



Stock Code: 000613, 200613

Short Form of the Stock: Dadonghai -A, Dadonghai -B

海南大东海旅游中心股份有限公司

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



Da Dong Hai

Annual Report 2018

Disclosure Date: 26 February 2019



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.

Yuan Xiaoping, 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 2018 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 2018 to 31 December 2018

Major Risk Warning

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.

Securities Times, *Hong Kong Commercial Daily* and Juchao Website (www.cninfo.com.cn) are the media for information disclosure appointed by the Company for year of 2019, all information under the name of the Company disclosed on the above said media shall prevail.

The report is prepared in bilingual versions of Chinese and English respectively, in the event of any discrepancy in understanding the two aforementioned versions, the Chinese version shall prevail. Investors are advised to exercise caution of investment risks.



Section II Company Profile and Main Financial Indexes

I. Company information

Short form of the stock	Dadonghai -A, Dadonghai -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	Yuan Xiaoping		
Registrations add.	Dadonghai Sanya		
Code for registrations add	572021		
Offices add.	Dadonghai Sanya		
Codes for office add.	572021		
Company website	—		
Email	hddhnh@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	hddhnh@21cn.com	

**III. Information disclosure and preparation place**

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

IV. Registration changes of the Company

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 & Industry & Trade Luoniushan Co., Ltd. entered into the "Statement", confirmed that the 60 million shares held by Haikou Food Co., Ltd. were under the name of Haikou Agriculture & Industry & Trade Luoniushan Co., Ltd., the shares' ownership have been transfer dated 29 January 2010. Therefore, Haikou Agriculture & Industry & Trade Luoniushan Co., Ltd. comes to the first majority shareholder of the Company.</p>

V. Other relevant information

CPA engaged by the Company

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

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



☐ Applicable ☒ Not applicable

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

☐ Applicable ☒ Not applicable

VI. Main accounting data and financial indexes

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

☐ Yes ☒ No

	2018	2017	Changes over last year	2016
Operating income (RMB)	29,515,592.33	27,906,564.23	5.77%	21,708,883.51
Net profit attributable to shareholders of the listed company (RMB)	653,282.19	2,858,998.66	-77.15%	-2,661,052.49
Net profit attributable to shareholders of the listed company after deducting non-recurring gains and losses (RMB)	816,346.09	779,389.74	4.74%	-4,072,689.97
Net cash flow arising from operating activities (RMB)	6,783,893.26	5,127,288.47	32.31%	2,766,372.02
Basic earnings per share (RMB/Share)	0.0018	0.0079	-77.22%	-0.0073
Diluted earnings per share (RMB/Share)	0.0018	0.0079	-77.22%	-0.0073
Return on Equity	0.84%	3.78%	-2.94%	-3.52%
	End of 2018	End of 2017	Changes over end of last year	End of 2016
Total assets (RMB)	88,197,118.07	87,466,661.80	0.84%	105,444,153.63
Net assets attributable to shareholder of listed company (RMB)	77,788,696.29	77,135,414.10	0.85%	74,276,415.44

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	9,888,991.83	6,284,937.49	5,799,836.91	7,541,826.10
Net profit attributable to shareholders of the listed company	1,973,425.41	-691,259.83	-687,050.10	58,166.71
Net profit attributable to shareholders of the listed company after deducting non-recurring gains and losses	1,973,903.39	-691,532.83	-687,050.10	221,025.63
Net cash flow arising from operating activities	2,610,752.60	499,925.00	1,585,973.61	2,087,242.05

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	2018	2017	2016	Note
Gains/losses from the disposal of non-current asset (including the write-off that accrued for impairment of assets)	-29,691.26	-30,016.43	380,866.43	-
Capital occupation fees charged by non financial enterprises recorded in the current profits and losses		805,825.24	961,165.05	-
Other non-operating income and expenditure except for the aforementioned items	-133,372.64	1,303,800.11	69,606.00	-
Total	-163,063.90	2,079,608.92	1,411,637.48	--

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
Monetary funds	Monetary funds increased mainly including the 6.78 million Yuan cash flow increased from operation activities and 1.1 million Yuan cash declined from investment activities
Notes Receivable and Accounts Receivable	Notes Receivable and accounts receivable declined mainly because the collection for receivables are increased in the period
Other receivables	Other receivables increased mainly due to the growth of utilities receivables, attorney fee and petty cash
Non-current assets due within one year	Non-current assets due within one year declined mainly because in line with the new accounting statement, the long-term un-amortization expenses which expected to be amortized within one year was listed under the item of long-term un-amortization expenses

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 29,515,600 Yuan, increased by 1,609,000 Yuan compared with the same period last year, an increase of 5.77%; operating profit of 816,300 Yuan, decreased by 768,900 Yuan compared with the same period last year, a decrease of 48.50%; net non-operating income of 163,100 Yuan, decreased by 1,436,800 Yuan compared with the same period last year, a decrease of 112.80%; net profit of 653,300 Yuan, decreased by 2,205,700 Yuan compared with the same period last year, a decrease of 77.15%.

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 exploit 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 2019, the Company continues 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

	2018		2017		Increase/decrease y-o-y
	Amount	Ratio in operation revenue	Amount	Ratio in operation revenue	
Total of operation revenue	29,515,592.33	100%	27,906,564.23	100%	5.77%
According to industries					
Tourism catering	26,442,049.47	89.59%	24,691,592.86	88.48%	7.09%



service					
Other business	3,073,542.86	10.41%	3,214,971.37	11.52%	-4.40%
According to products					
Room revenue	22,731,299.15	77.02%	21,103,123.09	75.62%	7.72%
Catering entertainment revenue	3,710,750.32	12.57%	3,588,469.77	12.86%	3.41%
Other business	3,073,542.86	10.41%	3,214,971.37	11.52%	-4.40%
According to region					
Hainan area	29,515,592.33	100.00%	27,906,564.23	100.00%	5.77%

(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	26,442,049.47	11,280,674.54	57.34	1,750,456.61	615,278.51	1.00
Other business	3,073,542.86	474,523.56	84.56	-141,428.51	0.00	-1.00
According to products						
Room revenue	22,731,299.15	9,307,117.61	59.06	1,628,176.06	548,753.23	1.00
Catering entertainment revenue	3,710,750.32	1,973,556.93	46.82	122,280.55	66,525.28	0.00
Other business	3,073,542.86	474,523.56	84.56	-141,428.51	0.00	-1.00
According to region						
Hainan area	29,515,592.33	11,755,198.10	60.17	1,609,028.10	615,278.51	0.00

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**

Products classification

In RMB

Products	Item	2018		2017		Increase/decrease y-o-y
		Amount	Ratio in operation cost	Amount	Ratio in operation cost	
Tourism catering service	Raw material	1,973,556.93	16.79%	1,907,031.65	17.12%	3.49%
Tourism catering service	Salary welfare	2,092,195.74	17.80%	1,891,709.80	16.98%	10.86%
Tourism catering service	Water and electricity	1,355,721.99	11.53%	1,564,778.83	14.05%	-13.36%
Tourism catering service	Depreciation	2,160,828.69	18.38%	2,009,886.94	18.04%	7.51%
Tourism catering service	Repair cost	1,319,951.97	11.23%	964,425.22	8.66%	36.86%
Tourism catering service	Knitted and Cotton Goods			170,130.34	1.53%	-100.00%
Tourism catering service	Washing fee	680,236.96	5.79%	594,068.64	5.33%	14.50%
Tourism catering service	Total cost	11,280,674.54	95.96%	10,665,396.03	95.74%	5.77%

(6) Whether the changes in the scope of consolidation in Reporting Period☒ Yes ☐ No

Changes of consolidated scope

Subsidiary included in consolidated scope in the period

Name	Combined by	Net assets at period-end	Current net profit	Established on
Hainan Wengao Tourism Resources	New	999,768.27	-231.73	2018.6.6



Development Co., Ltd.	establishment			
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(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)	17,703,242.98
Proportion in total annual sales volume for top five clients	59.98%
Ratio of related parties in annual total sales among the top five clients	0.00%

Information of top five clients of the Company

	Name	Sales (RMB)	Proportion in total annual sales
1	Sanya Haolide International Travel Service Co., Ltd.	6,626,716.00	22.45%
2	Sanya Youyi International Travel Agency Co., Ltd.	5,408,974.00	18.33%
3	Shanghai Hecheng International Travel Service Co., Ltd.	2,424,883.40	8.22%
4	Alipay (China) Network Technology Co., Ltd.	2,074,558.58	7.03%
5	Sanya Shengda International Travel Agency Co., Ltd.	1,168,111.00	3.96%
Total	--	17,703,242.98	59.98%

Other situation of main clients

☐ Applicable ☒ Not applicable

Main suppliers of the Company

Total purchase amount from top five suppliers (RMB)	7,105,892.26
Proportion in total annual purchase amount for top five suppliers	82.48%
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.	2,840,267.06	32.97%
2	Sanya Power Supply Bureau of Hainan Power Grid	2,494,649.67	28.96%



3	Sanya Zhengzhuang Industrial Co., Ltd.	695,109.80	8.07%
4	Sanya Sino French Water Co., Ltd.	662,067.33	7.68%
5	Sanya Changfeng Ocean Natural Gas Supply Co., Ltd.	413,798.40	4.80%
Total	--	7,105,892.26	82.48%

Other notes of main suppliers of the Company

☐ Applicable ☒ Not applicable

3. Expenses

In RMB

	2018	2017	Increase/decrease y-o-y	Note of major changes
Sales expense	5,619,079.95	5,124,503.55	9.65%	The salary expenses increased
Management expense	10,133,021.97	9,665,525.83	4.84%	The salary expenses increased
Financial expense	-188,278.60	-249,176.18	-24.44%	Income of saving interests declined

4. R&D expenses

☐ Applicable ☒ Not applicable

5. Cash flow

In RMB

Item	2018	2017	Y-o-y changes
Subtotal of cash in-flow from operation activity	33,598,344.85	30,557,863.93	9.95%
Subtotal of cash out-flow from operation activity	26,814,451.59	25,430,575.46	5.44%
Net cash flow from operation activity	6,783,893.26	5,127,288.47	32.31%
Subtotal of cash in-flow from investment activity		9,840,550.00	-100.00%
Subtotal of cash out-flow from investment activity	1,101,145.12	32,496,479.32	-96.61%
Net cash flow from investment activity	-1,101,145.12	-22,655,929.32	-95.14%
Subtotal of cash in-flow from financing activity		19,810,000.00	-100.00%



Subtotal of cash out-flow from financing activity		19,810,000.00	-100.00%
Net increased amount of cash and cash equivalent	5,682,748.14	-17,528,640.85	132.42%

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

√Applicable □ Not applicable

1. Cash in-flow from operating activities increased 9.95% from a year earlier, mainly because revenue from operation increased dramatically and sales return increased correspondingly;
2. Cash out-flow from operating activities increased 5.54% from a year earlier, mainly because sales volume increased dramatically, and purchasing business and salary expenses increased;
3. Net cash flow from operating activity increased 32.31% 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 declined 100% from a year earlier, mainly due to the principal of 9 million Yuan creditors' investment in the year and collection of fund possession cost;
5. Cash out-flow from investment activity declined 96.61% from a year earlier, mainly because paid CSRC fines last year and creditor's investment payment;
6. Net cash flow from investment activity declined 95.14% on a y-o-y basis, mainly because paid CSRC fines last year and obtained the fund possession cost for creditors' investment;
7. Cash in-flow from financing activity declined 100% on a y-o-y, mainly because a 19.81 million Yuan intercourse fund from Luoniushan Group Co., Ltd. was achieved last year;
8. Cash out-flow from financing activity declined 100% on a y-o-y, mainly due to the payment of 19.81 million Yuan intercourse fund from Luoniushan Group Co., Ltd. last year;
9. Net increased amount of cash and cash equivalent increased 132.42% from a year earlier, mainly because the cash increased 5.68 million Yuan in the period while there was a decline of 17.53 million Yuan cash last year

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
Asset impairment	-13,656.55	-2.09%	Switch back of the bad debt provision	Un-sustainability
Non-operating income	273.00	0.04%	Other revenue	Un-sustainability
Non-business expenditure	163,336.90	25.00%	The overdue fine and loss from fixed assets disposal	Un-sustainability



IV. Assets and liability

1. Major changes of assets composition

In RMB

	End of 2018		End of 2017		Ratio changes	Notes of major changes
	Amount	Ratio in total assets	Amount	Ratio in total assets		
Monetary fund	15,364,355.30	17.42%	9,681,607.16	11.07%	6.35%	Net increase of cash flow arising from operation activities
Account receivable	426,434.87	0.48%	594,130.89	0.68%	-0.20%	Collection of the receivables increased
Inventory	221,390.19	0.25%	227,005.11	0.26%	-0.01%	In normal changes
Investment real estate	8,384,480.43	9.51%	8,859,003.99	10.13%	-0.62%	In normal changes
Fix assets	36,497,869.65	41.38%	39,088,708.83	44.69%	-3.31%	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
1,000,000.00	9,000,000.00	88.89%

2. The major equity investment obtained in the reporting period

☒ Applicable ☐ Not applicable

In RMB

Investee	Main business	Way of investment	Investment amount	Share holding ratio	Capital resources	Partner	Investment term	Product type	Progress till end of balance	Income estimate	Gain/loss in the period	Lawsuit involved	Disclosure date	Disclosure index
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									sheet date	im ate d	d	(Y/N)		
Hainan Wengao Tourism Resource s Develop ment Co., Ltd.	Deve lopm ent of touris m	Newl y establ ished	1,000 ,000. 00	100.0 0%	Self raise d capit al	N/A	Long -term	Touri sm produ ct	Investm ent complet ed	0.0 0	-231. 73	N	2018- 06-07	
Total	--	--	1,000 ,000. 00	--	--	--	--	--	--	0.0 0	-231. 73	--	--	--

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.

(1) Overall application of raised proceeds

☐ Applicable ☒ Not applicable

(2) Situation of committed project of raised proceed

☐ Applicable ☒ Not applicable

**(3) The changed project of raised proceeds**

☐ Applicable ☒ Not applicable

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

Particular about main subsidiaries and stock-jointly companies net profit over 10%

In RMB

Company name	Type	Main business	Register capital	Total assets	Net Assets	Operating revenue	Operating profit	Net profit
Hainan Wengao Tourism Resources Development Co., Ltd.	Subsidiary	Tourism development	1000000	999,768.27	999,768.27	0.00	-231.73	-231.73

Notes of holding and shareholding companies

☐ Applicable ☒ Not applicable

Explanation on main holding and share-holding enterprise: Hainan Wengao Tourism Resources Development Co., Ltd. is in the process of establishment without operational not yet

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 abound 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 as well as the smog air and cold climate outside the island, the tourism market prospects has a good trend in Hainan. However, in reporting period, with the slow growth of global economic, and vigorous development in the tourist attractions in and around the country, the consumption costs in Sanya comes more and more expensive, the tourist diversion 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 2019

(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
2018-10-11	Telephone communication	Individual	Investor Mr./Ms. Liu from Guangdong, operation performance of the 3Q and disclosure date, no materials required
2018-10-23	Telephone communication	Individual	Investor Mr./Ms. Zhang from Shanghai, progress of the Lawyer's Letter received by the Company and without any material required
2018-11-15	Telephone communication	Individual	Investor Mr./Ms. Hua from Beijing, share-merger reform performance by the majority shareholders and no material required
2018-11-22	Telephone communication	Individual	Investor Mr./Ms. Fang from Shenzhen, material lawsuit of the Company and no



	cation		material required
2018-12-05	Telephone communication	Individual	Investor Mr./Ms. Dong from Zhejiang, annual operation performance of the Company and no material required
2018-12-26	Telephone communication	Individual	Investor Mr./Ms. He from Shaanxi, annual operation performance of the Company and material lawsuits without material required
Reception (times)			23
Number of hospitality			0
Number of individual reception			23
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 of the cash bonus in net profit attributable to common stock shareholders of listed company contained in consolidation statement	Proportion for cash bonus by other ways(i.e. share buy-backs)	Ratio of the cash bonus by other ways in net profit attributable to common stock shareholders of listed company contained in consolidation statement	Total cash bonus(other ways included)	Ratio of the total cash bonus (other ways included) in net profit attributable to common stock shareholders of listed company contained in consolidation statement
2018	0.00	653,282.19	0.00%	0.00	0.00%	0.00	0.00%
2017	0.00	2,858,998.66	0.00%	0.00	0.00%	0.00	0.00%
2016	0.00	-2,661,052.49	0.00%	0.00	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	Promise	Type of commitments	Content of commitments	Commitment date	Commitment term	Implementation
Commitments for Share Merger Reform	Luoniushan Co., Ltd	Commitments 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)	N					
If the commitments is not	The Company's stock commenced suspension of trading from the opening session on 15 February 2017					



<p>fulfilled on time, shall explain the specify reason and the next work plan</p>	<p>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 11th extraordinary general meeting of the 8th 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. On December 4, 2017, the board of directors and the board of supervisors of the company reviewed and approved the Proposal on the Change of Commitment Period of the First Majority Shareholder of the Company. Luoniushan Co., Ltd., the company's first majority shareholder planned for a two-year extension for the time limit of the company's restructuring commitment since December 27, 2017, that is, the deadline for the implementation of the restructuring commitment was changed to December 26, 2019. On December 22, 2017, the company's fourth extraordinary shareholders' meeting in 2017 did not approve the proposal.</p> <p>On January 31, 2018, the company received the Notice on Planning for Suspension of Major Events sent by Luoniushan Co., Ltd., the company's largest shareholder, to plan and prepare the major issues related to the company. Upon application by the company, the company's stock (stock short name: Dadonghai A, Dadonghai B, stock code: 000613, 200613) was suspended since the opening on January 31, 2018. Upon application by the company, the company's stock resumed trading on February 8, 2018, and was transferred to the major asset restructuring since the opening on February 14, 2018.</p> <p>On June 25, 2018, the company held the third interim meeting of the ninth board of directors which reviewed and approved the Proposal on Terminating the Planning for Major Asset Restructuring. After careful study, the board of directors of the company decided to terminate the planning for this major asset restructuring.</p>
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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



On 15 June 2018, the Notice of the Ministry of Finance on Revising and Issuing the Format of General Corporate Enterprise Financial Statements for 2018 (CK [2018] No.15) was issued by the Ministry of Finance, the financial statement format for general corporate enterprise are revised. Main influence for the above mentioned Revised of the Company are:

Content and reasons for accounting policy changed	Approval procedures	Items and amount being affected
(1) Under the balance sheet: "Note receivable" and "Account receivable" are together listed as "Note receivable & account receivable"; "Note payable" and "Account payable" are together listed as "Note payable & account payable"; "Interest receivable" and "Dividend receivable" are included under the "Other receivables"; "Interest payable" and "Dividend payable" are included under the "Other payables"; "Fixed assets disposal" is included under the "Fixed assets"; "Engineering materials" is included under the "Construction in progress"; "Special payables" is included under the "Long-term payables". The comparative data should be adjusted correspondingly	Resolution of the Board	"Note receivable" and "Account receivable" are together listed as "Note receivable & account receivable", current balance amounted as 426,434.87 Yuan, while 594,130.89 Yuan listed last period; "Note payable" and "Account payable" are together listed as "Note payable & account payable", current balance amounted as 1,607,835.81 Yuan while 2,161,172.26 Yuan listed last period. "Interest payable" and "Dividend payable" are included under the "Other payables"; "Fixed assets disposal" is included under the "Fixed assets"; "Engineering materials" is included under the "Construction in progress"; "Special payables" is included under the "Long-term payables", there were no amount listed in the period and last period
(2) Added item of "R&D expenses" under the profit statement, the R&D expenses included under the original "Administration expenses" was re-classified as "R&D expenses" for counting independently; added "Including: interest expenses" and "Interest revenue" under the financial expenses. The comparative data should be adjusted correspondingly	Resolution of the Board	The R&D expenses included under original "Administration expenses" was re-classified as "R&D expenses" for counting independently; no amount occurred in the period and last period
(3) Added item of "Change amount of defined benefit plans that carry forward retained earnings" under the statement of change of owners' equity. The comparative data should be adjusted correspondingly	Resolution of the Board	Added item of "Change amount of defined benefit plans that carry forward retained earnings" under the statement of change of owners' equity, no amount occurred in the period and last period

2. Change of accounting estimates

Major accounting estimates have no changes in the reporting period.

