,122.47   | 255,479.65   | 40,395,680.91 |

**(2)Temporarily idle fixed assets**

Nil

**(3) Fixed assets acquired by financing lease**

Nil

**(4) Fixed assets acquired by operating lease**

Nil

**(5) Certificate of title un-completed**

Nil

**20. Construction in progress****(1) Construction in progress**

In RMB/CNY

| Item                                   | Ending balance |                      |            | Beginning balance |                      |            |
|--|----------------|----------------------|------------|-------------------|----------------------|------------|
|  | Book balance   | Impairment provision | Book value | Book balance      | Impairment provision | Book value |
| C FLOOR ROOM RENOVATION                |                |                      |            |                   |                      |            |
| Villa renovation                       |                |                      |            |                   |                      |            |
| Swimming pool renovation               |                |                      |            |                   |                      |            |
| C/F SIGHTSEEING ELEVATOR SHAFT PROJECT |                |                      |            |                   |                      |            |
| High-pressure metering cabinet         |                |                      |            |                   |                      |            |
| A/F fire stairs renovation project     |                |                      |            |                   |                      |            |

**(2) Major construction in progress changed in the period**

In RMB/CNY

| Item Name               | Budget | Beginning balance | Increase in 2017 | Transfer into fixed assets in 2017 | Transfer into long-term deferred expenses in 2017 | Ending balance | Proportion of accumulative project investments in the budget (%) | Project progress | Accumulated capitalization amount of interest | Including: capitalization amount of the interest in 2017 | Capitalization rate of the interest of 2017 | Sources of funds |
|-------------------------|--------|-------------------|------------------|------------------------------------|---|----------------|--|------------------|---|--|---|------------------|
| C FLOOR ROOM RENOVATION |        |                   | 961,729.74       |                                    | 961,729.74  |                |  | 100%             |   |  |   | Other            |



|  |  |              |            |              |  |      |    |  |  |       |
|--|--|--------------|------------|--------------|--|------|----|--|--|-------|
| Villa renovation                       |  | 1,598,774.11 |            | 1,598,774.11 |  | 100% |    |  |  | Other |
| Swimming pool renovation               |  | 299,959.04   |            | 299,959.04   |  | 100% |    |  |  | Other |
| C/F SIGHTSEEING ELEVATOR SHAFT PROJECT |  | 166,485.00   | 166,485.00 |              |  | 100% |    |  |  | Other |
| High-pressure metering cabinet         |  | 46,800.00    | 46,800.00  |              |  | 100% |    |  |  | Other |
| A/F fire stairs renovation project     |  | 68,542.72    |            | 68,542.72    |  | 100% |    |  |  | Other |
| Total                                  |  | 3,142,290.61 | 213,285.00 | 2,929,005.61 |  | --   | -- |  |  | --    |

### (3) The provision for impairment of construction in progress

Nil

#### 21. Engineering material

Nil

#### 22. Disposal of fixed assets

Nil

#### 23. Productive biological asset

##### (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/CNY

| Item                                    | Land use rights | Patent right | Non-patents technology |  | Total         |
|---|-----------------|--------------|------------------------|--|---------------|
| I. Original book value                  |                 |              |                        |  |               |
| 1.Beginning balance                     | 81,653,137.15   |              |                        |  | 81,653,137.15 |
| 2.Increase in 2017                      |                 |              |                        |  |               |
| (1) Purchase                            |                 |              |                        |  |               |
| (2) Internal research and development   |                 |              |                        |  |               |
| (3) Increase from business combinations |                 |              |                        |  |               |
|   |                 |              |                        |  |               |
| 3.Decrease in 2017                      |                 |              |                        |  |               |
| (1) Disposal                            |                 |              |                        |  |               |
|   |                 |              |                        |  |               |
| 4.Ending balance                        | 81,653,137.15   |              |                        |  | 81,653,137.15 |
| II. Accumulated amortization            |                 |              |                        |  |               |
| 1.Beginning balance                     | 30,382,276.95   |              |                        |  | 30,382,276.95 |
| 2.Increase in 2017                      | 812,387.16      |              |                        |  | 812,387.16    |
| (1) Provision                           | 812,387.16      |              |                        |  | 812,387.16    |
|   |                 |              |                        |  |               |
| 3.Decrease in 2017                      |                 |              |                        |  |               |
| (1) Disposal                            |                 |              |                        |  |               |
|   |                 |              |                        |  |               |
| 4.Ending balance                        | 31,194,664.11   |              |                        |  | 31,194,664.11 |
| III. Provision for impairment           |                 |              |                        |  |               |
| 1.Beginning balance                     | 27,440,836.84   |              |                        |  | 27,440,836.84 |
| 2.Increase in 2017                      |                 |              |                        |  |               |
| (1) Provision                           |                 |              |                        |  |               |
|   |                 |              |                        |  |               |



