

HAINAN PEARL RIVER HOLDINGS CO., LTD. ANNUAL REPORT 2010

§ 1. Important Notice

1.1 The Board of Directors, the Supervisory Committee, all directors, supervisors and senior executives of Hainan Pearl River 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 completeness of the whole contents.

1.2 All directors other than the following directors have attended the board session convened for reviewing this annual report.

Name of the director not attending the session in person	Title	Reason	Name of the proxy
Wang Zhigang	Independent director	On a business trip	Huang Weimin
Zhang Jian	Director	On a business trip	Zheng Qing

1.3 Daxin Certified Public Accountants Co., Ltd. has audited the financial report of the Company for 2010 and issued a standard unqualified auditor's report therefor.

1.4 Mr. Zheng Qing, the principal of the Company, Mr. Chen Binglian, the principal of the accounting work, and Mr. Yang Daoliang, the principal of the accounting organ (the person-in-charge of accounting) hereby confirm that the Financial Report in the Annual Report is true and complete.

§ 2. Company Profile

2.1 Basic information

Short abbr.	ST Pearl River, ST Pearl River B
Stock code	000505, 200505
Stock exchange listed with	Shenzhen Stock Exchange
Registered address	29/F, Royal Empire Building, Pearl River Plaza, Binhai Avenue, Haikou, Hainan Province, PRC
Post code	570125
Office address	29/F, Royal Empire Building, Pearl River Plaza, Binhai Avenue, Haikou, Hainan Province, PRC
Post code	570125
International internet website of the Company	N/A
E-mail	hnpearlriver@21cn.net

2.2 For contact

	Secretary of the Board	Securities Affairs Representative
Name	Yu Cuihong	He Yan
Contact address	29/F, Royal Empire Building, Pearl River Plaza, Binhai Avenue, Haikou, Hainan Province, PRC	29/F, Royal Empire Building, Pearl River Plaza, Binhai Avenue, Haikou, Hainan Province, PRC
Tel.	0898-68581888 ext.	0898-68581888 ext.
Fax	0898-68583021	0898-68581026
E-mail	hnpearlriver@21cn.net	hnpearlriver@21cn.net

§ 3. Financial and Business Highlights

3.1 Main accounting data

Unit: RMB

	2010	2009	Increase/decrease over last year (%)	2008
Gross operating revenues (Yuan)	686,065,924.45	285,105,975.50	140.64%	101,791,839.28
Total profit (Yuan)	59,149,596.98	81,182,113.79	-27.14%	-79,174,628.37
Net profit attributable to the Company's shareholders (Yuan)	27,730,981.17	79,473,893.43	-65.11%	-76,603,781.29
Net profit attributable to the Company's shareholders after deducting non-recurring gains and losses (Yuan)	4,752,256.81	-53,418,144.50	108.90%	-99,871,334.45
Net cash flows from operating activities (Yuan)	141,567,532.95	143,044,991.66	-1.03%	-66,035,245.96
	As at the end of 2010	As at the end of 2009	YoY increase/decrease (%)	As at the end of 2008
Total assets (Yuan)	1,448,885,550.24	2,033,695,297.92	-28.76%	975,122,914.20
Owners' equity attributable to the Company's shareholders (Yuan)	497,295,405.44	653,104,424.27	-23.86%	119,086,531.85
Share capital (share)	426,745,404.00	426,745,404.00	0.00%	426,745,407.00

3.2 Main financial indicators

Unit: RMB

	2010	2009	Increase/decrease over last year (%)	2008
Basic earnings per share (Yuan/share)	0.06	0.19	-68.42%	-0.18
Diluted earnings per share (Yuan/share)	0.06	0.19	-68.42%	-0.18
Earnings per share calculated according to the latest share capital (Yuan/share)	0.06	-	-	-
Basic earnings per share after deducting non-recurring gains and losses (Yuan/share)	0.01	-0.13	107.69%	-0.23
Weighted average return on net assets (%)	4.82%	15.90%	-11.08%	-48.67%
Weighted average return on net assets after deducting non-recurring gains and losses (%)	0.83%	-10.69%	11.52%	-63.46%
Net cash flows per share from operating activities (Yuan/share)	0.33	0.34	-2.94%	-0.15
	As at the end of 2010	As at the end of 2009	YoY increase/decrease (%)	As at the end of 2008
Net assets per share attributable to the Company's shareholders (Yuan/share)	1.17	1.53	-23.53%	0.28

Non-recurring gains and losses

Applicable Inapplicable

Unit: RMB

Items of non-recurring gains and losses	Amount
Gains and losses from disposal of non-current assets	1,675,363.51
Capital occupation fees received from non-financial enterprises which are recorded in the profits and losses for the current period	19,945,435.72
Gains arising from the balance between the investment costs on the Company's obtaining subsidiaries, associates and joint ventures and the attributable share of fair value of the invested parties' identifiable net assets when those investments are obtained	151,565.71
Other non-operating income/expense	-240,637.36
Other gain and loss items that satisfy the definition for non-recurring gains and losses	1,644,809.33
Minority interests effects	-55,605.87
Income tax effects	-142,206.68
Total	22,978,724.36

3.3 Difference based on CAS and IFRS

Applicable Inapplicable

Unit: RMB

	Net profit attributable to shareholders of the Company		Owners' equity attributable to shareholders of the Company	
	2010	2009	Closing amount	Opening amount
Based on IFRS	27,730,981.17	79,473,893.43	495,958,405.00	651,767,424.27
Based on CAS	27,730,981.17	79,473,893.43	497,295,405.44	653,104,424.27
Adjustment based on IFRS:				
-Adjustment on amortization of land use right	0.00	0.00	-1,337,000.44	-1,337,000.00
Total difference based on CAS and IFRS	0.00	0.00	-1,337,000.44	-1,337,000.00
Explanation on difference based on CAS and IFRS	Before execution of the CAS 2006, original land use right in the item of construction in process was amortized according to the IFRS.			

§ 4. Changes in Share Capital and Particulars about Shareholders

4.1 Changes in share capital

Unit: share

	Before the change		Increase/decrease of this time (+, -)					After the change	
	Number	Proportion	New shares issued	Bonus shares	Conversion of public reserve	Others	Subtotal	Number	Proportion
. Shares subject to trading moratorium	3,924,131	0.92%				-2,599,000	-2,599,000	1,325,131	0.31%
1. State-owned shares									
2. Shares held by state-owned corporations	0	0.00%							
3. Shares held by other domestic investors	3,924,131	0.92%				-2,599,000	-2,599,000	1,325,131	0.31%
Of which: shares held by domestic non-state-owned corporations	3,898,500	0.91%				-2,599,000	-2,599,000	1,299,500	0.30%
Shares held by domestic natural persons	25,631	0.01%						25,631	0.01%
4. Shares held by foreign investors									
Of which: shares held by foreign corporations									
Shares held by foreign natural persons									
5. Shares held by senior executives									
. Shares not subject to trading moratorium	422,821,273	99.08%				2,599,000	2,599,000	425,420,273	99.69%
1. RMB ordinary shares	357,846,273	83.85%				2,599,000	2,599,000	360,445,273	84.46%
2. Domestically listed foreign shares	64,975,000	15.23%						64,975,000	15.23%
3. Overseas listed foreign shares									
4. Others									
. Total shares	426,745,404	100.00%						426,745,404	100.00%

Changes in shares subject to trading moratorium

Unit:

share

Name of shareholder	Shares subject to trading moratorium at year-begin	Shares released from trading moratorium this year	Increase of shares subject to trading moratorium this year	Shares subject to trading moratorium at year-end	Reason for share trading moratorium	Date of release
Beijing Wanfa Real Estate Development Co., Ltd.	0	299,000	299,000	0	Shares subject to trading moratorium due to share reform	23 Jun. 2010
Shenzhen Gintian Industry Co., Ltd.	2,599,000	2,300,000	-299,000	0	Shares subject to trading moratorium due to share reform	23 Jun. 2010
Nanhua Finance Co., Ltd.	1,299,500	0	0	1,299,500	Shares subject to trading moratorium due to share reform	17 Aug. 2011
Total	3,898,500	2,599,000	0	1,299,500	-	-

4.2 Shareholding of top ten shareholders and top ten shareholders holding shares not subject to trading moratorium

Unit: share

Total number of shareholders		52,354			
Shareholding of top ten shareholders					
Name of shareholder	Nature of shareholder	Shareholding ratio	Total shares held	Shares subject to trading moratorium held	Pledged or frozen shares
Beijing Wanfa Real Estate Development Co., Ltd.	State-owned corporation	26.36%	112,479,478	0	0
Chen Yunxuan	Domestic natural person	0.58%	2,479,822	0	0
Zhang Xiaoxia	Domestic natural person	0.46%	1,949,250	0	0
Wang Shuai	Domestic natural person	0.38%	1,620,000	0	0
Nanhua Finance Co., Ltd.	Domestic non-state-owned corporation	0.30%	1,299,500	1,299,500	0
Pearl River Enterprises Group	State-owned corporation	0.27%	1,150,000	0	0
Zhang Xiuling	Domestic natural person	0.26%	1,130,000	0	0
Lin Bin	Domestic natural person	0.20%	873,420	0	0
Hu Zhiqiang	Domestic natural person	0.19%	831,000	0	0
Xu Songben	Domestic natural person	0.19%	830,000	0	0
Shareholding of top ten shareholders holding shares not subject to trading moratorium					
Name of shareholder		Number of shares not subject to trading moratorium held by shareholder		Type of shares	
Beijing Wanfa Real Estate Development Co., Ltd.		112,479,478		RMB ordinary shares	
Chen Yunxuan		2,479,822		RMB ordinary shares	
Zhang Xiaoxia		1,949,250		Domestically listed foreign shares	
Wang Shuai		1,620,000		RMB ordinary shares	
Pearl River Enterprises Group		1,150,000		RMB ordinary shares	
Zhang Xiuling		1,130,000		RMB ordinary shares	
Lin Bin		873,420		RMB ordinary shares	
Hu Zhiqiang		831,000		RMB ordinary shares	
Xu Songben		830,000		RMB ordinary shares	
Zhou Qin		820,900		RMB ordinary shares	
Related-party relationship or concerted action among shareholders above	Among shareholders above, there exists no related-party relationship between the principal shareholder and other shareholders of the Company. Nor they are parties with concerted action as prescribed in the Information Disclosure Administrative Methods for Changes in Shareholding of Shareholders of Listed Companies. And it is unknown whether there exists related-party relationship among other shareholders and whether they are prescribed parties with concerted action.				

4.3 Controlling shareholder and actual controller

4.3.1 Change of controlling shareholder and actual controller

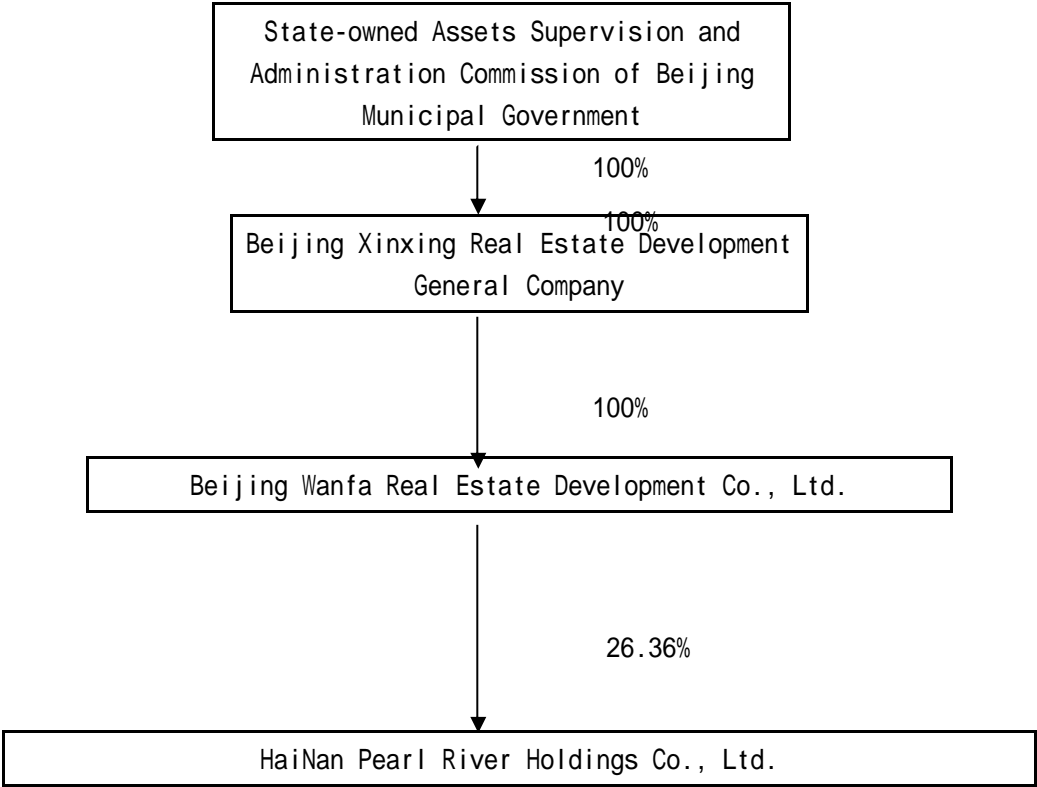
Applicable Inapplicable

4.3.2 Particulars about controlling shareholder and actual controller

Beijing Wanfa Real Estate Development Co., Ltd. (“Wanfa Real Estate”), the first largest shareholder of the Company, was established in Nov. 1995 with registered capital amounting to RMB 280 million, whose legal representative isWang Qi. Its main business includes the development and operation of real estate. Some original shareholders units did not exist due to reform, and the present first majority shareholder—Wanfa Real Estate—is a wholly-owned subsidiary under Beijing Xinxing Real Estate Development General Company.

The actual controller of the Company ’ s controlling shareholder—Beijing Xinxing Real Estate Development General Company (“ Xinxing Real Estate ”)—was established in 1992 with registered capital of RMB 10 million and legal representative Wang Qi. The said company is principally engaged in the development and operation of real estate as an enterprise owned by the whole people.

4.3.3 Ownership and control relationship between the Company and its actual controller



§ 5 Particulars about Directors, Supervisors and Senior Executives

5.1 Shareholding changes and remuneration of directors, supervisors and senior executives

Name	Title	Gender	Age	Beginning date of office term	Ending date of office term	Shares held at year-begin	Shares held at year-end	Reason for change	Total remuneration received from the Company in reporting period (RMB Ten thousand) (Pre-tax)	Whether he/she receives remuneration from shareholder units or other related parties
Zheng Qing	Chairman of the Board	Male	45	14 Jul. 2010	13 Jul. 2013	34,175	34,175	N/A	23.56	No
Zhang Jian	Director	Male	58	14 Jul. 2010	13 Jul. 2013	0	0	N/A	0.00	Yes
Peng Shuyin	Director	Male	54	14 Jul. 2010	13 Jul. 2013	0	0	N/A	0.00	Yes
Shi Yonghui	Director	Male	47	14 Jul. 2010	13 Jul. 2013	0	0	N/A	0.00	Yes
Liu Wenjian	Director	Male	48	14 Jul. 2010	13 Jul. 2013	0	0	N/A	0.00	Yes
Chen Wenbin	Director	Male	39	14 Jul. 2010	13 Jul. 2013	0	0	N/A	0.00	Yes
Li Guangzhong	Independent Director	Male	65	14 Jul. 2010	13 Jul. 2013	0	0	N/A	0.00	No
Wang Zhigang	Independent Director	Male	51	14 Jul. 2010	13 Jul. 2013	0	0	N/A	0.00	No
Huang Weimin	Independent director	Male	48	14 Jul. 2010	13 Jul. 2013	0	0	N/A	0.00	No
Wu Xiaojing	Supervisor	Male	59	14 Jul. 2010	13 Jul. 2013	0	0	N/A	9.80	Yes
She Jianhui	Supervisor	Female	57	14 Jul. 2010	13 Jul. 2013	0	0	N/A	0.00	Yes
Wang Geping	Supervisor	Female	44	14 Jul. 2010	13 Jul. 2013	0	0	N/A	9.70	No
Chen Binglian	Vice GM	Male	51	14 Jul. 2010	13 Jul. 2013	0	0	N/A	15.49	No
Yu Cuihong	Vice GM	Female	42	14 Jul. 2010	13 Jul. 2013	0	0	N/A	12.80	No
Yang Daoliang	Vice GM	Male	40	14 Jul. 2010	13 Jul. 2013	0	0	N/A	9.57	No
Wu Jianshe	Vice GM	Male	54	14 Jul. 2010	13 Jul. 2013	0	0	N/A	9.00	No
Total	-	-	-	-	-	34,175	34,175	-	89.92	-

Stock incentives granted to directors, supervisors and senior executives in the reporting period

Applicable Inapplicable

5.2 Directors' attendance at board sessions

Name	Title	Times of due attendance	Times of attendance on site	Times of attendance by telecommunication	Times of attendance by entrusting a proxy	Times of absence	Attendance not in person for twice in a row
Zheng Qing	Chairman of the Board	13	2	11	0	0	No
Zhang Jian	Vice Chairman of the Board	13	2	11	0	0	No
Peng Shuyin	Director	13	2	11	0	0	No
Shi Yonghui	Director	13	2	11	0	0	No
Liu Wenjie	Director	6	1	5	0	0	No
Chen Wenbin	Director	6	1	5	0	0	No
Li Guangzhong	Independent director	13	2	11	0	0	No
Wang Zhigang	Independent director	6	0	5	1	0	No
Huang Weimin	Independent director	6	1	5	0	0	No

Explanation on attendance not in person for twice in succession

N/A

Board sessions held in the year	13
Including: on-site sessions	2
Sessions by telecommunication	11
Sessions combining attendance on site and by telecommunication	0

§ 6 Report of the Board of Directors

6.1 Discussion and analysis by the management team

1. As for the 2nd Phase Project of Meilin · Qingcheng (Wutong Road), up to 31 Dec. 2010, 987 sets of houses (shops included) had been sold, amounting to 10,040,000 square meters of the whole housing area and RMB 725 million of the total sales income. Of the whole sales, 158 sets of houses were sold in 2010, amounting to 20,000 square meters of the housing area and RMB 195 million of the sales income. At present, there are 34 sets of surplus houses available for sale, reaching a total unsold housing area of 7000 square meters (shops and villas included). The sales rate is 96.7%, and the occupancy rate is 99%.