3. Change of calculation method

Major calculation method has 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

Changes of consolidated scope

Subsidiary included in consolidated scope in the period

Name	Comibed by	Net assets at period-end	Current net profit	Establihsed on
Hainan Wengao Tourism Resources Development Co., Ltd.	New establishment	999,768.27	-231.73	2018.6.6

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	8
Name of domestic CPA	Li Jinhua, Zhu Meirong
Continuous fixed number of year for the auditing service provided by CPA in domestic CPA Firms	First auditing

Re-appointed accounting firms in this period

☐ Yes ☒ No

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

☒ Applicable ☐ Not applicable

On 1 February 2018, the Company holding the 16th meeting of 8th session of the Board, and decided to appointed BDO CHINA Shu Lun Pan Certified Public Accountants LLP as the auditing institute of the internal control for year of 2018 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

Basic Situation of Litigation (Arbitration)	Amount Involved (Yuan)	Whether to Form an Estimated Liability	Litigation (Arbitration) Progress	Litigation (Arbitration) Trial Results and Impact	Execution of Litigation (Arbitration) Judgment	Date of Disclosure	Disclosure Index
The plaintiff, China Cinda Asset Management Co., Ltd. Hainan Branch, sued the defendants, Hainan Dadonghai Tourism Center (Holdings) Co., Ltd. and Sanya Yueya Real Estate Development Corporation, for a financial loan contract dispute, appealing to Hainan Dadonghai Tourism Center (Holdings) Co., Ltd. to repay the loan of 5 million Yuan and the loan interest of 29,311,700 Yuan temporarily calculated to	3,431.17	N	The first instance has been decided. On January 24, 2019, the company received the Petition for Appeal from the plaintiff Hainan Cinda. The plaintiff Hainan Cinda refused to accept the first instance judgment and appealed to the Hainan Higher People's Court. As of the disclosure date of this report, the second instance has not yet been heard.	The first instance judgment dismissed the claim of the plaintiff China Cinda Asset Management Co., Ltd. Hainan Branch, and the case acceptance fee and property preservation application fee were borne by China Cinda Asset Management Co., Ltd. Hainan Branch. The judgment of the first instance has no impact on the company, and the second instance has not yet been heard. Therefore, the impact of the litigation on the	N/A	January 5, 2019, January 31, 2019	Announcement on Significant Litigation (Announcement No.: 2019-001) and (Announcement No.: 2019-003) published by Securities Times, Hong Kong Commercial Daily and www.cninfo.com.cn.



April 30, 2018, Sanya Yueya Real Estate Development Corporation assumes the joint and several liability, and the two defendants bear litigation costs. In the course of the litigation, the plaintiff added the company as a co-defendant and required the court to order the company to assume joint and several liability for the above debts of Hainan Dadonghai Tourism Center (Holdings) Co., Ltd.				company's current profit and future profit is uncertain.			
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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	34.55	1.23 %	0	Yes	Same as the transaction with non-related party	Same as the transaction with non-related party	-	-
Total				--	--	34.55	--	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 amount by types during the reporting period				N/A									
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

No contact of related credit or debt for the Company in the reporting period

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	Lease start	Lease termina	Leasin g	Basis for	The impact of	Wheth er be	Associat ion
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			involved in the amount (in 10 thousand Yuan)	date	tion date	incom e (in 10 thousa nd Yuan)	deter minin g the leasin g inco me	leasing income on the company	related transa ctions	relation
The Compan y	Ma Ming (Hainan Hangpai Food Co., Ltd.)	B/F restau rant in first floor	1,886	2016-01 -01	2020-1 2-31	75.6	Contr act	Increase income	No	N/A
The Compan y	Sanya Leda Food Management Co., Ltd.	Seaside stall and wood house	653	2018-01 -01	2022-1 2-31	145	Contr act	Increase income	No	N/A
The Compan y	Zhong Zhengao	Seaside locker room	10	2016-12 -01	2019-11 -30	36	Contr act	Increase income	No	N/A
The Compan y	Sanya Haolide International Travel Agency Co., Ltd.	Multi-fu nctional meeting room	190	2017-10 -01	2022-0 9-30	30	Contr act	Increase income	No	N/A

2. Major Guarantee

☐ Applicable ☒ Not applicable

The Company had no guarantee in the reporting period.

(1) Guarantee

Nil

(2) Guarantee outside against the regulation

☐ Applicable ☒ Not applicable

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

Nil

(4) Follow-up targeted poverty alleviation plans

Nil

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

No

The Company mainly engaged in the hotel accommodation and catering services which has less garbage and small sewage discharge, and we has strictly waste and sewage disposal rules according to the requirement of relevant government

XIX. Explanation on other significant events

☒ Applicable ☐ Not applicable

1. The Lawyer's Letter received by the Company 1: 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.



2. The company received the Lawyer's Letter: Main contents of the Lawyer's Letter: the financial loan dispute between the company's joint stock company, Hainan Dadonghai Tourism Center (Holdings) Co., Ltd. (hereinafter referred to as "Dadonghai Holdings"), and its original creditor, China Construction Bank Sanya Branch (hereinafter referred to as "CCB Sanya Branch"), its new creditor China Cinda Asset Management Co., Ltd. Hainan Branch (hereinafter referred to as "Hainan Cinda") currently makes the right to recover, the two debts include the principal of 1.1 million Yuan and interest of 5,598,300 Yuan temporarily calculated to April 30, 2018, totaling 6,698,300 Yuan and the principal of 5 million Yuan and interest of 29,311,700 Yuan temporarily calculated to April 30, 2018, totaling 34,311,700 Yuan. If Dadonghai Holdings is incapable of handling the liquidation, Hainan Cinda will claim that the company should be jointly and severally liable for the above debts of Dadonghai Holdings. For details, please refer to the Announcement of Hainan Dadonghai Tourism Center (Holdings) Co., Ltd. on Receiving the Lawyer's Letter that the company published on Securities Times, Hong Kong Commercial Daily and www.cninfo.com.cn on August 10, 2018 (Announcement No.: 2018-052). For the above-mentioned case of principal of 5 million Yuan, the court dismissed the plaintiff's claim in the first instance, but the plaintiff Hainan Cinda refused to accept the first instance judgment and appealed to Hainan Higher People's Court, and the second instance has not yet been heard as of the disclosure date of this report. For the case of principal of 1.1 million Yuan, it is reported that the plaintiff has applied to the court for withdrawal of the lawsuit.

3. Significant litigation: The plaintiff, China Cinda Asset Management Co., Ltd. Hainan Branch, sued the defendants, Hainan Dadonghai Tourism Center (Holdings) Co., Ltd. and Sanya Yueya Real Estate Development Corporation, for a financial loan contract dispute, appealing to Hainan Dadonghai Tourism Center (Holdings) Co., Ltd. to repay the loan of 5 million Yuan and the loan interest of 29,311,700 Yuan temporarily calculated to April 30, 2018, Sanya Yueya Real Estate Development Corporation assumes the joint and several liability, and the two defendants bear litigation costs.

In the course of the litigation, the plaintiff added the company as a co-defendant and required the court to order the company to assume joint and several liability for the above debts of Hainan Dadonghai Tourism Center (Holdings) Co., Ltd. For details, please refer to the Announcement on the Significant Litigation that the company published on Securities Times, Hong Kong Commercial Daily and www.cninfo.com.cn on November 22, 2018 (Announcement No.: 2018-061).

On January 3, 2019, the company received the Civil Judgment (2018) No.Q02MC76 from the Intermediate People's Court Sanya. The judgment dismissed the claim of the plaintiff China Cinda Asset Management Co., Ltd. Hainan Branch, and the case acceptance fee and property preservation application fee were borne by China Cinda Asset Management Co., Ltd. Hainan Branch. For details, please refer to the Announcement on the Progress of Significant Litigation that the company published on Securities Times, Hong Kong Commercial Daily and www.cninfo.com.cn on January 5, 2019 (Announcement No.: 2019-001). On January 24, 2019, the company received the Petition for Appeal from the plaintiff Hainan Cinda, the plaintiff Hainan Cinda refused to accept the first instance judgment and appealed to Hainan Higher People's Court, for details, please refer to the Announcement on the Progress of Significant Litigation that the company published on Securities Times, Hong Kong Commercial Daily and www.cninfo.com.cn on January 31, 2019 (Announcement No.: 2019-003), and the second instance has not yet been heard as of the disclosure date of this report.

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	10,454,400	2.87%				0	0	10,454,400	2.87%
1. State-owned shares									
2. State-owned corporate shares	2,323,200	0.64%				0	0	2,323,200	0.64%
3. Other domestic shares	8,131,200	2.23%						8,131,200	2.23%
Including: Domestic legal person shares	7,821,000	2.15%				79,200	79,200	7,900,200	2.17%
Domestic natural person shares	310,200	0.09%				-79,200	-79,200	231,000	0.06%
II. Unrestricted shares	353,645,600	97.13%				0	0	353,645,600	97.13%
1. RMB common shares	265,645,600	72.96%				0	0	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

Implementation progress of the share repurchases

☐ Applicable ☒ Not applicable

Implementation progress of the reduction of repurchases shares by centralized bidding

☐ 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-begin	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
Zheng Youxiong	46,200	0	0	46,200	Legal commitment in share reform	After remove restricted procedures complete
Xiao Tiefeng	132,000	0	-39,600	92,400	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	After remove



					commitment in share reform	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	-39,600	92,400	Legal commitment in share reform	After remove restricted procedures complete
Yangpu Tongrong Investment Management Consulting Co., Ltd.	0	0	79,200	79,200	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 in reporting period-end	44,014	Total common stock shareholders at end of last month before annual report disclosed	40,589	Total preference shareholders with voting rights recovered at end of reporting period	0	Total preference shareholders with voting rights recovered at end of last month before annual report disclosed	0	
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	0	0	63,885,980	Pledged	63,885,980
Yang Meiqin	Domestic nature person	4.47%	16,279,028	16,279,028	0	16,279,028	Pledged	15,910,000
Pan Anjie	Domestic nature person	4.01%	14,593,598	14,593,598	0	14,593,598		
Hainan Ya'an Residence Property	Domestic non	2.25%	8,205,800	0	0	8,205,800		



Service Co., Ltd.	state-owned corporate							
Chen Jinlian	Domestic nature person	2.13%	7,766,400	7,766,400	0	7,766,400		
HGNH International Asset Management Co., Ltd – customer deposit	Foreign corporate	1.23%	4,495,902	-3,831,600	0	4,495,902		
Pan Aiping	Domestic nature person	1.13%	4,110,738	4,110,738	0	4,110,738	Pled ged	4,090,000
Zhang Fengxiu	Domestic nature person	1.07%	3,901,372	0	0	3,901,372		
China Investment Securities (HK) Co., Ltd. – customer deposit	Foreign corporate	0.99%	3,622,300	-1,100,000	0	3,622,300		
Feishang Group Limited	Foreign corporate	0.86%	3,122,800	3,122,800	0	3,122,800		
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; Yang Meiqin, Pan Anjie, Chen Jinlian and Pan Aiping are the persons acting in concert; 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				
Yang Meiqin	16,279,028	Domestically listed foreign share		16,279,028				
Pan Anjie	14,593,598	Domestically listed foreign share		14,593,598				
Hainan Ya An Ju Property Services Co., Ltd.	8,205,800	RMB common share		8,205,800				
Chen Jinlian	7,766,400	Domestically listed foreign share		7,766,400				
HGNH International Asset Management Co., Ltd – customer deposit	4,495,902	RMB common share		4,495,902				
Pan Aiping	4,110,738	Domestically listed foreign share		4,110,738				
Zhang Fengxiu	3,901,372	RMB common share		3,901,372				
China Investment Securities (HK) Co., Ltd. – customer deposit	3,622,300	RMB common share		3,622,300				



Feishang Group Limited	3,122,800	Domestically listed foreign share	3,122,800
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. Yang Meiqin, Pan Anjie, Chen Jinlian and Pan Aiping are the persons acting in concert; 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 un-restrict shares held	N/A		

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/persons on 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 91460000284089747P	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 2018 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

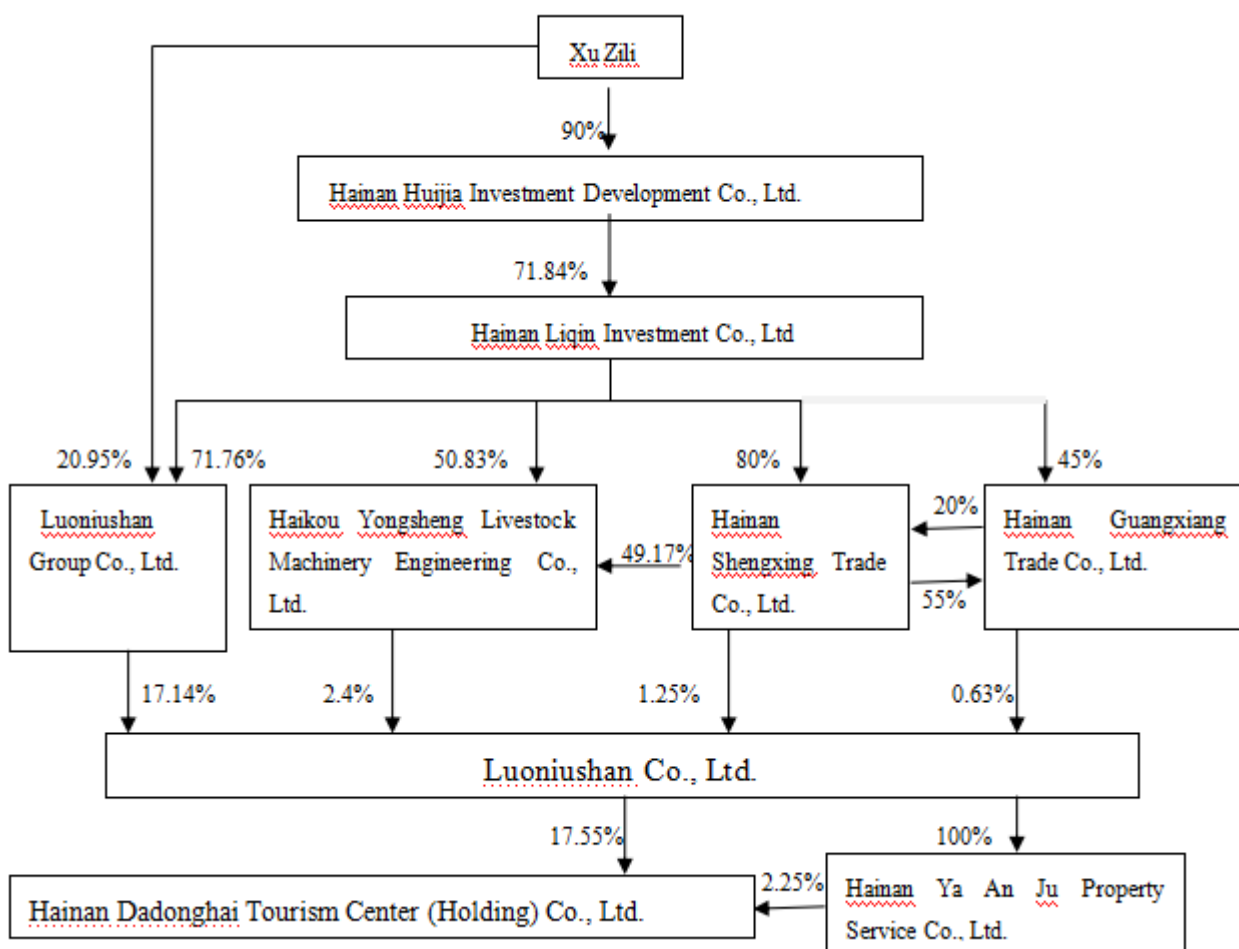
Name of actual controller	Relationship with the actual controller	Nationality	Whether obtained right of residence of other countries or regions or not
Xu Zili	Xu Zili himself	P.R.C	No
Main profession and title	Xu Zili, male, was born in 1966, is a senior engineer with a master degree. He successively 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 th 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 th 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	Share s held at perio d-beg in (Share)	Amou nt of shares increa sed in this period (Share)	Amou nt of shares decrea sed in this period (Share)	Othe r chan ges (share)	Share s held at perio d-end (Share)
Li Yuanbin	Chairman, General Manager	Post-leavi ng	M	68	2001-10-25	2018-02-27	0	0	0	0	0
Zhao Man	Independent Director	Post-leavi ng	F	66	2014-05-22	2018-02-27	0	0	0	0	0
Leng Mingquan	Independent Director	Post-leavi ng	M	63	2014-05-22	2018-02-27	0	0	0	0	0
Liu Juntao	Director	Post-leavi ng	M	50	2002-06-16	2018-02-27	0	0	0	0	0
Wang Jialing	Supervisor	Post-leavi ng	F	52	2011-06-16	2018-02-27	0	0	0	0	0
Yuan Xiaoping	Chairman/Gener al Manager	Currently in office	M	55	2018-02-28	2021-02-27	0	0	0	0	0
Tang Guoping	Independent Director	Currently in office	M	54	2014-05-22	2021-02-27	0	0	0	0	0
Wu Tao	Independent Director	Currently in office	M	40	2018-02-28	2021-02-27	0	0	0	0	0
Tang Shanrong	Director	Currently in office	M	39	2018-02-28	2021-02-27	0	0	0	0	0
Huang Wencai	Chairman of supervisory committee	Currently in office	M	49	2002-06-16	2021-02-27	0	0	0	0	0
ZhangXuli	Supervisor	Currently in office	F	35	2018-02-28	2021-02-27	0	0	0	0	0



Chen Gang	Supervisor	Currently in office	M	52	2016-07-29	2021-02-27	0	0	0	0	0
Fu Zongren	Person in charge of finance	Currently in office	M	51	2015-04-15	2021-02-27	0	0	0	0	0
Ding Qin	Deputy General Manager	Currently in office	M	47	2018-8-10	2021-02-27	0	0	0	0	0
Wang Hongjuan	Director/Vice president /secretary of the Board	Currently in office	F	42	2008-04-27	2021-02-27	0	0	0	0	0
Total	--	--	--	--	--	--	0	0	0	0	0

II. Changes of directors, supervisors and senior executives

√ Applicable □ Not applicable

Name	Title	Type	Date	Reasons
Li Yuanbin	Chairman/General Manager	Post-leaving for office-term expired	2018-02-27	Office-term expired
Zhao Man	Independent Director	Post-leaving for office-term expired	2018-02-27	Office-term expired
Leng Mingquan	Independent Director	Post-leaving for office-term expired	2018-02-27	Office-term expired
Liu Juntao	Director	Post-leaving for office-term expired	2018-02-27	Office-term expired
Wang Jialing	Supervisor	Post-leaving for office-term expired	2018-02-27	Office-term expired

III. Post-holding

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

Director

Mr. Yuan Xiaoping, was born in July 1963, Han nationality, holds the college degree, the Chinese CPA, senior accountant, the auditor and he is the member of communist party of China. He was appointed as the system accounting and deputy director in the supply & marketing cooperative of Nanchong Sichuan; he took as the project manager of Hainan Congxin Accounting Firm and assistant of GM and CFO in Luoniushan Company. He also served as the director, CFO, Deputy General Manager, the acting GM, deputy chairman and secretary of the party committee in Haikou Water Group Co., Ltd. as well as the director of Hainan Yedao Co., Ltd. from 2006 to 2017. Mr. Yuan serves as Chainman and GM of the Company since March 2018.