|                       |               |  |  |  |               |
|-----------------------|---------------|--|--|--|---------------|
| 3. Decrease in 2017   |               |  |  |  |               |
| (1) Disposal          |               |  |  |  |               |
|                       |               |  |  |  |               |
| 4. Ending balance     | 27,440,836.84 |  |  |  | 27,440,836.84 |
| IV. Book value        |               |  |  |  |               |
| 1. Ending book value  | 23,017,636.20 |  |  |  | 23,017,636.20 |
| 2. Opening book value | 23,830,023.36 |  |  |  | 23,830,023.36 |

Ratio of the intangible assets from internal R&D in balance of intangible assets at period-end was.

## (2) Land use rights without certificate of ownership

Nil

## 26. Development expenditure

Nil

## 27. Goodwill

### (1) Original book value of goodwill

Nil

### (2) Goodwill depreciation reserves

Nil

## 28. Long-term deferred expenses

In RMB/CNY

| Item                      | Beginning balance | Increase in 2017 | Amortization in 2017 | Other decreased | Ending balance |
|---------------------------|-------------------|------------------|----------------------|-----------------|----------------|
| Hotel exterior decoration | 1,071,343.97      | 584,369.42       | 584,369.42           | 584,369.42      | 486,974.55     |
| Fire stairs renovation    |                   | 68,542.72        | 5,711.88             | 17,135.68       | 45,695.16      |
| Swimming pool renovation  |                   | 299,959.04       | 14,997.95            | 59,991.81       | 224,969.28     |
| C FLOOR ROOM RENOVATION   |                   | 961,729.74       | 48,086.48            | 192,345.95      | 721,297.31     |
| Villa renovation          |                   | 1,598,774.11     | 79,938.71            | 319,754.82      | 1,199,080.58   |



|       |              |              |            |              |              |
|-------|--------------|--------------|------------|--------------|--------------|
| Total | 1,071,343.97 | 3,513,375.03 | 733,104.44 | 1,173,597.68 | 2,678,016.88 |
|-------|--------------|--------------|------------|--------------|--------------|

Other explanation: Nil

## 29. Deferred income tax assets and deferred income tax liabilities

Nil

## 30. Other non-current assets

Nil

## 31. Short-term loans

### (1) Types of short-term loans

Nil

### (2) Overdue short-term loans without payment

Nil

## 32. Financial liability measured by fair value and with its variation reckoned into current gains/losses

Nil 无

## 33. Derivative financial liability

Applicable  Not applicable

## 34. Notes payable

Nil

## 35. Accounts payable

### (1) Presentation of accounts payable by aging

In RMB/CNY

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



|       |              |              |
|-------|--------------|--------------|
| Total | 2,161,172.26 | 1,967,565.51 |
|-------|--------------|--------------|

**(2) Major payables with over one year account age**

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

In accordance with the “Plan of Underwriting Long-term Investment and Intercourse Funds”, deliberated and approved by 12th extraordinary meeting of 8th BOD held on 25 October 2017 and the 3rd extraordinary general shareholders meeting dated 10 November 2017, the long-term equity investment, which have totally provision previous year, and the financial assets available for sale and some of the creditors rights are been written off in the period. Meanwhile, part of the long-term payable are underwritten. Among the account underwritten, the long-term equity investment amounted as 9,716,374.26 Yuan, financial assets available for sale amounted as 5,000,000.00 Yuan, account receivable amounted as 2,176,212.90 Yuan, other receivables amounted as 78,067,592.72 Yuan, account payables amounted as 375,553.60 Yuan, account received in advance amounted as 251,057.21 Yuan and other payables amounted as 676,929.30. Non-operating revenue arising from the underwriting amounted as 1,303,540.11 Yuan.



Hainan Dongfang Guoxin Law Firm issued the Legal Opinion on Time Limitation for Proceedings on Part of Accounts Payable of Hainan Dadonghai Tourism Centre (Holdings) Co., Ltd. in respect of the above-mentioned written-off payables, in which the law firm believed that the above 201 sums of payables have exceeded the statutory time limitations, and the relevant creditors have lost their debt recovery right and the right to win.