2. The 3rd Phase of Longzhu Project was transferred: The Company had been negotiating transfer events of the 3rd Phase of Longzhu Project with Haikou Visun Real Estates Development Co., Ltd. since Dec. 2009. As reviewed and approved by the Board of Directors and the Special Shareholders' General Meeting, and in accordance with the Framework Agreement on Transferring the 3rd Phase of Longzhu Project, the Agreement on Purchasing Houses in Advance, the Guarantee Agreement, as well as the Supplementary Agreement of Agreement on Execution of the 3rd Phase of Longzhu Project signed by both parties, the Company traded the land of the 3rd Phase of Longzhu Project, of which the area was 28,665 square meters and the appraisal price was RMB 81,780,389, with Visun Real Estates Development Co., Ltd for built properties of 15,000 square meters. The Company has received a total land transfer payment of RMB 81,780,389 paid by Visun Real Estates Development Co., Ltd, simultaneously paid RMB 50,000,000 as the deposit for purchasing the to-be-built properties in advance, completed the land transfer procedures, and paid relevant taxes. The transfer of the 3rd Phase Project realized a profit of over RMB 10,000,000 for the Company in 2010. In light of provisions of the aforesaid agreements, Visun Real Estates Development Co., Ltd. should start construction before the end of Oct. 2010, for which, the Company sent letters time after time and paid close attention to the progress. In Oct. 2010, Visun Real Estates Development CO., Ltd. formally sent a letter to inform the Company that it would be in Nov. 2011 to start the construction, mainly because at least 1 year was needed to complete the approval cycle in respects of plan, design, and application due to the numerous procedures in process of applying for approval by the municipal government on Plan and Design Program of the project. The Company shall keep paying close attention to developments of the project, so as to ensure no profit damage to the Company.

3. For the purpose of perfecting operating structure of the Company, expanding businesses in northern market, timely increasing land reserves, as well as promoting further great-leap-forward development of the Company, on 6 May 2010, the Company established Hainan Pearl River Holdings Co., Ltd.-Beijing Investment and Consultation Branch Company, mainly engaging in information service for real estates development in Beijing, North China, and northwest district, along with other investment businesses. The establishment of the branch company was aiming at creating a brand-new platform and further exploring and enlarging projects in domestic real estates market while depending on resources of the parent company. Upon establishment, the Company conducted project research and feasibility analysis, carried out 15 projects in Beijing, Dalian, Zhengzhou, Chongqing, Xi ' an, Shijiazhuang, and Tianjin, etc., inspected and researched on the 15 projects,

and achieved great effect. By now, projects at Xi ' an. Chongqing, and Guangzhou are pushing forward, and the New-countryside Construction Project at Luquan Shijiazhuang reviewed and approved by the Board of Directors has made substantial progress.

4. Financing work made a breakthrough. The Company returned the trust loan principal and interest of RMB 260 million to Jilin Province Trust Co., Ltd. as scheduled, obtained equity trust financing of RMB 220 million from Chongqing International Trust Co., Ltd. by means of transferring the stock income right, and besides, returned a loan of RMB 16 million to the Bank of Communications, all of which effectively cut down capital costs and ensured normal operation of capital needed for project construction of the Company.

5. The Company has finished the increased investment on its shareholding subsidiary Mudanjiang Pearl River Hotel Management Co., Ltd. with RMB 40 million for the registered capital. Meanwhile, in order to effectively use the tourism resources of Mudanjiang City to better develop the hotel industry, and enable the Company to primarily possess reception capacity for tourists in Mudanjiang, Jingbo Lake and Xuexiang, the Company invested RMB 20 million to acquire the 100 % shares of Hailin Xuexiang Baroque Wanguo Hotel & Suites Co., Ltd.. After three months of reorganization, the hotel was changed the name as Days Hotel & Suites Xuexiang in Dec. to carry out the trial open, which was focused on becoming the first boutique hotel in Xuexiang, China. Meanwhile, under the guidance of General Administration of Heilongjiang Forest Industry, the Hotel held the China Xuexiang Tourism Festival · Heilongjiang 2010 with Dahailin Forestry Bureau, which was reported by many domestic medias, thus significantly enhanced the popularity of the hotel and boosted the hotel ' s occupancy rate even with full occupancy on holidays. As to 31 Dec. 2010, the hotel realized a sales amount as RMB 2.31 million, with a year-on-year increase of 100%, which formed an operation pattern of supplementing the south-north resources between Sanya Hotel and itself, so as to found a good basis for further expanding the tourism market in northeast of China.

6. 2010 witnessed the 3rd operation period of the Company ' s subsidiary Sanya Days Hotel & Suites Xuexiang. In 2010, due to the change in the tourism market and the relevant operation environment, the hotel faced new challenge, for one hand, the policy of Being an International Tourism Island had not taken significantly positive effect on the tourism market in Sanya, however, for the other hand, the hotels in Sanya continued to increase. So the hotel faced the situation that the customer resources and partners were both divided up. However, the hotel successfully overcame the negative external competition through strengthening the internal operation management, positively exploring new sales channel and developing new products for holidays, realizing an operating revenue in 2010 as RMB 33.31 million, up by 20.64% year on year, with the gross operating profits increased by 49 % and the average price of room increased by 6% compared with 2009. Meanwhile, the total operating cost ratio in 2010 decreased by 4.16% year on year.

7. In 2010, the development strategy of Hainan International Tourism Island ascended to state strategy so that the General Planning of Urban and Rural Construction in Hainan Province was changed to be reviewed and approved by State Council, the Planning of Haitangwan National Seashore in the Nantian Project occupied by Sanya Wanjia Industrial Co., Ltd. also needed the approval from State Council. If the Planning of Nantian Project can ' t enter the General Planning of Sanya for Y2010, which means that Wanjia Nantian Project will be suspended for 10 years. Facing the complex and changeable policies and market environment, the Company firmly seized the opportunities, worked hard and then finally broke through the predicament, strived to gain the

pre-qualification for Wanjiang Nantian Project to enter the session of Sanya Municipal Planning Commission which was the first session of joint- review by seven bureaus for the project exceptionally held Sanya Municipal Development & Reform Commission in Aug.; the Sanya Municipal Planning Commission approved the project of Wanjia Sightseeing & Vacation Manor in Sep.; the project was primarily planned to occupy more than 1,500 acres of land with construction land as 800 acres. The substantial progress of Wanjia Nantian Project has set the good foundation for the afterward operation for the project and the work in 2011.

8. The Company has finished the investigation and research for the two projects of Chongqing Yongchuan Pumpkin Mountain and Shijiazhuang Construction of New Civilian Houses, and submitted the feasibility report to the Board of Directors, the Board of Directors has approved the two projects and authorized the Company ' management team to carry out them. Now the Company has finished the establishment of company for Shijiazhuang Project and its registration in Administration for Industry and Commerce.

9. The Re-election for Board of Directors and Supervisory Committee has been successfully completed. The New Board of Directors has convened 6 sessions, which approved the proposals on Engagement of Senior Executives for the Company, Revision for Articles of Association, Adjustment of Senior Executives ' Remuneration, Revision for the Rules of Procedures for Board of Directors, Annual Report, Semi-annual Report, Quarterly Report, etc., and the corporate governance of the Company has been further improved.

6.2 Main businesses classified according to industries and products

Unit: RMB Ten thousand

Main businesses classified according to industries						
Industries/products	Operating income	Operating cost	Gross profit ratio (%)	Increase/decrease of operating income over last year (%)	Increase/decrease of operating cost over last year (%)	Increase/decrease of gross profit ratio over last year (%)
Sale of real estate	57,291.00	36,983.00	35.45%	212.23%	170.60%	9.39%
Property management service	7,585.00	6,673.00	12.02%	6.69%	7.13%	-0.36%
Tourist and hotel services	3,592.00	1,780.00	50.45%	26.07%	8.47%	8.04%

6.3 Main businesses classified according to regions

Unit: RMB Ten thousand

Region	Operating income	Increase/decrease over last year (%)
Hainan	19,133.00	92.74%
Hubei	49,104.00	170.60%
Shanghai	0.00	-100.00%
Heilongjiang	231.00	

6.4 Items measured at fair value

Applicable Inapplicable

Unit: RMB Yuan

Items	Opening amount	Gains/losses from changes of fair value for current period	Accumulative fair value changes recorded into equity	Impairment provision withdrawn for current period	Closing amount
Financial assets:					
1. Of which: Financial assets measured at fair value, and whose changes are reckoned into current gains and losses					
Including: derivative financial assets					
2. Financial assets available for sale	631,417,500.00		-244,720,000.00		386,697,500.00
Subtotal of financial assets	631,417,500.00		-244,720,000.00		386,697,500.00
Financial liabilities					
Investment property					
Productive biological assets					
Other					
Total	631,417,500.00		-244,720,000.00		386,697,500.00

6.5 Use of raised funds

Applicable Inapplicable

Particulars about the changed projects invested with raised proceeds

Applicable Inapplicable

6.6 Projects financed by non-raised funds

Applicable Inapplicable

6.7 Explanation of the Board of Directors on changes in accounting policy and accounting estimates, or reasons for correction of material accounting errors and the influences

Applicable Inapplicable

6.8 Explanation of the Board of Directors on the “ Non-standard Qualified Audit Report ” issued by the accounting firm

Applicable Inapplicable

6.9 Preplan for profit distribution or capitalization of capital reserve for the year 2010 put forward by the Board of Directors

As audited by Daxin Certified Public Accountants Co., Ltd., for the year 2010, the Company achieved a net profit of RMB 36,180,218.13. The said net profit plus the retained profit of the previous year of RMB -676,622,621.58, the profit available for distribution to shareholders for the year 2010 stood at RMB -648,891,640.41. According to the Company's Articles of Association, it would all be used for making up previous loss with no profit distribution or capitalization of capital reserve for the year.

Distribution of cash dividends by the Company in the last three years

Unit: RMB Yuan

Year	Amount of cash dividend (including tax)	Net profit attributable to shareholders of the Company in consolidated statements for the year	Ratio to the net profit attributable to shareholders of the Company in consolidated statements for the year	Profit distributable for the year
2009	0.00	79,473,893.43	0.00%	-676,622,621.58
2008	0.00	-76,603,781.29	0.00%	-756,096,515.01
2007	0.00	-31,199,957.08	0.00%	-679,492,733.72
Proportion of accumulative cash dividends in the last three years in the latest annual average net profit (%)			0.00%	

No cash dividend preplan was put forward though the Company made profits for the reporting period.

Applicable Inapplicable

§ 7 Significant Events

7.1 Acquisition of assets

Applicable Non-applicable

7.2 Sale of assets

Applicable Non-applicable

Unit: RMB Ten thousand

Transaction party	Asset sold or disposed	Date of sale	Transaction price	Net profit contributed to the Company from the year-begin to the sale date	Gain/loss from the sale	Related-par ty transaction or not	Pricing principle	Whether ownership of all the involved assets have been transferr ed	Whether all the involved creditor 's rights and liabiliti es have been transferr ed	Relationshi p with transaction party (applicable for related-par ty transaction s)
Haikou Visun Real Estate Development Co., Ltd.	Land for the third phase of the Longzhu Project	30 Mar. 2010	8,178.04	0.00	1,953.56	No	Evaluated market price	Yes	Yes	No

Influences on the Company's business consistency and the stability of the management by the issues mentioned in 7.1 and 7.2

No influence.

7.3 Significant guarantee

Applicable Inapplicable

7.4 Significant related-party transactions

7.4.1 Related-party transactions relating to routine operation

Applicable Inapplicable

7.4.2 Credits and liabilities between related parties and the Company

Applicable Non-applicable

Unit: RMB Ten Thousand

Related parties	Funds provided by the Company to related parties		Funds provided by related parties to the Company	
	Amount	Balance	Amount	Balance
Beijing Xinxing Real Estate Development General Company	0.00	0.00	0.00	15,254.00
Beijing Wanfa Real Estate Development Co., Ltd.	0.00	0.00	0.00	8,173.00
Beijing Yulong Jisheng Real Estate Co., Ltd.	0.00	0.00	0.00	150.00
Sanya Wanjia Industrial Co., Ltd.	0.00	0.00	166.00	166.00
Mudanjiang Wanjia Hotel Management Co., Ltd.	0.00	0.00	17.00	17.00
Beijing Aipuzhi Intellectual Property Management & Consulting Co., Ltd.	0.00	0.00	888.00	888.00
Total	0.00	0.00	1,071.00	24,648.00

The Company did not provide any funds to the controlling shareholder and its subsidiaries during the reporting period with the balance being zero.

7.4.3 Non-operational capital occupied by the principal shareholder and subsidiary enterprises and progress in clearing debt

Applicable Non-applicable

7.5 Entrusted financing

Applicable Non-applicable

7.6 Commitments

Commitments made by the Company, directors, supervisors, senior management staff, shareholders holding more than 5% equities, actual controller or any other related parties during the reporting period, or such commitments carried down to the reporting period

Applicable Non-applicable

7.7 Significant arbitration and lawsuits

Applicable Non-applicable

7.8 Other significant events and explanation on analysis to their influences and solutions

7.8.1 Securities investment

Applicable Non-applicable

7.8.2 Equity of other listed companies held by the Company

Applicable Non-applicable

Unit: RMB Yuan

Stock code	Short form of stock	Initial investment	Proportion in the entity's total shares	Closing book value	Gain/loss in reporting period	Changes of owners' equity in reporting period	Accounting item	Source of shares
600369	Southwest Securities	150,000,000.00	1.45%	386,697,500.00	0.00	-244,720,000.00	Available-for-sale financial assets	Direct shares
Total		150,000,000.00	-	386,697,500.00	0.00	-244,720,000.00	-	-

7.8.3 Equity of Pre-IPOs and unlisted financial enterprises held by the Company

Applicable Non-applicable

7.8.4 Trading of shares of other listed companies

Applicable Non-applicable

7.8.5 Other comprehensive income

Unit: RMB Yuan

Item	2010	2009
1. Profits/(losses) from available-for-sale financial assets	-244,720,000.00	588,957,123.99
Less: Effects on income tax from available-for-sale financial assets	-61,180,000.00	134,413,125.00
Net amount transferred into profit and loss in the current period that was recognized into other comprehensive income in prior periods		
Subtotal	-183,540,000.00	454,543,998.99
2. Interests in the investee entities' other comprehensive income as per equity method		
Less: Effects on income tax from the interests in the investee entities' other comprehensive income as per equity method		
Net amount transferred into profit and loss in the current period that was recognized into other comprehensive income in prior periods		
Subtotal		
3. Profits/(losses) from cash flow hedging instrument		
Less: Effects on income tax from cash flow hedging instrument		
Net amount transferred into profit and loss in the current period that was recognized into other comprehensive income in prior period		
The adjustment value that is the converted initial recognition amount of arbitrage project		
Subtotal		
4. Translation difference of foreign currency financial statements		
Less: Net value of disposal of oversea operations that were recognized into current profit and loss		
Subtotal		
5. Other		
Less: Effects on income tax from the others that were included into other comprehensive income		
Net amount transferred into profit and loss in the current period that was recognized into other comprehensive income in prior periods		
Subtotal		
Total	-183,540,000.00	454,543,998.99

§ 8 Report of the Supervisory Committee

Applicable

Non-applicable

In 2010, the Supervisory Committee of HaiNan Pearl River Holdings Co., Ltd. strictly performed its supervision function in accordance with the duties assigned by the Company Law and the Articles of Association of the Company, which made supervision to such situations as functions exercised by the Board of Directors, members of the Board and senior management staff, the Company's operation by law and financial status.

I. About sessions held by the Supervisory Committee

1. The 13th Session of the Fifth Supervisory Committee of the Company was held in Beijing on 21 Apr. 2010, at which the following proposals were reviewed and approved as resolutions:

- (1) Working Report 2009 of the Supervisory Committee;
- (2) Annual Report 2009 and Summary;
- (3) Financial Settlement Report and Profit Distribution Preplan for Year 2009; and
- (4) Self-appraisal Report of the Internal Control for Year 2009.

These resolutions were published in China Securities Journal on 24 Apr. 2010.

2. The 14th Session of the Fifth Supervisory Committee of the Company was held by way of telecommunication on 27 Apr. 2010, at which the following proposals were reviewed and approved as resolutions:

- (1) First Quarterly Report for 2010; and
- (2) Proposal on Writing off Some Impairment Provisions for Original Yanjiang First Road Project.

These resolutions were published in China Securities Journal on 29 Apr. 2010.

3. The 15th Session of the Fifth Supervisory Committee of the Company was held by way of telecommunication on 18 Jun. 2010, at which the Proposal on Re-election of Supervisory Committee was reviewed and approved as a resolution.

The said resolution was published in China Securities Journal on 22 Jun. 2010.

4. The First Session of the Sixth Supervisory Committee of the Company was held by way of telecommunication on 18 Aug. 2010, at which the Proposal on Electing Convener for Supervisory Committee was reviewed and approved as a resolution.

The said resolution was published in China Securities Journal on 20 Aug. 2010.