Mr. Tang Shanrong, was born in November 1979, holds the Master degree, a senior engineer. He was appointed



as secretary of the president in Luoniushan Co., Ltd., the General Manager of Hainan Luoniushan Environment Protection Co., Ltd, the Chairman of Hainan Luoniushan Agricultural Sci-Tech Co., Ltd., the assistant president and GM of the administration department in Luoniushan Co., Ltd. Mr. Tang serves as vice president of Luoniushan Co., Ltd. since June 2016, at the same time, he is the member of standing committee of the 14th CPPCC of Haikou, member of the standing committee of the 6th Hainan Youth Federation and director of Haikou Youth Entrepreneurship & employment promotion Association. He serves as director of the Company since March 2018.

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. Ms. Wang serves as Director of the Company since 2016.

Independent Director

Mr. Tang Guoping, was born in August 1964, Han nationality, he was graduated from Zhongnan University of Economics and Law, holds the doctoral degree and he is the accounting professor, doctoral supervisor and Chinese CPA. He was awarded as the “Master of Accounting” by the Ministry of Finance, the “Outstanding Young Teacher Funding Program” of the Ministry of Education, the famous teacher of Hubei Province, the young and middle-aged experts with outstanding contributions in Hubei Province, the academic leaders of the cross-century discipline of the Ministry of Finance, won the second prize of the Second Humanities and Social Sciences Research Achievement Award of Colleges and Universities issued by the Ministry of Education. The second prize, and won the third prize of outstanding teaching achievements issued by the Hubei Provincial People’s Government and other awards and honors. He used to be the deputy dean of the Accounting School, the director of the Accounting Master Education Center, the executive vice president of the Graduate School, and the dean of the MBA College of Zhongnan University of Economics and Law. He is also the head of the second revision research group for the Accounting Law of the Ministry of Finance, a member of the first session of the ASBE Advisory Committee of the Ministry of Finance, the director and senior member of the Accounting Society of China, and the vice chairman of the Environmental Accounting Professional Committee of the Accounting Society of China. He is the vice chairman of China Association of Chief Financial Officers of Hubei Province and serves as an independent director of Myhome Real Estate, Lens Technology and Shenzhuangzong. In 2012, he obtained the independent director qualification certificate and has been an independent director of the company since May 2014.

Mr. Wu Tao, born in September 1978, holds a master’s degree. He used to be the senior manager, business director and internal audit committee of Guojin Securities Investment Banking Department. From 2011 to 2014, he served as the deputy general manager and secretary of the board of directors of Shanghai RENLE Science & Technology Co., Ltd. Since 2014, he has been serving as the vice chairman and vice president of Shanghai Huantao Investment Management Co., Ltd. In 2017, he obtained an independent director qualification certificate. Since March 2018, he has been serving as an independent director of the company.



Supervisor

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. Zhang Xuli, born in November 1983, holds a master's degree, is a certified management consultant and an intermediate economist. From 2009 to 2015, she served as a senior consultant and project manager of Beijing Industrial Development Consulting Co., Ltd. Since December 2015, she has been serving as the investment director and person in charge of Luoniushan (Beijing) Investment Co., Ltd. Since March 2018, she has been serving as a shareholder supervisor of the company.

Mr. Chen Gang, was 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. Ding Qin, born in May 1971, Han nationality, holds a master's degree, studied in Central South University from 1988 to 1992 and graduated as a bachelor of industrial trade, and studied and graduated as a postgraduate from Hainan University from 2005 to 2008, majoring in agricultural extension. From 1998 to 2006, he served as the general manager at Hainan Huacui Palm Garden Co., Ltd.; from 2010 to 2013, he served as the executive general manager of the fixed income department of Heaven-Sent Capital Management Group Co., Ltd (Shanghai); from 2013 to 2017, he was appointed as the general manager of Wuhan East Lake Innovation Investment Management Co., Ltd.; and he serves as the assistant general manager of the company since April 2018. Since August 2018, he serves as the deputy general manager of the company.

Mr. Fu Zongren, was 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



Name	Shareholder's unit	Position in shareholder's unit	Start dated of office term	End date of office term	Whether obtained remuneration from shareholder's unit (Y/N)
Tang Shanrong	Luoniushan Co., Ltd.	Vice president	2016-06-01	2019-5-31	Y

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-holding status	Total remuneration obtained from the Company (before taxes)	Whether obtained remuneration from related party of the Company (Y/N)
Yuan Xiaoping	Chairman/General Manager	M	55	Currently in office	43	N
Tang Shanrong	Director	M	39	Currently in office	0	N
Wang Hongjuan	Director/Vice president /secretary of the Board	F	42	Currently in office	37.45	N
Tang Guoping	Independent Director	M	54	Currently in office	0.8	N



Wu Tao	Independent Director	M	40	Currently in office	0	N
Huang Wencai	Chairman of supervisory committee	M	49	Currently in office	0.4	N
ZhangXuli	Supervisor	F	35	Currently in office	0	N
Chen Gang	Supervisor	M	52	Currently in office	7.6	N
Fu Zongren	Person in charge of finance	M	51	Currently in office	31.25	N
Ding Qin	Vice president	M	47	Currently in office	23.4	N
Li Yuanbin	Chairman/General Manager	M	68	Post-leaving	15.18	N
Zhao Man	Independent Director	F	66	Post-leaving	0.8	N
Leng Mingquan	Independent Director	M	63	Post-leaving	0.8	N
Liu Juntao	Director	M	50	Post-leaving	0.8	N
Wang Jialing	Supervisor	F	52	Post-leaving	1.54	N
Total	--	--	--	--	163.02	--

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)	143
The number of current employees of main subsidiaries (people)	0
Total number of current employees (people)	143
The total number of current employees to receive pay (people)	143
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	78
Salesman	6
Technical staff	22
Financial staff	12



Administrative staff	25
Total	143
Education background	
Category of education	Number (people)
Graduate student	1
Undergraduate	8
Junior college above	30
High school and below	104
Total	143

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 of Shenzhen Stock Exchange. 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 Shareholders General Meeting 2017	AGM	37.76%	2018-02-27	2018-02-28	The "Resolution Notice of Annual Shareholders' General Meeting of 2017" (No.: 2018-016) published on Securities Times, Hong Kong Commercial Daily and Juchao website (http://www.cninfo.com.cn) dated 28 Feb. 2018

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 & general meeting							
Independent Director	Times of Board meeting supposed to attend in the report period	Times of Presence	Times of attending the Board Meeting by communication	Times of entrusted presence	Times of Absence	Absent the Meeting for the second time in a row (Y/N)	Times of attend the general meeting
Zhao Man	1	1	0	0	0	N	0



Leng Mingquan	1	1	0	0	0	N	0
Tang Guoping	7	2	5	0	0	N	1
Wu Tao	6	1	5	0	0	N	1

Explanation on absent the board meeting for the second time in a row

Nil

2. Objection for relevant events from independent directors

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

☐Yes ☒No

No objections arising from the independent directors on relevant events of the Company during the Period

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.

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 2018, and the 2018 semi-annual financial report. In the process of annual financial report auditing 2018 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 2018 and the financial status as well as the report on annual financial report audit work arrangement of 2018, 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 2018, in annual report audit process, audit committee members listened to the work report by annual examination certified public accountants and the company management; In early February 2018, 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 2018 by audit institutions was agreed to be submitted to the board.

The Company's board of directors regarded that the external auditors BDO China Shu Lun Pan Certified Public Accountants LLP faithfully performed the audit responsibility, and suggested to renew as the Company's annual financial audit of 2019.

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, in view of the expiration of the term of the directors of the eighth session of the board of directors, nominated by the company's largest shareholder Luoniushan Co., Ltd. and deliberated by the eighth session of the board of directors, the board nomination committee reviewed and nominated Mr. Tang Guoping, Mr. Wu Tao, Mr. Yuan Xiaoping, Mr. Tang Shanrong and Ms. Wang Hongjuan as candidates for the ninth session of the board of directors of the company for a term of three years. Among them, Mr. Tang Guoping and Mr. Wu Tao were candidates for independent directors of the ninth session of the board of directors of the company and were approved by the company's 2017 annual general meeting of shareholders.

In view of the expiration of the term of the company's general manager and other senior executives, the nomination committee reviewed and agreed to engage Mr. Yuan Xiaoping as the general manager of the company for a term of three years. Mr. Fu Zongren was reappointed as the company's financial controller for a period of three years, and Ms. Wang Hongjuan was reappointed as the company's deputy general manager and secretary of the board of directors and securities affairs representative for a period of three years, which was reviewed and approved by the company's first extraordinary meeting of the ninth board of directors.

In accordance with the company's development needs, the nomination committee reviewed and agreed to engage Ding Qin as the deputy general manager of the company, and the employment period was consistent with the term of the ninth board of directors of the company, which was also reviewed and approved at the second meeting of the ninth board of directors of the company.

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. Self-appraisal Report of Internal Control

Disclosure date of full internal control appraisal report	2019-02-26	
Disclosure index of full internal control appraisal report	Relevant information found in Appraisal Report of Internal Control for 2018 published on Juchao Website dated 26 February 2019	
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	Major deficiencies: fraud of directors, supervisors and senior management; material misstatements are found in current financial statements by the certified public accountant	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



	<p>but are not found in the process of internal control; It's found that the significant internal control deficiencies that had been discovered and reported to the management were not yet corrected within the stipulated time; the audit committee's supervision has no effect on the company's external financial reports and internal control over financial reporting.</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: deficiencies that out of the recognition of major and significant deficiencies should be recognized as general deficiencies</p>	<p>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: deficiencies that out of the recognition of major and significant deficiencies should be recognized as general deficiencies</p>
Quantitative standard	<p>Major deficiencies: After considering the compensating control measures and the actual deviation rate, the overall impact level of the deficiency is higher than the significance level (10% of the total profit).</p> <p>Significant deficiencies: After considering the compensating control measures and the actual deviation rate, the overall impact level of the deficiency is lower than the significance level (10% of the total profit), but higher than the generality level (5% of the total profit).</p> <p>General deficiencies: After considering the</p>	<p>Major deficiencies: direct property loss is more than 100000 Yuan ;</p> <p>Significant deficiencies: direct property loss ranged from 1 Yuan to 100000 Yuan;</p> <p>General deficiencies: direct property loss is lower than 10000 Yuan</p>



	compensating control measures and the actual deviation rate, the overall impact level of the deficiency is lower than the generality level (5% of the total profit).	
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



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

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 2018.

I. As for responsibility of internal control

The Company established and improved and implemented internal control effectively pursuit to Basic Norms of Enterprises Internal Control, Supporting Guidelines for Enterprise Internal Control and Evaluation Guild lines for Enterprises Internal Control, and board of the director is responsible for evaluating its effectiveness.

II. Auditor's responsibilities

Our responsibility is to express an opinion on the effectiveness of internal control for the financial statements based on our audit. And disclosed major deficits of noted internal control without financial statement concerned.

III. Inherent feature of internal control

The internal control has an inherent limitation, and exist mistakes that cannot 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.

IV. Auditing opinion: in our opinion

The Company, in line with Basic Norms of Enterprises Internal Control and relevant regulations, shows an effectiveness internal control of financial report in all major aspects dated 31 December 2018.

BDO CHINA Shu Lun Pan CPA LLP

Shanghai·China

Certified Public Accountant of China:

Certified Public Accountant of China:

24 February 2019

Disclosure details of audit report of internal control	Disclosed
Disclosure date of audit report of internal control (full-text)	2019-02-26
Index of audit report of internal control (full-text)	Relevant information found in Self-appraisal Report of Internal Control for 2017 published on Juchao Website dated 26 February 2019.
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	2019-02-24
Name of audit institute	BDO CHINA Shu Lun Pan Certified Public Accountants LLP
Document serial of audit report	PCPAR [2019] No. ZA10112
Name of the CPA	Li Jinhua, Zhu Meirong

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 consolidated and parent Company's balance sheet of 31 December 2018 and profit statement, and cash flow statement, and statement on changes of shareholders' equity for the year ended, and notes to the financial statements for the year ended.

In our opinion, the attached financial statements are prepared in accordance with the provisions of the Accounting Standings for Enterprises in all major respects, it fairly reflects the consolidate and parent company's financial status as of 31 December 2018 under the name of Dadonghai well we the operation results and cash flow for the year of 2018

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:

Key audit matters	Countermeasures
Recognition of room income	

<p>The Company had operating income of RMB 29,515,600 in 2018, of which room income was RMB 22,731,300, accounting for 77.01% of operating income. As income is a key performance indicator of Dadonghai Holdings, which causes intrinsic risks that the income may be recognized in an incorrect period or be manipulated to achieve the target or expected level, we identify the room revenue of Dadonghai Holdings as a key audit matter.</p>	<p>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.</p> <p>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.</p> <p>In addition, we implemented the following procedures in respect of room revenue by using sampling:</p> <p>(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.</p> <p>(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.</p> <p>(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.</p>
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IV. Other information

The management of the Company (hereinafter referred to as Managers) is responsible for the other information. The other information comprises information of the Company's annual report in 2018, 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. We in charge of the guidance, supervision and enforcement of the group's auditing 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:

Certified Public Accountants LLP

(Engagement partner)

Certified Public Accountant of China:

Shanghai·China

24 February 2019

II. Financial Statement

Expressed in Renminbi unless otherwise stated

1. Consolidated balance sheet

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

2018-12-31

In RMB

Item	Closing Balance	Opening Balance
Current assets:		
Monetary funds	15,364,355.30	9,681,607.16
Settlement funds		
Lending funds		
Financial assets measured by fair value and with variation reckoned into current gains/losses		
Derivative financial assets		
Notes receivable & account receivables	426,434.87	594,130.89
Including: Notes receivable		
Accounts receivable	426,434.87	594,130.89
Prepayments		49,530.21
Insurance receivable		
Reinsurance receivables		
Contract reserve of reinsurance receivable		
Other receivables	458,242.73	139,561.29
Including: Interest receivable		
Dividends receivable		
Purchase restituted finance asset		
Inventories	221,390.19	227,005.11
Assets held for sale		
Non-current assets maturing within one year		1,173,597.68
Other current assets	1,846,219.79	1,957,863.56
Total current assets	18,316,642.88	13,823,295.90
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	8,384,480.43	8,859,003.99
Fixed assets	36,497,869.65	39,088,708.83
Construction in progress		
Productive biological assets		
Oil and natural gas assets		
Intangible assets	22,205,249.04	23,017,636.20
Research and development costs		
Goodwill		
Long-term deferred expenses	2,792,876.07	2,678,016.88
Deferred tax assets		
Other non-current assets		
Total non-current assets	69,880,475.19	73,643,365.90
Total assets	88,197,118.07	87,466,661.80
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 & account payable	1,607,835.81	2,161,172.26
Accounts received in advance	1,291,293.05	1,271,174.12
Selling financial asset of repurchase		
Commission charge and commission payable		
Wage payable	2,841,262.35	2,459,015.93
Taxes payable	450,861.87	539,023.76
Other accounts payable	2,727,483.66	2,411,176.59
Including: Interest payable		
Dividend payable		
Reinsurance payable		
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	8,918,736.74	8,841,562.66
Non-current liabilities:		
Long-term loans		
Bonds payable		
Including: preferred stock		
Perpetual capital securities		
Long-term account payable		
Long-term wages 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	10,408,421.78	10,331,247.70
Owners' equity:		
Share capital	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	-340,454,153.72	-341,107,435.91
Total owner's equity attributable to parent Company	77,788,696.29	77,135,414.10
Minority interests		
Total owner's equity	77,788,696.29	77,135,414.10
Total liabilities and owner's equity	88,197,118.07	87,466,661.80

Legal Representative: Yuan Xiaoping

Accounting Principal: Fu Zongren

Accounting Firm's Principal: Fu Zongren

2. Balance sheet of parent company

In RMB

Item	Closing Balance	Opening Balance
Current assets:		
Monetary funds	14,864,055.73	9,681,607.16
Financial assets measured by fair value and with variation reckoned into current gains/losses		

Derivative financial assets		
Notes receivable & account receivables	426,434.87	594,130.89
Including: Notes receivable		
Accounts receivable	426,434.87	594,130.89
Prepayments		49,530.21
Other receivables	458,242.73	139,561.29
Including: Interest receivable		
Dividends receivable		
Inventories	221,390.19	227,005.11
Assets held for sale		
Non-current assets maturing within one year		1,173,597.68
Other current assets	1,846,219.79	1,957,863.56
Total current assets	17,816,343.31	13,823,295.90
Non-current assets:		
Available-for-sale financial assets		
Held-to-maturity investments		
Long-term receivables		
Long-term equity investments	1,000,000.00	
Investment real estate	8,384,480.43	8,859,003.99
Fixed assets	36,497,869.65	39,088,708.83
Construction in progress		
Productive biological assets		
Oil and natural gas assets		
Intangible assets	22,205,249.04	23,017,636.20
Research and development costs		
Goodwill		
Long-term deferred expenses	2,792,876.07	2,678,016.88
Deferred tax assets		
Other non-current assets		
Total non-current assets	70,880,475.19	73,643,365.90
Total assets	88,696,818.50	87,466,661.80
Current liabilities		
Short-term borrowings		
Financial liability measured by fair value and with variation reckoned into current gains/losses		
Derivative financial liability		
Notes payable & accounts payable	1,607,835.81	2,161,172.26
Accounts received in advance	1,291,293.05	1,271,174.12
Wage payable	2,841,262.35	2,459,015.93
Taxes payable	450,861.87	539,023.76
Other accounts payable	3,226,952.36	2,411,176.59
Including: Interest payable		
Dividend payable		