### 36. Advances from customers

#### (1) Presentation of advances from customers

In RMB/CNY

| Item                 | Ending balance | Beginning balance |
|----------------------|----------------|-------------------|
| Room and meal charge | 1,271,174.12   | 601,642.54        |
| Total                | 1,271,174.12   | 601,642.54        |

#### (2) Significant advances from customers with aging more than one year

In RMB/CNY

| Item  | Ending balance | Reasons for failure of repayment or carry-forward |
|---|----------------|---|
| Guangzhou Nanbu Holiday International Travel Service Co., Ltd. Sanya Branch | 101,244.00     | Unsettled   |
| PEGAS ZHENG QINGBO  | 32,243.02      | Unsettled   |
| Hainan Qiongzong Ecological Investment Guarantee Co., Ltd.                  | 27,519.00      | Unsettled   |
| Sanya Public Security Fire Brigade  | 19,420.88      | Unsettled   |
| Tianhong Group Wuzhizhou Project Department                                 | 9,894.00       | Unsettled   |
| Total   | 190,320.90     | --  |

#### (2) Projects settlement without unfinished at period-end from construction contract

Details of written-off advances from customers:

| Name of entity                                       | Nature of accounts receivable | Written-off amount (RMB) | Reasons for written-off                        | Write-off procedures performed   | Whether it is due to the related party transactions |
|--|-------------------------------|--------------------------|--|--|---|
| Beijing Hualu Xinchun Management Consultants Limited | Room and meal charge          | 30,540.00                | Room charge received/ not pressing for payment | Approval of the board of directors and the general meeting of shareholders | No  |
| Haikou Tourism Company Sanya                         | Room and meal charge          | 16,563.00                | Room charged overpaid / not pressing           | Approval of the board of directors and the general                         | No  |



| Branch                 |                              |            | for payment  | meeting of shareholders  |    |
|------------------------|------------------------------|------------|--|--|----|
| Tiange Media           | Room and meal charge         | 16,136.00  | Room charge received/<br>not pressing for<br>payment   | Approval of the board of<br>directors and the general<br>meeting of shareholders | No |
| Ou Xin'en              | Room and meal charge         | 9,900.00   | Room charged<br>overpaid / not pressing<br>for payment | Approval of the board of<br>directors and the general<br>meeting of shareholders | No |
| Huang Meijun           | Room and meal charge         | 9,030.00   | Room charge received/<br>not pressing for<br>payment   | Approval of the board of<br>directors and the general<br>meeting of shareholders | No |
| Other 109<br>companies | Room and meal charge<br>etc. | 168,888.21 | Room charge received/<br>not pressing for<br>payment   | Approval of the board of<br>directors and the general<br>meeting of shareholders | No |
|                        |                              | 251,057.21 |  |  |    |

### 37. Employee compensation payable

#### (1) Classification of employee compensation payable

In RMB/CNY

| Item  | Beginning balance | Increase in 2017 | Decrease in 2017 | Ending balance |
|---|-------------------|------------------|------------------|----------------|
| I. Short-term compensation                                | 2,148,514.36      | 11,327,332.60    | 11,016,831.03    | 2,459,015.93   |
| II. Post-employment benefits - defined contribution plans |                   | 959,762.24       | 959,762.24       |                |
| Total   | 2,148,514.36      | 12,287,094.84    | 11,976,593.27    | 2,459,015.93   |

#### (2) Short-term compensation

In RMB/CNY

| Item                                      | Beginning balance | Increase in 2017 | Decrease in 2017 | Ending balance |
|---|-------------------|------------------|------------------|----------------|
| 1. Salary, bonus, allowance and subsidies | 1,299,545.99      | 8,991,213.87     | 8,817,187.04     | 1,473,572.82   |
| 2. Employee welfare                       |                   | 1,435,569.87     | 1,435,569.87     |                |
| 3. Social insurance premiums              |                   | 446,351.07       | 446,351.07       |                |
| Including: Medical insurance premiums     |                   | 400,502.18       | 400,502.18       |                |
| Work-related injury insurance premiums    |                   | 20,172.08        | 20,172.08        |                |



|   |              |               |               |              |
|---|--------------|---------------|---------------|--------------|
| Maternity insurance premiums                      |              | 25,676.81     | 25,676.81     |              |
| 4. Housing provident funds                        |              | 139,505.32    | 139,505.32    |              |
| 5. Labor union funds and employee education funds | 848,968.37   | 314,692.47    | 178,217.73    | 985,443.11   |
| Total   | 2,148,514.36 | 11,327,332.60 | 11,016,831.03 | 2,459,015.93 |

### (3) Presentation of defined contribution plan

In RMB/CNY

| Item                              | Beginning balance | Increase in 2017 | Decrease in 2017 | Ending balance |
|-----------------------------------|-------------------|------------------|------------------|----------------|
| 1. Basic endowment premiums       |                   | 932,432.88       | 932,432.88       |                |
| 2. Unemployment insurance premium |                   | 27,329.36        | 27,329.36        |                |
| Total                             |                   | 959,762.24       | 959,762.24       |                |