5. The Second Session of the Sixth Supervisory Committee of the Company was held by way of telecommunication on 25 Aug. 2010, at which the Semi-annual Report for 2010 was reviewed and approved as a resolution.

The Semi-annual Report for 2010 was published in China Securities Journal on 27 Aug. 2010.

6. The Third Session of the Sixth Supervisory Committee of the Company was held by way of telecommunication on 25 Oct. 2010, at which the Third Quarterly Report for 2010 was reviewed and approved as a resolution.

The Third Quarterly Report for 2010 was published in China Securities Journal on 27 Oct. 2010.

II. The Supervisory Committee strictly performed supervision function in line with relevant laws and rules of the State.

1. The Supervisory Committee made effective supervision to the Company's operation by law, and thought that, the decision-making procedure of the Company was legal; the Company had established Perfect internal control system and was effectively implemented.

2. The Supervisory Committee believed that directors and senior management staff performed their duties with diligent, serious and judicious attitude, without any behaviors of violating laws, regulations, the Articles of Association or no damage to interests of the Company.

3. The Supervisory Committee inspected the Company's financial status, and thought that, the financial report audited by Daxin Certified Public Accounts Ltd. truly and objectively reflected financial status and operation results of the Company.

4. The Supervisory Committee was of the opinion that the Company's self-evaluation report on its internal control presented the establishment and operation of its internal control rules in a factual and objective manner.

5. The Supervisory Committee was of the opinion that during the reporting period, where the Company sold its assets, it acted in compliance with relevant regulations with no insider dealings or harm done to some shareholders' equity interests or loss of the Company's assets. During the reporting period, no related-party transaction was incurred and the Company did not invest in any project with raised funds.

The Supervisory Committee of the Company will continue to make all supervision well in the new year, so as to do its efforts to promote standardized operation and sound development of the Company.

§ 9 Financial Report

9.1 Opinion of Auditors

Financial report	Yes
Auditors' opinion	Standard Auditor's Report with unqualified opinion
No. of the Auditors' Report	DXS Zi [2011] No. 1-0551
Title of the Auditors' Report	Auditors' Report
Addressee of the Auditor's Report	To all shareholders of HaiNan Pearl River Holdings Co., Ltd.
Foreword	We have audited the accompanying financial statements of HaiNan Pearl River Holdings Co., Ltd. (" the Company ") which comprise the consolidated and company balance sheets as at 31 December 2010, and the consolidated and company income statements, the consolidated and company cash flow statements and the consolidated and company statements of changes in equity for the year then ended and notes to these financial statements.
Management's Responsibility for the Financial Statements	<p>The management is responsible for the preparation of these financial statements in accordance with the Accounting Standards for Business Enterprises. This responsibility includes:</p> <p>(1) designing, implementing and maintaining internal control relevant to the preparation of financial statements that are free from material misstatement, whether due to fraud or error;</p> <p>(2) selecting and applying appropriate accounting policies; and</p> <p>(3) making accounting estimates that are reasonable in the circumstances.</p>
Auditor's Responsibility	<p>Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the China Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.</p> <p>An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.</p> <p>We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.</p>
Opinion	In our opinion, the accompanying consolidated and the company financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2010, and of their financial performance and their cash flows for the year then ended in accordance with the Accounting Standards for Business Enterprises.
Non-standard opinion	
Name of the auditing organization	Daxin Certified Public Accountants Co., Ltd.
Address of the auditing organization	15/F, Institute of International Building, No. 1 Zhichun Road, Haidian District, Beijing
Date of the Auditors' Report	1 April 2011
Name of CPA	
Zhang Hainian	Mi Hui Hong

9.2 Financial statements

9.2.1 Consolidated Balance Sheet

Prepared by HaiNan Pearl River Holdings Co., Ltd.

31 Dec. 2010

Unit: RMB Yuan

Items	Closing balance		Opening balance	
	Consolidation	The Company	Consolidation	The Company
Current Assets:				
Monetary funds	136,376,851.19	47,697,821.48	291,787,132.78	161,760,970.47
Settlement reserves				
Lendings to banks and other financial institutions				
Transactional financial assets				
Notes receivable				
Accounts receivable	3,627,245.66	1,039,916.11	2,645,699.47	1,014,754.61
Accounts paid in advance	53,898,082.24	50,070,000.00	44,285,760.93	202,040.00
Premiums receivable				
Reinsurance premiums receivable				
Receivable reinsurance contract reserves				
Interest receivable				
Dividend receivable	260,015.00	260,015.00	260,015.00	260,015.00
Other accounts receivable	258,266,331.45	289,469,963.47	189,594,736.47	219,693,993.49
Financial assets purchased under agreements to resell				
Inventories	154,866,011.08	12,782,893.61	538,999,748.54	84,392,446.86
Non-current assets due within 1 year				
Other current assets				
Total current assets	607,294,536.62	401,320,609.67	1,067,573,093.19	467,324,220.43
Non-current assets:				
Entrusted loans and advances granted				
Available-for-sale financial assets	386,697,500.00	386,697,500.00	631,417,500.00	631,417,500.00
Held-to-maturity investments				
Long-term accounts receivable				
Long-term equity investment	51,675,639.59	296,974,009.30	13,149,424.41	238,511,309.90
Investing property	19,898,962.92		20,783,662.44	
Fixed assets	334,512,524.54	21,376,736.10	264,815,483.49	20,720,770.59
Construction in progress	4,732,000.00		2,510,000.00	
Engineering materials	606,206.60		606,206.60	
Disposal of fixed assets				
Production biological assets				
Oil-gas assets				
Intangible assets	33,492,984.34	1,648,367.88	32,617,178.56	1,696,031.52
R&D expense				
Goodwill				
Long-term deferred expenses	9,975,195.63		222,749.23	
Deferred income tax assets				
Other non-current assets				
Total of non-current assets	841,591,013.62	706,696,613.28	966,122,204.73	892,345,612.01
Total assets	1,448,885,550.24	1,108,017,222.95	2,033,695,297.92	1,359,669,832.44

Current liabilities:				
Short-term borrowings			276,000,000.00	276,000,000.00
Borrowings from Central Bank				
Customer bank deposits and due to banks and other financial institutions				
Borrowings from banks and other financial institutions				
Transactional financial liabilities				
Notes payable				
Accounts payable	37,588,815.47	3,782,949.70	70,793,361.64	4,135,235.24
Accounts received in advance	39,134,147.85		306,932,163.78	
Financial assets sold for repurchase				
Handling charges and commissions payable				
Employee 's compensation payable	5,631,750.04	492,944.38	5,055,394.37	598,915.23
Tax payable	30,809,972.66	-2,851,226.09	-16,948,131.65	-3,354,179.89
Interest payable	85,390,223.02	51,834,549.23	65,601,325.75	29,034,494.85
Dividend payable	3,213,302.88	3,213,302.88	3,213,302.88	3,213,302.88
Other accounts payable	329,316,226.89	266,835,267.94	332,778,891.65	235,716,634.23
Reinsurance premiums payable				
Insurance contract reserves				
Payables for acting trading of securities				
Payables for acting underwriting of securities				
Non-current liabilities due within 1 year			79,980,110.00	
Other current liabilities				
Total current liabilities	531,084,438.81	323,307,788.04	1,123,406,418.42	545,344,402.54
Non-current liabilities:				
Long-term borrowings	325,000,000.00	220,000,000.00	110,000,000.00	
Bonds payable				
Long-term payables				
Specific payables				
Estimated liabilities				
Deferred income tax liabilities	74,285,138.80	73,233,125.00	134,413,125.00	134,413,125.00
Other non-current liabilities				
Total non-current liabilities	399,285,138.80	293,233,125.00	244,413,125.00	134,413,125.00
Total liabilities	930,369,577.61	616,540,913.04	1,367,819,543.42	679,757,527.54
Owners ' equity (or shareholders ' equity)				
Paid-up capital (or share capital)	426,745,404.00	426,745,404.00	426,745,404.00	426,745,404.00
Capital reserves	605,264,155.97	608,280,495.51	788,804,155.97	791,820,495.51
Less: Treasury stock				
Specific reserves				
Surplus reserves	114,177,485.88	109,487,064.39	114,177,485.88	109,487,064.39
Provisions for general risks				
Retained profits	-648,891,640.41	-653,036,653.99	-676,622,621.58	-648,140,659.00
Foreign exchange difference				
Total equity attributable to owners of the Company	497,295,405.44	491,476,309.91	653,104,424.27	679,912,304.90
Minority interests	21,220,567.19		12,771,330.23	
Total owners ' equity	518,515,972.63	491,476,309.91	665,875,754.50	679,912,304.90
Total liabilities and owners ' equity	1,448,885,550.24	1,108,017,222.95	2,033,695,297.92	1,359,669,832.44

9.2.2 Income Statement

Prepared by HaiNan Pearl River Holdings Co., Ltd.

Jan.-Dec. 2010

Unit: RMB Yuan

Items	As of Y2010		As of Y2009	
	Consolidation	The Company	Consolidation	The Company
I. Total operating revenues	686,065,924.45	82,215,809.90	285,105,975.50	943,895.00
Including: Sales income	686,065,924.45	82,215,809.90	285,105,975.50	943,895.00
Interest income				
Premium income				
Handling charge and commission income				
II. Total operating cost	629,770,183.40	87,267,246.43	334,960,137.52	38,815,648.61
Including: Cost of sales	455,355,582.46	42,197,540.58	216,336,231.50	67,975.33
Interest expenses				
Handling charge and commission expenses				
Surrenders				
Net claims paid				
Net amount withdrawn for the insurance contract reserve				
Expenditure on policy dividends				
Reinsurance premium				
Taxes and associate charges	80,315,959.95	20,144,260.72	17,603,469.30	-167,651.02
Selling and distribution expenses	10,724,982.92	28,564.00	16,065,441.00	97,143.00
Administrative expenses	62,229,213.13	14,909,029.58	48,357,116.72	13,957,566.07
Financial expenses	23,453,020.50	13,444,268.99	39,952,469.91	28,632,031.22
Asset impairment loss	-2,308,575.56	-3,456,417.44	-3,354,590.91	-3,771,415.99
Add: Gain/(loss) from change in fair value ("-" means loss)				
Gain/(loss) from investment ("-" means loss)	1,267,564.07	-440,761.04	131,125,397.38	131,129,924.21
Including: share of profits in associates and joint ventures	-377,245.26	-440,761.04	-4,526.83	
Foreign exchange gains ("-" means loss)				
III. Business profit ("-" means loss)	57,563,305.12	-5,492,197.57	81,271,235.36	93,258,170.60
Add: non-operating income	1,889,073.34	1,710,013.72	177,281.95	
Less: non-operating expense	302,781.48	17,271.58	266,403.52	219,612.03
Including: loss from non-current asset disposal	48,055.21	17,271.58	39,203.71	31,080.00
IV. Total profit ("-" means loss)	59,149,596.98	-3,799,455.43	81,182,113.79	93,038,558.57
Less: Income tax expense	22,969,378.85		256,024.52	
V. Net profit ("-" means loss)	36,180,218.13	-3,799,455.43	80,926,089.27	93,038,558.57
Attributable to owners of the Company	27,730,981.17	-3,799,455.43	79,473,893.43	93,038,558.57
Minority shareholders' income	8,449,236.96		1,452,195.84	
VI. Earnings per share				
(I) basic earnings per share	0.06		0.19	
(II) diluted earnings per share	0.06		0.19	
. Other comprehensive incomes	-183,540,000.00	-183,540,000.00	454,543,998.99	454,543,998.99
. Total comprehensive incomes	-147,359,781.87	-187,339,455.43	535,470,088.26	547,582,557.56
Attributable to owners of the Company	-155,809,018.83	-187,339,455.43	534,017,892.42	547,582,557.56
Attributable to minority shareholders	8,449,236.96		1,452,195.84	

Where there were business combinations under the same control in the reporting period, the combined parties achieved net profits of RMB 0.00 before the combinations.

9.2.3 Cash Flow Statement

Prepared by HaiNan Pearl River Holdings Co., Ltd.

Jan.-Dec. 2010

Unit: RMB Yuan

Items	As of Y2010		As of Y2009	
	Consolidation	The Company	Consolidation	The Company
I. Cash flows from operating activities:				
Cash received from sale of commodities and rendering of service	390,537,368.19	63,147,999.31	447,447,018.68	1,981,150.00
Net increase of deposits from customers and dues from banks				
Net increase of loans from the central bank				
Net increase of funds borrowed from other financial institutions				
Cash received from premium of original insurance contracts				
Net cash received from reinsurance business				
Net increase of deposits of policy holders and investment fund				
Net increase of disposal of tradable financial assets				
Cash received from interest, handling charges and commissions				
Net increase of borrowings from banks and other financial institutions				
Net increase of funds in repurchase business				
Tax refunds received				
Other cash received relating to operating activities	65,977,180.94	42,151,448.86	34,654,504.11	25,809,309.56
Subtotal of cash inflows from operating activities	456,514,549.13	105,299,448.17	482,101,522.79	27,790,459.56
Cash paid for goods and services	141,392,840.40	50,444,358.71	213,434,090.85	2,308,937.19
Net increase of customer lendings and advances				
Net increase of funds deposited in the central bank and amount due from banks				
Cash for paying claims of the original insurance contracts				
Cash for paying interest, handling charges and commissions				
Cash for paying policy dividends				
Cash paid to and for employees	61,287,864.70	3,103,139.58	57,087,257.82	4,184,427.23
Various taxes paid	59,920,424.95	21,359,973.83	41,030,758.95	2,094,779.78
Other cash payment relating to operating activities	52,345,886.13	11,531,023.42	27,504,423.51	57,178,963.77
Subtotal of cash outflows from operating activities	314,947,016.18	86,438,495.54	339,056,531.13	65,767,107.97
Net cash flows from operating activities	141,567,532.95	18,860,952.63	143,044,991.66	-37,976,648.41
II. Cash flows from investing activities:				
Cash received from disposal of investments	89,300,000.00	81,300,000.00	30,283,279.83	25,283,279.83
Cash received from return on investments				
Net cash received from disposal of fixed assets, intangible assets and other long-term assets	3,702,673.00	3,628,173.00	215,398.67	
Net cash received from disposal of subsidiaries or other business units				
Other cash received relating to investing activities	10,340,756.08	10,340,756.08		
Subtotal of cash inflows from investing activities	103,343,429.08	95,268,929.08	30,498,678.50	25,283,279.83
Cash paid to acquire fixed assets, intangible assets and other long-term assets	36,484,694.11	3,526,586.70	29,070,196.22	470,752.00
Cash paid for investment	172,600,000.00	211,310,000.00	173,300,000.00	179,300,000.00
Net increase of pledged loans				
Net cash paid to acquire subsidiaries and other business units	20,000,000.00			
Other cash payments relating to investing activities	15,401,893.30			
Subtotal of cash outflows from investing activities	244,486,587.41	214,836,586.70	202,370,196.22	179,770,752.00
Net cash flows from investing activities	-141,143,158.33	-119,567,657.62	-171,871,517.72	-154,487,472.17
III. Cash Flows from Financing Activities:				
Cash received from capital contributions			30,000,000.00	
Including: Cash received from minority shareholder investments by subsidiaries				
Cash received from borrowings	228,500,000.00	272,000,000.00	503,850,000.00	393,850,000.00
Cash received from issuance of bonds				
Other cash received relating to financing activities				
Subtotal of cash inflows from financing activities	228,500,000.00	272,000,000.00	533,850,000.00	393,850,000.00
Repayment of borrowings	360,980,110.00	276,000,000.00	219,519,890.00	24,000,000.00
Cash paid for interest expenses and distribution of dividends or profit	23,354,546.21	9,356,444.00	19,870,192.33	9,992,909.22
Including: dividends or profit paid by subsidiaries to minority shareholders				
Other cash payments relating to financing activities			10,501,795.00	10,501,795.00
Sub-total of cash outflows from financing activities	384,334,656.21	285,356,444.00	249,891,877.33	44,494,704.22
Net cash flows from financing activities	-155,834,656.21	-13,356,444.00	283,958,122.67	349,355,295.78
IV. Effect of foreign exchange rate changes on cash and cash equivalents				
V. Net increase in cash and cash equivalents	-155,410,281.59	-114,063,148.99	255,131,596.61	156,891,175.20
Add: Cash and cash equivalents at year-begin	291,787,132.78	161,760,970.47	36,655,536.17	4,869,795.27
VI. Cash and cash equivalents at the end of the year	136,376,851.19	47,697,821.48	291,787,132.78	161,760,970.47

9.2.4 Statement of Changes in Owners' Equity (Consolidated)

Prepared by HaiNan Pearl River Holdings Co., Ltd.