Liability held for sale		
Non-current liabilities due within 1 year		
Other current liabilities		
Total current liabilities	9,418,205.44	8,841,562.66
Non-current liabilities:		
Long-term loans		
Bonds payable		
Including: preferred stock		
Perpetual capital securities		
Long-term account payable		
Long-term wages 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	10,907,890.48	10,331,247.70
Owners' equity:		
Share capital	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		
Retained profit	-340,453,921.99	-341,107,435.91
Total owner's equity	77,788,928.02	77,135,414.10
Total liabilities and owner's equity	88,696,818.50	87,466,661.80

Legal Representative: Yuan Xiaoping

Accounting Principal: Fu Zongren

Accounting Firm's Principal: Fu Zongren

3. Consolidated profit statement

In RMB

Item	Current Period	Last Period
I. Total operating income	29,515,592.33	27,906,564.23
Including: Operating income	29,515,592.33	27,906,564.23
Interest income		
Insurance gained		
Commission charge and commission income		

II. Total operating cost	28,699,246.24	27,127,174.49
Including: Operating cost	11,755,198.10	11,139,919.59
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		
Taxes and extras	1,393,881.37	1,434,692.20
Sales expenses	5,619,079.95	5,124,503.55
Administration expenses	10,133,021.97	9,665,525.83
R&D expenses		
Financial expenses	-188,278.60	-249,176.18
Including: interest expenses		
Interest income	232,899.41	291,701.13
Losses of devaluation of asset	-13,656.55	11,709.50
Add: other income		
Investment income (Loss is listed with “-”)		805,825.24
Including: Investment income on affiliated Company and joint venture		
Changing income of fair value(Loss is listed with “-”)		
Exchange income (Loss is listed with “-”)		
Income on disposal of assets (Loss is listed with “-”)		
III. Operating profit (Loss is listed with “-”)	816,346.09	1,585,214.98
Add: Non-operating income	273.00	1,303,800.11
Less: Non-operating expense	163,336.90	30,016.43
IV. Total Profit (Loss is listed with “-”)	653,282.19	2,858,998.66
Less: Income tax		
V. Net profit (Net loss is listed with “-”)	653,282.19	2,858,998.66
(i) continuous operating net profit (net loss listed with “-”)	653,282.19	2,858,998.66
(ii) termination of net profit (net loss listed with “-”)		
Net profit attributable to owner’s equity of parent Company	653,282.19	2,858,998.66
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 or loss		
1. Changes of the defined benefit plans that re-measured		
2. Other comprehensive income under equity method that cannot be transfer to gain/loss		
(II) Other comprehensive income items which will be reclassified subsequently to profit or loss		
1. Other comprehensive income under equity method that can transfer to gain/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	653,282.19	2,858,998.66
Total comprehensive income attributable to owners of parent Company	653,282.19	2,858,998.66
Total comprehensive income attributable to minority shareholders		
VIII. Earnings per share:		
(i) Basic earnings per share	0.0018	0.0079
(ii) Diluted earnings per share	0.0018	0.0079

As for the enterprise combination under the same control, the net profit achieved by the combined party before consolidation was 0 Yuan in the period while 0 Yuan achieved last period

Legal Representative: Yuan Xiaoping

Accounting Principal: Fu Zongren

Accounting Firm's Principal: Fu Zongren

4. Profit statement of parent Company

In RMB

Item	Current Period	Last Period
I. O operating income	29,515,592.33	27,906,564.23
Less: Operating cost	11,755,198.10	11,139,919.59
Taxes and extras	1,393,596.37	1,434,692.20
Sales expenses	5,619,079.95	5,124,503.55
Administration expenses	10,132,404.17	9,665,525.83
R&D expenses		
Financial expenses	-187,607.53	-249,176.18
Including: interest expenses		
Interest income	232,116.34	291,701.13
Losses of devaluation of asset	-13,656.55	11,709.50
Add: other income		
Investment income (Loss is listed with "-")		805,825.24
Including: Investment income on affiliated Company and joint venture		
Changing income of fair value(Loss is listed with "-")		
Income on disposal of assets (Loss is listed with "-")		
II. Operating profit (Loss is listed with "-")	816,577.82	1,585,214.98
Add: Non-operating income	273.00	1,303,800.11
Less: Non-operating expense	163,336.90	30,016.43
III. Total Profit (Loss is listed with "-")	653,513.92	2,858,998.66

Less: Income tax		
IV. Net profit (Net loss is listed with “-”)	653,513.92	2,858,998.66
(i) continuous operating net profit (net loss listed with “-”)	653,513.92	2,858,998.66
(ii) termination of net profit (net loss listed with “-”)		
V. Net after-tax of other comprehensive income		
(I) Other comprehensive income items which will not be reclassified subsequently to profit or loss		
1.Changes of the defined benefit plans that re-measured		
2. Other comprehensive income under equity method that cannot be transfer to gain/loss		
(II) Other comprehensive income items which will be reclassified subsequently to profit or loss		
1. Other comprehensive income under equity method that can transfer to gain/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		
VI. Total comprehensive income	653,513.92	2,858,998.66
VII. Earnings per share:		
(i) Basic earnings per share	0.0018	0.0079
(ii) Diluted earnings per share	0.0018	0.0079

Legal Representative: Yuan Xiaoping

Accounting Principal: Fu Zongren

Accounting Firm's Principal: Fu Zongren

5. Consolidated cash flow statement

In RMB

Item	Current Period	Last Period
I. Cash flows arising from operating activities:		
Cash received from selling commodities and providing labor services	31,632,073.56	29,475,377.07
Net increase of customer deposit and interbank deposit		
Net increase of loan from central bank		
Net increase of capital borrowed from other financial institution		
Cash received from original insurance contract fee		
Net cash received from reinsurance business		
Insured savings and net increase of investment		
Net increase of amount from disposal financial assets that measured by fair value and with variation reckoned into current gains/losses		
Cash received from interest, commission charge and commission		

Net increase of capital borrowed		
Net increase of returned business capital		
Write-back of tax received		
Other cash received concerning operating activities	1,966,271.29	1,082,486.86
Subtotal of cash inflow arising from operating activities	33,598,344.85	30,557,863.93
Cash paid for purchasing commodities and receiving labor service	9,249,110.15	8,848,190.06
Net increase of customer loans and advances		
Net increase of deposits in central bank and inter-bank		
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	11,949,737.94	10,028,995.69
Taxes paid	2,481,200.14	2,678,621.46
Other cash paid concerning operating activities	3,134,403.36	3,874,768.25
Subtotal of cash outflow arising from operating activities	26,814,451.59	25,430,575.46
Net cash flows arising from operating activities	6,783,893.26	5,127,288.47
II. Cash flows arising from investing activities:		
Cash received from recovering investment		9,000,000.00
Cash received from investment income		830,000.00
Net cash received from disposal of fixed, intangible and other long-term assets		10,550.00
Net cash received from disposal of subsidiaries and other units		
Other cash received concerning investing activities		
Subtotal of cash inflow from investing activities		9,840,550.00
Cash paid for purchasing fixed, intangible and other long-term assets	1,101,145.12	4,186,479.32
Cash paid for investment		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	1,101,145.12	32,496,479.32
Net cash flows arising from investing activities	-1,101,145.12	-22,655,929.32
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	5,682,748.14	-17,528,640.85
Add: Balance of cash and cash equivalents at the period -begin	9,681,607.16	27,210,248.01
VI. Balance of cash and cash equivalents at the period -end	15,364,355.30	9,681,607.16

6. Cash flow statement of parent Company

In RMB

Item	Current Period	Last Period
I. Cash flows arising from operating activities:		
Cash received from selling commodities and providing labor services	31,632,073.56	29,475,377.07
Write-back of tax received		
Other cash received concerning operating activities	2,465,488.22	1,082,486.86
Subtotal of cash inflow arising from operating activities	34,097,561.78	30,557,863.93
Cash paid for purchasing commodities and receiving labor service	9,249,110.15	8,848,190.06
Cash paid to/for staff and workers	11,949,737.94	10,028,995.69
Taxes paid	2,480,915.14	2,678,621.46
Other cash paid concerning operating activities	3,134,204.86	3,874,768.25
Subtotal of cash outflow arising from operating activities	26,813,968.09	25,430,575.46
Net cash flows arising from operating activities	7,283,593.69	5,127,288.47
II. Cash flows arising from investing activities:		
Cash received from recovering investment		9,000,000.00
Cash received from investment income		830,000.00
Net cash received from disposal of fixed, intangible and other long-term assets		10,550.00
Net cash received from disposal of subsidiaries and other units		
Other cash received concerning investing activities		
Subtotal of cash inflow from investing activities		9,840,550.00
Cash paid for purchasing fixed, intangible and other long-term assets	1,101,145.12	4,186,479.32
Cash paid for investment		9,000,000.00
Net cash received from subsidiaries and other units		
Other cash paid concerning investing activities	1,000,000.00	19,310,000.00
Subtotal of cash outflow from investing activities	2,101,145.12	32,496,479.32
Net cash flows arising from investing activities	-2,101,145.12	-22,655,929.32
III. Cash flows arising from financing activities:		
Cash received from absorbing investment		
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

[illegible]

[illegible]

[illegible]

[illegible]

(share capital)													
3. Remedyi ng loss with surplus reserve													
4. Change amount of defined benefit plans that carry forward retained earnings													
5. Other													
(V) Reasona ble reserve													
1. Withdra wal in the report period													
2. Usage in the report period													
(VI)Othe rs													
IV. Balance at the end of the report period	364,100, 000.00				54,142,8 50.01						-341,107, 435.91		77,135,4 14.10

[illegible]

[illegible]

5. 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					-340,453,921.99	77,788,928.02

Last period

In RMB

Item	Last period										
	Share capital	Other equity instrument			Capital public reserve	Less: Inventory shares	Other comprehensive income	Reasonable reserve	Surplus reserve	Retained profit	Total owners' equity
		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											
Other											
II. Balance at the beginning of this year	364,100,000.00				54,142,850.01					-343,966,434.57	74,276,415.44
III. Increase/Decrease in this year										2,858,998.66	2,858,998.66

[illegible]

1. Capital reserves converted to capital (share capital)											
2. Surplus reserves converted to capital (share capital)											
3. Remedy in g loss with surplus reserve											
4. Change amount of defined benefit plans that carry forward retained earnings											
5. Other											
(V) Reasonabl e reserve											
1. Withdrawa l 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

Hainan Dadonghai Tourism Centre (Holdings) Co., Ltd.
Notes to the Financial Statements
For the Year Ended December 31, 2018

1. Company profile

1.1 Overview

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

The financial statements were approved by all directors of the Company for disclosure on February 24, 2018.

1.2 Scope to the consolidated financial statements

As at December 31, 2018, the subsidiary included into the Company's scope of consolidated financial statements is as follows:

Name	Relationship with the Company
Hainan Wengao Tourist Resources Development Co., Ltd.	A wholly-owned subsidiary of the Company

See "Note 6. Changes in the scope of consolidation" and "Note 7. Equity in other entities" for details of the scope of consolidated financial statements in 2018 and changes thereof.

2. Basis for the preparation of the financial statements

2.1 Preparation basis

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

2.2 Going concern

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

3. Significant accounting policies and accounting estimates

3.1 Statement on compliance with the Accounting Standards for Business Enterprises

The financial statements prepared by the Company meet requirements of the Accounting Standards for Business Enterprises, and truly and completely reflect the Company's financial position, operation results and cash flows and other relevant information in the reporting period.

3.2 Accounting period

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

3.3 Operating cycle

The Company's operating cycle is 12 months.

3.4 Functional currency

RMB is adopted as the functional currency.

3.5 Accounting treatment methods for business combinations under and not under common control

Business combination under common control: The assets and liabilities acquired by the Company in business combinations are measured at book values of assets and liabilities of the combinee (including the goodwill arising from the acquisition of the combinee by the ultimate controller) in the consolidated financial statements of the ultimate controller on the combination date. The stock premium in the capital reserves is adjusted according to the difference between the book value of the net assets acquired in business combination and the book value of the consideration paid for the combination (or total par value of shares issued). If there is no sufficient stock premium in the capital reserves for write-downs, the retained earnings shall be adjusted.

Business combination not under common control: The Company shall, on the acquisition date, measure the assets surrendered and liabilities incurred or assumed by the Company for a business combination at their fair values. The difference between the fair value and their book value shall be included in the current profit or loss. The Company shall recognize the difference of the combination costs in excess of the fair value of the identifiable net assets acquired from the acquiree as goodwill. The Company shall recognize the difference of the combination costs in short of the fair value of the identifiable net assets acquired from the acquiree in the current profit or loss after review.

The auditing, legal services, consulting and other intermediary service fees as well as other relevant direct expenses for business combination will be included in the current profit or loss at occurrence; the transaction costs for the issue of equity securities shall be used to write down equities.

3.6 Preparation methods of consolidated financial statements

3.6.1 Scope of consolidation

The scope of consolidated financial statements of the Company is determined on the basis of control, and all its subsidiaries (including the investee's partible part that is under control of the Company) shall be included in the consolidated financial statements.

3.6.2 Procedures of consolidation

The Company prepares the consolidated financial statements based on financial statements of itself and its subsidiaries and according to other relevant information. Upon preparation of consolidated financial statements, the Company shall deem the whole group as a whole accounting entity, and reflects the overall financial position, operating results and cash flows of the group in accordance with relevant requirements for recognition, measurement and presentation as stated in the Accounting Standards for Business Enterprises as well as uniform accounting policies.

All the subsidiaries within the consolidation scope of consolidated financial statements shall adopt the same accounting policies and accounting periods as those of the Company. If the accounting policies or accounting periods of a subsidiary are different from those of the Company, the consolidated financial statements of the subsidiary, upon preparation of consolidated financial statements, shall be adjusted according to the accounting policies and accounting periods of the Company. For the subsidiaries acquired through business combination not under the same control, adjustments to their financial statements shall be made based on the fair values of net identifiable assets on the acquisition date. For a subsidiary acquired through business combination under common control, adjustment to its financial statements shall be made based on the book values of its assets and liabilities (including goodwill formed in the acquisition of the subsidiary by its ultimate controller) as presented in the financial statements of the ultimate controller.

The share of owners' equity, current net profits and losses, and current comprehensive income of subsidiaries attributable to minority owners shall be respectively and separately listed under the owner's equity item of a consolidated balance sheet, the net profit item of a consolidated income statement, and the total comprehensive income in a consolidated income statement. Where the current losses shared by a minority shareholder of a subsidiary exceeds the balances arising from the shares enjoyed by the minority shareholder in the owners' equity of the subsidiary at the beginning of the period, minority equity shall be written down accordingly.

(1) Increase of subsidiaries or business

During the reporting period, if the Company acquired subsidiaries or business from the business combination under common control, the beginning balance in the consolidated statement of financial position shall be adjusted; the revenue, expenses and profits of the newly acquired subsidiaries or business from the beginning to the end of the reporting period shall be included into the consolidated income statement; the cash flows of the newly acquired subsidiaries or business from the beginning to the end of the reporting period shall be included in the consolidated statement of cash flow. Relevant items in the comparative financial statements of the subsidiaries shall be adjusted accordingly, as if the reporting entity after the business combination exists at the time when the ultimate controller has the control power.

Where control can be exercised on the investee under the common control for additional investment or other reasons, adjustment will be made as if all parties involved in the combination exist at the beginning of the control by the ultimate controller. Equity investments held before the control over the combined party is obtained, the related gains and losses, other comprehensive income as well as other changes in net assets recognized from the later of the date when the original equity is obtained or the date when the acquirer and the acquiree are under the same control, to the combination date will respectively write down the retained earnings or current profit or loss in the comparative statements.

During the reporting period, if the Company increased subsidiaries or business from business combinations not under common control, the beginning balance in the consolidated balance sheet shall not be adjusted; the revenue, expenses and profits of the subsidiaries or business from the acquisition date to the end of the reporting period shall be included in the consolidated income statement; cash flows of the subsidiaries and business from the acquisition date to the end of the reporting period shall be included in the consolidated statement of cash flows.

Where the Company can control the investee not under common control from additional investments, it shall re-measure equity of the acquiree held before the acquisition date at the fair value of such equity on the acquisition date and include the difference of the fair value and book value in the investment income in the year. Where equity of the acquiree held before the acquisition date involves in other comprehensive income accounted for under equity method and other changes in owners' equity other than net profits or losses, other comprehensive income and profit distribution, the relevant other comprehensive income and other changes in owners' equity shall be transferred to investment income in the year which the acquisition date falls in, except for other comprehensive income from changes arising from re-measurement of net liabilities or net assets of defined benefit plan by the investee.

(2) Disposal of subsidiaries or business

① General method of treatment

During the reporting period, where the Company disposes of any subsidiary or business, the revenues, expenses and profits of the subsidiary or business from the beginning period to the disposal date shall be included in the consolidated income statement; cash flows of the subsidiary or business from the beginning period to the disposal date shall be included in the consolidated statement of cash flows.

When the Company loses the control over the investee due to disposal of partial equity investment or other reasons, the remaining equity investment after the disposal will be re-measured by the Company at its fair value on the date of loss of the control. The difference of the sum of the consideration acquired from disposal of equities and the fair value of the remaining equities less the sum of the share calculated at the original shareholding ratio in net assets of the original subsidiary which are continuously calculated as of the acquisition date or the combination date and goodwill shall be included in the investment income of the period in which the control is lost. Other comprehensive incomes associated with the equity investments of the original subsidiary, or the changes in owners' equity other than net profit or loss, other comprehensive income and profit distribution, are transferred into investment income of the period when the control is lost, except for other comprehensive income from the change in net liability or net asset due to the investor's re-measurement of defined benefit plan.

Where the Company loses the control of any subsidiary due to the decline in its shareholding ratio in the subsidiary, caused by the increase of investment in the subsidiary by other investors, the accounting treatment shall be conducted according to the above principles.

② Disposal of subsidiaries by stages

If the control is lost due to disposal of the equities in subsidiaries through multiple transactions by stages, and the terms, conditions and economic impact of the transactions related to the enterprise's disposal of its investment in the subsidiaries meet one or more of the following circumstances, it usually indicates that multiple transactions should be included in a package deal and subject to accounting processing as below:

- i. These transactions are concluded at the same time or under the consideration of mutual effect;
- ii. These transactions as a whole can reach a complete business result;
- iii. The occurrence of a transaction depends on the occurrence of at least one other transaction;
- iv. A single transaction is uneconomical but is economical when considered together with other transactions.

Where various transactions of disposal of equity investments in subsidiaries until loss of the control belong to a package deal, accounting treatment shall be made by the Company on the transactions as a transaction to dispose subsidiaries and lose the control; however, the difference between each disposal cost and net asset share in the subsidiaries corresponding to each disposal of investments before loss of the control should be recognized as other comprehensive income in the consolidated financial statements and should be transferred into the current profit or loss at the loss of the control.

Where various transactions of disposal of equity investments in subsidiaries until loss of the control do not belong to a package deal, before the loss of the control, accounting treatment shall be made according to the relevant policies for partial disposal of equity investments in the subsidiary without losing control; at the loss of the control, accounting treatment shall be made according to general treatment methods for disposal of subsidiaries.

(3) Purchase of minority interest of subsidiaries

The share premium in the capital reserves under the consolidated balance sheet will be adjusted at the difference between the long-term equity investment acquired by the Company for the purchase of minority interest and the share of net assets calculated constantly from the acquisition date (or combination date) according to the newly increased shareholding ratio. Where the share premium is insufficient to offset, retained earnings will be adjusted.