Other explanation: nil

### 38. Taxes payable

In RMB/CNY

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

Other explanation: nil

### 39. Interest payable

Nil

### 40. Dividend payable

Nil

**41. Other payables****(1) Presentation of other payables by nature**

In RMB/CNY

| Item   | Ending balance      | Beginning balance    |
|--|---------------------|----------------------|
| Staff dormitory rental fees, etc.  | 742,742.74          | 1,001,405.96         |
| Security deposit   | 711,046.99          | 662,541.29           |
| Audit fees   | 285,003.21          | 285,003.21           |
| Quality guarantee deposit for projects                                     | 193,066.10          | 230,096.75           |
| Employee deposits  | 166,200.90          | 350,600.90           |
| Project funds  | 162,569.78          | 317,277.05           |
| Funds collected and remitted   | 100,036.07          | 139,319.74           |
| Petty cash   | 28,446.80           |                      |
| Electric charges withheld  | 20,700.00           |                      |
| Individual current amounts   | 1,364.00            | 73,752.85            |
| Fines and confiscated amount for illegal operation of the Company's stocks |                     | 19,810,000.00        |
| Membership expenses of directors and supervisors                           |                     | 214,506.98           |
| <b>Total</b>   | <b>2,411,176.59</b> | <b>23,084,504.73</b> |

**(2) Other significant payables with aging of over one year**

In RMB/CNY

| Item  | Ending balance    | Reason for non-repayment or carry-over |
|---|-------------------|--|
| Hong Kong Deloitte & Touche LLP                     | 285,003.21        | Reason for non-repayment               |
| Sanya Shuxin Housing Waterproof Engineering Limited | 170,000.00        | Reason for non-repayment               |
| China Building Decoration Company Hainan Branch     | 161,111.03        | Reason for non-repayment               |
| <b>Total</b>  | <b>616,114.24</b> | <b>--</b>                              |

Other explanation

Details of written-off other payables:

| Name of entity               | Nature of other payables | Written-off amount (RMB) | Reasons for written-off | Write-off procedures performed | Whether it is due to the related party transactions |
|------------------------------|--------------------------|--------------------------|-------------------------|--------------------------------|---|
| Automatic fire alarm linkage | Ruled to assume          | 107,589.46               | Unable to be paid due   | Approval of the board of       | No  |



|                                       |   |            |  |  |     |
|---------------------------------------|---|------------|--|--|-----|
| system engineering                    | several litigation fees                       |            | to long-term aging                       | directors and the general meeting of shareholders                          |     |
| Litigation costs                      | Ruled to assume several litigation fees       | 104,554.00 | Unable to be paid due to long-term aging | Approval of the board of directors and the general meeting of shareholders | No  |
| Hainan Tiange Law Firm (Huang Wenmei) | Agreed litigation agent                       | 100,680.60 | Unable to be paid due to long-term aging | Approval of the board of directors and the general meeting of shareholders | No  |
| Binhai holiday villa                  | Current account from/to prior related parties | 83,558.94  | Unable to be paid due to long-term aging | Approval of the board of directors and the general meeting of shareholders | Yes |
| Su Guohua                             | Directors allowance                           | 57,680.00  | Unable to be paid due to long-term aging | Approval of the board of directors and the general meeting of shareholders | Yes |
| Other 27 companies                    | Consignment                                   | 222,866.30 | Unable to be paid due to long-term aging | Approval of the board of directors and the general meeting of shareholders | No  |
| Total                                 |   | 676,929.30 |  |  |     |

Other explanation: nil

#### 42. 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 account payable**

Nil

**48. Long-term employee payable**

Nil

**49. Special payable**

Nil

**50. Estimated liabilities**

In RMB/CNY

| Item  | Ending balance (RMB) | Beginning balance | Reasons                                       |
|-------|----------------------|-------------------|---|
| Other | 1,489,685.04         | 1,489,685.04      | Provisions for arrears of electricity tariffs |
| Total | 1,489,685.04         | 1,489,685.04      | --  |

Other explanation, including important assumptions and estimation for the major accrual liability:

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

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

**51. Deferred income**

Nil

**52. Other non-current liability**

Nil

**53. Share capital**

In RMB/CNY

|              | Beginning balance | Changes in 2017 ("+" for increase and "-" for decrease) |                |                                      |        |           | Ending balance |
|--------------|-------------------|---|----------------|--------------------------------------|--------|-----------|----------------|
|              |                   | Issuance of new shares                                  | Share donation | Public reserve transferred to shares | Others | Sub-total |                |
| Total shares | 364,100,000.00    |   |                |                                      |        |           | 364,100,000.00 |