As of Year 2010

Unit: RMB Yuan

Items	As of the year 2010										As of the year 2009									
	Equity attributable to owners of the Company								Minority interests	Total owners' equity	Equity attributable to owners of the Company								Minority interests	Total owners' equity
	Paid-up capital (or share capital)	Capital reserve	Less: treasury stock	Specific reserve	Surplus reserve	General reserve	Retained profit	Others			Paid-up capital (or share capital)	Capital reserve	Less: treasury stock	Specific reserve	Surplus reserve	General reserve	Retained profit	Others		
I. Balance at the beginning of the previous year	426,745,404.00	788,804,155.97			114,177,485.88		-676,622,621.58		12,771,330.23	665,875,754.50	426,745,404.00	334,260,156.98			114,177,485.88		-756,096,515.01		11,319,134.39	130,405,666.24
Add: change of accounting policy																				
Correction of previous periods																				
Other																				
II. Balance at the end of the year	426,745,404.00	788,804,155.97			114,177,485.88		-676,622,621.58		12,771,330.23	665,875,754.50	426,745,404.00	334,260,156.98			114,177,485.88		-756,096,515.01		11,319,134.39	130,405,666.24
III. Increase (or decrease) of amount in the year (means decrease)		-183,540,000.00					27,730,981.17		8,449,236.96	-147,359,781.87		454,543,998.99					79,473,893.43		1,452,195.84	535,470,088.26
(I) Net profit							27,730,981.17		8,449,236.96	36,180,218.13							79,473,893.43		1,452,195.84	80,926,089.27
(II) Other comprehensive income		-183,540,000.00								-183,540,000.00		454,543,998.99								454,543,998.99
Sum of (I) and (II)		-183,540,000.00					27,730,981.17		8,449,236.96	-147,359,781.87		454,543,998.99					79,473,893.43		1,452,195.84	535,470,088.26
(III) Capital reduced by owners paid in by others																				
2. Amounts of share-based payments paid to owners																				
3. Others																				
(IV) Profit distribution																				
1. Appropriations to surplus reserves																				
2. Appropriations to risk provisions																				
3. Appropriations to shareholders (or shareholders)																				
4. Other																				
(V) Internal carryforward of equity of owners																				
1. New increase of capital (or share capital) from public reserves																				
2. New increase of capital (or share surplus reserves)																				
3. Surplus reserves for making up losses																				
4. Other																				
reserve Specific for the period																				
2. Used in the period																				
() Other																				
IV. balance closing	426,745,404.00	605,264,155.97			114,177,485.88		-648,891,640.41		21,220,567.19	518,515,972.63	426,745,404.00	788,804,155.97			114,177,485.88		-676,622,621.58		12,771,330.23	665,875,754.50

9.2.5 Statement of Changes in Owners' Equity (the Company)

Prepared by HaiNan Pearl River Holdings Co., Ltd.

As of Year 2010

Unit: RMB Yuan

Items	As of the year 2010								As of the year 2009							
	Paid-up capital (or share capital)	Capital reserve	Less: treasury stock	Specific reserve	Surplus reserve	General risk reserve	Retained profit	Total owners' equity	Paid-up capital (or share capital)	Capital reserve	Less: treasury stock	Specific reserve	Surplus reserve	General risk reserve	Retained profit	Total owners' equity
I. Balance at the end of the previous year	426,745,404.00	791,820,495.51			109,487,064.39		-648,140,659.00	679,912,304.90	426,745,404.00	337,276,496.52			109,487,064.39		-741,179,217.57	132,329,747.34
Add: change of accounting policy																
Correction of errors in previous periods																
Other																
II. Balance at the beginning of the year	426,745,404.00	791,820,495.51			109,487,064.39		-648,140,659.00	679,912,304.90	426,745,404.00	337,276,496.52			109,487,064.39		-741,179,217.57	132,329,747.34
III. Increase/ decrease of amount in the year ("-" means decrease)		-183,540,000.00					-4,895,994.99	-188,435,994.99		454,543,998.99					93,038,558.57	547,582,557.56
(I) Net profit							-3,799,455.43	-3,799,455.43							93,038,558.57	93,038,558.57
(II) Other comprehensive incomes		-183,540,000.00					-183,540,000.00	-183,540,000.00		454,543,998.99						454,543,998.99
Subtotal of (I) and (II)		-183,540,000.00					-3,799,455.43	-187,339,455.43		454,543,998.99					93,038,558.57	547,582,557.56
(III) Capital paid in and reduced by owners																
1. Capital paid in by owners																
2. Amounts of share-based payments recognized in owners																
3. Others																
(IV) Profit distribution																
1. Appropriations to surplus reserves																
2. Appropriations to general risk provisions																
3. Appropriations to owners (or shareholders)																
4. Other																
(V) Internal carry-forward of owners' equity																
1. New increase of capital (or share capital) from capital public reserves																
2. New increase of capital (or share capital) from surplus reserves																
3. Surplus reserves for making up losses																
4. Other																
() Specific reserve																
1. Withdrawn for the period																
2. Used in the period																
() Other							-1,096,539.56	-1,096,539.56								
IV. Closing balance	426,745,404.00	608,280,495.51			109,487,064.39		-653,036,653.99	491,476,309.91	426,745,404.00	791,820,495.51			109,487,064.39		-648,140,659.00	679,912,304.90

Hainan Pearl River Holding Company Limited

Notes on the Financial Statements for the Year ended 31 December 2010

(All amounts are stated in RMB Yuan unless otherwise stated)

I. General information

The old name of Hainan Pearl River Holding Company Limited (the "Company") was Hainan Pearl River Industry Company Limited. Hainan Provincial People's Government Office approved the reorganization of the Company into a joint stock limited company according to the document of Qiong Fu Ban [1992] No.1. The Company was registered in Hainan Administration for Industry and Commerce in January 1992. The Company issued 21,086,400 shares of RMB common stock to the public and was listed on Shenzhen Stock Exchange according to the document of securities administration office [1992] No. 83 of the People's Bank of China in December 1992. The Company issued the domestic listing foreign capital stock (B-share) with the approval of China Securities Regulatory Commission in June 1995. The Company changed to present name in January 2000. In August 2006, the Company increased stocks with capital surplus to all shareholders, and the registered capital was changed to 426,745,400 Yuan from 377,650,800 Yuan.

The business license number: 4600001006830

Office address: 29/F., Dihao Building, Pearl River Plaza, Binhai Avenue, Haikou, Hainan, the PRC.

Corporate representative: Zheng Qing

The operation scope: Industrial investment, tropical farming, aquaculture, real estate development and management, hotel investment and management, material supply, construction equipment purchasing, leasing, hardware, chemical, trade of household items, decoration, vehicle parking, and high-tech investment projects, investment in environmental protection projects, investment advice. The company mainly engaged in real estate development and property management, which belong to real estate aspect.

The Company's basic organizational structure: General meeting of shareholders is the highest organ of power. Board of directors is the executing agency. Supervisory board is the Company's internal auditing agency. General Manager is responsible for the Company's daily operational management.

There are General Manager Office, Securities Department, Tourism Real Estate Department, Financial Department, Management Department, Auditing Department and others in the Company.

II. Accounting policies, accounting estimates and error correction of previous years

1. Preparation basis of financial statement

Preparation of the financial statements is based on going concern postulate. Recognition and measurement comply with actual transactions or events, and the Company prepares financial statements on these bases.

2. Announcement about compliance with Accounting Standards for Business Enterprises

The Company's financial statements are prepared in accordance with the requirements of the Accounting Standards for Business Enterprises, and they fairly and completely present the financial position, operation results, cash flow and other relevant information of the Company.

3. Accounting year

Accounting year of the Group is the calendar year from January 1 to December 31.

4. Reporting currency

The Company's reporting and presentation currency is the Renminbi ("RMB").

5. Consolidation Basis

(1) Merge of the enterprises under the uniform control

As there is the merge of the enterprises under the common control, the accrual basis shall be used. The assets, liabilities (except the adjustment caused by complying with various accounting policies) of the merged party shall be measured as their book value at the merging date. The difference between the price of the book value on merge (or face value of the total issued shares) and obtained book value of net assets, shall adjust the capital surplus, and as the capital surplus is offset, the retained earnings shall be adjusted. The pre-merger net profit incurred by the merged party, shall be attributed to consolidated income statement.

(2) Merge of enterprises under the non-uniform control

As there is the merge of the enterprises under the non-uniform control, the purchasing principal to be adopted by the Company. On the purchasing date, the consolidating cost is determined by the fair values of the assets, occurred or payable liabilities, and the issued equity securities, which are paid for purchasing. Meanwhile, the assets, liabilities and the contingent liabilities of the vendor are determined at their fair values.

The excess amount between the consolidating cost and the fair value of the net assets of the vendor entity

shall be recognized as goodwill in the consolidated balance sheet; the balance of the consolidating cost and the fair value of the net assets of the vendor shall be included in the current profit and loss.

The operating result shall be consolidated from the acquisition date until the termination of the control.

6. The standard for consolidation financial statement preparation

All subsidiaries of the company are in the scope of the consolidation.

The company prepares the consolidated financial statements in accordance with the "Accounting standard for Business Enterprises No. 33- Consolidated financial statement " .

7. Cash and Cash equivalents

Cash refers to cash on hand and demand deposits. "Cash equivalents" refer to short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk on change in value.

8. Foreign currency transactions

Foreign currency (currency other than the reporting currency) transactions are translated into reporting currency at spot exchange rates prevailing on the day in which the transactions take place. Monetary items are adjusted according to spot exchange rates at the balance sheet date. The exchange balance on foreign currency shall be capitalized and recorded into the cost of relevant assets if it is eligible for capitalization; other exchange balance on foreign currency shall be recorded into current profit and loss. Foreign currency non-monetary items measured with history cost are translated into reporting currency at spot exchange rates on the occurrence date. Foreign currency non-monetary items measured with fair value are translated into reporting currency at spot exchange rates of fair value confirming date; the difference is recorded as the changes in the profit and loss of fair value.

Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are restated into the reporting currency using the spot exchange rates at that date. Among the equity items, all items are translated into reporting currency at spot exchange rates on the occurrence date except the item of undistributed profits. Income Statement items are translated into reporting currency at spot exchange rate on the occurrence date. The exchange difference from translation of financial statements denominated in foreign currency is included in the equity and presented individually.

9. Financial Instruments

(1) Classification of financial assets and financial liabilities

Financial assets shall be classified into the following four categories when they are initially recognized: the financial assets which are measured at their fair values and the variation of which is recorded into the profits and losses of the current period, including transactional financial assets and the financial assets which are measured at their fair values and of which the variation is included in the current profits and losses; held-to-maturity investments; loans and account receivables; available-for-sale financial assets.

Financial liabilities shall be classified into the following two categories when they are initially recognized: the financial liabilities which are measured at their fair values and of which the variation is included in the current profits and losses, including transactional financial liabilities and the designated financial liabilities which are measured at their fair values and of which the variation is included in the current profits and losses; and other financial liabilities.

(2) Recognition and measurement of financial instruments

When an enterprise becomes a party to a financial instrument, it shall recognize a financial asset or financial liability. The financial assets and financial liabilities initially recognized by an enterprise except loans and account receivables shall be measured at their fair values; loans and account receivables initially recognized by an enterprise shall be measured at price in the contract or agreement. For the financial assets and liabilities measured at their fair values and of which the variation is recorded into the profits and losses of the current period, the transaction expenses thereof shall be directly recorded into the profits and losses of the current period; for other categories of financial assets and financial liabilities, the transaction expenses thereof shall be included into the initially recognized amount.

An enterprise shall make subsequent measurement on its financial assets according to their fair values, and may not deduct the transaction expenses that may occur when it disposes of the said financial asset in the future. However, those under the following circumstances shall be excluded: a. The investments held until their maturity, loans and accounts receivable shall be measured on the basis of the post-amortization costs by adopting the actual interest rate method; b. The equity whose fair value cannot be measured reliably, and the derivative financial assets which are connected with the said equity instrument and must be settled by delivering the said equity instrument shall be measured on the basis of their costs.

An enterprise shall make subsequent measurement on its financial liabilities on the basis of the post-amortization costs by adopting the actual interest rate method, with the exception of those under the following circumstances: a. For the financial liabilities measured at their

fair values and of which the variation is recorded into the profits and losses of the current period, they shall be measured at their fair values, and none of the transaction expenses may be deducted, which may occur when the financial liabilities are settled in the future. b. For the derivative financial liabilities, which are connected to the equity instrument for which there is no quotation in the active market and whose fair value cannot be reliably measured, and which must be settled by delivering the equity instrument, they shall be measured on the basis of their costs. c. For the financial guarantee contracts which are not designated as a financial liability measured at its fair value and the variation thereof is recorded into the profits and losses of the current period, and for the commitments to grant loans which are not designated to be measured at the fair value and of which the variation is recorded into the profits and losses of the current period and which will enjoy an interest rate lower than that of the market, a subsequent measurement shall be made after they are initially recognized according to the higher one of the following: the best estimation required to pay when carrying out the prevailing obligations, and initially recognized amount deducting accumulative amortization which adopts the actual interest rate method.

(3) Recognition and measurement of transfer of financial assets

Where an enterprise has transferred nearly all of the risks and rewards related to the ownership of the financial asset to the transferee, it shall stop recognizing the financial asset. If it retained nearly all of the risks and rewards related to the ownership of the financial asset, it shall not stop recognizing the financial asset. Where an enterprise does not transfer or retain nearly all of the risks and rewards related to the ownership of a financial asset, it shall deal with it according to the circumstances as follows, respectively: a. If it gives up its control over the financial asset, it shall stop recognizing the financial asset; b. If it does not give up its control involvement in the transferred financial asset, recognize the related financial asset and recognize the relevant liability accordingly.

If the transfer of an entire financial asset satisfies the conditions for stopping recognition, the difference between the amounts of the following 2 items shall be recorded in the profits and losses of the current period: a. The book value of the transferred financial asset; b. The sum of consideration received from the transfer, and the accumulative amount of the changes of the fair value originally recorded in the owner's equities. If the transfer of partial financial

asset satisfies the conditions to stop the recognition, the entire book value of the transferred financial asset shall, between the portion whose recognition has been stopped and the portion whose recognition has not been stopped, be apportioned according to their respective relative fair value, and the difference between the amounts of the following 2 items shall be included into the profits and losses of the current period : a. The book value of the portion whose recognition has been stopped; b. The sum of consideration of the portion whose recognition has been stopped, and the portion of the accumulative amount of the changes in the fair value originally recorded in the owner's equities which is corresponding to the portion whose recognition has been stopped.

(4) Determination of the fair value of main financial assets and financial liabilities

As for the financial assets or financial liabilities for which there is an active market, the quoted prices in the active market shall be used to determine the fair values thereof. Where there is no active market for a financial instrument, the enterprise concerned shall adopt value appraisal techniques to determine its fair value. The value appraisal techniques mainly include the prices adopted by the parties, who are familiar with the condition, in the latest market transaction upon their own free will, the current fair value obtained by referring to other financial instruments of the same essential nature, the cash flow capitalization method and the option pricing model, etc. As for the financial assets initially obtained or produced at source and the financial liabilities assumed, the fair value thereof shall be determined on the basis of the transaction price of the market.

(5) Impairment of financial assets

An enterprise shall carry out an inspection, on the balance sheet day, on the carrying amount of the financial assets other than those measured at their fair values and of which the variation is recorded into the profits and losses of the current period. An impairment test shall be made on the financial assets with significant single amounts. With regard to the financial assets with insignificant single amounts, they shall be included in a combination of financial assets with similar credit risk features so as to carry out an impairment-related test. Where, upon independent test, the financial asset (including those financial assets with significant single amounts and those with insignificant amounts) has not been impaired, it shall be included in a combination of financial assets with similar risk features so as to conduct another impairment

test.

Where a financial asset measured on the basis of post-amortization costs is impaired, the carrying amount of the said financial asset shall be written down to the current value of the predicted future cash flow (excluding the loss of future credits not yet occurred), and the amount as written down shall be recognized as loss of the impairment of the asset. Where there is a very small gap between the predicted future cash flow of a short-term account receivable item and the current value thereof, the predicted future cash flow is not required to be capitalized when determining the relevant impairment-related losses. Where an equity instrument investment for which there is no quoted price in the active market and whose fair value cannot be reliably measured, or a derivative financial asset which is connected with the equity instrument and which must be settled by delivering the equity instrument, suffers from any impairment, the gap between the carrying amount of the equity instrument investment or the derivative financial asset and the current value of the future cash flow of similar financial assets capitalized according to the returns ratio of the market at the same time shall be recognized as impairment-related losses. Where available-for-sale financial assets are impaired due to significant drop of fair value and the drop is not temporary, the accumulative losses arising from the decrease of the fair value of the owner's equity which was directly included shall be transferred out and recorded into the profits and losses of the current period.

10. Accounts receivable and bad debts

(1) Measurement method and the percentage of bad debts

Measurement method of bad debts: accounted with allowance method.

At the end of the period, impairment test shall be made on individual accounts receivable with significant amounts. If there is objective evidence that they have been impaired, bad debt loss shall be recognized and provision for bad debts shall be made base on the differences between book values and the present value of future cash flows.

For those individual accounts receivable without significant amounts at the end of the period, along with those accounts receivable that have been tested individually but not impaired, the Company classifies them in line with similar credit risk characteristics into several groups, and make a specific percentage of bad debts provision on the accounts receivable balances at balance sheet date. On the basis of the actual loss rate of receivable accounts, with same or similar credit risk characteristics of accounts receivable package in previous

year, the Company also considers current situation and determine the percentage of bad debt provision.

Here is the Company ' s bad debts provision policy:

Ages	Percentage of Accounts Receivable (%)	Percentage of Others Receivable (%)
Within 1 year (including 1 year, same as following)	2	2
1 year to 2 years	5	5
2 years to 3 years	10	10
3 years to 4 years	20	20
4 years to 5 years	30	30
Over 5 years	50	50

There is strong evidence that accounts receivable can ' t be recovered or little possibility of recovery (it is unable to pay in the short term due to bankruptcy, insolvent, serious shortage of cash flow, serious natural disasters and etc.) as well as other evidences of occurring loss, the Company can make full provision for the accounts receivable.

(2) The accounts receivable meeting the following criteria are recognized as bad debts:

For accounts receivable that are surely uncollectible, such as they can be written off as bad debts after the approval of the general meeting of shareholders or the board of directors.

11. Inventories

(1) Inventories include: development cost (constructing development product), development product, finished goods, low-value consumable supplies and etc. All inventories are calculated at actual cost when acquire. The issue of inventories is calculated according to individual cognizance method. The low-value consumable supplies are amortized at one time. Inventories stock physical count system: perpetual inventory method

Measurement method of land used for development: the land used for development is included in " Inventories - development cost " .

Public facilities costs: public facilities such as schools, as well as public facilities fees acquired by government departments, the cost is included in "development costs" and its apportionment and detailed calculation are in accordance with calculation objects and cost items.