(4) Partial disposal of equity investments in subsidiaries without losing control

The share premium in the capital reserves under the consolidated balance sheet will be adjusted at the difference between the proceeds achieved from the partial disposal of long-term equity investments in subsidiaries and the share of net assets of subsidiaries attributable to the Company corresponding to the disposal of long-term equity investments and calculated constantly from the acquisition date or combination date, without losing the control. Where the share premium is insufficient to write down, the retained earnings will be adjusted.

3.7 Classification and accounting treatment of joint venture arrangements

Joint venture arrangements are classified into joint operation and joint venture.

Joint operation refers the joint venture arrangement where the Company is a joint venturer and enjoys assets relevant the joint venture arrangement and assumes liabilities relevant to the same.

The Company recognizes the following items related to its share of benefits in the joint operation and conduct accounting treatment in accordance with relevant accounting standards for business enterprises:

- (1) assets peculiar to the Company and assets jointly owned by the Company based on shares held;
- (2) liabilities undertaken by the Company solely and liabilities jointly undertaken by the Company based on shares held;
- (3) revenue from the sales of output share enjoyed by the Company in the joint operation;
- (4) revenue from the sales of the joint operation output based on the shares held by the Company; and
- (5) separate costs, and costs for the joint operation based on the shares held by the Company.

3.8 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 subject to an insignificant risk of change in value.

3.9 Foreign currency transactions

Foreign currency transactions are translated into RMB for recording purpose at the spot exchange rate prevailing on the transaction date.

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

3.10 Financial instruments

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

3.10.1 Classification of financial instruments

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

3.10.2 Recognition basis and measurement method of financial instruments

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

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

The interest or cash dividends to be received during the holding period shall be recognized as investment income. Change in fair values is included in the current profit or 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 (deducting bond interest that has matured but not been drawn) and relevant transaction costs.

During the period of holding the investment, the interest income is calculated and recognized according to the amortized costs and effective interest rate (nominal interest rate if the difference between the effective interest rate and the nominal interest rate is small), and 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 included 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, advance to suppliers 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 included in current profit or loss.

- (4) Available-for-sale financial assets

Amount of available-for-sale financial assets is initially recognized at the sum of the fair value (deducting net of cash dividends declared but not yet paid or bond interest that has matured but not been drawn) and related transaction expenses at acquisition.

The interest or cash dividend obtained during the holding period is recognized as investment income. At the end of the period, available-for-sale financial assets are measured at fair value, and the change in fair value is recognized 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 are measured at cost.

Difference between the proceeds and the book value of the financial assets is recognized as investment income 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 the profit and loss on investments.

(5) Other financial liabilities

Other financial liabilities are initially recognized at the sum of fair value and transaction expenses. The subsequent measurement is based on amortized costs.

3.10.3 Recognition basis and measurement method of the transfer of financial assets

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

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

- (1) the book value of the transferred financial asset;
- (2) the sum of consideration received from the transfer, and the accumulated change amount of fair value originally recorded in owners' equity (the financial assets involved in the transfer are available-for-sale financial assets).

Where partial transfer of financial assets meets the de-recognition conditions, the entire book value of the financial assets transferred will be allocated between the derecognized part and the recognized part based on the relative fair value, and the difference between the following two amounts will be included in current profit or 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 financial asset involved in the transfer are available-for-sale financial assets).

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 shall be recognized as a financial liability.

3.10.4 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 shall 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 shall be derecognized, and at the same time, the new financial liability shall 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 in 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) shall be included in the current profit or loss.

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

3.10.5 Determination method of 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. The fair value of a financial instrument, for which there is no active market, is 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. Unobservable inputs are used only under the circumstance when it is impossible or unobservable inputs to obtain relevant observable inputs.

3.10.6 Test method and accounting treatment for impairment of financial assets (excluding receivables)

Except for the financial assets measured at fair values through current profit or 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) Provision for impairment of 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 of 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 or loss.

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

(2) Provision for impairment of held-to-maturity investments:

Measurement of provision for impairment loss on held-to-maturity investments is treated in accordance with the measurement method of impairment loss on accounts receivable.

3.11 Provision for bad debts of accounts receivable

3.11.1 Provision for bad debts of receivables with individually significant amount

Judgment basis or amount standard for "individually significant amount": top five accounts receivable and other receivables in terms of their individual amount at the end of the year.

Method of making provision for bad debts of an receivable with individually significant amount: the impairment test is carried out on an individual basis, and the bad debts is provided based on the difference between its present value of the future cash flow and its book value and is included in the current profit and loss; if it is proved to be impaired after the test, it is classified into the corresponding portfolio for provision for bad debts. Receivables whose impairment losses have been recognized in the test are no longer included in the portfolio of receivables with similar credit risk characteristics for impairment testing.

3.11.2 Receivable with provision for bad debt based on portfolio

Determination basis of portfolio:	
Aging portfolio	Length of aging
Method of making provision for bad debt based on portfolio	
Aging portfolio	Aging analysis method

Proportions of provisions for bad debts made by aging analysis method are as follows:

Aging	Proportion of provision for accounts receivable (%)	Proportion of provision for other receivables (%)
Within 1 year (inclusive)		
1-2 years	5	5
2-3 years	15	15
3-4 years	25	25
4-5 years	50	50
Over 5 years	100	100

3.11.3 Accounts receivable with individually insignificant amount and individual provision for bad debts:

Reasons for individual provision for bad debts: the individual ending balance of the receivable is less than the top five, is proved to be possibly impaired for reasons such as the debtor's withdrawal, bankruptcy or death, and cannot be recovered with the bankruptcy property or settled estate.

Method of making provision 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.

The receivables of subsidiaries within the scope of consolidation are accrued for impairment according to the individual recognition method.

For receivables other than accounts receivable and other receivables, the provision for impairment is made based on the individual recognition method.

3.11.4 Reversal of bad debts

If there is objective evidence that the value of the receivable has been recovered and is related to the events that occurred after the recognition of the loss, the previously recognized impairment loss is reversed and recognized in profit or loss. However, the book value after the reversal shall not exceed the amortized cost of the receivable on the reversal date, assuming no provision for impairment.

3.12 Inventories

3.12.1 Classification of inventories

The inventories are classified into: raw materials, commodity stocks, low-value consumables, food materials, fuels, etc.

3.12.2 Measurement of inventories dispatched

The commodity stocks are accounted for based on their selling prices, and the difference between the commodity purchasing price and the selling price is adjusted monthly by the comprehensive spread rate method. The inventory materials are measured at actual cost when purchased and warehoused, and measured using the first-in first-out method when applied for use and dispatched. Low-value consumables are amortized on a one-off basis when applied for use.

3.12.3 Determining basis of the net realizable value of inventories and method for inventory depreciation reserve

After the comprehensive check of the inventories at the end of the period, the inventory depreciation reserves are provided or adjusted at their costs or net realizable values, whichever are lower.

For inventories for direct sale, including commodity stocks and materials for sale, their net realizable values shall be recognized at the estimated selling prices minus the estimated selling expenses and the relevant taxes and surcharges in the normal operation process. For inventories held to execute sales contract or service contract, their net realizable values are calculated on the basis of contract price. If the quantities held by the Company are more than the quantities ordered in sales contracts, the net realizable value of the excess portion of inventories shall be based on general selling prices.

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

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

3.12.4 Inventory system

Perpetual inventory system is adopted.

3.12.5 Amortization method for low-cost consumables and packaging materials

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

3.13 Long-term equity investment

3.13.1 Judgment criteria for joint 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 investing enterprise is able to have significant influences on an investee, the investee is its associate.

3.13.2 Determination of initial investment cost

(1) Long-term equity investments acquired through business combination

Business combination under common control: if the Company pays a consideration to the combinee in cash, by transferring non-cash assets or by assuming debts and issuing equity securities, the share of book value of its owners' equity in the combinee in the consolidated financial statements of the ultimate controller shall be recognized, on the combination date, as the initial 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.

For long-term equity investments acquired from business combinations under common control, the investment initial cost thereof shall be recognized at the share of book value of the combinee's net assets 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 sum of the book value of long-term equity investments before the combination and the book value of consideration newly paid for additional shares; if there is no sufficient stock premium to be written down, the retained earnings are adjusted.

Business combination not under common control: the Company recognizes the combination cost determined on the combination date as the initial cost of long-term equity 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. The intermediary service charges, including audit, legal service, evaluation and consultancy fees and other relevant general and administrative expenses incurred for business combination shall be charged to current profit and loss when they are incurred. Transaction expenses incurred for issuance of equity or debt securities as consideration for business combination shall be included in the initial recognition amount of those equity securities or debt securities.

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

For long-term equity investments acquired from cash payment, the initial investment cost is the actually paid purchasing cost.

For the long-term equity investments acquired through issuing the equity securities, the fair value of equity securities issued shall be recognized as the initial investment cost.

On the premise that non-monetary asset trade is of commercial nature and the fair value of the asset traded in or out can be measured reliably, the initial cost of a long-term equity investment traded in with non-monetary asset should be determined according to the fair value of the asset traded out and relevant taxes and surcharges payable, unless any unambiguous evidence indicates that the fair value of the asset traded in is more reliable; as to the non-monetary asset trade not meeting the aforesaid premise, the book value of the asset traded out and relevant taxes and surcharges payable should be recognized as the initial cost of the long-term equity investment.

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

3.13.3 Subsequent measurements and recognition of profit or loss

(1) Long-term equity investments accounted for under cost method

Long-term equity investments of the Company in its subsidiaries are accounted for by 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 current investment income based on the cash dividends or profits enjoyed by the Company and declared to be distributed by the investee.

(2) Long-term equity investments accounted for under the equity method

The Company's long-term equity investments in its associates and joint ventures are calculated under the equity method. If the cost of initial investment is in excess of the proportion of the fair value of the net identifiable assets in the investee when the investment is made, the difference will not be adjusted to the initial cost of long-term equity investment; if the cost of initial investment is in short of the proportion of the fair value of the net identifiable assets in the investee when the investment is made, the difference will be included in the current profit and loss.

The Company shall, in accordance with its attributable share of the net profit or loss and other comprehensive income realized by the investee, respectively recognize the investment income and other comprehensive income and simultaneously adjust the book value of the long-term equity investment. The Company shall, in the light of the profits or cash dividends that the investee declares to distribute, reduce the book value of the long-term equity investment correspondingly. As to any change in owners' equity of the investee other than net profit or loss, other comprehensive income and profit distribution, the Company shall adjust the book value of the long-term equity investment and include such change into the owners' equity.

When recognizing the attributable share of net profit or loss of the investee, the Company shall, based on the fair value of identifiable net asset of the investee when it obtains the investment, recognize its attributable share of the net profit or loss of the investee after the adjustment according to the Company's accounting policy and accounting period. 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 calculates its attributable profit or loss of internal transactions that are not realized arising among itself, associates and joint ventures based on its attributable percentage and offset it, and determines the investment income on that basis. Unrealized internal transaction loss incurred between the Company and the investee shall be recognized in full amount if such loss belongs to the asset impairment. For the asset investment or sale transactions with associated enterprises or joint ventures, the accounting treatment should be carried out in accordance with the relevant policies if the asset forms a part of the Company's business.

When the Company confirms that it should share losses of the investee, treatment shall be done in following sequence: first, writing down the book value of long-term equity investments. Secondly, if the book value of the long-term equity investments is insufficient to be offset, the Company shall continue to recognize the investment loss to the extent of the book value of long-term interests which substantially form the net investment in the investee and offset the book value of the long-term receivable items and other items. 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. If the investee achieves profit in subsequent periods, the Company shall, after deducting any unrecognized investment losses, reduce book value of estimated liabilities recognized, restore book values of other long-term equity which form net investment in the investee in substance, and of long-term equity investment according to the reversed sequence described above, and recognize investment income at the same time.

(3) Disposal of long-term equity investments

For the disposal of long-term equity investments, the difference between the book value and the actual price thereof shall be included in 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 changes in other owner's equity of the investee other than net profit and loss, other comprehensive income and the profit distribution should be included in the current profit and loss according to the 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, while 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 or 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 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 over the investee, such remaining equity shall be subject to the accounting treatment according to the recognition and measurement standards of financial instruments, and the difference between its fair value and book value on the date when control losses is included in current profit or loss.

Where the equity disposed of are acquired through business combination as a result of additional investment and other reasons, if the remaining equities after disposal are calculated under the cost method or equity method upon preparation of separate financial statements, other comprehensive income and other owners' equities recognized in equity investments held before the acquisition date as a result of employment of equity method for accounting shall be carried forward pro rata; if the remaining equities after disposal are calculated according to the provisions on Recognition and Measurement of Financial Instruments, other comprehensive income and other owners' equities will all be carried forward.

3.14 Investment properties

The investment properties refer to the properties held for earning rentals or/and capital appreciation, including leased land use right, land use right held for transfer upon appreciation, and leased building (including self-built buildings or buildings developed for renting or buildings under construction or development for future renting).

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

3.15 Fixed assets

3.15.1 Recognition criteria of fixed assets

Fixed assets refer to tangible assets held for the purpose of producing commodities, providing 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 assets can be measured reliably.

3.15.2 Classification of fixed assets

Fixed assets can be classified into: buildings and constructions, electronic equipment, transport equipment, electronic entertainment equipment, other equipment and decoration improvements.

3.15.3 Initial measurement of fixed assets

Fixed assets shall be initially measured at actual costs on acquisition.

The costs of externally acquired fixed assets shall be determined by their purchase prices, related taxes and surcharges and any attributable transport expenses, loading and unloading expenses, installation expenses and professional service expenses incurred to prepare the fixed assets for its serviceable condition.

If the payment for a fixed asset is delayed beyond the normal credit conditions and it is of the financing nature, the cost of the fixed asset shall be determined on the basis of the current value of the purchase price.

Costs of self-built fixed assets consist of necessary expenditures incurred before preparing the asset to reach the condition for its intended use.

For fix assets obtained in debt restructuring by debtors for the settlement of his liabilities, their book-entry value should be initially stated based on their fair values. Differences between the book values and the fair values of the fix assets are included in the current profit and loss;

If the exchange of non-monetary assets has commercial substance, and the fair value of these assets can be measured reliably, the book-entry value of fixed assets traded in is determined on the basis of the fair value of the fixed assets traded out unless there is any conclusive evidence that the fair value of the assets traded in is more reliable; if the exchange of non-monetary assets does not meet the above criteria, the cost of the fixed assets traded in should be the book value of the assets traded out and relevant taxes and surcharges payable, and no profit or loss shall be recognized.

For fixed assets acquired from business combination under common control, their book-entry values are recognized at the book values of the combinee; for fixed assets acquired from business combination not under common control, their book-entry values are recognized at the fair value.

The Company shall state the assets acquired under finance lease at the lower of the book value of the leased assets on the lease beginning date or the present value of the minimum lease payments.

3.15.4 Provision method for depreciation of fixed assets

Fixed assets are depreciated based on the straight-line method, their depreciation rates are determined based on category of fixed asset, estimated economic useful live and residual values (5% of the original value) as follows:

Asset type	Estimated useful lives (year)	Estimated net residual value rate (%)	Annual depreciation rate (%)
Buildings and constructions	20-40	5	4.75-2.37
Machinery equipment	8-20	5	11.87-4.75
Electronic entertainment equipment	5-16	5	19-5.93
Transportation equipment	7-12	5	13.57-7.91
Other equipment	8	5	11.87

3.16 Construction in progress

The book-entry values of the fixed assets are stated at total expenditures incurred before reaching working condition for their intended use. Where a construction in progress reaches the working condition for its intended use but the final account for completion is not made yet, it shall be transferred into fixed assets from the date when it reaches the working condition for intended use at the estimated value according to the project budget, construction price or actual cost, and the depreciation of the said fixed assets shall be accrued according to the Company's depreciation policies applicable to fixed assets. After the final account for completed project is done, the Company adjusts the original estimated value of the fixed asset in accordance with the actual cost, but does not adjust the provision for such depreciation that had been accrued.

3.17 Borrowing costs

3.17.1 Recognition principles of capitalization of borrowing costs

Borrowing costs include interest thereon, amortization of discounts or premiums, ancillary expenses and exchange differences incurred on account of 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 current profit and loss.

Assets meeting the capitalization requirements refer to fixed assets, investment properties and inventories, etc. that need to be purchased, constructed or produced for a long time to be available for intended use or sale.

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

- (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; and
- (3) The acquisition and construction or production activities which are necessary to prepare the assets for their intended use or sale have already been started.

3.17.2 Capitalization period of borrowing costs

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

Capitalization of borrowing costs should 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 assets should be ceased.

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.

3.17.3 Period of capitalization suspension

If the acquisition, 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 their intended use or sale, the borrowing costs continue to be capitalized. Borrowing costs incurred during the interruption are recognized as the current profit or loss and continue to be capitalized until the acquisition, construction or production of the assets restarts.

3.17.4 Calculation method of capitalization amount of borrowing costs

As for special borrowings for acquiring, constructing or producing assets eligible for capitalization, borrowing costs of special borrowings actually incurred in the current period less the interest income from undrawn borrowings deposited in the bank or investment income from 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.

Where there are discounts or premiums on borrowings, amounts of discounts or premiums shall be amortized in each accounting period at the effective interest method, and the amount of interest for each accounting period should be adjusted.

3.18 Intangible assets

3.18.1 Measurement 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 uses. 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 present value of the purchase price.

The intangible assets acquired which the debtor uses to pay back the debt in debt restructuring should be recognized at the fair value of the intangible assets. The difference between the book value of restructured debts and the fair value of intangible assets used to pay back the debt should be 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 book-entry values of 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 values of the assets traded in are 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 traded in, and no profit or loss will be recognized.

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

Costs of intangible assets developed internally and independently include: the costs of materials and labor services used to develop the intangible assets, the registration fee, the amortization of other patents and franchise used in the process of development, the interest 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 acquisition.

Intangible assets with definite useful lives shall be amortized with the straight-line method within the period when the intangible assets generate economic benefits for the Company; if the said period cannot be forecast, the intangible assets shall be deemed as those with indefinite useful lives and shall not be amortized.

3.18.2 Estimate of the useful life of the intangible assets with definite useful lives

Item	Estimated useful life	Basis
Land use right	50 years	Useful life prescribed in the Certificate of Land Use Right

At the end of each reporting period, the Company shall review the useful lives and amortization method of intangible assets with definite useful lives.

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

3.18.3 Determination basis of intangible assets with indefinite useful lives

As at the balance sheet date, the Company had no intangible assets with indefinite useful life.

3.19 Long-term assets impairment

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 the result of the impairment test shows that the recoverable amount of the asset is lower than its book value, the provision for impairment shall be made and included in impairment loss. The recoverable amount is determined at the higher of the net of the fair value less disposal costs and the present value of the expected future cash flows. Provision for assets impairment is made on individual asset basis. If it is difficult to estimate the recoverable amount of the individual asset, the Group shall estimate the recoverable amount of the asset group that the individual asset belongs to. The asset group is the minimum asset group that can independently generate the cash inflow.

The above asset impairment loss shall not be reversed in subsequent accounting periods once recognized.