Other explanation: nil

**54. Other equity instrument**

Nil

**55. Capital reserves**

In RMB/CNY

| Item                            | Beginning balance | Increase in 2017 | Decrease in 2017 | Ending balance |
|---------------------------------|-------------------|------------------|------------------|----------------|
| Capital premium (share premium) | 33,336,215.58     |                  |                  | 33,336,215.58  |
| Other capital reserves          | 20,806,634.43     |                  |                  | 20,806,634.43  |
| Total                           | 54,142,850.01     |                  |                  | 54,142,850.01  |

Other explanation, including changes in the period and reasons: nil

**56. Treasury stock**

Nil

**57. Other consolidated income**

Nil

**58. Reasonable reserve**

Nil

**59. Surplus reserves**

Nil

**60. Undistributed profits**

In RMB/CNY

| Item  | Year 2017       | Year 2016       |
|---|-----------------|-----------------|
| Undistributed profits at the end of last year before adjustment                 | -343,966,434.57 | -341,305,382.08 |
| Undistributed profits at the beginning of the year after adjustment             | -343,966,434.57 | -341,305,382.08 |
| Plus: net profit attributable to owners of the parent company in current period | 2,858,998.66    | -2,661,052.49   |
| Undistributed profit as at the end of the year                                  | -341,107,435.91 | -343,966,434.57 |

Details about adjusting the retained profits at the beginning of the period:

- 1) The retroactive adjustments to Accounting Standards for Business Enterprises and its relevant new regulations affect the retained profits at the beginning of the period amounting to 0 Yuan.
- 2) The changes in accounting policies affect the retained profits at the beginning of the period amounting to 0 Yuan.
- 3) The major accounting error correction affects the retained profits at the beginning of the period amounting to 0 Yuan.
- 4) Merge scope changes caused by the same control affect the retained profits at the beginning of the period amounting to 0 Yuan.
- 5) Other adjustments affect the retained profits at the beginning of the period amounting to 0 Yuan.

**61. Operating income and operating costs**

In RMB/CNY

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

**62. Taxes and surcharges**

In RMB/CNY

| Item                                   | Year 2017  | Year 2016  |
|--|------------|------------|
| Urban maintenance and construction tax | 68,334.72  | 72,627.03  |
| Education surtax                       | 28,958.58  | 31,080.92  |
| Housing property tax                   | 872,805.50 | 482,833.44 |
| Land use tax                           | 434,366.47 | 289,572.87 |
| Vehicle and vessel use tax             | 7,680.00   |            |
| Stamp tax                              | 2,760.60   | 11,718.17  |
| Business tax                           |            | 503,486.90 |
| Local educational surcharge            | 19,786.33  | 20,720.64  |



|       |              |              |
|-------|--------------|--------------|
| Total | 1,434,692.20 | 1,412,039.97 |
|-------|--------------|--------------|

Other explanation:

### 63. Sales expenses

In RMB/CNY

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

Other explanation: nil

### 64. Administrative expenses

In RMB/CNY

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

Other explanation: nil

### 65. Financial expenses

In RMB/CNY



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

Other explanation: nil

## 66. Losses on assets impairment

In RMB/CNY

| Item                  | Year 2017 | Year 2016 |
|-----------------------|-----------|-----------|
| I. Losses on bad debt | 11,709.50 | -1,230.99 |
| Total                 | 11,709.50 | -1,230.99 |

Other explanation: nil

## 67. Gains from fair value changes

Nil

## 68. Investment income

In RMB/CNY

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

Other explanation: nil

## 69. Income from assets disposal

Nil

## 70. Other income

Nil

## 71. Non-operating income

In RMB/CNY



| Item                | Year 2017    | Year 2016 | Amount included in non-recurring profit and loss in the current period |
|---------------------|--------------|-----------|--|
| Compensation income |              | 64,926.00 |  |
| Debt write-offs     | 1,303,540.11 |           | 1,303,540.11   |
| Other               | 260.00       | 4,680.00  | 260.00   |
| Total               | 1,303,800.11 | 69,606.00 | 1,303,800.11   |

Government subsidies reckoned into current gains/losses: nil

## 72. Non-operating expenses

In RMB/CNY

| Item   | Year 2017 | Year 2016 | Amount included in non-recurring profit and loss in the current period |
|--|-----------|-----------|--|
| Total losses from disposal of non-current assets | 30,016.43 | 48,887.07 |  |
| Including: losses from disposal of fixed assets  | 30,016.43 | 48,887.07 | 30,016.43  |
| Total  | 30,016.43 | 48,887.07 | 30,016.43  |