(2) For inventories at balance sheet date, the evaluation criteria should base on the lower value between costs and net values that can be converted into cash. When net values that can be converted into cash are lower than costs, provision for impairment loss of inventories shall be made and recorded into current profit and loss.

12. Long-term equity investment

(1) The initial cost of the long-term equity investment

For the business combination under the same control, it shall, on the date of merger, regard the share of the book value of the owner's equity of the merged enterprise as the initial cost of the long-term equity investment. For the business combination not under same control, the initial cost of long-term equity investment is fair value of assets paid, liabilities undertaken, the equity securities issued by the Company, and includes all direct expenses and future events that will influence combination cost.

Besides the long-term equity investments formed by the business combination, the initial cost of a long-term equity investment obtained by other means shall be ascertained in accordance with the provisions as follows: The initial cost of a long-term equity investment obtained by making payment in cash shall be the purchase cost which is actually paid; the initial cost of a long-term equity investment obtained on the basis of issuing equity securities shall be the fair value of the equity securities issued; the initial cost of a long-term equity investment of an investor shall be the value stipulated in the investment contract or agreement.

(2) Subsequent measurement

The Company uses cost method for the following conditions: a long-term equity investment where the investing enterprise can exercise control over the investee, or the investing enterprise does not have joint control or significant influence over the investee, the investment is not quoted in an active market and its fair value can't be reliably measured. For a long-term equity investment where the investing enterprise can exercise control over the investee, the investing enterprise shall make an adjustment by employing the equity method when it works out consolidated financial statements. When adopting cost method, the dividends or profits declared to distribute by the invested entity shall be recognized as the current investment income. The investment income recognized by the investing enterprise shall be limited to the amount received from the accumulative net profits that arise after the invested entity has accepted the investment. Where the amount of profits or cash dividends obtained by the investing entity exceeds the aforesaid amount, it shall be regarded as recovery of initial investment cost.

A long-term equity investment of the investing enterprise that does joint control or significant influences over the invested entity shall be measured by employing the equity method. If the initial cost of a long-term equity investment is more than the investing enterprise's attributable share of the fair value of the invested entity's identifiable net assets for the investment, the initial cost of the long-term equity investment may not be adjusted. If the initial cost of a long-term equity investment is less than the investing enterprise's

attributable share of the fair value of the invested entity's identifiable net assets for the investment, the difference shall be included in the current profits and losses and the cost of the long-term equity investment shall be adjusted simultaneously. After an investing enterprise obtains a long-term equity investment, it shall, in accordance with the attributable share of the net profits or losses of the invested entity, recognize the investment profits or losses and adjust the book value of the long-term equity investment. Where any change is made to the owner's equity other than the net profits and losses of the invested entity, the book value of the long-term equity investment shall be adjusted and be included in the owner's equity.

The Company should have impairment test for any long-term equity investment on every balance sheet date. When the estimated value in use is less than its book value, it will be treated as impairment loss. And this loss should be transferred into current profit and loss account; meanwhile, the company should set up provision for the long-term equity investment impairment loss. To any long-term equity investments, which are measured by cost method, there is no price or its fair value can not be measured reliably, the impairment loss of these investments should be the difference between the book value and the present value of the future cash flow calculated by using current market rate of similar financial asset.

For other long-term equity investment, where any evidence shows that there is possible assets impairment, the impairment provision is made according to relevant regulations and methods.

(3) Recognition basis of joint control and significant influences

The term "joint control" refers to the control over an economic activity in accordance with the contracts and agreements, which does not exist unless the investing parties of the economic activity with one an assent on sharing the control power over the relevant important financial and operating decisions. The term "significant influences" refers to the power to participate in making decisions on the financial and operating policies of an enterprise, but not to control or do joint control together with other parties over the formulation of these policies.

(4) Disposal of long-term equity investment

When disposing of a long-term equity investment, the difference between its book value and the actual purchase price shall be included in the current profits and losses. If any change other than the net profits and losses of the invested entity occurs and is included in the owner's equity, the portion previously included in the owner's equity shall, when disposing of a long-term equity investment measured by employing the equity method, be

transferred to the current profits and losses according to a certain proportion.

13. Investment property

The term "investment property" refers to the real estates held for generating rent and/or capital appreciation. Including: the right to use any land which has already been rented; the right to use any land which is held and prepared for transfer after appreciation; and the right to use any building which has already been rented. The initial measurement of the investment property shall be made at its cost. An enterprise shall make a follow-up measurement to the investment real estate through the cost pattern. For buildings which have already been rented, the Company calculates depreciation as the same method of fixed assets. For the right to use any land, it is amortized with straight-line method according to the serviceable life. At the balance sheet date, where any evidence shows that there is possible assets impairment, the impairment provision is made.

14. Fixed assets

(1) Recognition of fixed assets

Fixed assets are tangible assets that are held for use in production or supply of goods or services, for rental to others, or for administrative purpose, and have useful lives more than one accounting year.

The expected discard expenses should be taken into consideration in the ascertainment of the cost of a fixed asset.

(2) The category and depreciation method of fixed assets

Fixed assets include buildings and structures, vehicles, general equipments, specific equipments and other equipments. Straight-line method is in used to calculate the depreciation of fixed assets. The estimated useful lives, expected residual value and annual depreciation rate of various types fixed assets are listed as follows:

Category	Estimated useful lives (years)	Expected residual value (%)	Annual depreciation rate (%)
Buildings and structures	25	5	3.8
Vehicles	5	5	19.0
General equipments	10	5	9.5
Specific equipments	5	5	19.0
Other equipments	5	5	19.0

Depreciation shall be made for the fixed assets on a monthly basis. Fixed assets increased this month shall make depreciation from next month; fixed assets decreased this month shall stop making depreciation from next month.

The company shall, at least at the end of each year, have a check on the useful life, expected residual value

and the depreciation method of the fixed assets, and adjust them when necessary.

At the balance sheet date, where any evidence shows that there is possible assets impairment, the impairment provision is made according to Notes II. 17.

(3) Idle fixed assets

Fixed assets that are not used for six months continuously due to underemployment or natural disasters are identified as idle fixed assets (except for seasonal break).

The depreciation method of idle fixed assets is consistent with other fixed assets.

(4) Fixed assets under financing lease

When one or more of the following criteria are met, a lease shall be classified as a financial lease:

- a. the lease transfers ownership of the leased asset to the lessee by the end of the lease term;
- b. the lessee has the option to purchase the leased asset at a price that is expected to be sufficiently lower than the fair value at the date the option becomes exercisable such that, at the inception of the lease, it is reasonably certain that the option will be exercised by the lessee;
- c. the lease term is for the major part of the useful life of the leased asset even if title is not transferred;
- d. in the case of the lessee, at the inception of the lease the present value of the minimum lease payments amounts to substantially all of the fair value of the leased asset; in the case of lesser, at the inception of the lease the present value of the minimum lease receipts amounts to substantially all of the fair value of the leased asset;
- e. the leased assets are of a specialized nature such that only the lessee can use them without major modifications being made.

Fixed assets under financing lease shall be recorded at the lower one of the fair value of the leased asset and the present value of the minimum lease payments. The depreciation method is consistent with fixed assets of the Company.

15. Construction in progress

Construction in progress ("CIP") includes all costs incurred during the preparation period before commencement of construction and until the asset is ready for its intended use. These costs include direct materials, direct labour, equipment for installation, construction and installation charges, management fees, gain or loss on trial run production and borrowing costs which are qualified for capitalization.

CIP is transferred to fixed assets when the asset is ready for its intended use.

At the balance sheet date, where any evidence shows that there is possible CIP impairment, the impairment provision is made according to Notes II.17.

16. Borrowing Costs

Borrowing costs are interest and other related costs incurred by the Company in connection with the borrowing of funds, and include interest, amortization of discounts or premiums related to borrowings, ancillary costs incurred in connection with the arrangement of borrowings, and exchange differences arising from foreign currency borrowings. Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset shall be capitalized as part of the cost of that asset. The amounts of other borrowing costs incurred shall be recognized as an expense in the period in which they are incurred.

Qualifying assets are assets (fixed assets, investment property, inventories, etc.) that necessarily take a substantial period of time for acquisition, construction or production to get ready for their intended use or sale. The capitalization of borrowing costs can commence only when all of the following conditions are satisfied: (1) expenditures for the asset are being incurred; (2) borrowing costs are being incurred; (3) activities relating to the acquisition, construction or production of the asset that are necessary to prepare the asset for its intended use or sale have commenced.

When the qualified asset under acquisition and construction or production is ready for the intended use or sale, the capitalization of the borrowing costs shall be ceased; then the borrowing costs incurred shall be recorded into the profits and losses of the current period. Borrowing costs due to loans from real estate development are recorded into development cost before the completion of the project and recorded into current profit and loss after the completion of the project. Borrowing costs are recorded into development cost and amortized quarterly.

Where the acquisition and construction or production of a qualified asset is interrupted abnormally and the interruption period lasts for more than 3 months, the capitalization of the borrowing costs shall be suspended. The borrowing costs incurred during such period shall be recognized as expenses, and shall be recorded into the profits and losses of the current period.

During the capitalization period, the amount of interest to be capitalized for each accounting period shall be determined as follows:

(1) for a specific-purpose borrowing, the amount of interest to be capitalized shall be the actual interest expense incurred for the period less temporary deposit's interest or investment income;

(2) where funds are borrowed under general-purpose borrowings, the Company shall determine the amount of

interest to be capitalized by applying a capitalization rate to the weighted average of the excess amounts of cumulative expenditures on the asset over and above the amounts of specific-purpose borrowings. The capitalization rate shall be the weighted average of the interest rates applicable to the general-purpose borrowings.

17. Intangible assets

The term "intangible assets" refers to the identifiable non-monetary assets possessed or controlled by enterprises which have no physical shape. If it is unable to forecast the period when the intangible asset can bring economic benefits to the enterprise, it shall be regarded as an intangible asset with uncertain service life. The intangible assets shall be initially measured according to its cost. If it is unable to determine the expected realization pattern reliably, intangible assets shall be amortized by the straight-line method. An enterprise shall, at least at the end of each year, check the service life and the amortization method of intangible assets with limited service life, and adjust them when necessary. Intangible assets with uncertain service life may not be amortized. An enterprise shall check the service life of intangible assets with uncertain service life during each accounting period. Where any evidence shows that there is possible assets impairment, the impairment provision is made.

18. Long-term prepaid expenses

Long-term prepaid expenses mainly include spending paid with the benefit period of more than one year (excluding the year period) such as car parking fees, housing renovation fees, etc. Long-term prepaid expenses shall be amortized the costs over the duration of the project beneficiary.

19. Contingencies liabilities

The obligation pertinent to a Contingencies shall be recognized as accrued liabilities when the following conditions are satisfied simultaneously: (1)That obligation is a current obligation of the enterprise; (2)It is likely to cause any economic benefit to flow out of the enterprise as a result of performance of the obligation; (3)The amount of the obligation can be measured in a reliable way. The estimated debts shall be initially measured in accordance with the best estimate of the necessary expenses for the performance of the current obligation.

20. Revenue recognition

(1) Revenue from the sale of goods shall be recognized only when all of the following conditions are satisfied:

- a. the enterprise has transferred to the buyer the significant risks and rewards of ownership of the goods;
- b. the enterprise retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;

- c. the amount of revenue can be measured reliably;
- d. it is probable that the associated economic benefits will flow to the enterprise;
- e. the associated costs incurred or to be incurred can be measured reliably.

Real estate sales revenue: the Company can recognize real estate sales revenue after the completion and acceptance of the property, signing sale contract, acquiring payment proof from buyer and delivery. When the buyer receives written delivery notice and has no warrant to refuse to accept it, the sales revenue is realized after delivery limit closed of delivery notice. For the development project consigned by other, as well as in accordance with "Accounting Standards for Business Enterprises -Construction Contract", the revenue shall be recognized in light of the percentage-of- completion method. The percentage-of- completion is determined by the proportion of finished workload.

(2) Rendering of services

When the outcome of a transaction involving the rendering of services can be estimated reliably at the balance sheet date (including: the amount of revenue can be measured reliably; it is probable that the associated economic benefits will flow to the enterprise; the stage of completion of the transaction can be measured reliably; the costs incurred and to be incurred for the transaction can be measured reliably), revenue associated with the transaction shall be recognized using the percentage of completion method, and the stage of completion of the transaction is recognized according to the proportion of the cost having taken place occupied the estimated total cost.

When the outcome of a transaction involving the rendering of services can not be estimated reliably at the balance sheet date: when the costs incurred are expected to be recoverable, revenue shall be recognized to the extent of costs incurred and an equivalent amount shall be charged to profit or loss as service costs; when the costs incurred are not expected to be recoverable, the costs incurred shall be recognized in profit or loss for the current period and no service revenue shall be recognized.

The revenue of property management service is recognized when following conditions are satisfied: the property management service has been offered; the associated economic benefits will flow to the enterprise; the associated costs can be measured reliably.

(3) Use by others of enterprise assets

Revenue arising from the use by others of enterprise assets shall be recognized only when both of the following conditions are satisfied: it is probable that the associated economic benefits will flow to the enterprise; the amount of the revenue can be measured reliably. The

amount of interest shall be determined according to the length of time for which the enterprise ' s currency fund is used by others and the effective interest rate. The amount of royalties shall be determined according to the period and method of charging as stipulated in the relevant contract or agreement.

21. Government grants

Government grants shall be recognized at fair value on the conditions that the Company can receive the grant and comply with the conditions attaching to the grant. For a government grant related to income, if the grant is a compensation for related expenses or losses to be incurred by the Company in subsequent period, the grant shall be recognized as deferred income, and recognized in profit or loss over the periods in which the related costs are recognized. A government grant related to an asset shall be recognized as deferred income, and evenly amortized to profit or loss over the useful life of the related asset.

22. Recognition of deferred income tax assets and liabilities

(1) The Company shall recognize the deferred income tax assets arising from a deductible temporary difference to the extent of the amount of the taxable income which it is most likely to obtain and which can be deducted from the deductible temporary difference. However, the deferred income tax assets, which are arising from the initial recognition of assets or liabilities during a transaction which is simultaneously featured by the following, shall not be recognized:

(i) This transaction is not business combination; and

(ii) At the time of transaction, the accounting profits will not be affected, nor will the taxable amount (or the deductible loss) be affected.

(2) Where the deductible temporary difference related to the investments of the subsidiary companies, associated enterprises and joint enterprises can meet the following requirements simultaneously, the enterprise shall recognize the corresponding deferred income tax assets:

(i) The temporary differences are likely to be reversed in the expected future; and

(ii) It is likely to acquire any amount of taxable income tax that may be used for making up the deductible temporary differences.

(iii) As for any deductible loss or tax deduction that can be carried forward to the next year, the corresponding deferred income tax assets shall be determined to the extent that the amount of future taxable

income to be offset by the deductible loss or tax deduction to be likely obtained.

(3) Recognition of deferred income tax liabilities

Except for the deferred income tax liabilities arising from the following transactions, an enterprise shall recognize the deferred income tax liabilities arising from all taxable temporary differences:

(i) the initial recognition of business reputation;

(ii) the initial recognition of assets or liabilities arising from the following transactions which are simultaneously featured by the following:

(a) The transaction is not business combination;

(b) At the time of transaction, the accounting profits will not be affected, nor will the taxable amount (or the deductible loss) be affected.

(4) The income taxes of the current period and deferred income tax of an enterprise shall be treated as income tax expenses or incomes, and shall be recorded into the current profits and losses, excluding the income taxes incurred under the following circumstances:

(i) the business combination; and

(ii) the transactions or events directly recognized as the owner's rights and interests.

(5) Impairment on the deferred income tax assets

On the balance sheet date, the carry amounts of the deferred income tax assets shall be reviewed.

23. Maintenance fund

The Company's property management company receives and manages public maintenance fund consigned by owners, and charges to "agency fund". The fund is used in the maintenance and update of the common apparatus and common position of the house and communal facilities of property management region.

24. Quality assurance reserve funds

Construction party should remain quality assurance reserve funds according to the amount in the construction contract, and list in "accounts payable". The funds should be paid according to the actual conditions and contract after guarantee period.

25. Changes of accounting policies and accounting estimates and error correction

(1) Changes of accounting policies

Not applicable.

(2) Notes for accounting estimates of previous period

Not applicable.

26. Changes of accounting estimates and error correction of previous period

Not applicable.

III. Taxation

The main taxes include: business tax, city construction and maintenance tax, education fee, income tax and etc. The tax rates are as following:

Category	Rate	Taxable base
Business tax	5%	Revenue of house property sale and lease, property management income and etc.
City construction and maintenance tax	5%, 7%	Business tax and value-added tax
Education fee	3%	Business tax and value-added tax
Income tax	22%, 25%	Taxable income

Note: Except that income tax of companies in Hainan District and Hainan Pearl River Enterprises Holding Co., Ltd. Shanghai Real Estate Co. is levied at 22% of taxable income, the income tax of other companies is levied at 25% of taxable income.

IV. Business combinations and consolidation financial statements

The Company shall include all subsidiaries within the scope of consolidation.

The consolidated financial statements shall be prepared by parent based on the financial statements of the parent and its subsidiaries, using other related information and after adjusting the long-term equity investments in subsidiaries using the equity method according to “Accounting Standard for Business Enterprises No.33—Consolidated Financial Statements”.