3.20 Long-term deferred expenses

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

3.20.1 Amortization method

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

3.20.2 Amortization years

Item	Amortization years
Hotel exterior decoration	4 years
Fire stairs renovation	4 years
Renovation of guest rooms in Building C	5 years
Villa renovation	5 years
Swimming pool renovation	5 years

3.21 Employee compensation

3.21.1 Short-term compensation

During the accounting period in which employees provide service to the Company, the short-term remuneration actually incurred is recognized as liabilities and included into the current profit or loss or the assets-related cost.

The social insurance premium and the housing provident fund paid by the Company for its employees, together with the labor union expenditures and employee education drew as required are used to calculate and determine the relevant employee compensation amount based on the prescribed accrual basis and accrual proportion during the accounting period in which the employees provide services to the Company.

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

3.21.2 Dismissal welfare

When the Company fails to unilaterally withdraw the dismissal benefits offered due to the termination of the labor relation plan or layoff proposal, or confirms the costs or fees associated with the reorganization involving the payment of the dismissal benefits (whichever is earlier), the employee compensation liabilities arising from the confirmation of dismissal benefits are included in the current profit or loss.

3.21.3 Post-employment benefits

The Company pays the basic endowment insurance premiums and unemployment insurance for employees according to the relevant provisions of the local governments. During the accounting period when employees serve the Company, the paid amount which is calculated based on the payment base and proportion as stipulated in the provisions of the local place is recognized as liabilities and included in the current profit or loss or assets-related assets cost.

3.22 Estimated liabilities

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

3.22.1 Recognition criteria of 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 this obligation may very probably lead to the flow of economic interests out of the Company; and
- (3) The amount of the obligation can be measured reliably.

3.22.2 Measurement method of estimated liabilities

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

When determining the best estimates, the Company comprehensively considers the risks, uncertainties, time value of money, and other factors relating to the contingencies. 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 estimate should 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 although 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 estimates should be determined according to all the possible outcomes with their relevant probabilities.

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

3.23 Revenue

3.23.1 Recognition and measurement principles for revenue from sale of goods

- (1) General recognition and measurement principles for revenue from sales of goods
Revenue 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 of revenue from sale of goods of the Company and specific judgment criteria of recognition time
In the provision of hotel housing services at the same time, the Company provides goods to customers and will prepare daily sales list after confirming with the Rooms Department and the hotel front desk. Based on the sales list, the finance department confirms that the major risks and rewards of ownership of the goods have been transferred to the customer and then the sales revenue is recognized.

3.23.2 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.

3.23.3 Recognition of revenue from transferring use right of assets

When the economic benefits relating to the transactions is possible to flow into the Company and the amount of revenue can be measured reliably, revenues should be recognized. Revenues from transfer of right to use assets are recognized under the following circumstances:

- (1) Interest income is determined based on the time when the monetary funds are lent and the effective rate.
- (2) The amount of revenues from usage is determined based on the charging time and

method as agreed in relevant contract or agreement.

3.24 Government grants

3.24.1 Type

Government grants refer to the monetary or non-monetary assets obtained by the Company from the government for free. Government grants are divided into asset-related government grants and income-related government grants.

Asset-related government grants refer to government grants obtained by the Company for forming long-term assets by acquisition, construction or other manners. Income-related government grants refer to government grants excluding the asset-related government grants.

3.24.2 Recognition time and measurement

Government grants can be recognized when simultaneously meeting the following conditions:

- 1) The enterprise can meet conditions attached to government grants; and
- 2) The enterprise can receive government grants.

If a government grant is a monetary asset, it shall be measured at the amount received or receivable. Government grants shall be measured at receivables when there is strong evidence at the end of the period that such grants comply with the relevant conditions prescribed by the financial support policies and the financial support funds are expected to be received. Other financial grants shall be confirmed according to the amount of money received.

If government grants are non-monetary assets, they shall be measured at its fair value; and if the fair value cannot be obtained in a reliable way, they shall be measured at a nominal amount.

3.24.3 Accounting treatment

- (1) Asset-related government grants shall be used to offset the book value of relevant assets or recognized as deferred income. If asset-related government grants are recognized as deferred income, they shall be included in profit or loss by stages by a reasonable and systematic method within the useful lives of relevant assets. Government grants measured at the nominal amount are directly included in the current profit or loss.

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

- (2) Accounting treatment will be conducted for government grants associated with income in accordance with the following provisions:
 - 1) government grants associated with income that are used to recover relevant costs or losses of the enterprise in subsequent period are recognized as deferred income and included in the current profit or loss when relevant costs or losses are recognized;
 - 2) If government grants related to income are used to compensate the relevant costs and losses that have occurred, such government grants should be directly included in the current profit or loss.
 - 3) Where both the asset-related government grants and income-related government

grants are covered, the accounting treatment should be done respectively by distinguishing the asset-related government grants and income-related government grants; if it is difficult to distinguish, these government grants will be classified into the income-related government grants as a whole.

- (3) Any government grant related to the daily activities of an enterprise shall be included into other income in accordance with the business nature. Government grants unrelated to the daily activities of enterprises shall be recorded as non-operating revenues and expenditures.

3.25 Deferred tax assets and deferred tax liabilities

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

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

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

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 rights to balance income tax assets and income tax liabilities for the current period with net settlement, and deferred income tax assets and deferred income tax liabilities are related to the income tax which are imposed on the same taxpaying subject by the same tax collection authority or on different taxpaying subjects, but, in each important future period in connection with the reverse of deferred income tax assets and liabilities, the involved taxpaying subject intends to balance income tax assets and liabilities for the current period with net settlement at the time of obtaining assets and discharging liabilities, deferred income tax assets and deferred income tax liabilities shall be presented based on the net amount after offset.

3.26 Operating lease

3.26.1 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 included in the current expenses.

When assets lessor bears costs related to the lease borne by the Company, the Company shall deduct the part of expenses from the total rents and amortize the rents after deduction over the lease term and include them in current expenses.

3.26.2 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 significant, they shall be capitalized and included in the current income on the same basis as the recognition of lease income.

When the Company bears costs related to the lease borne by the lessee, the Company shall deduct the part of expenses from the total rents and amortize the rents after deduction over the lease term.

3.27 Changes in significant accounting policies and accounting estimates

3.27.1 Changes in accounting policies

The Ministry of Finance promulgated the Circular of the Ministry of Finance on Revising and Issuing the 2018 Versions of General Corporate Financial Statement Templates (Cai Kuai [2018] No.15) on June 15, 2018 and revised the general corporate financial statement templates. Main impacts of the Company's implementation of the above provisions are as follows:

Content of and reason for changes in accounting policies	Procedures for examination and approval	Name and amount of affected report item
(1) In the balance sheet, "notes receivable" and "accounts receivable" shall be merged into "notes receivable and accounts receivable" for presentation; "notes payable" and "accounts payable" shall be merged into "notes payable and accounts payable" for presentation; "interest receivable" and "dividends receivable" shall be merged into "other receivables" for presentation; "interest payable" and "dividends payable" shall be merged into "other payables" for presentation; "disposal of fixed assets" shall be merged into "fixed assets" for presentation; "project materials" shall be merged into "construction in progress" for progress; "special payable" shall be merged into "long-term payables" for presentation. The comparative data shall be adjusted accordingly.	Resolution of the Board of Directors	"Notes receivable" and "accounts receivable" are merged into "notes receivable and accounts receivable" for presentation, and the amount in the current period is RMB 426,434.87 and the amount in the last period is RMB 594,130.89; "notes payable" and "accounts payable" are merged into "notes payable and accounts payable" for presentation, and the amount in the current period is RMB 1,607,835.81 and the amount in the last period is RMB 2,161,172.26. "Interest receivable" and "dividends receivable" are included in "other receivables" for presentation; "interest payable" and "dividends payable" are included in "other payables" for presentation; "disposal of fixed assets" is included in "fixed assets" for presentation; "project materials" is included in "construction in progress" for presentation; "special payables" is included in "long-term payables" for presentation. There is no balance in the current period and the last period.

Content of and reason for changes in accounting policies	Procedures for examination and approval	Name and amount of affected report item
(2) In the income statement, the item "research and development expenses" shall be added, and the "research and development expenses" originally under the "general and administrative expenses" shall be reclassified into the "research and development expenses" for separate presentation; in the income statement, the items "Including: interest expenses" and "interest income" shall be added under the item "financial expenses". The comparative data shall be adjusted accordingly.	Resolution of the Board of Directors	The research and development expenses originally included in item "general and administrative expenses" shall be reclassified into item "research and development expenses" for separate presentation. There was no research and development expense occurred in the current and the prior period; items "interest cost" and "interest revenue" shall be added under item "financial expenses" for presentation. There was no interest cost occurred in the current and the prior period; the interest revenue was RMB 232,899.41 in 2018 and RMB 291,701.13 in 2017.
(3) In the statement of changes in owners' equity, the item "change in the defined benefit plan carried forward to retained earnings" shall be added. The comparative data shall be adjusted accordingly.	Resolution of the Board of Directors	In the statement of changes in owners' equity, the item "change in the defined benefit plan carried forward to retained earnings" is added. There is no change in the defined benefit plan carried forward to retained earnings occurred in the current period and the last period.

3.27.2 Changes in accounting estimates

There was no change in the principal accounting estimates of the Company during the reporting period.

4. Taxation

Major tax types and tax rates applicable to the Company

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%, 10%, 11%, 16%, 17%
Urban maintenance and construction tax	Levied based on VAT payable	7%
Education surtax	Levied based on VAT payable	3%
Local education surtax	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 rent revenue	1.2%, 12%

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Taxes	Basis for tax assessment	Tax rate
Land use tax	Land area	RMB 18 / m ²
Enterprise income tax	Levied based on the taxable income	25%

Remark: According to the Document Cai Shui [2018] No.32, as of May 1, 2018, the tax rate for VAT taxable sales or imported goods of a taxpayer shall be respectively adjusted to 16% and 10% from the original 17% and 11%.

5. Notes to the main items of the financial statements

5.1 Monetary funds

Item	Balance as at December 31, 2018	Balance as at January 1, 2018
Cash on hand	347,782.65	264,156.33
Bank deposits	15,016,572.65	9,417,450.83
Total	15,364,355.30	9,681,607.16

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

5.2 Notes receivable and accounts receivable

Item	Balance as at December 31, 2018	Balance as at January 1, 2018
Notes receivable		
Accounts receivable	426,434.87	594,130.89
Total	426,434.87	594,130.89

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5.2.1 Disclosure of accounts receivable by category

Category	Balance as at December 31, 2018					Balance as at January 1, 2018				
	Book balance		Provision for bad debts		Book value	Book balance		Provision for bad debts		Book value
	Amount	Proportion (%)	Amount	Proportion of provision (%)		Amount	Proportion (%)	Amount	Proportion of provision (%)	
Account receivables with individually significant amount and individual provision for bad debts										
Accounts receivable with provision for bad debts made by portfolio	500,510.47	100.00	74,075.60	14.80	426,434.87	662,651.14	100.00	68,520.25	10.34	594,130.89
Accounts receivable with individually insignificant amount and individual provision for bad debts										
Total	500,510.47	100.00	74,075.60		426,434.87	662,651.14	100.00	68,520.25		594,130.89

In portfolio, accounts receivable with the provision for bad debts made by the aging analysis method:

Aging	Balance as at December 31, 2018		
	Accounts receivable	Provision for bad debts	Proportion of provision (%)
Within 1 year	409,556.67		
1-2 years	566.00	28.30	5.00
2-3 years	785.00	117.75	15.00
3-4 years	18,633.00	4,658.25	25.00
4-5 years	3,397.00	1,698.50	50.00
Over 5 years	67,572.80	67,572.80	100.00
Total	500,510.47	74,075.60	

5.2.2 Provision, reversal or recovery of provision for bad debts in 2018

The provision for bad debts made in 2018 amounted to RMB 5,555.35.

5.2.3 Top five accounts receivable in terms of their balance as at December 31, 2018 collected by the debtor

Name of entity	Balance as at December 31, 2018		
	Accounts receivable	Proportion in the total accounts receivable (%)	Provision for bad debts
Shanghai Hecheng International Travel Service Co., Ltd.	256,931.20	51.33	
Beijing Tongcheng Huading International Travel Service Co., Ltd. Suzhou Branch	101,510.00	20.28	
Guangzhou Institute of Design	38,980.00	7.79	38,980.00
Yangpu Huayu Road and Bridge Technology Co., Ltd.	18,633.00	3.72	4,658.25
Tianjin Watermelon Tourism Limited Liability Company	14,376.24	2.87	
Total	430,430.44	85.99	43,638.25

5.3 Advances to suppliers

5.3.1 Advances to suppliers presented by aging

Aging	Balance as at December 31, 2018		Balance as at January 1, 2018	
	Book balance	Proportion (%)	Book balance	Proportion (%)
Within 1 year			49,530.21	100.00
Total			49,530.21	100.00

Remark: advances to suppliers are prepaid amounts for newspapers and software maintenance. In 2018, advances to suppliers were reclassified into item "other current assets" for presentation.

5.4 Other receivables

Item	Balance as at December 31, 2018	Balance as at January 1, 2018
Interest receivable		
Dividends receivable		

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Item	Balance as at December 31, 2018	Balance as at January 1, 2018
Other receivables	458,242.73	139,561.29
Total	458,242.73	139,561.29

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5.4.1 Other receivables disclosed by category:

Category	Balance as at December 31, 2018					Balance as at January 1, 2018				
	Book balance		Provision for bad debts		Book value	Book balance		Provision for bad debts		Book value
	Amount	Proportion (%)	Amount	Proportion of provision (%)		Amount	Proportion (%)	Amount	Proportion of provision (%)	
Other receivables with individually significant amount and individual provision for bad debts										
Other receivables with provision for bad debts made by portfolio	460,178.73	100.00	1,936.00	0.42	458,242.73	160,709.19	100.00	21,147.90	13.16	139,561.29
Other receivables with individually insignificant amount and individual provision for bad debts										
Total	460,178.73	100.00	1,936.00		458,242.73	160,709.19	100.00	21,147.90		139,561.29

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In portfolio, other receivables with provision for bad debts made by the aging analysis method:

Aging	Balance as at December 31, 2018		
	Book balance	Provision for bad debts	Proportion of provision (%)
Within 1 year	457,942.73		
1-2 years			
2-3 years			
3-4 years			
4-5 years	600.00	300.00	50.00
Over 5 years	1,636.00	1,636.00	100.00
Total	460,178.73	1,936.00	

5.4.2 Provision, reversal or recovery of provision for bad debts in 2018

The provision for bad debts made in 2018 amounted to RMB -19,211.90.

5.4.3 Classification of other receivables by the nature of payment

Nature of payment	Book balance as at December 31, 2018	Book balance as at January 1, 2018
Utility bills	185,368.69	70,809.03
Petty cash	133,411.23	49,281.48
Attorney fee	77,534.25	
Individual social insurance and provident funds	63,264.56	40,018.68
Deposit	600.00	600.00
Total	460,178.73	160,709.19

5.4.4 Top five other receivables in terms of their ending balance collected by the debtor

Name of entity	Nature of payment	Balance as at December 31, 2018	Aging	Proportion in the total balance of other receivables as at December 31, 2018 (%)	Balance of provision for bad debts as at December 31, 2018
Hainan Hangpai Catering Co., Ltd.	Utility bills	113,176.77	Within 1 year	24.59	
Hainan New Concept Law Firm	Attorney fee	77,534.25	Within 1 year	16.85	
Yang Yunhui	Petty cash	48,331.50	Within 1 year	10.50	
Peng Guoxing	Utility bills	41,589.36	Within 1 year	9.04	
Wen Ping	Petty cash	30,000.00	Within 1 year	6.52	
Total		310,631.88		67.50	

5.5 Inventories
5.5.1 Classification of inventories

Item	Balance as at December 31, 2018			Balance as at January 1, 2018		
	Book balance	Provision for inventory depreciation	Book value	Book balance	Provision for inventory depreciation	Book value
Raw materials	870,043.52	725,731.58	144,311.94	880,621.58	735,181.58	145,440.00
Food and drinks	43,935.10		43,935.10	45,640.74		45,640.74

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Item	Balance as at December 31, 2018			Balance as at January 1, 2018		
	Book balance	Provision for inventory depreciation	Book value	Book balance	Provision for inventory depreciation	Book value
Commodity stocks	22,771.38	11,102.41	11,668.97	22,771.38	11,102.41	11,668.97
Fuel	21,474.18		21,474.18	24,255.40		24,255.40
Total	958,224.18	736,833.99	221,390.19	973,289.10	746,283.99	227,005.11

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5.5.2 Provision for inventory depreciation

Category of inventory	Balance as at January 1, 2018	Increase in 2018		Decrease in 2018		Balance as at December 31, 2018
		Provision	Others	Reversal or write-off	Others	
Raw materials	735,181.58			9,450.00		725,731.58
Stock commodities	11,102.41					11,102.41
Total	746,283.99			9,450.00		736,833.99

Remark: The reason for write-off is that a batch of hotel bathrobes were subject to loss reporting as they can no longer be used due to long-term storage.

5.6 Non-current assets maturing within one year

Item	Balance as at December 31, 2018	Balance as at January 1, 2018	Remarks
Long-term deferred expenses to be amortized within one year		1,173,597.68	Hotel exterior repair, and transformation of guest rooms, swimming pools and others
Total		1,173,597.68	

Remark: The reason for the decrease of the ending balance, compared with the beginning balance, was that such item was included in item "long-term deferred expenses" for amortization.