Other explanation: nil

## 73. Income tax expenses

### (1) Statement of income tax expenses

Nil

### (2) Adjustment on accounting profit and income tax expenses

In RMB/CNY

| Item         | Current Period |
|--------------|----------------|
| Total profit | 2,858,998.66   |

Other explanation: nil

## 74. Other comprehensive income

See Note

## 75. Notes to items of the cash flow statement

### (1) Cash received from other operating activities

In RMB/CNY



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

Explanation: nil

## (2) Cash paid for other operating activities

In RMB/CNY

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

Explanation: nil

## (3) Cash received from other investment activities



In RMB/CNY

| Item                                     | Year 2017 | Year 2016 |
|--|-----------|-----------|
| VAT received from debt investment income |           | 29,081.45 |
| Total                                    |           | 29,081.45 |

Explanation: nil

**(4) Cash paid for other investing activities**

In RMB/CNY

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

Explanation: nil

**(5) Cash received from other financing activities**

In RMB/CNY

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

Explanation: nil

**(6) Cash paid for other financing activities**

In RMB/CNY

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

Explanation: nil

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

In RMB/CNY

| Item   | Year 2017    | Year 2016     |
|--|--------------|---------------|
| 1. Net profit adjusted to cash flows from operating activities | --           | --            |
| Net profits  | 2,858,998.66 | -2,661,052.49 |
| Plus: provision for assets impairment                          | 11,709.50    | -1,230.99     |



|   |                |               |
|---|----------------|---------------|
| Depreciation of fixed assets, depreciation and depletion of oil and gas assets and depreciation of productive biological assets | 3,193,715.81   | 3,533,710.59  |
| Amortization of intangible assets   | 868,727.16     | 868,727.16    |
| Amortization of long-term fees to apportioned   | 733,104.44     | 593,014.30    |
| Loss from disposal of fixed assets, intangible assets and other long-term assets ("-" for gains)                                | 30,016.43      | 48,887.07     |
| Investment losses ("-" for gains)   | -805,825.24    | -1,390,918.55 |
| Decreases in inventories ("-" for increases)  | -40.80         | -1,104.29     |
| Decreases in operating receivables ("-" for increases)  | 14,283.36      | 555,543.09    |
| Increases in operating payables ("-" for decreases)   | -1,777,400.85  | -268,888.91   |
| Other   |                | 1,489,685.04  |
| Net cash flows from operating activities  | 5,127,288.47   | 2,766,372.02  |
| 2. Significant investing and financing activities not involving cash receipts and payments                                      | --             | --            |
| 3. Net changes in cash and cash equivalents   | --             | --            |
| Balance of cash at the end of the period  | 9,681,607.16   | 27,210,248.01 |
| Less: balance of cash at the beginning of the period  | 27,210,248.01  | 19,782,392.26 |
| Net increase in cash and cash equivalents   | -17,528,640.85 | 7,427,855.75  |

**(2) Net cash payment for the acquisition of a subsidiary of the current period**

Nil

**(3) Net cash received from the disposal of subsidiaries**

Nil

**(4) Breakdown of cash and cash equivalents**

In RMB/CNY

| Item   | Ending balance | Beginning balance |
|--|----------------|-------------------|
| I. Cash  | 9,681,607.16   | 27,210,248.01     |
| Including: cash on hand                          | 264,156.33     | 273,523.86        |
| Unrestricted bank deposits                       | 9,417,450.83   | 26,936,724.15     |
| III. Ending balance of cash and cash equivalents | 9,681,607.16   | 27,210,248.01     |

Other explanation: nil



## 77. Notes for the statement of owners equity changes

Explain the items and adjusted amount which have adjusted in “Other” of last year’s ending balance: nil

## 78. Assets with ownership or use right restricted

Nil

## 79. Item of foreign currency

Applicable  Not applicable

## 80. Hedging

Released the items and relevant instruments by types, and qualitative and quantitative information for hedge risks : nil

## 81. Other

Nil

## VIII. Changes of consolidation range

### 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 assets, 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**

Basic information of transactions, basis of transactions constituting counter purchase, whether assets and liabilities reserved by listed companies constituting business and their basis, confirmation of combined cost, the amount occurred when adjusting rights and interests in accordance with equity transaction and its calculation: 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**