1. Subsidiaries established by the Company

Subsidiary's name	Registered address	Registered capital (RMB 0'000)	Principal activities	Holding proportion	Voting rights proportion	Amount invested by the Company (RMB 0'000)
Hainan Pearl River Properties and Hotels Management Co., Ltd.	Hainan Haikou	500	Properties and Hotels Management	98%	98%	490
Hainan Pearl River Environmental Projects Co., Ltd.	Hainan Haikou	100	Gardens engineering construction	100%	100%	100
Hainan Pearl River Estate Cleaning Company	Hainan Haikou	20	Cleaning projects	100%	100%	20
Hainan Pearl River Estate Machine Engineering Company	Hainan Haikou	150	Mechanical and electrical products sales	100%	100%	150
Hainan Pearl River Estate Marketing Co., Ltd.	Hainan Haikou	100	Real Estate Marketing Planning	100%	100%	100

Subsidiary's name	Registered address	Registered capital (RMB 0'000)	Principal activities	Holding proportion	Voting rights proportion	Amount invested by the Company (RMB 0'000)
Sanya Wanjia Hotel Management Co., Ltd.	Hainan Sanya	12,000	Hotel service	100%	100%	12,000
Hubei Pearl River Real Estate Development Co., Ltd.	Hubei Wuhan	6,500	Real estate development and management	88%	88%	5,720
Wuhan Pearl River Meilin Hotels Management Co., Ltd.	Hubei Wuhan	50	Service	100%	100%	50
Hainan Pearl River Enterprises Holding Co., Ltd. Shanghai Real Estate Co.	Shanghai	4,000	Real estate development and management	100%	100%	4,000
Beijing Jiubo Culture Development Co., Ltd.	Beijing	500	Cultural and sports services	100%	100%	500
Mudanjiang Pearl River Hotel Management Co., Ltd.	Mudanjiang	6,000	Hotel management	100%	100%	6,000
Hailin Wanjia Snowtown Holiday Hotel Management Co., Ltd.	Hailin of Heilongjiang Province	2000	Hotel service	100%	100%	2000

2. The subsidiaries acquired by the business combination under non-uniform control

Subsidiary's name	Business category	Registered address	Principal activities	Registered capital (RMB 0'000)	Holding proportion	Voting rights proportion	Consolidated (Yes or No)
Hailin Wanjia Snowtown Holiday Hotel Management Co., Ltd.	Limited Liability	Hailin of Heilongjiang Province	Hotel service	2,000	100.00	100.00	Yes

V. Notes to significant items of the consolidated financial statements

1. Monetary funds

Items	Dec 31, 2010	Jan 1, 2010
Cash	489,550.91	318,158.18
Bank deposit	135,877,954.53	291,454,577.87
Other monetary funds	9,345.75	14,396.73
Total	136,376,851.19	291,787,132.78

Note: The other monetary fund was the amount of credit card.

2. Accounts receivable

(1) Accounts receivable listed by categories

Categories	December 31, 2010				January 1, 2010			
	Amounts		Bad Debt Provision		Amounts		Bad Debt Provision	
	Amounts	Ratio (%)	Amounts	Ratio (%)	Amounts	Ratio (%)	Amounts	Ratio (%)
1. Significant accounts receivable and bad debts accounted individually	7,761,707.60	55.70	7,761,707.60	100.00	7,761,707.60	59.89	7,761,707.60	100.00
2. Bad debt accounted by the combinations								

Categories	December 31, 2010				January 1, 2010			
	Amounts		Bad Debt Provision		Amounts		Bad Debt Provision	
	Amounts	Ratio (%)	Amounts	Ratio (%)	Amounts	Ratio (%)	Amounts	Ratio (%)
Age Combinations	4,183,464.89	30.02	556,219.23	13.30	3,206,910.77	24.75	561,211.30	17.50
Combined Subtotal	4,183,464.89	30.02	556,219.23	13.30	3,206,910.77	24.75	561,211.30	17.50
3. Other unimportant receivables but bad debts accounted individually	1,990,680.02	14.28	1,990,680.02	100.00	1,990,680.02	15.36	1,990,680.02	100.00
Total	13,935,852.51	100.00	10,308,606.85	73.97	12,959,298.39	100.00	10,313,598.92	79.58

(2) Aging analysis

Ages	31 Dec 2010				1 Jan 2010			
	Balance	Proportion (%)	Bad debts	Bad debts ratio (%)	Balance	Proportion (%)	Bad debts	Bad debts ratio (%)
Within 1 year	2,871,277.47	68.63	57,425.52	2.00	1,815,393.94	56.61	36,307.88	2.00
1-2 years	106,000.00	2.53	5,300.00	5.00	141,500.00	4.41	7,075.00	5.00
2-3 years	141,500.00	3.38	14,150.00	10.00	19,200.00	0.60	1,920.00	10.00
3-4 years					265,000.00	8.26	53,000.00	20.00
4-5 years	265,000.00	6.33	79,500.00	30.00	100,000.00	3.12	30,000.00	30.00
Over 5 years	799,687.42	19.12	399,843.71	50.00	865,816.83	27.00	432,908.42	50.00
Total	4,183,464.89	100.00	556,219.23		3,206,910.77	100.00	561,211.30	

(3) The top five debtors' ending total balance. Details are as follows:

Name	Relationship with the company	Owned amount	Ages	Proportion of total accounts receivable (%)
Hainan racing entertainment Co., LTD	client	2,406,158.00	over 5 years	17.27
Hainan Baoping company	client	2,218,494.43	over 5 years	15.92
Hainan centaline property agency	client	2,090,069.77	over 5 years	15.00
Hainan dragon film studio	client	1,046,985.40	over 5 years	7.51
Haikou Peijie Clothing Company	client	497,520.00	over 5 years	3.57
Total		8,259,227.60		59.27

(4) At the end of year, there was no any amount of accounts receivable owed by the related parties.

3. Prepayments

(1) Aging analysis

Ages	31 Dec 2010		1 Jan 2010	
	Balance	Proportion (%)	Balance	Proportion (%)
Within 1 year	51,233,124.48	95.05	38,951,175.90	87.95
1-2 years	672,777.82	1.25	4,974,585.03	11.23
2-3 years	1,982,179.94	3.68	60,000.00	0.14

Over 3 years	10,000.00	0.02	300,000.00	0.68
Total	53,898,082.24	100.00	44,285,760.93	100.00

(2) Top five units of prepayments

Company's Name	Relationship	Amounts	Proportion (%)	Year	Unsettled reason
Sanya Hongzhou International Yacht Council Limited	Supplier	50,000,000.00	92.77	2010	Pre-paid subcontracting project with a long-term construction cycle.
Guangdong High-spirited Technology Development Co., Ltd.	Supplier	1,189,800.00	2.21	2008	
Xizi Otis Elevator Co., Ltd.	Supplier	861,140.00	1.60	2010	
Sanya Golden Area Hotel Equipment Co., Ltd.	Supplier	575,459.94	1.07	2008	
Hainan Seahawk Security Technology Engineering Co., Ltd.	Supplier	284,247.49	0.53	2009	
Total		52,910,647.43	98.17		

Note 1: The year end balance did not contain any debt owned by major shareholders who own more than 5% of the Company ' s share capital .

4. Dividends receivable

(1) Details of dividends receivable

Items	Jan 1, 2010	Increment	Decrement	Dec 31, 2010
Hainan Pearl River Guanzhuang Co., Ltd.	260,015.00			260,015.00
Total	260,015.00			260,015.00

(2) Dividends receivable exceed one year

Invested company	Age	Ending balance	Reason	Impairment loss
Hainan Pearl River Guanzhuang Co., Ltd.	2-3years	260,015.00	The invested company has the fund tight problem	None
Total		260,015.00		

5. Other receivables

(1) Others receivable listed by categories

Categories	December 31, 2010				Jan 1, 2010			
	Amounts		Bad Debt Provision		Amounts		Bad Debt Provision	
	Amounts	Ratio (%)	Amounts	Ratio (%)	Amounts	Ratio (%)	Amounts	Ratio (%)
1. Significant others receivable and bad debts accounted individually								
2. Bad debt accounted by the combinations								
Age Combinations	260,684,062.91	85.86	10,097,731.46	3.87	200,324,191.37	86.80	10,729,454.90	5.36
Combined Subtotal	260,684,062.91	85.86	10,097,731.46	3.87	200,324,191.37	86.80	10,729,454.90	5.36
3. Other unimportant receivables but bad debts accounted individually	42,947,045.95	14.14	35,267,045.95	82.12	30,472,045.95	13.20	30,472,045.95	100.00
Total	303,631,108.86	100.00	45,364,777.41	14.94	230,796,237.32	100.00	41,201,500.85	17.85

(2) Aging analysis

Ages	31 Dec 2010				1 Jan 2010			
	Balance	Proportion (%)	Bad debts	Bad debts ratio (%)	Balance	Proportion (%)	Bad debts	Bad debts ratio (%)
Within 1 year	171,435,006.07	65.76	3,428,700.12	2.00	182,969,316.25	91.34	3,658,913.68	2.00
1-2 years	84,109,980.74	32.27	4,205,499.04	5.00	44,584.58	0.02	2,229.23	5.00
2-3 years	17,654.78	0.01	1,765.48	10.00	208,268.71	0.10	20,826.87	10.00
3-4 years	196,479.49	0.08	39,295.90	20.00	675,000.00	0.34	135,000.00	20.00
4-5 years	200,000.00	0.08	60,000.00	30.00	6,005,129.00	3.00	1,801,538.70	30.00
Over 5 years	4,724,941.83	1.81	2,362,470.92	50.00	10,421,892.83	5.20	5,110,946.42	50.00
Total	260,684,062.91	100.00	10,097,731.46		200,324,191.37	100.00	10,729,454.90	

(2) Top five units of others receivable

Name	Relationship with the company	Owned amount	Ages	Proportion of total Other receivable (%)
Mengneng International Energy Development Co., Ltd.	The entity outside the group	92,743,211.38	Within 1 year 8,743,211.38 Yuan, and , 84,000,000.00 Yuan between 1-2 years	30.54
Beijing Sunshine Cambridge Investment Advisory Co., Ltd.	The entity outside the group	74,440,631.93	Within 1 year	24.52
Beijing Wanjia Hongtai Investment Consultant Co., Ltd.	Ministry interests party	61,000,000.00	Within 1 year	20.09
Public Investment Co., Ltd.	The entity outside the group	10,000,000.00	Within 1 year	3.29
YangPu Nanhua Dalong Holding Co., Ltd.	Ministry interests party	12,600,000.00	600,000.00 Yuan between 4-5 Years; and 12,000,000.00 Yuan over 5 years Over 5 years	4.15
Total		250,783,843.31		82.59

Note 1: The year end balance did not contain any debt owned by major shareholders who own more than 5% of the Company ' s share capital .

6. Inventories

(1) Inventories category

Items	Dec 31, 2010			Jan 1, 2010		
	Ending Balance	Provision for Inventory	Book value	Ending Balance	Provision for Inventory	Book value
Raw materials	4,114,823.16		4,114,823.16	2,374,414.73		2,374,414.73
Low-value consumption goods:	917,444.41		917,444.41	17,383.70		17,383.70
Finished goods	165,126.60		165,126.60	343,423.63		343,423.63
Constructing development product	44,083,027.01		44,083,027.01	155,099,116.09	41,686,535.83	113,412,580.26
Development products	128,196,420.63	22,610,830.73	105,585,589.90	445,462,776.95	22,610,830.73	422,851,946.22
Total	177,476,841.81	22,610,830.73	154,866,011.08	603,297,115.10	64,297,366.56	538,999,748.54

(2) Inventories impairment provision

Items	1 Jan 2010	Increment	Decrement		31 Dec 2010
			Transfer back	Write off	
Constructing development product	41,686,535.83		7,200,000.00	34,486,535.83	

Development product	22,610,830.73				22,610,830.73
Total	64,297,366.56		7,200,000.00	34,486,535.83	22,610,830.73

7. Available for sales financial assets

(1) Available for sales financial assets listed by categories

Items	Fair value at Dec 31,2010	Fair value at Jan 1,2010
Available for sales equity instrument	386,697,500.00	631,417,500.00
Total	386,697,500.00	631,417,500.00

8. Joint investment and joint venture investment

(1) Joint investment

Name	Nature	Registration address	legal representative	Business Character	Registered capital	Percentage of equity interest (%)	Percentage of vote right (%)
Shanghai Sea Pearl Property Management Corporation	Limited liability	Shanghai	Qing Zheng	Real Estate Development	1,660,460.00	50	50

Name	Ending Balance of Total Assets	Ending Balance of Total Liabilities	Ending Balance of Net Assets	Operating Income	Net profit
Shanghai Sea Pearl Property Management Corporation	1,990,075.49	1,405,127.73	584,947.76	299,581.10	26,408.67

(2) Joint venture investment

Name	Nature	Registration address	legal representative	Business Character	Registered capital	Percentage of equity interest (%)	Percentage of vote right (%)
Beijing Sunshine Tiansheng Property Management Co., Ltd.	Limited liability	Beijing	Qing Zheng	Property Management	5,000,000.00	30	30
Sanya Wanjia Enterprises Holding Co., Ltd.	Limited liability	Hainan	Qing Zheng	Entertainment Service	100,000,000.00	40	40

Name	Total Assets on Dec 31, 2010 (IRR)	Total Liabilities on Dec 31, 2010 (IRR)	Net Assets on Dec 31, 2010 (IRR)	Total Operating Income till Dec 31, 2010 (IRR)	Net Profit till Dec 31,2010 (IRR)
Beijing Sunshine Tiansheng Property Management Co., Ltd.	12,606,184.28	7,060,219.18	5,545,965.10	8,240,258.37	183,130.24
Sanya Wanjia Enterprises Holding Co., Ltd.	97,138,456.60	981,708.10	96,156,748.50		-1,101,902.61

9. Long-term Equity Investment

Name	Accounting Method	Initial investment Cost	Beginning Balance	Increase or decrease	Ending Balance	Percentage of equity interest (%)	Percentage of vote right (%)	Impairment loss provision	Current impairment loss
Sanya Wanjia Enterprises Holding Co., Ltd.	Equity Method	20,000,000.00		38,462,699.40	38,462,699.40	40	40		

Name	Accounting Method	Initial investment Cost	Beginning Balance	Increase or decrease	Ending Balance	Percentage of equity interest (%)	Percentage of vote right (%)	Impairment loss provision	Current impairment loss
Guangzhou Pearl River Investment Management Co., Ltd	Cost Method	18,177,240.29	18,177,240.29		18,177,240.29	9.4785	9.4785	7,352,245.39	
Network Science and Technology Investment Co.	Cost Method	10,000,000.00	10,000,000.00		10,000,000.00	10	10	10,000,000.00	
China (Hainan) Reform and Development Institute	Cost Method	8,640,000.00	8,640,000.00		8,640,000.00			8,640,000.00	
Hainan Tongsheng Ports Co.	Cost Method	6,000,000.00	6,000,000.00		6,000,000.00	15	15	6,000,000.00	
Hainan Nanyang Shipping Industrial Company Limited	Cost Method	1,680,000.00	1,680,000.00		1,680,000.00			1,680,000.00	
Nan Li Lake membership card	Cost Method	662,400.00	662,400.00		662,400.00			662,400.00	
Hainan Pearl River Guanzhuang Co., Ltd	Cost Method	618,500.00	426,315.00		426,315.00	1.33	1.33		
Hainan Chamber of Commerce	Cost Method	500,000.00	500,000.00		500,000.00	6.67	6.67	500,000.00	
Nan Li Lake Golf Membership Card	Cost Method	249,000.00	249,000.00		249,000.00			249,000.00	
Hainan Huadi Pearl River Foundation Engineering Co., Ltd.	Cost Method	160,000.00	160,000.00		160,000.00				
Beijing Sunshine Tiansheng Property Management Co., Ltd.	Equity Method	1,500,000.00	1,571,206.89	54,939.07	1,626,145.96	30	30		
Shanghai Sea Pearl Property Management Corporation	Equity Method	832,000.00	498,999.62	8,576.71	507,576.33	50	50	332,092.00	
Total		69,019,140.29	48,565,161.8	38,526,215.18	87,091,376.98			35,415,737.39	

10. Investment real estates

Items	1 Jan 2010	Increment	Decrement	31 Dec 2010
I. Original value	26,260,649.34			26,260,649.34
Buildings and structures	26,260,649.34			26,260,649.34
II. Accumulated depreciation and amortization	2,497,903.02	884,699.52		3,382,602.54
Buildings and structures	2,497,903.02	884,699.52		3,382,602.54
III. Impairment provision	2,979,083.88			2,979,083.88
Buildings and structures	2,979,083.88			2,979,083.88
IV. Book value	20,783,662.44			19,898,962.92
Buildings and structures	20,783,662.44			19,898,962.92

Note 1. The depreciation of this year was 884,699.52 Yuan.

11. Fixed assets

Items	1 Jan 2010	Increment	Decrement	31 Dec 2010
I. Original value	348,828,316.22	95,296,244.15	14,864,041.9	429,260,518.47
Buildings and structures	260,181,947.12	58,501,218.52	9,947,417.30	308,735,748.34
General equipments	39,998,515.14	12,062,697.01	164,440.78	51,896,771.37
Vehicles	16,643,922.96	11,304,053.62	4,497,737.86	23,450,238.72
Other equipments	32,003,931.00	13,428,275.00	254,445.96	45,177,760.04
II. Accumulated depreciation	71,901,363.41	21,534,391.44	6,187,056.84	87,248,698.01
Buildings and structures	26,693,513.68	10,263,677.98	3,758,503.63	33,198,688.03
General equipments	20,401,545.45	2,725,822.28	45,689.06	23,081,678.67
Vehicles	8,747,465.60	2,393,603.89	2,303,689.44	8,837,380.05

Items	1 Jan 2010	Increment	Decrement	31 Dec 2010
Other equipments	16,058,838.68	6,151,287.29	79,174.71	22,130,951.26
III. Impairment provision	12,111,469.32		4,612,173.40	7,499,295.92
Buildings and structures	12,111,469.32		4,612,173.40	7,499,295.92
General equipments				
Vehicles				
Other equipments				
IV. Book value	264,815,483.49			334,512,524.54
Buildings and structures	221,376,964.12			268,037,764.39
General equipments	19,596,969.69			28,815,092.70
Vehicles	7,896,457.36			14,612,858.67
Other equipments	15,945,092.32			23,046,808.78

Note 1. The depreciation cost of this year was 21,021,014.96 Yuan.