5.7 Other current assets

Item	Balance as at December 31, 2018	Balance as at January 1, 2018
Prepaid enterprise income tax	1,702,702.80	1,702,702.80
Input tax to be deducted	103,556.98	255,160.76
Prepaid deferred expenses	39,960.01	
Total	1,846,219.79	1,957,863.56

5.8 Investment properties

Investment properties measured at cost

Item	Buildings and constructions	Land use rights	Total
1. Original book value			
(1) Beginning balance	18,856,504.44	5,662,740.59	24,519,245.03
(2) Increase in 2018			
- Purchase			
- Transfer from inventories/fixed assets/construction in progress			
- Increase from business combinations			
(3) Decrease in 2018			
- Disposal			
(4) Ending balance	18,856,504.44	5,662,740.59	24,519,245.03
2. Accumulated depreciation and accumulated amortization			
(1) Beginning balance	10,189,399.98	2,163,386.45	12,352,786.43

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Item	Buildings and constructions	Land use rights	Total
(2) Increase in 2018	418,183.56	56,340.00	474,523.56
- Provision or amortization	418,183.56	56,340.00	474,523.56
(3) Decrease in 2018			
- Disposal			
(4) Ending balance	10,607,583.54	2,219,726.45	12,827,309.99
3. Provision for impairment			
(1) Beginning balance	1,404,400.47	1,903,054.14	3,307,454.61
(2) Increase in 2018			
- Provision			
(3) Decrease in 2018			
- Disposal			
(4) Ending balance	1,404,400.47	1,903,054.14	3,307,454.61
4. Book balance			
(1) Book value as at December 31, 2018	6,844,520.43	1,539,960.00	8,384,480.43
(2) Book value as at January 1, 2018	7,262,703.99	1,596,300.00	8,859,003.99

5.9 Fixed assets
5.9.1 Fixed assets and disposal of fixed assets

Item	Balance as at December 31, 2018	Balance as at January 1, 2018
Fixed assets	36,497,869.65	39,088,708.83
Disposal of fixed assets		
Total	36,497,869.65	39,088,708.83

5.9.2 Fixed assets details

Item	Buildings and constructions	Machinery equipment	Vehicles	Electronic equipment	Other equipment	Total
1. Original book value						
(1) Beginning balance	136,789,501.82	13,279,932.54	2,345,074.91	2,623,443.45	2,059,888.17	157,097,840.89
(2) Increase in 2018		3,200.00		305,254.81	117,668.67	426,123.48
- Purchase		3,200.00		82,783.15	117,668.67	203,651.82
- Transfer from construction in progress				222,471.66		222,471.66
(3) Decrease in 2018		2,249,582.00		264,169.87	251,105.00	2,764,856.87
- Disposal or write-off		2,249,582.00		264,169.87	251,105.00	2,764,856.87
(4) Ending balance	136,789,501.82	11,033,550.54	2,345,074.91	2,664,528.39	1,926,451.84	154,759,107.50
2. Accumulated amortization						
(1) Beginning	70,320,351.57	9,371,050.71	1,415,798.92	2,012,775.79	1,288,515.64	84,408,492.63

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Item	Buildings and constructions	Machinery equipment	Vehicles	Electronic equipment	Other equipment	Total
balance						
(2) Increase in 2018	2,178,992.93	288,053.85	171,223.62	178,391.32	170,609.68	2,987,271.40
- Provision	2,178,992.93	288,053.85	171,223.62	178,391.32	170,609.68	2,987,271.40
(3) Decrease in 2018		1,689,043.68		252,314.01	234,333.85	2,175,691.54
- Disposal or write-off		1,689,043.68		252,314.01	234,333.85	2,175,691.54
(4) Ending balance	72,499,344.50	7,970,060.88	1,587,022.54	1,938,853.10	1,224,791.47	85,220,072.49
3. Provision for impairment						
(1) Beginning balance	31,072,788.17	2,527,851.26				33,600,639.43
(2) Increase in 2018						
- Provision						
(3) Decrease in 2018		559,474.07				559,474.07
- Disposal or write-off		559,474.07				559,474.07
(4) Ending balance	31,072,788.17	1,968,377.19				33,041,165.36
4. Book value						
(1) Book value as at December 31, 2018	33,217,369.15	1,095,112.47	758,052.37	725,675.29	701,660.37	36,497,869.65
(2) Book value as at January 1, 2018	35,396,362.08	1,381,030.57	929,275.99	610,667.66	771,372.53	39,088,708.83

Remark: there were no temporarily idle fixed assets, and no secured or guaranteed fixed assets as at the end of the period.

5.10 Construction in progress

5.10.1 Construction in progress and project materials

Item	Balance as at December 31, 2018	Balance as at January 1, 2018
Construction in progress		
Project materials		
Total		

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5.10.2 Construction in progress details

Project name	Budget	Balance as at January 1, 2018	Increase in 2018	Amount transferred into fixed assets in 2018	Transfer into long-term deferred expenses in 2018	Balance as at December 31, 2018	Proportion of accumulative project investments in the budget (%)	Project progress (%)	Accumulated capitalization amount of interest	Including: capitalization amount of the interest in 2018	Capitalization rate of the interest in 2018 (%)	Sources of funds
Hotel video surveillance system project			222,471.66	222,471.66								Self-raised
Total			222,471.66	222,471.66								

5.11 Intangible assets

Item	Land use rights	Total
1. Original book value		
(1) Beginning balance	81,653,137.15	81,653,137.15
(2) Increase in 2018		
- Purchase		
- Internal research and development		
(3) Decrease in 2018		
- Disposal		
- Transfer into investment properties		
(4) Ending balance	81,653,137.15	81,653,137.15
2. Accumulated amortization		
(1) Beginning balance	31,194,664.11	31,194,664.11
(2) Increase in 2018	812,387.16	812,387.16
- Provision	812,387.16	812,387.16
(3) Decrease in 2018		
- Disposal		
- Transfer into investment properties		
(4) Ending balance	32,007,051.27	32,007,051.27
3. Provision for impairment		
(1) Beginning balance	27,440,836.84	27,440,836.84
(2) Increase in 2018		
- Provision		
(3) Decrease in 2018		
- Disposal		
- Transfer into investment properties		
(4) Ending balance	27,440,836.84	27,440,836.84
4. Book value		
(1) Book value as at December 31, 2018	22,205,249.04	22,205,249.04
(2) Book value as at January 1, 2018	23,017,636.20	23,017,636.20

5.12 Long-term deferred expenses

Item	Balance as at January 1, 2018	Increase in 2018		Amortization in 2018	Amount of other decreases	Balance as at December 31, 2018
		Transfer of long-term deferred expenses maturing within one year	Other increases			
Hotel exterior decoration	486,974.55	584,369.42		584,369.40		486,974.57
Reconstruction of fire-fighting stairway	45,695.16	17,135.68		17,135.64		45,695.20
Swimming pool reconstruction	224,969.28	59,991.81		59,991.81		224,969.28
Reconstruction of guest rooms in Building	721,297.31	192,345.95		192,345.95		721,297.31

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Item	Balance as at January 1, 2018	Increase in 2018		Amortization in 2018	Amount of other decreases	Balance as at December 31, 2018
		Transfer of long-term deferred expenses maturing within one year	Other increases			
C						
Villa reconstruction	1,199,080.58	319,754.82	153,145.41	358,041.10		1,313,939.71
Total	2,678,016.88	1,173,597.68	153,145.41	1,211,883.90		2,792,876.07

Note: RMB 1,173,597.68 of long-term deferred expenses maturing within one year are transferred in. See Note 5.6 for details.

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5.13 Notes payable and accounts payable

Item	Balance as at December 31, 2018	Balance as at January 1, 2018
Notes payable		
Accounts payable	1,607,835.81	2,161,172.26
Total	1,607,835.81	2,161,172.26

5.13.1 Presentation of accounts payable by item

Item	Balance as at December 31, 2018	Balance as at January 1, 2018
Payment for purchase	687,690.30	945,061.67
Accounts payable provisionally estimated	534,359.35	738,044.28
Service charges	155,368.88	139,336.50
Payment for projects	134,274.10	197,246.60
Elevator maintenance fee	31,670.00	44,270.00
Advertisement fees	31,195.28	53,200.74
Consignment sales	22,335.90	22,335.90
Others	10,942.00	21,676.57
Total	1,607,835.81	2,161,172.26

5.13.2 Significant accounts payable with aging over one year:

Item	Balance as at December 31, 2018	Reasons for repayment failure or carry-forward
Hainan Huanyu Decoration Design Engineering Co., Ltd.	134,274.10	Unsettlement
Total	134,274.10	

5.14 Advance from customers

5.14.1 Presentation of advances from customers

Item	Balance as at December 31, 2018	Balance as at January 1, 2018
Room and meal fees	1,291,293.05	1,271,174.12
Total	1,291,293.05	1,271,174.12

5.14.2 Significant advances from customers with aging over one year

Item	Balance as at December 31, 2018	Reasons for repayment failure or carry-forward
Guangzhou Nanbu Holiday International Travel Service Co., Ltd. Sanya Branch	101,244.00	Unsettlement
Hainan Xiangyuan Tourism Development Co., Ltd.	58,745.00	Unsettlement
PEGAS Zheng Qingbo	32,243.02	Unsettlement

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Item	Balance as at December 31, 2018	Reasons for repayment failure or carry-forward
Hainan Qiongzong Ecological Investment Guarantee Co., Ltd.	27,519.00	Unsettlement
Sanya City Public Security Fire Brigade	19,420.88	Unsettlement
Total	239,171.90	

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5.15 Employee compensation payable

5.15.1 Classification of employee compensation payable

Item	Balance as at January 1, 2018	Increase in 2018	Decrease in 2018	Balance as at December 31, 2018
Short-term compensation	2,459,015.93	12,365,770.71	11,983,524.29	2,841,262.35
Post-employment benefits - defined contribution plans		1,113,426.25	1,113,426.25	
Dismissal welfare				
Other benefits maturing within one year				
Total	2,459,015.93	13,479,196.96	13,096,950.54	2,841,262.35

5.15.2 Presentation of short-term compensation

Item	Balance as at January 1, 2018	Increase in 2018	Decrease in 2018	Balance as at December 31, 2018
(1) Salaries, bonuses, allowances and subsidies	1,473,572.82	9,935,610.90	9,653,334.08	1,755,849.64
(2) Employee welfare expenses		1,411,271.17	1,411,271.17	
(3) Social insurance premiums		502,820.66	502,820.66	
Including: medical insurance premiums		460,760.31	460,760.31	
Work-related injury insurance premiums		13,028.21	13,028.21	
Maternity insurance premiums		29,032.14	29,032.14	
(4) Housing provident funds		168,065.00	168,065.00	
(5) Labor union expenditures and employee education funds	985,443.11	348,002.98	248,033.38	1,085,412.71
(6) Short-term compensated absences				
(7) Short-term profit-sharing plan				
Total	2,459,015.93	12,365,770.71	11,983,524.29	2,841,262.35

5.15.3 Presentation of defined contribution plans

Item	Balance as at January 1, 2018	Increase in 2018	Decrease in 2018	Balance as at December 31, 2018
Basic endowment insurance premiums		1,087,369.88	1,087,369.88	
Unemployment insurance premiums		26,056.37	26,056.37	
Total		1,113,426.25	1,113,426.25	

5.16 Taxes and surcharges payable

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Taxes and surcharges	Balance as at December 31, 2018	Balance as at January 1, 2018
Value added tax (VAT)	146,863.56	222,989.34
Housing property tax	194,101.69	194,101.74
Land use tax	108,590.92	108,590.91
Urban maintenance and construction tax	761.67	7,782.70
Educational surtax	326.42	3,335.43
Local education surtax	217.63	2,223.64
Individual income tax	-0.02	
Total	450,861.87	539,023.76

5.17 Other payables

Item	Balance as at December 31, 2018	Balance as at January 1, 2018
Interest payable		
Dividends payable		
Other payables	2,727,483.66	2,411,176.59
Total	2,727,483.66	2,411,176.59

5.17.1 Presentation of other payables by nature

Item	Balance as at December 31, 2018	Balance as at January 1, 2018
Employee dormitory rental fees, etc.	971,723.12	742,742.74
Margin	890,958.75	711,046.99
Audit fee	285,003.21	285,003.21
Quality guarantee deposit for projects	190,344.00	193,066.10
Employee deposit	165,700.90	166,200.90
Project funds	162,569.78	162,569.78
Funds collected and remitted	36,408.47	100,036.07
Individual current amounts	1,364.00	29,810.80
Electric charges withheld	23,411.43	20,700.00
Total	2,727,483.66	2,411,176.59

5.17.2 Other significant payables with aging over one year

Item	Balance as at December 31, 2018	Reasons for repayment failure or carry-forward
Yangpu Jinyu Industrial Co., Ltd.	627,000.00	Unsettlement
Hong Kong Deloitte & Touche LLP	285,003.21	Unsettlement
Sanya Shuxin Housing Waterproof Engineering Co., Ltd.	170,000.00	Unsettlement

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Item	Balance as at December 31, 2018	Reasons for repayment failure or carry-forward
China Building Decoration Company Hainan Branch	161,111.03	Unsettlement
Total	1,243,114.24	

5.18 Estimated liabilities

Item	Balance as at December 31, 2018	Balance as at January 1, 2018
Provisions for arrears of electricity tariffs	1,489,685.04	1,489,685.04
Total	1,489,685.04	1,489,685.04

Note: See Note 10 for details.

5.19 Share capital

Item	Balance as at January 1, 2018	Changes in 2018 ("+" for increase and "-" for decrease)					Balance as at December 31, 2018
		Issuance of new shares	Share donation	Conversion of reserves into share	Others	Sub-total	
Total shares	364,100,000.00						364,100,000.00

5.20 Capital reserves

Item	Balance as at January 1, 2018	Increase in 2018	Decrease in 2018	Balance as at December 31, 2018
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

5.21 Undistributed profit

Item	Year 2018	Year 2017
Undistributed profit as at the end of the previous period before adjustment	-341,107,435.91	-343,966,434.57
Total adjustment to undistributed profit as at the beginning of the year ("+" for increase and "-" for decrease)		
Undistributed profit as at the beginning of the year after adjustment	-341,107,435.91	-343,966,434.57
Plus: net profit attributable to owners of the parent company in the current period	653,282.19	2,858,998.66
Less: withdrawal of statutory surplus reserves		
Withdrawal of discretionary surplus reserves		
Withdrawal of general risk reserves		
Common stock dividends payable		
Common stock dividends transferred to share capital		
Undistributed profit as at the end of the period	-340,454,153.72	-341,107,435.91

5.22 Operating revenue and operating cost

5.22.1 Operating revenue and operating cost

Item	Year 2018		Year 2017	
	Revenue	Cost	Revenue	Cost
Primary business	26,442,049.47	11,280,674.54	24,691,592.86	10,665,396.03
Other business	3,073,542.86	474,523.56	3,214,971.37	474,523.56
Total	29,515,592.33	11,755,198.10	27,906,564.23	11,139,919.59

Note: Other business income mainly refers to house rental income.

5.22.2 Primary business (by industry)

Industry name	Year 2018		Year 2017	
	Operating revenue	Operating cost	Operating revenue	Operating cost
Tourism and catering services	26,442,049.47	11,280,674.54	24,691,592.86	10,665,396.03
Total	26,442,049.47	11,280,674.54	24,691,592.86	10,665,396.03

5.22.3 Primary business (by product)

Product Name	Year 2018	Year 2017
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	Operating revenue	Operating cost	Operating revenue	Operating cost
Room income	22,731,299.15	9,307,117.61	21,103,123.09	8,758,364.38
Catering entertainment income	3,710,750.32	1,973,556.93	3,588,469.77	1,907,031.65
Total	26,442,049.47	11,280,674.54	24,691,592.86	10,665,396.03

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5.22.4 Primary business (by region)

Name of region	Year 2018		Year 2017	
	Operating revenue	Operating cost	Operating revenue	Operating cost
Hainan	26,442,049.47	11,280,674.54	24,691,592.86	10,665,396.03
Total	26,442,049.47	11,280,674.54	24,691,592.86	10,665,396.03

5.23 Taxes and surcharges

Item	Year 2018	Year 2017
Housing property tax	862,349.51	872,805.50
Land use tax	434,363.69	434,366.47
Urban construction tax	42,817.66	68,334.72
Educational surtax	18,350.43	28,958.58
Local education surtax	12,233.60	19,786.33
Stamp tax	851.70	2,760.60
Vehicle and vessel use tax	3,669.06	7,680.00
Disabled security funds	19,245.72	
Total	1,393,881.37	1,434,692.20

5.24 Selling expenses

Item	Year 2018	Year 2017
Employee compensation	3,136,915.23	2,740,921.77
Social insurance premiums	590,896.77	507,289.20
Depreciation	519,700.72	493,761.97
Welfare expenses	393,492.00	392,059.00
Repair charges	246,435.46	205,614.06
Utility bills	173,016.68	166,983.08
Labor union expenditures and employee education funds	110,092.08	95,932.28
Housing provident funds	59,985.00	46,950.00
Other expenses	388,546.01	474,992.19
Total	5,619,079.95	5,124,503.55

5.25 General and administrative expenses

Item	Year 2018	Year 2017
Salaries and welfares	5,724,279.10	5,402,093.17
Amortization of site use rights	812,387.16	812,387.16
Entertainment expenses	680,606.62	715,630.35
Social labor insurance premium	670,247.63	610,092.44
Agency fee	468,000.00	400,000.00
Depreciation	306,741.99	271,883.34
Announcing fees	280,218.00	328,688.00
Travel expenses	244,926.48	206,199.69

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Item	Year 2018	Year 2017
Housing provident funds	72,005.00	65,065.84
Membership expenses of the board of directors and the board of supervisors	30,556.00	9,535.00
Disabled security funds		36,433.27
Other expenses	843,053.99	807,517.57
Total	10,133,021.97	9,665,525.83

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5.26 Financial expenses

Item	Year 2018	Year 2017
Interest expenses		
Less: interest income	232,899.41	291,701.13
Profit or loss on exchange		
Handling charges	44,620.81	42,524.95
Total	-188,278.60	-249,176.18

5.27 Asset impairment loss

Item	Year 2018	Year 2017
Losses from bad debts	-13,656.55	11,709.50
Losses from depreciation of inventories		
Total	-13,656.55	11,709.50

5.28 Investment income

Breakdown of investment income

Item	Year 2018	Year 2017
Income from other creditors' investment		805,825.24
Total		805,825.24

5.29 Non-operating revenue

Details of non-operating revenue by items

Item	Year 2018	Year 2017	Amount included in the current non-recurring profit or loss
Debt write-off		1,303,540.11	
Others	273.00	260.00	273.00
Total	273.00	1,303,800.11	273.00

5.30 Non-operating expenses

Item	Year 2018	Year 2017	Amount included in the current non-recurring profit or loss
Losses from the damage and scrapping of non-current assets	29,691.26	30,016.43	29,691.26
Overdue fines	133,645.64		133,645.64
Total	163,336.90	30,016.43	163,336.90

5.31 Notes to items of statement of cash flows

5.31.1 Cash received from other operating activities

Item	Year 2018	Year 2017
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Item	Year 2018	Year 2017
Water, electrical and gas fees collected	1,406,063.94	684,442.21
Interest income	232,899.41	291,701.13
Security deposit for venue rental	25,500.00	75,000.00
Loan repayment by employees	252,257.44	
Social security premium collected		15,515.52
Others	49,550.50	15,828.00
Total	1,966,271.29	1,082,486.86

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5.31.2 Cash paid for other operating activities

Item	Year 2018	Year 2017
Social intercourse fees	713,655.45	730,464.44
Intermediary service charges	400,000.00	400,000.00
Announcement fee	268,218.00	220,000.00
Expenses for business trips	235,245.87	181,369.69
Posts costs	42,387.66	27,493.61
Repair charges	316,876.61	291,287.80
Promotion fee	94,988.06	75,167.49
Costs of listing on the Shenzhen Stock Exchange	80,000.00	80,000.00
Fuel, water, electricity and gas charges	277,581.11	274,909.12
Office expenses	17,609.79	11,553.14
Financial expenses	44,620.81	42,524.95
Property insurance premiums	29,191.53	49,740.21
Membership expenses of the board of directors and the board of supervisors	30,556.00	9,535.00
Lawyer fee	150,000.00	
Other expenses	433,472.47	388,168.08
Fines paid for illegal operation of the Company's stocks		500,000.00
Labor insurance premiums, housing provident fund paid for individuals		592,554.72
Total	3,134,403.36	3,874,768.25

5.31.3 Cash paid for other investing activities

Item	Year 2018	Year 2017
Fines and confiscated amounts for illegal operation of the Company's stocks		19,310,000.00
Total		19,310,000.00

5.31.4 Cash received from other financing activities

Item	Year 2018	Year 2017
Luoniushan Group Co., Ltd.		19,810,000.00
Total		19,810,000.00