### **1. Equity in the subsidiary**

Nil

### **2. Changes in the owner's equity share of the subsidiary and the transaction is still controlled subsidiary**

Nil



### 3. Equity in arrangement of joint venture or associated enterprises

Nil

### 4. Important common management

Nil

### 5. Equity in structured entities not included in the consolidated financial statements

Relevant examination: nil

### 6. Other

Nil

## X. Risks related to financial instruments

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

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

#### i. Credit risk

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

#### ii. Market risk

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

#### iii. Liquidity risk

Liquidity risks refer to the risks of capital shortage occurred when enterprises perform the obligations of settlement in cash or other financial assets. The policy of the Company is to ensure that there are sufficient cash



for the payment of the matured debts. Liquidity risk is under centralized control of the financial department of the Company. The financial department monitors cash balance and readily realizable and marketable securities and makes rolling forecast on cash flows of the next 12 months to ensure that the Company has sufficient funds to repay debts in all cases of reasonable prediction.

## XI. Fair value disclosures

Nil

## XII. Related parties and related-party transactions

### 1. Parent company

| Parent company       | Registered place | Nature of business | Registered capital | Shareholding ratio in the Company | Ratio of voting right in the Company |
|----------------------|------------------|--------------------|--------------------|-----------------------------------|--------------------------------------|
| Luoniushan Co., Ltd. | Haikou           | Crop farming       | 115,151.00         | 17.55%                            | 19.80%                               |

Explanation:

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

Other explanation: nil

### 2. Subsidiary of the Enterprise

Found more in Notes

### 3. Cooperative enterprise and joint venture

Nil

### 4. Other related party

Nil

### 5. Related-party transactions

#### (1) Goods purchasing, labor service providing and receiving

Goods purchasing/labor service receiving

In RMB/CNY

| Related party | Contents of related-party | Year 2017 | Transaction amount | Whether over the | Year 2016 |
|---------------|---------------------------|-----------|--------------------|------------------|-----------|
|---------------|---------------------------|-----------|--------------------|------------------|-----------|



|                      | transaction          |            | authorized | amount authorized<br>or not |           |
|----------------------|----------------------|------------|------------|-----------------------------|-----------|
| Luoniushan Co., Ltd. | Room and meal charge | 787,474.00 |            | Yes                         | 29,566.04 |

Sales of goods/ rendering of services

In RMB/CNY

| Related party        | Contents of related-party transaction | Year 2017  | Year 2016 |
|----------------------|---------------------------------------|------------|-----------|
| Luoniushan Co., Ltd. | Room and meal charge                  | 787,474.00 | 29,566.04 |

Explanation: nil

**(2) Related trusteeship management/contract & entrust management/ outsourcing**

Nil

**(3) Related lease**

Nil

**(4) Related guarantee**

Nil

**(5) Related party's borrowed funds**

Nil

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

Nil

**(7) Key management personnel emoluments**

In RMB/CNY

| Item                                | Year 2017    | Year 2016    |
|-------------------------------------|--------------|--------------|
| Key management personnel emoluments | 1,885,719.39 | 1,161,900.00 |

**(8) Other related transactions**

Nil

**6. Receivable/payable items of related parties****(1) Receivable**

In RMB/CNY

| Item               | Related party        | Ending balance |                        | Beginning balance |                        |
|--------------------|----------------------|----------------|------------------------|-------------------|------------------------|
|                    |                      | Book balance   | Provision for bad debt | Book balance      | Provision for bad debt |
| Account receivable | Luoniushan Co., Ltd. | 166,412.00     |                        | 10,668.00         |                        |

**(2) Payable item**

Nil

**7. Commitments of related party**

Nil

**8. Other**

Nil

**XIII. Share-based payment****1. Share-based payment** Applicable  Not applicable**2. Settled by equity** Applicable  Not applicable**3. Settled by cash** Applicable  Not applicable



#### **4. Modification and termination of share-base payment**

#### **5. Other**

### **XIV. Commitments and contingencies**

#### **1. Material commitments**

Major commitments on balance sheet date

Nil

#### **2. Contingencies**

##### **(1) Major contingencies on balance sheet date**

On May 26, 2016, the Company received a lawyer letter from Hainan Yunfan Law Firm entrusted by Sanya Power Supply Bureau of Hainan Power Grid Co., Ltd. (hereinafter referred to as "Sanya Power Supply Bureau"), saying that Sanya Power Supply Bureau found, in verifying electricity consumption by South China Hotel, a subsidiary of the Company, that the current transformer (CT) installed in the distribution center metering counters in South China Hotel installed was inconsistent with the record in the marketing management system file of Sanya Power Supply Bureau, and the duration of the inconsistency was from July 2006 when South China Hotel changed its electricity consumption measuring device to April 2016. According to the statistics, electricity consumption of 10313373 KWH was measured in short, which was estimated to be valued at RMB7,200,165.75 according to the electricity prices and surcharge rates in the years.