2. The building for mortgage loan was explained "Note V.18 " .

12. Construction in progress

Project name	31 Dec 2010			1 Jan 2010		
	Ending Balance	Impairment loss provision	Book value	Ending Balance	Impairment loss provision	Book value
Lake Hotel	4,732,000.00		4,732,000.00	2,510,000.00		2,510,000.00
Total	4,732,000.00		4,732,000.00	2,510,000.00		2,510,000.00

13. Engineering Materials

Items	1 Jan 2010	Increment	Decrement	31 Dec 2010
Appliance	606,206.60			606,206.60
Total	606,206.60			606,206.60

14. Intangible assets

Items	1 Jan 2010	Increment	Decrement	31 Dec 2010
I. Original value	35,483,465.18	1,918,177.75		37,401,642.93
Land use right of Sanya hotel	30,342,484.00			30,342,484.00
Sanya villa land	1,839,022.44			1,839,022.44
Wuhan club land	1,443,725.13			1,443,725.13
Shanghai house use right	695,732.00			695,732.00
Land use right of Xuxiang hotel		1,214,322.08		1,214,322.08

Software	682,501.61	703,855.67		1,386,357.28
Others	480,000.00			480,000.00
II. Accumulative amortization	2,866,286.62	1,042,371.97		3,908,658.59
Land use right of Sanya hotel	2,286,810.58	788,449.90		3,075,260.48
Sanya villa land	142,990.92	47,663.64		190,654.56
Wuhan club land	52,807.91	20,624.64		73,432.55
Shanghai house use right	230,402.82	13,914.64		244,317.46
Land use right of Xuxiang hotel		28,685.07		28,685.07
Software	149,858.02	122,535.81		272,393.83
Others	3,416.37	20,498.27		23,914.64
III. Total impairment loss provision				
IV. Carrying amount	32,617,178.56			33,492,984.34
Land use right of Sanya hotel	28,055,673.42			27,267,223.52
Sanya villa land	1,696,031.52			1,648,367.88
Wuhan club land	1,390,917.22			1,370,292.58
Shanghai house use right	465,329.18			451,414.54
Land use right of Xuxiang hotel				1,185,637.01
Software	532,643.59			1,113,963.45
Others	476,583.63			456,085.36

Note 1. The amortization of this year was 1,042,371.97 Yuan.

2. The building for mortgage loan was explained "Note V.18" .

15. Long-term prepayments

Items	1 Jan 2010	Increment	Amortization	Other decrements	31 Dec 2010
Decoration	222,749.23	3,602,343.00	203,229.93		3,621,862.30
Ski rental fee		6,000,000.00	300,000.00		5,700,000.00
Technical service fee		700,000.00	46,666.67		653,333.33
Total	222,749.23	10,302,343.00	549,896.60		9,975,195.63

16. Deferred income tax asset and deferred income tax liability

(1) Identified deferred income tax liability

Items	31 Dec 2010	1 Jan 2010
Deferred income tax liability :		
Changes on the fair value of available for sales financial assets credited to capital reserves	73,233,125.00	134,413,125.00
Difference between fair value and the book value of net assets of purchased unit as business combination	1,052,013.80	

Items	31 Dec 2010	1 Jan 2010
Total	74,285,138.80	134,413,125.00

(2) Unrecognized deferred income tax asset

Items	31 Dec 2010	1 Jan 2010
Deductible temporary differences	129,810,082.22	171,374,151.29
Total	129,810,082.22	171,374,151.29

17. Assets impairment provision

Items	1 Jan 2010	Increment	Decrement			31 Dec 2010
			Transfer back	Write off	Other Decrement	
Bad debt provision	51,515,099.77	4,891,424.44			733,139.95	55,673,384.26
Inventories impairment provision	64,297,366.56		7,200,000.00	34,486,535.83		22,610,830.73
long-term equity investment impairment provision	35,415,737.39					35,415,737.39
Investment property impairment provision	2,979,083.88					2,979,083.88
Fixed assets impairment provision	12,111,469.32			4,612,173.40		7,499,295.92
Total	166,318,756.92	4,891,424.44	7,200,000.00	39,098,709.23	733,139.95	124,178,332.18

Note: The amount of 733,139.95 Yuan of other decrement was incurred because Sanya Wanjia Enterprises Holding Co., Ltd. was not in the scope of consolidation.

18. Assets with restricted ownership

Items	Assets name	Amount	Remark
1.Fixed assets			
Buildings and structures	Main Building of Days Hotel & Suites Sanya Resort	179,127,402.35	It has been mortgaged to the Bank of China Hainan Yeshumeng branch for loan 110 million Yuan (Contract No.G004-1).
Buildings and structures	Hotel Villa A, B & C	7,275,235.79	It has been mortgaged to the Bank of China Hainan Yeshumeng branch for loan 110 million Yuan (Contract No.G004-1).
2.Intangible assets			
Land use rights	Main Building of Days Hotel & Suites Sanya Resort	27,267,223.52	It has been mortgaged to the Bank of China Hainan Yeshumeng branch for loan 110 million Yuan (Contract No.G004-2).
Land use rights	Hotel Villa A, B & C	1,648,367.88	It has been mortgaged to the Bank of China Hainan Yeshumeng branch for loan 110 million Yuan (Contract No.G004-2).
3. Pledged assets			
Available for sales financial assets	3.325 millions Shares of Southwest Security	386,697,500.00	It has been mortgaged to Jilin Province Trust Co., Ltd. for the loan of 260 million Yuan (Contract No. JLXT2009A018).
Total		597,185,011.87	

Note: Assets with restricted ownership are mainly used for guarantee of bank loans.

19. Short-term loans

Category	31 Dec 2010	1 Jan 2010
Guaranteed loans		260,000,000.00

Pledge loans		16,000,000.00
Total		276,000,000.00

20. Accounts payable

Ages	Dec 31, 2010		Jan 1, 2010	
	Ending Balance	Percentage (%)	Opening Balance	Percentage (%)
Within 1 year	28,663,036.89	76.25	57,196,672.38	80.79
1 to 2 years	1,765,033.41	4.70	1,864,604.39	2.63
2 to 3 years	1,078,078.90	2.87	4,842,718.17	6.85
3 years and more	6,082,666.27	16.18	6,889,366.70	9.73
Total	37,588,815.47	100.00	70,793,361.64	100.00

Note 1. The end of this reporting period did not contain debt owned by any major shareholders who own more than 5% of the Company ' s share capital .

21. Accounts received in advance

Ages	Dec 31, 2010		Jan 1, 2010	
	Ending Balance	Percentage (%)	Opening Balance	Percentage (%)
Within 1 year	38,964,535.66	99.57	220,582,372.38	71.87
1 to 2 years	169,612.19	0.43	86,349,791.40	28.13
Total	39,134,147.85	100.00	306,932,163.78	100.00

Note 1. The end of this reporting period did not contain debt owned by any major shareholders who own more than 5% of the Company ' s share capital .

22. Accrued payroll

Items	Jan 1, 2010	Increment	Decrement	31 Dec 2010
I. Salary, bonus, allowance	2,015,140.89	49,337,312.55	49,465,064.67	1,887,388.77
II. Employee Welfare expenses		3,978,205.75	3,978,205.75	
III. Social insurance		6,666,839.14	6,666,839.14	
Where:1)Medical insurance		1,708,265.30	1,708,265.30	
2) Endowment insurance		4,480,532.60	4,480,532.60	
3) annuity		1,120.00	1,120.00	
4) Unemployment insurance		284,349.50	284,349.50	
5) Working accident insurance		108,294.85	108,294.85	
6) Maternity insurance		84,276.89	84,276.89	
IV. Housing accumulation fund		718,532.52	718,532.52	
V. Labor union fees& Employee education fees	3,040,253.48	1,516,201.99	812,094.20	3,744,361.27
VI. Non-monetary welfares				
VII. Compensation for dismissal				

Items	Jan 1, 2010	Increment	Decrement	31 Dec 2010
Total	5,055,394.37	62,217,091.95	61,640,736.28	5,631,750.04

Note: There is no accrued payroll without paid on time or linking with work efficiency.

23. Taxes payable

Items	31 Dec 2010	Jan 1, 2010
VAT	-65,250.17	-154,744.14
Individual income tax	74,437.72	86,797.33
City construction and maintenance tax	306,150.47	-647,708.95
Corporate income tax	9,629,357.45	-4,521,322.61
Property tax	541,569.17	610,026.42
Business tax	3,914,681.53	-9,798,993.83
Land use tax	79,762.62	306,731.82
Education fee	8,332.07	-404,484.23
Local education fee	-35,354.66	-145,039.08
Land value-added tax	16,157,890.06	-2,046,090.32
Others	198,396.40	-233,304.06
Total	30,809,972.66	-16,948,131.65

24. Interest payable

Item	31 Dec 2010	Jan 1, 2010
Loan interest	85,390,223.02	65,601,325.75
Total	85,390,223.02	65,601,325.75

25. Dividend payable

Investor	31 Dec 2010	Jan 1, 2010
Dividend payable of institutional shares	3,213,302.88	3,213,302.88
Total	3,213,302.88	3,213,302.88

26. Other payables

Age	Dec 31, 2010		Jan 1, 2010	
	Ending Balance	Percentage (%)	Opening Balance	Percentage (%)
Within 1 year	63,750,161.16	19.36	206,498,548.48	62.05
1 to 2 years	167,828,134.16	50.96	22,886,639.41	6.88
2 to 3 years	12,889,507.69	3.91	68,036,965.19	20.45
3 years and more	84,848,423.88	25.77	35,356,738.57	10.62
Total	329,316,226.89	100.00	332,778,891.65	100.00

Note 1: The end of this year did not contain debt owned by any major shareholders who own more than 5% of the Company ' s

share capital. Details refer to “Notes VI. Related party relationship and transactions”.

2: Other payables over 3 years are mainly caused by the loan from the shareholders. Details refer to “Notes VI. Related party relationship and transactions”.

27. Long-term borrowings

(1) Long-term borrowings listed by categories

Category	31 Dec 2010	1 Jan 2010
Pledge loans	220,000,000.00	
Mortgage loans	105,000,000.00	110,000,000.00
Total	325,000,000.00	110,000,000.00

28. Share capital

Unit: share

Items	1 Jan 2010	Increment or decrement (+,-)					31 Dec 2010
		issued new shares	Bonus issue	Surplus converted	others	subtotal	
1. Unlisted shares	3,924,131.00				-2,599,000	-2,599,000	1,325,131.00
State owned shares							
Other domestic shares	3,924,131.00				-2,599,000	-2,599,000	1,325,131.00
Including: Domestic corporate shares	3,898,500.00				-2,599,000	-2,599,000	1,299,500.00
Domestic natural person shares	25,631.00						25,631.00
2. Listed shares	422,821,273.00				2,599,000	2,599,000	425,420,273.00
A shares	357,846,273.00				2,599,000	2,599,000	360,445,273.00
B shares	64,975,000.00						64,975,000.00
3. Total shares	426,745,404.00						426,745,404.00

29. Capital surplus

Items	1 Jan 2010	Increment	Decrement	31 Dec 2010
Capital reserve spill price	224,960,139.16			224,960,139.16
Others capital surplus	563,844,016.81			
Including: Old capital surplus converted into	109,300,017.82			109,300,017.82
Changes on fair value of available for sales financial assets	588,957,123.99		244,720,000.00	344,237,123.99
Income tax effects	-134,413,125.00		-61,180,000.00	-73,233,125.00
Total	788,804,155.97		183,540,000.00	605,264,155.97

30. Surplus reserves

Items	31 Dec 2010	1 Jan 2010
statutory surplus reserve	76,542,657.95	76,542,657.95
General surplus reserve	37,634,827.93	37,634,827.93
Total	114,177,485.88	114,177,485.88

31. Undistributed profits

Items	Amounts	allocation proportion
Non-adjusted ending balance of the year 2008	-676,622,621.58	
Adjusted opening balance of the year 2009	-676,622,621.58	
Add: Net profit attributed to the owners of the parent company	27,730,981.17	
Less : Statutory surplus reserve		
Random surplus reserve		
Common risk provision		
Dividend payable of Ordinary shares		
Share capital converted from dividend of ordinary shares		
Ending balance of the year 2009	-648,891,640.41	

32. Operating income and operating costs

(1) Operating income

Items	Year 2010	Year 2009
Main operating business income	684,683,291.05	283,076,177.30
Other operating business income	1,382,633.40	2,029,798.20
Total	686,065,924.45	285,105,975.50

(2) Operating costs

Items	Year 2010	Year 2009
Main operating business costs	454,365,771.06	215,369,642.01
Other operating business costs	989,811.40	966,589.49
Total	455,355,582.46	216,336,231.50

(3) The details of main operating businesses were as follows according to products:

Items	Year 2010		Year 2009	
	Main operating business income	Main operating business costs	Main operating business income	Main operating business costs
Real estate sales	572,912,265.25	369,833,452.67	183,489,886.00	136,669,719.79
Property management services	75,847,640.73	66,732,060.39	71,092,372.06	62,288,954.09
Tourist hotel services	35,923,385.07	17,800,258.00	28,493,919.24	16,410,968.13

(4) The details of main operating businesses were as follows according to regions:

Location	Year 2010		Year 2009	
	Main operating business income	Main operating business costs	Main operating business income	Main operating business costs
Hainan	191,329,286.32	125,691,575.55	99,268,829.28	78,325,003.92
Hubei	491,039,157.80	327,673,969.33	181,465,636.02	137,044,638.09
Shanghai			2,341,712.00	
Mudanjiang	2,314,846.93	1,000,226.18		

33. Operating taxes and extras

Items	Year 2010	Year 2009
City construction and maintenance tax	2,380,250.86	963,643.45
Education fee	1,048,514.50	438,712.12
Business tax	34,748,377.75	14,276,704.37
Land value-added tax	40,742,881.12	1,376,576.57
Others	1,395,935.72	547,832.79
Total	80,315,959.95	17,603,469.30

34. Investment income

Items	Year 2010	Year 2009
Long-term equity investment income accounted by Costs Method		
Long-term equity investment income accounted by Equity Method	-377,245.26	-4,526.83
Investment income of disposal Long-term equity investment		131,129,924.21
Others	1,644,809.33	
Total	1,267,564.07	131,125,397.38

35. Impairment Loss of Assets

Items	Year 2010	Year 2009
Bad debts impairment loss	4,891,424.44	-3,354,590.91
Inventories impairment loss	-7,200,000.00	
Total	-2,308,575.56	-3,354,590.91

36. Non-operating income

(1) Details of non-operating income

Items	Year 2010	Year 2009
Gain on disposal of non-current assets	1,723,418.72	67,227.08
Gains on debt restructure		103,580.08
Others	165,654.62	6,474.79

Items	Year 2010	Year 2009
Total	1,889,073.34	177,281.95

37. Non-operating expenses

Items	Year 2010	Year 2009
Loss on disposal of fixed assets	48,055.21	39,203.71
Donation	20,000.00	
Penalty payout	119,384.31	163,532.03
Indemnity for breaking a contract		50,000.00
Others	115,341.96	13,667.78
Total	302,781.48	266,403.52

38. Income tax

Items	Year 2010	Year 2009
Income tax this year	22,993,192.99	256,024.52
Deferred income tax	-23,814.14	
Total	22,969,378.85	256,024.52

39. Information of cash flow statement

(1) Cash received relating to other operating activities

Items	Year 2010	Year 2009
Project refunds received from Yanhai Yi Lu	36,000,000.00	
Water fitting deposit received and certificate permit fees		1,453,275.07
Deposit of land		20,000,000.00
Funds received for exchanging the land of Wuhan Xudong Village	28,000,000.00	
Others	1,977,180.89	13,201,229.04
Total	65,977,180.89	34,654,504.11

(2) Cash paid relating to other operating activities

Items	Year 2010	Year 2009
Fengdu Government		5,000,000.00
Other transaction funds	23,460,467.14	3,261,566.89
Information disclosure fee	240,000.00	360,000.00
Audit consulting fees	2,690,592.00	934,592.00
Advertising expenses	4,701,833.53	6,842,244.00
Agent and lawyer fee	3,156,595.00	2,129,243.00
Travel expenses	2,568,151.76	1,043,418.62
Entertainment expenses	5,738,720.64	2,940,453.51

Items	Year 2010	Year 2009
Office expenses		503,911.06
Wanjia Hotel expenses		2,781,620.77
Rent expenses		61,200.00
Vehicle expenses	1,240,505.34	358,259.00
Other management fees	8,549,020.72	1,287,914.66
Total	52,345,886.13	27,504,423.51

(3)Cash paid relating to other investing activities

Items	Year 2010	Year 2009
Expenses for financing activities	10,340,756.08	
Total	10,340,756.08	

(4) Cash paid relating to other investing activities

Items	Year 2010	Year 2009
Ending balance of cash of year end 2009 of Sanya Wanjia Property Holding Co., Ltd.	15,401,893.30	
Total	15,401,893.30	

(5)Cash paid relating to other financing activities

Items	Year 2010	Year 2009
Financing expenses		10,501,795.00
Total		10,501,795.00

40.Supplementary information of cash flow statement

(1) Supplementary information

Items	Year 2010	Year 2009
1 . Reconciliation of net profit to cash flows from operating activities:		
Net profit	36,180,218.13	80,926,089.27
Add: Provision for assets impairment	-2,308,575.56	-3,354,590.91
Depreciation of fixed assets, production biological assets, petroleum and natural gas	21,905,714.48	19,612,725.77
Amortization of intangible assets	1,042,371.97	932,766.99
Amortization of long-term prepayments	549,896.60	23,430.07
Losses on disposal of fixed assets, intangible assets and other long-term assets	-1,686,369.61	-131,610.14
Losses on scrapping of fixed assets	11,006.10	
Losses on fair value change	-	
Financial expenses	23,367,871.85	40,058,320.22
Investment losses	-1,267,564.07	-131,125,397.38

Items	Year 2010	Year 2009
Decrease in deferred income tax assets	-	
Increase in deferred income tax liabilities	-23,814.14	
Decrease in inventories	385,056,753.10	-77,751,227.38
Decrease in operating receivables	-44,906,187.27	-201,092,967.37
Increase in operating payables	-276,202,222.92	414,947,452.52
Others	-151,565.71	
Net cash flows from operating activities	141,567,532.95	143,044,991.66
2 . Significant investing and financing activities that non-cash receipts and payments	-	
Conversion of debt into capital	-	
Convertible bonds to be expired within one year	-	
Fixed assets under finance lease	-	
3 . Net increase in cash and cash equivalents	-	
Cash at the end of the period	136,376,851.19	291,787,132.78
Less: Cash at the beginning of the period	291,787,132.78	36,655,536.17
Add: Cash equivalents at the end of the period	-	
Less: Cash equivalents at the beginning of the period	-	
Net increase in cash and cash equivalents	-155,410,281.59	255,131,596.61

(2) Cash and cash equivalents

Items	Year 2010	Year 2009
1. Cash	136,376,851.19	291,787,132.78
Including: Cash on hand	489,550.91	318,158.18
Bank deposit paid at any time	135,877,954.53	291,454,577.87
Other monetary funds paid at any time	9,345.75	14,396.73
2. cash equivalents		
3. Cash and cash equivalents at the end of year	136,376,851.19	291,787,132.78

VI. Related party relationship and transactions

(1) Parent company and ultimate controller:

Name	Registered address	Organization code	Principal operating	Relationship with the Company	Registered capital	Holding proportion	Voting rights proportion
Beijing Wangfa Real Estate Development Holdings Co., Ltd	Beijing	60003715-7	Real estate development and operation	The first largest shareholder	280 million Yuan	26.36%	26.36%
Beijing Xinxing Real Estate Development Company	Beijing	10113538-5	Real estate development and operation	Controller of the first largest shareholder	10 million Yuan		

(2) Information about subsidiaries

Details refer to “Note IV. 1. Subsidiaries established by the Company” .