5.31.5 Cash paid for other financing activities

Item	Year 2018	Year 2017
Luoniushan Group Co., Ltd.		19,810,000.00
Total		19,810,000.00

5.32 Supplementary information to the statement of cash flows

5.32.1 Supplementary information to the statement of cash flows

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Supplementary information	Year 2018	Year 2017
1. Net profit adjusted to cash flows from operating activities		
Net profit	653,282.19	2,858,998.66
Plus: provision for impairment of assets	-13,656.55	11,709.50
Depreciation of fixed assets, depletion of oil and gas assets, and depreciation of productive biological assets	3,405,454.96	3,193,715.81
Amortization of intangible assets	868,727.16	868,727.16
Amortization of long-term deferred expenses	1,211,883.90	733,104.44
Losses from disposal of fixed assets, intangible assets and other long-term assets ("-" for gains)	29,172.48	30,016.43
Losses from write-off of fixed assets ("-" for gains)	518.78	
Losses from changes in fair value ("-" for gains)		
Financial expenses ("-" for gains)		
Investment losses ("-" for gains)		-805,825.24
Decreases in deferred income tax assets ("-" for increases)		
Increases in deferred income tax liabilities ("-" for decreases)		
Decreases in inventories ("-" for increases)	15,064.92	-40.80
Decreases in operating payables ("-" for increases)	23,845.11	14,283.36
Increases in operating payables ("-" for decreases)	589,600.31	-1,777,400.85
Others		
Net cash flow from operating activities	6,783,893.26	5,127,288.47
2. Significant investing and financing activities not involving cash receipts and payments		
Conversion of debt into capital		
Convertible corporate bonds maturing within one year		
Fixed assets acquired under financing leases		
3. Net changes in cash and cash equivalents		
Ending balance of cash	15,364,355.30	9,681,607.16
Less: beginning balance of cash	9,681,607.16	27,210,248.01
Plus: ending balance of cash equivalents		
Less: beginning balance of cash equivalents		
Net increase in cash and cash equivalents	5,682,748.14	-17,528,640.85

5.32.2 Breakdowns of cash and cash equivalents

Item	Balance as at December 31, 2018	Balance as at January 1, 2018
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Item	Balance as at December 31, 2018	Balance as at January 1, 2018
I. Cash	15,364,355.30	9,681,607.16
Including: cash on hand	347,782.65	264,156.33
Unrestricted cash at bank	15,016,572.65	9,417,450.83
Other unrestricted monetary funds		
Deposits with central bank available for payments		
Deposits in banks and other financial institutions		
Loans to banks and other financial institutions		
II. Cash equivalents		
Including: bond investments maturing within three months		
III. Beginning balance of cash and cash equivalents	15,364,355.30	9,681,607.16
Including: cash and cash equivalents restricted in use of the parent company or subsidiaries of the Group		

6. Change of the consolidation scope

The subsidiaries newly included in the consolidation scope in 2018

Name	Reason for consolidation	Net assets as at December 31, 2018	Net profit in 2018	Date of establishment
Hainan Wengao Tourist Resources Development Co., Ltd.	Newly established	999,768.27	-231.73	2018.6.6

7. Rights and interests in other entities

Equity in subsidiaries

Structure of the enterprise group

Name of subsidiary	Principal place of business	Registration place	Business nature	Shareholding ratio (%)		Method of acquisition
				Direct	Indirect	
Hainan Wengao Tourist Resources Development Co., Ltd.	Sanya, Hainan	Block B, Main Building, Hainan Dadonghai Tourism Centre (Holdings) Co., Ltd., No. 2, Yuhai Road, Jiyang District, Sanya City, Hainan Province	Leasing and commercial service industries	100.00		Newly established

8. Risks related to financial instruments

During its business operation, the Company faces various financial risks, including 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 relevant 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.

8.1 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.

8.2 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.

8.3 Liquidity risk

Liquidity risk refers to a risk that an enterprise suffers funds shortage in performing the obligations of settlement in cash or other financial assets. The policy of the Company is to ensure that there is 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.

9. Related parties and related party transactions

9.1 The largest shareholder of the Company

Name of the largest shareholder	Related party relationships	Type of enterprise	Registration place	Legal representative	Business nature	Registered capital (RMB'0,000)	Shareholding ratio in the Company (%)	Ratio of voting right in the Company (%)
Luoniushan Co., Ltd.	The largest shareholder	Listed company	Haikou	Xu Zili	Planting and breeding industry	115,151.00	19.80	19.80

Remark: as at December 31, 2018, Luoniushan Co., Ltd. (hereinafter referred to as "Luoniushan") and its wholly-owned subsidiary Hainan Ya'anju Property Services Co., Ltd. held a total of 72,092,000 A shares of the Company, accounting for 19.80 % of the Company's total share capital, so it is the Company's largest shareholder.

9.2 Related party transactions

9.2.1 Sales of goods and rendering of labor services

Related party	Content of related-party transaction	Pricing and decision-making process of related-party transactions	Year 2018		Year 2017	
			Amount	Proportion in similar transaction (%)	Amount	Proportion in similar transaction (%)
Luoniushan Co., Ltd.	Room and meal fees	Market price	325,905.66	1.23	787,474.00	3.19

9.2.2 Receivables and payables of the related party

Item name	Related party	Balance as at December 31, 2018	Balance as at January 1, 2018
Accounts receivable	Luoniushan Co., Ltd.	13,153.00	166,412.00

9.2.3 Key management personnel emoluments

Item name	Year 2018 (RMB'0,000)	Year 2017 (RMB'0,000)
Key management personnel emoluments	163.02	188.57

10. Contingencies

- 10.1 The Company owed the electricity bill to the Sanya Power Supply Bureau. 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 RMB 7,200,165.75 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 RMB 1,489,685.04 for the electricity charge for electricity quantity measured in short during two years from April 2014 to April 2016. As at December 31, 2018, no further progress was made on this matter.

- 10.2 China Cinda Asset Management Co., Ltd. Hainan Branch (hereinafter referred to as "Hainan Cinda") sued the Company for the case on joint liability of Dadonghai Group's loan principal and interest. Hainan Dadonghai Tourism Centre Group Co., Ltd. (hereinafter referred to as "Dadonghai Group") and the People's Construction Bank Sanya Branch (hereinafter referred to as "CCB Sanya Branch") signed a loan contract "(95) GLZ No.20" on December 25, 1995. Sanya Yueya Real Estate Development Corporation (hereinafter referred to as "Yueya Company") assumed the guarantee responsibility for the loan. The loan principal was RMB 5 million and the interest and overdue penalty interest was agreed. The loan period was from December 25, 1995 to December 25, 1996. Later, the creditor's right was transferred to Hainan Xinda from CCB Sanya Branch in 1999. Hainan Xinda, as a new creditor, has the right to recover the principal and interest of the inheritable creditor's rights. As at April 30, 2018, the defendant Dadonghai Group still failed to repay the loan as agreed, and Yueya Company has not fulfilled the guarantee obligation of the above loan contract. Therefore, Hainan Xinda filed a lawsuit with the Intermediate People's Court Sanya, requesting that Dadonghai Group will repay the principal and interest of RMB 34,131,700 to the plaintiff, and Yueya Company will assume the joint guarantee responsibility for settlement. In the course of the trial, Hainan Xinda applied for the addition of the Company as the co-defendant of the case on the ground that the Company as the "shareholder" of Dadonghai Group failed to make contribution, requesting the Company to assume the joint guarantee responsibility for settlement for the above debts of Dadonghai Group. On January 3, 2019, the Company received the civil judgment of the Intermediate People's Court Sanya [(2018) Q02MC No.76], rejecting the claim of the plaintiff Hainan Xinda. The case acceptance fee and property preservation application fee were borne by Hainan Xinda. The plaintiff Hainan Xinda refused to accept the first-instance judgment and has filed an appeal. At present, the case is still under trial.

11. Commitments

According to the requirements of the China Securities Regulatory Commission (hereinafter referred to as "CSRC") on 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), on June 7, 2014, Luoniushan Co., Ltd.(hereinafter referred to as "Luoniushan") issued a *Letter regarding the Change of Luoniushan Co., Ltd.'s Commitment to Hainan Dadonghai Tourism Centre (Holdings) Co., Ltd.* to the Company, committing that, within three years from the date when the change of such commitment is reviewed and adopted at the Company's general meeting, Luoniushan will actively seek restructuring party who will conduct the asset restructuring on the Company. The above matters were reviewed and approved by the board of shareholders of the Company on June 27, 2014.

On June 23, 2017, Luoniushan issued a *Letter regarding the Change of Luoniushan Co., Ltd.'s Commitment Duration to Hainan Dadonghai Tourism Centre (Holdings) Co., Ltd.*, and extended the implementation period of the above restructuring commitment made by Luoniushan to the Company, that is, the deadline for the implementation period of the restructuring commitment was changed to December 27, 2017.

As of December 31, 2018, no further progress was made on the above-mentioned asset restructuring commitments.

12. Post balance sheet events

On February 24, 2019, as resolved at the 4th meeting of the 9th board of directors of the Company, the Company does not intend to make profit distribution or convert capital reserve into share capital.

13. Other significant events

13.1 Correction of accounting errors in previous periods

13.1.1 Retroactive restatement method

There was no correction of accounting errors in prior periods made under the retrospective restatement method during the reporting period.

13.1.2 Prospective application method

There was no correction of accounting errors in prior period under the prospective application method adopted during the current reporting period.

13.2 Miscellaneous

There were no other significant events required to be disclosed.

14. Notes to main items of financial statements of the parent company

14.1 Notes receivable and accounts receivable

Item	Balance as at December 31, 2018	Balance as at January 1, 2018
Notes receivable		
Accounts receivable	426,434.87	594,130.89
Total	426,434.87	594,130.89

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14.1.1 Disclosure of accounts receivable by category

Category	Balance as at December 31, 2018					Balance as at January 1, 2018				
	Book balance		Provision for bad debts		Book value	Book balance		Provision for bad debts		Book value
	Amount	Proportion (%)	Amount	Proportion of provision (%)		Amount	Proportion (%)	Amount	Proportion of provision (%)	
Account receivables with individually significant amount and individual provision for bad debts										
Accounts receivable with provision for bad debts made by portfolio	500,510.47	100.00	74,075.60	14.80	426,434.87	662,651.14	100.00	68,520.25	10.34	594,130.89
Accounts receivable with individually insignificant amount and individual provision for bad debts										
Total	500,510.47	100.00	74,075.60		426,434.87	662,651.14	100.00	68,520.25		594,130.89

In portfolio, accounts receivable with the provision for bad debts made by the aging analysis method:

Aging	Balance as at December 31, 2018		
	Accounts receivable	Provision for bad debts	Proportion of provision (%)
Within 1 year	409,556.67		
1-2 years	566.00	28.30	5.00
2-3 years	785.00	117.75	15.00
3-4 years	18,633.00	4,658.25	25.00
4-5 years	3,397.00	1,698.50	50.00
Over 5 years	67,572.80	67,572.80	100.00
Total	500,510.47	74,075.60	

14.1.2 Provision, reversal or recovery of bad debt reserves in current period

The amount of provision for bad debts accrued in current period was RMB 5,555.35.

14.1.3 Top five of accounts receivable in terms of their ending balance collected by the debtor

Name of entity	Balance as at December 31, 2018		
	Accounts receivable	Proportion in the total accounts receivable (%)	Provision for bad debts
Shanghai Hecheng International Travel Service Co., Ltd.	256,931.20	51.33	
Beijing Tongcheng Huading International Travel Service Co., Ltd. Suzhou Branch	101,510.00	20.28	
Guangzhou Institute of Design	38,980.00	7.79	38,980.00
Yangpu Huayu Road and Bridge Technology Co., Ltd.	18,633.00	3.72	4,658.25
Tianjin Watermelon Tourism Limited Liability Company	14,376.24	2.87	
Total	430,430.44	85.99	43,638.25

14.2 Other receivables

Item	Balance as at December 31, 2018	Balance as at January 1, 2018
Interest receivable		
Dividends receivable		
Other receivables	458,242.73	139,561.29
Total	458,242.73	139,561.29

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14.2.1 Disclosure of other receivables by category:

Category	Balance as at December 31, 2018					Balance as at January 1, 2018				
	Book balance		Provision for bad debts		Book value	Book balance		Provision for bad debts		Book value
	Amount	Proportion (%)	Amount	Proportion of provision (%)		Amount	Proportion (%)	Amount	Proportion of provision (%)	
Other receivables with individually significant amount and individual provision for bad debts										
Other receivables with provision for bad debts made by portfolio	460,178.73	100.00	1,936.00	0.42	458,242.73	160,709.19	100.00	21,147.90	13.16	139,561.29
Other receivables with individually insignificant amount and individual provision for bad debts										
Total	460,178.73	100.00	1,936.00		458,242.73	160,709.19	100.00	21,147.90		139,561.29

In portfolio, other receivables with provision for bad debts made by the aging analysis method:

Aging	Balance as at December 31, 2018		
	Book balance	Provision for bad debts	Proportion of provision (%)
Within 1 year	457,942.73		
1-2 years			
2-3 years			
3-4 years			
4-5 years	600.00	300.00	50.00
Over 5 years	1,636.00	1,636.00	100.00
Total	460,178.73	1,936.00	

14.2.2 Provision, reversal or recovery of bad debt reserves in 2018

The amount of provision for bad debts accrued in current period was RMB -19,211.90.

14.2.3 Classification of other receivables by nature of payment

Nature of payment	Book balance as at December 31, 2018	Book balance as at January 1, 2018
Utility bills	185,368.69	70,809.03
Petty cash	133,411.23	49,281.48
Attorney fee	77,534.25	
Social insurance and housing provident funds	63,264.56	40,018.68
Deposit	600.00	600.00
Total	460,178.73	160,709.19

14.2.4 Top five other receivables in terms of their ending balance collected by the debtor

Name of entity	Nature of payment	Balance as at December 31, 2018	Aging	Proportion in the total balance of other receivables as at December 31, 2018 (%)	Balance of provision for bad debts as at December 31, 2018
Hainan Hangpai Catering Co., Ltd.	Utility bills	113,176.77	Within 1 year	24.59	
Hainan New Concept Law Firm	Attorney fee	77,534.25	Within 1 year	16.85	
Yang Yunhui	Petty cash	48,331.50	Within 1 year	10.50	
Peng Guoxing	Utility bills	41,589.36	Within 1 year	9.04	
Wen Ping	Petty cash	30,000.00	Within 1 year	6.52	
Total		310,631.88		67.50	

14.3 Long-term equity investments

Item	Balance as at December 31, 2018	Balance as at January 1, 2018
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	Book balance	Provision for impairment	Book value	Book balance	Provision for impairment	Book value
Investment in subsidiaries	1,000,000.00		1,000,000.00			
Investment in associates and joint ventures						
Total	1,000,000.00		1,000,000.00			

Investment in subsidiaries

Investee	Balance as at January 1, 2018	Increase in 2018	Decrease in 2018	Balance as at December 31, 2018	Provision for impairment made in 2018	Balance of the provision for impairment as at December 31, 2018
Hainan Wengao Tourist Resources Development Co., Ltd.		1,000,000.00		1,000,000.00		
Total		1,000,000.00		1,000,000.00		

14.4 Operating revenue and operating cost

14.4.1 Operating revenue and operating costs

Item	Year 2018		Year 2017	
	Revenue	Cost	Revenue	Cost
Primary business	26,442,049.47	11,280,674.54	24,691,592.86	10,665,396.03
Other businesses	3,073,542.86	474,523.56	3,214,971.37	474,523.56
Total	29,515,592.33	11,755,198.10	27,906,564.23	11,139,919.59

Remark: Revenue from other businesses mainly refers to house rental income.

14.4.2 Primary business (by industry)

Industry name	Year 2018		Year 2017	
	Operating revenue	Operating cost	Operating revenue	Operating cost
Tourism and catering services	26,442,049.47	11,280,674.54	24,691,592.86	10,665,396.03
Total	26,442,049.47	11,280,674.54	24,691,592.86	10,665,396.03

14.4.3 Primary business (by product)

Product name	Year 2018		Year 2017	
	Operating revenue	Operating cost	Operating revenue	Operating cost
Room income	22,731,299.15	9,307,117.61	21,103,123.09	8,758,364.38
Catering entertainment income	3,710,750.32	1,973,556.93	3,588,469.77	1,907,031.65
Total	26,442,049.47	11,280,674.54	24,691,592.86	10,665,396.03

14.4.4 Primary business (by region)

Region name	Year 2018	Year 2017
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	Operating revenue	Operating cost	Operating revenue	Operating cost
Hainan	26,442,049.47	11,280,674.54	24,691,592.86	10,665,396.03
Total	26,442,049.47	11,280,674.54	24,691,592.86	10,665,396.03

15. Supplementary information

15.1 Breakdown of current non-recurring profits and losses

Item	Amount in 2018	Remark
Profit or loss from disposal of non-current assets	-29,691.26	
Tax returns, deduction and exemption approved beyond the authority or without official approval documents		
Government grants included in the current profit or loss (except for government grants closely related to the enterprise business, obtained by quota or quantity at unified state standards)		
Expenses for using funds charged from non-financial enterprises and included in the current profit or loss		
Gains from the difference between the investment costs of acquisition of subsidiaries, associates and joint ventures and share in the fair value of the net identifiable assets of the investee when investing		
Profit or loss on exchange of non-monetary assets		
Profit or loss on entrusting others to invest in or manage assets		
Various provision of asset impairment made due to force majeure, such as natural disasters		
Profit or loss on debt restructuring		
Enterprise reorganizing expenses, such as employee accommodation costs and integration expenses, etc.		
Profit or loss on transactions made at unfair transaction price in excess of their fair value		
Current net profit or loss of the subsidiary generated from the business combination under common control from the beginning of the period to the combination date		
Profit or loss on contingencies irrelevant to normal business operation of the Company		
Profit or loss on changes in fair values of financial assets held for trading and financial liabilities held for trading and investment income obtained from disposal of financial assets held for trading, financial liabilities held for trading and available-for-sale financial assets, except for effective hedging operations associated with the Company's normal operations		
Reversal of provision for impairment of receivables subject to separate impairment test		
Profit or loss from the external entrusted loans		

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Item	Amount in 2018	Remark
Profit or loss on changes in fair value of investment properties subsequently measured by adopting the fair value model		
Effect on current profit or loss due to one-off adjustment thereto in accordance with the requirements of laws and regulations regarding taxation or accounting		
Income from trustee fees charged for entrusted operation		
Other non-operating revenue and expenses except for the above-mentioned items	-133,372.64	
Affected amount of income tax		
Affected amount of minority equity (after tax)		
Total	-163,063.90	

15.2 Rate of return on net assets and earnings per share

Profit during the reporting period	Weighted average rate of return on net assets (%)	Earnings per share (RMB)	
		Basic earnings per share	Diluted earnings per share
Net profit attributable to ordinary shareholders of the Company	0.8434	0.0018	0.0018
Net profit attributable to ordinary shareholders of the Company after deducting the non-recurring profit or loss	1.0539	0.0022	0.0022

15.3 Accounting data difference between the domestic and overseas accounting standards

There was no accounting data difference between the domestic and overseas accounting standards.

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: Yuan Xiaoping

24 February 2019