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

##### **(2) For no major contingencies disclosed, explain reasons**

The Company has no major contingencies should be disclosed



### **3. Other**

#### **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 January 28, 2018, as resolved at the 16th meeting of the 8th board of directors of the Company, the Company does not intend to make profit distribution or convert capital reserve into share capital.

#### **XVI. Other significant events**

##### **1. Correction of accounting errors in previous periods**

Nil

##### **2. Debt reorganization**

##### **3. Assets replacement**

###### **(1) Non-monetary assets replacement**



## **(2) Others assets replacement**

### **4. Annuity plan**

### **5. Termination of operation**

### **6. Segment information**

Nil

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

### **8. Other**

According to the requirements of the Guidelines for the Supervision of Listed Companies No.4 -- Commitments of and Performance of Commitments by Actual Controllers, Shareholders, Related Parties, Acquirers of Listed Companies and Listed Companies (Announcement of the China Securities Regulatory Commission [2013] No.55) issued by the China Securities Regulatory Commission (CSRC), on June 7, 2014, Luoyunshan Co., Ltd. (hereinafter referred to as "Luoniushan") issued to the Company a Letter on Change in Commitment by Luoyunshan Co., Ltd. to Hainan Dadonghai Tourism Centre (Holdings) Co., Ltd. and undertakes in the letter that within three years from the date when the general meeting of shareholders of the Company reviewed and approved the change in the commitment, Luoniushan will actively seek reorganization party to reorganize assets of the Company. Such matter were reviewed and approved by the general meeting of shareholders of the Company on June 27, 2014.

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

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

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

On October 20, 2017, Hainan Dongfang Guoxin Law Firm issued a Legal Opinion on Time Limitation for Proceedings on Part of Accounts Payable of Hainan Dadonghai Tourism Centre (Holdings) Co., Ltd. for the above-mentioned written-off payables,



confirming that the above 201 sums of payables have exceeded the statutory time limitation, and the relevant creditors have lost their debt recovery right and the right to win.

## **XVII. Note on financial statement of parent company**

### **1. Accounts receivable**

#### **(1) Disclosure of account receivables by category**

Nil

Account receivable with single significant amount and withdrawal bad debt provision separately at period-end: :

Applicable  Not applicable

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

Applicable  Not applicable

In combination, withdrawal proportion of bad debt provision based on balance proportion for account receivable:

Applicable  Not applicable

In combination, withdrawal proportion of bad debt provision based on other methods for account receivable: :

#### **(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**

Other explanation: nil

### **2. Other receivables**

#### **(1) Other receivables by type**

Nil

Other receivables with insignificant single amount but with individual provision for bad debts:

Applicable  Not applicable

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



Applicable  Not applicable

In combination, withdrawal proportion of bad debt provision based on balance proportion for other account receivable: :

Applicable  Not applicable

In combination, withdrawal proportion of bad debt provision based on other methods for other account receivable: :

Applicable  Not applicable

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

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. Breakdown of non-recurring profits and losses in 2017

Applicable  Not applicable

In RMB/CNY

| Item   | Amount       | Remark  |
|--|--------------|---|
| Profits or losses from disposal of non-current assets  | -30,016.43   | Loss from fixed assets disposal                               |
| Expenses for using funds charged from non-financial enterprises and included in the current profit or loss | 805,825.24   | Net income from creditors' investment                         |
| Other non-operating income and expenses except for the above-mentions items                                | 1,303,800.11 | Debt written off from receivables and account paid in advance |
| Total  | 2,079,608.92 | --  |

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. Return on net assets and earnings per share

| Profit for the reporting period   | Yield rate of net weighted average assets | Earnings per share                   |                                       |
|---|---|--------------------------------------|---------------------------------------|
|   |   | Basic earnings per share (RMB/Share) | Diluted earnings per share(RMB/Share) |
| Net profit attributable to ordinary shareholders of the Company   | 3.78%                                     | 0.0079                               | 0.0079                                |
| Net profit attributable to ordinary shareholders of the Company after deducting the non-recurring profit and loss | 1.03%                                     | 0.0021                               | 0.0021                                |

## 3. Accounting data difference between the domestic and overseas accounting standards

### (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

### (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

### (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

## 4. Other



## **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.

Board of Directors of  
HAINAN DADONGHAI TOURISM CENTER (HOLDINGS) CO., LTD.  
Chairman: Li Yuanbin

30 January 2018