(3) Information about joint venture and affiliate of the Company

Name	Organization code	Registered address	Principal operating	Registered capital	Holding proportion	Voting rights proportion
Shanghai Bright Pearl at Sea Property Management Company	60732602-3	Shanghai	Property management service	1,660,000	50%	50%
Beijing Yangguang Tiancheng Property Management Co., Ltd.	77954738-3	Beijing	Property management service	5,000,000	30%	30%
Sanya Wanjia Enterprises Holding Co., Ltd.	74775822-3	Sanya	Cultural and sports services	100,000,000.00	40%	40%

(4) Other related parties

Name	Relationship with the Company	Organization code
Beijing Yulong Jisheng Real Estate Development Co., Ltd.	With same controller	72266773-9
Beijing Aipuzhi Intellectual Property Management Consulting Co., Ltd.	With same controller	681232201
Mudanjiang Wanjia Hotel Management Co., Ltd.	With same controller	692634425

4. Balances of related party receivable and payable

Items	Company Name	Dec 31, 2009	Jan 1, 2009
Others receivable:	Mudanjiang Wanjia Hotel Management Co., Ltd.	89,282.40	89,282.40
	Sanya Wanjia Enterprises Holding Co., Ltd.		35,717,478.00
Others payable:	Beijing Wangfa Real Estate Development Holdings Co., Ltd.	81,725,000.00	81,725,000.00
	Beijing Xinxing Real Estate Development Company	152,540,447.00	152,540,447.00
	Sanya Wanjia Enterprises Holding Co., Ltd.	1,656,997.47	
	Beijing Yulong Jisheng Real Estate Development Co., Ltd.	1,500,000.00	1,500,000.00
	Mudanjiang Wanjia Hotel Management Co., Ltd.	262,327.40	327.40
	Beijing Aipuzhi Intellectual Property Management Consulting Co., Ltd.	8,875,730.67	
Interest payable:	Beijing Wangfa Real Estate Development Holdings Co., Ltd.	24,196,160.88	19,934,761.8
	Beijing Xinxing Real Estate Development Company	42,995,971.20	40,114,903.69

VII. Contingent events

1. Mortgage Loan

The company's fixed assets in real estate Sanya Wan Jia Daisi hotel main building and hotel Sanya Wan Jia Daisi A Building B Building C villas property, the book value of 216,154,343.08 dollars to assess the value of 44,099.52 million mortgaged to the Bank of China Co., Ltd. Haikou palm door Branch made 110 million Yuan loan, the repayment period from 2010 to 2019 Year divided for 10 repayments.

The Company held 3,325 shares of Restricted Shares of Southwest Securities (stock code: SH.600369) pledge to the Jilin Province Trust Co., Ltd., to obtain loans for 220 million Yuan trust, trust loan term of 18 months.

VIII. Commitments

Not applicable.

IX. Non-adjusting events after the balance sheet date

(1) On January. 3, 2011, the company signed the agreement with Public Investment Co., Ltd. in Dongcheng District, Beijing. They would contributed to invest the lumber railway line construction project and coal wholesale market construction projects, as the company would invest not more than 60 million Yuan.

(2) On January 28, 2011, the company had signed the agreement layout with Zhengzhou Xin Li Yuan Business Information Services Co., Ltd. for the equity transaction of 40% equity of Beijing Xin Yao Golden Gas Station. The preliminary purchase price was 50 million Yuan which was agreed by two parties.

X. Other important events

Not applicable.

XI. Notes to significant items of the parent company ' s financial statements

1. Accounts receivable

(1) Detailed information

Items	31 Dec 2010				1 Jan 2010			
	Balance	Proportion (%)	Bad debts	Bad debt ratio (%)	Balance	Proportion (%)	Bad debts	Bad debt ratio (%)
4. Individual with significant amount	7,761,707.60	69.30	7,761,707.60	100.00	7,761,707.60	69.29	7,761,707.60	100.00
5. Bad debt accounted by the combinations								
Age Combinations	1,540,067.42	13.75	500,151.31	32.48	1,541,456.83	13.76	526,702.22	34.17
Combined Subtotal	1,540,067.42	13.75	500,151.31	32.48	1,541,456.83	13.76	526,702.22	34.17
6. Other unimportant receivables	1,898,690.60	16.95	1,898,690.60	100.00	1,898,690.60	16.95	1,898,690.60	100.00
Total	11,200,465.62	100.00	10,160,549.51	90.72	11,201,855.03	100.00	10,187,100.42	90.94

(2) Age analysis

Age	December 31, 2010		January 1, 2010	
	Amounts	Bad Debts Provision	Amounts	Bad Debts Provision
Within 1 year	267,880.00	5,357.60	189,940.00	3,798.80

Age	December 31, 2010		January 1, 2010	
	Amounts	Bad Debts Provision	Amounts	Bad Debts Provision
1 to 2 years	106,000.00	5,300.00	101,500.00	5,075.00
2 to 3 years	101,500.00	10,150.00	19,200.00	1,920.00
3 to 4 year			265,000.00	53,000.00
4 to 5 years	265,000.00	79,500.00	100,000.00	30,000.00
5 years and more	799,687.42	399,843.71	865,816.83	432,908.42
Total	1,540,067.42	500,151.31	1,541,456.83	526,702.22

2. Other receivables

(1) Detailed information

Items	31 Dec 2010				1 Jan 2010			
	Balance	Proportion (%)	Bad debts	Bad debt ratio (%)	Balance	Proportion (%)	Bad debts	Bad debt ratio (%)
1. Individual with significant amount	55,482,525.99	16.47	14,982,000.57	27.00	55,482,525.99	21.07	14,982,000.57	27.00
2. Bad debt accounted by the combinations								
Age Combinations	257,909,916.40	76.55	8,940,478.35	3.47	184,363,812.95	70.01	5,170,344.88	2.80
Combined Subtotal	257,909,916.40	76.55	8,940,478.35	3.47	184,363,812.95	70.01	5,170,344.88	2.80
3. Other unimportant receivables	23,503,529.06	6.98	23,503,529.06	100.00	23,503,529.06	8.92	23,503,529.06	100.00
Total	336,895,971.45	100.00	47,426,007.98	14.08	263,349,868.00	100.00	43,655,874.51	16.58

(2) Aging analysis

Age	December 31, 2010			January 1, 2010		
	Amounts		Bad Debt Provision	Amounts		Bad Debt Provision
	Amounts	Ratio (%)		Amounts	Ratio (%)	
Within 1 year	178,696,427.40	69.28	3,573,928.55	181,121,323.95	98.24	3,622,426.48
1 to 2 years	76,000,000.00	29.47	3,800,000.00	17,970.00	0.01	898.50
2 to 3 years				11,679.00	0.01	1,167.90
3 to 4 year	649.00	0.00	129.80	200,000.00	0.11	40,000.00
4 to 5 years	200,000.00	0.08	60,000.00	2,840.00	0.00	852.00
5 years and more	3,012,840.00	1.17	1,506,420.00	3,010,000.00	1.63	1,505,000.00
Total	257,909,916.40	100.00	8,940,478.35	184,363,812.95	100.00	5,170,344.88

3. Long-term equity investment

Name	Accounting Method	Initial investment Cost	Beginning Balance	Increase or decrease	Ending Balance	Percentage of equity interest (%)	Percentage of vote right (%)	Impairment provision loss
Hainan Pearl River Property & Hotel Management Co., Ltd.	Cost Method	4,900,000.00	4,900,000.00		4,900,000.00	98	98	
Sanya Wanja Hotel Management Co., Ltd.	Equity Method	108,000,000.00	120,000,000.00		120,000,000.00	100	100	
Sanya Wanja Enterprises Holding Co., Ltd.	Cost Method	20,000,000.00	20,000,000.00	18,462,699.40	38,462,699.40	40	40	

Name	Accounting Method	Initial Investment Cost	Beginning Balance	Increase or decrease	Ending Balance	Percentage of equity interest (%)	Percentage of vote right (%)	Impairment provision loss
Hubei Pearl River Real Estate Development Co., Ltd.	Cost Method	57,200,000.00	57,200,000.00		57,200,000.00	88	88	
Hainan Pearl River Enterprises Holding Co., Ltd. Shanghai Real Estate Co.	Cost Method	40,000,000.00	40,000,000.00		40,000,000.00	100	100	40,000,000.00
Beijing Jubo Culture Development Co., Ltd.	Cost Method	5,000,000.00	5,000,000.00		5,000,000.00	100	100	
Mudanjiang Pearl River Hotel Management Co., Ltd.	Cost Method	20,000,000.00	20,000,000.00	40,000,000.00	60,000,000.00	100	100	
Guangzhou Pearl River Investment Management Co., Ltd.	Cost Method	18,177,240.29	18,177,240.29		18,177,240.29	9.4785	9.4785	7,352,245.39
Network Science and Technology Investment Co.	Cost Method	10,000,000.00	10,000,000.00		10,000,000.00	10	10	10,000,000.00
China (Hainan) Reform and Development Institute	Cost Method	8,640,000.00	8,640,000.00		8,640,000.00			8,640,000.00
Hainan Tongsheng Ports Co.	Cost Method	6,000,000.00	6,000,000.00		6,000,000.00	15	15	6,000,000.00
Hainan Nanyang Shipping Industrial Company Limited	Cost Method	1,680,000.00	1,680,000.00		1,680,000.00			1,680,000.00
Nan Li Lake membership card	Cost Method	662,400.00	662,400.00		662,400.00			662,400.00
Hainan Pearl River Guanzhuang Co., Ltd.	Cost Method	618,500.00	426,315.00		426,315.00	1.33	1.33	
Hainan Chamber of Commerce	Cost Method	500,000.00	500,000.00		500,000.00	6.67	6.67	500,000.00
Hainan Huadi Pearl River Foundation Engineering Co., Ltd.	Cost Method	160,000.00	160,000.00		160,000.00	2	2	
Total		301,538,140.29	313,345,955.29	58,462,699.4	371,808,654.69			74,834,645.39

4. Operating income and operating costs

(1) Operating income

Items	Year 2010	Year 2009
Main operating business income	81,780,389.00	
Other operating business income	435,420.90	943,895.00
Total	82,215,809.90	943,895.00

(2) Operating costs

Items	Year 2010	Year 2009
Main operating business costs	42,124,483.34	
Other operating business costs	73,057.24	67,975.33
Total	42,197,540.58	67,975.33

(3) The details of main operating businesses were as follows according to products:

Items	Year 2010		Year 2009	
	Main operating business income	Main operating business costs	Main operating business income	Main operating business costs
Real estate sales	81,780,389.00	42,124,483.34		

(3) The details of main operating businesses were as follows according to regions:

Location	Year 2010	Year 2009
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	Main operating business income	Main operating business costs	Main operating business income	Main operating business costs
Hainan Province	81,780,389.00	42,124,483.34		

5. Investment income

Items	Year 2010	Year 2009
Income from transferring equity investment	-440,761.04	
Income from disposal sellable financial assets		131,129,924.21
Total	-440,761.04	131,129,924.21

6. Supplementary information of cash flow statement

Items	Year 2010	Year 2009
1 . Reconciliation of net profit to cash flows from operating activities:		
Net profit	-3,799,455.43	93,038,558.57
Add: Provision for assets impairment	-3,456,417.44	-3,771,415.99
Depreciation of fixed assets, production biological assets, petroleum and natural gas	2,062,738.31	1,979,277.95
Amortization of intangible assets	47,663.64	47,663.64
Amortization of long-term prepayments	-	
Losses on disposal of fixed assets, intangible assets and other long-term assets	-1,692,742.14	31,080.00
Losses on scrapping of fixed assets	-	
Losses on fair value change	-	
Financial expenses	13,380,481.21	28,620,604.49
Investment losses	440,761.04	-131,129,924.21
Decrease in deferred income tax assets	-	
Increase in deferred income tax liabilities	-	
Decrease in inventories	71,609,553.25	-2,531,990.95
Decrease in operating receivables	-39,493,876.16	-175,296,965.16
Increase in operating payables	-20,237,753.65	151,036,463.25
Others	-	
Net cash flows from operating activities	18,860,952.63	-37,976,648.41

Items	Year 2010	Year 2009
2 . Significant investing and financing activities that non-cash receipts and payments		
Conversion of debt into capital		
Convertible bonds to be expired within one year		
Fixed assets under finance lease		
3 . Net increase in cash and cash equivalents		
Cash at the end of the period	47,697,821.48	161,760,970.47
Less: Cash at the beginning of the period	161,760,970.47	4,869,795.27
Add: Cash equivalents at the end of the period		
Less: Cash equivalents at the beginning of the period		
Net increase in cash and cash equivalents	-114,063,148.99	156,891,175.20

XII. Supplementary information

1. According to “ Information disclosure requirement No.1 for the companies issuing securities publicly – Non-recurring Profit and Loss [2008] ” issued by China Securities Regulatory Commission ([2008] No. 43), the amount of non-recurring profit and loss is as follows (profit is “ + ”, loss is “ - ”):

Items	Year 2010
Profit and loss on disposal of non-current assets	1,675,363.51
Fund occupation fee from non-financial enterprises included in the current profit and loss	19,945,435.72
Revenue generated from obtaining subsidiaries, associates and joint venture investment as the investment cost less than the fair value of identifiable net assets	151,565.71
Others non-operating income and expenses excluded as above	-240,637.36
Other non-operating income and costs	1,644,809.33
Income tax impact	-142,206.68
Equity impacts of minority interests	-55,605.87
Total	22,978,724.36

2. Earnings per share

Profit of this year	Earnings per share			
	Basic earnings per share		Diluted earnings per share	
	2010	2009	2010	2009
Net profit attributable to common shareholders	0.06	0.19	0.06	0.19
Net profit excluding non-recurring Profit and Loss attributable to common shareholders	0.01	-0.13	0.01	-0.13

XIII. Approval of the financial statements

The financial statements have been approved by the board of directors of the Company in April 1, 2010.

Based on the Articles of Association, the financial statements would be submitted to General Conference of Shareholders.

Hainan Pearl River Holding Company Limited
April 1, 2010

9.3 Detailed explanation on the changes in the accounting policies, estimates or methods compared with the previous annual report

Applicable Non-applicable

9.4 Contents of material accounting errors, amounts changed, reasons and influences

Applicable Non-applicable

9.5 Detailed explanation on changes in the consolidation scope when compared with the previous annual report

Applicable Non-applicable

1. The Company consolidated Hailin Wanjia Snow Town Resort Hotel Co., Ltd.—a wholly-owned subsidiary under the Company's wholly-owned subsidiary Mudanjiang Pearl River Hotel Management Co., Ltd. for the reporting period.

2. The Company's wholly-owned subsidiary Sanya Wanjia Industrial Co., Ltd. made a resolution at one of its shareholders' general meetings to increase capital and expand shares. As a result, the Company now holds 40% of its equity interests. (The said event was disclosed in China Securities Journal with the Announcement No.2010-005 on 10 Apr. 2010.) After Sanya Wanjia Industrial Co., Ltd. changed its registered capital, it was no longer controlled by the Company and it was therefore de-consolidated by the Company for the reporting year.

Legal Representative: Zheng Qing
HaiNan Pearl River Holdings Co., Ltd.
6 April 2011

