

HAINAN PEARL RIVER HOLDINGS CO., LTD. THE FIRST QUARTERLY REPORT 2011

§1. Important Notice

1.1 The Board of Directors, the Supervisory Committee, directors, supervisors and senior executives of Hainan Pearl River Holdings Co., Ltd. (hereinafter referred to as “the Company”) hereby guarantee that this report carries no false information, misleading statements or major omissions, and will accept, individually and collectively, the responsibility for factuality, accuracy and completeness of the information set forth herein.

1.2 The Financial Report of this first quarterly report has not been audited by a CPA firm.

1.3 Mr. Zheng Qing (Chairman of the Board and GM of the Company), Mr. Chen Binglian (Standing Vice GM and Financial Principal of the Company) and Mr. Yang Daoliang (Vice GM and Manager of the Financial Department) hereby confirm that the Financial Report enclosed in this quarterly report is factual and complete.

§ 2. Company Profile

2.1 Main accounting data and financial indicators

Unit: (RMB) Yuan

	31 Mar. 2011	31 Dec. 2010	Increase/decrease (%)
Total assets (Yuan)	1,438,474,349.65	1,448,885,550.24	-0.72
Owners' equity attributable to shareholders of the Company (Yuan)	506,426,244.53	497,295,405.44	1.84
Share capital (share)	426,745,404.00	426,745,404.00	0.00
Net assets per share attributable to shareholders of the Company (Yuan/share)	1.19	1.17	1.71
	Jan. -Mar. 2011	Jan. -Mar. 2010	Increase/decrease (%)
Gross revenue (Yuan)	83,788,041.95	192,179,933.98	-56.40
Net profit attributable to shareholders of the Company (Yuan)	3,145,839.09	-204,728.92	1,636.59
Net cash flows from operating activities (Yuan)	653,979.49	33,253,503.48	-98.03
Net cash flows per share from operating activities (Yuan/share)	0.00	0.08	-98.03
Basic EPS (Yuan/share)	0.01	0.00	
Diluted EPS (Yuan/share)	0.01	0.00	
Weighted average ROE (%)	0.63	-0.03	Up by 0.66%
Weighted average ROE after deducting non-recurring gains and losses (%)	-2.55	-0.81	Down by 1.74%
Items of non-recurring gains and losses		Amount from year-begin to period-end	
Gains and losses from disposal of non-current assets, including offset amount of asset impairment reserves already withdrawn		-15,200.52	
Capital occupation fees received from non-financial enterprises recorded into current gains and losses		15,717,208.86	
Other non-business incomes and expenses except for items above		388,059.18	
Effect on income tax		-173,229.17	
Effect on minority interests		-70,311.88	
Total		15,846,526.47	

2.2 Total number of shareholders at period-end and shareholding of top ten shareholders holding shares not subject to trading moratorium

Unit: Share

Total number of shareholders at the end of the reporting period	47,094	
Shares held by the top ten shareholders not subject to trading moratorium		
Full name of shareholder	Shares not subject to trading moratorium held at the period-end	Type of share
Beijing Wanfa Real Estate Development Co., Ltd.	112,479,478	RMB ordinary shares
Beijing Guorong Future Investment Limited	5,237,068	RMB ordinary shares
Wu Fengming	3,784,172	RMB ordinary shares
Chen Yunxuan	2,489,002	RMB ordinary shares
Li Lin	2,300,000	RMB ordinary shares
Qu Chen	2,166,322	Domestically listed foreign shares
Zhang Xiaoxia	1,949,250	Domestically listed foreign shares
Wang Shuai	1,620,000	RMB ordinary shares
Guangzhou Pearl River Industrial Development Co., Ltd.	1,150,000	RMB ordinary shares
Li Bin	873,420	RMB ordinary shares

§3. Significant Events

3.1 Major changes in main accounting statement items and financial indicators, as well as reasons for such changes

√Applicable ?Inapplicable

Items	31 Mar. 2011	31 Dec. 2010	Increase/decrease (%)	Main reasons for increase/decrease
Monetary funds	95,187,454	136,376,851	-30.20	Decrease of real estate sales income, etc.
Taxes and fares payable	17,246,256	30,809,973	44.02	Tax and fare payment due to the Wuhan second phase project
Non-current liabilities due within one year	220,000,000	0		The borrowing from Chongqing International Trust Co., Ltd. was to be due within one year.
Long-term borrowings	105,000,000	325,000,000	-67.69	The borrowing from Chongqing International Trust Co., Ltd. was to be due within one year.
Items	Jan.-Mar. 2011	Jan.-Mar. 2010	Increase/decrease (%)	Main reasons for increase/decrease
Operating revenue	83,788,042	192,179,934	-56.40	Available-for-sale real estate of the Wuhan project decreased and sales income decreased accordingly.
Administrative expense	20,272,899	14,409,353	40.69	A wider consolidation scope for the reporting period
Financial expense	-1,668,089	7,737,855	-121.56	Increase of interest income from debt investments
Asset impairment loss	54,520	-3,782,347	101.44	Part of the original impairment provision for the Yanjiang First Road was reversed in the same period of last year.
Other comprehensive income	5,985,000	-64,688,941	109.25	Fair value changes of equity interests held by the Company in Southwest Securities
Net cash flows from operating activities	653,979	33,253,503	-98.03	Decrease of real estate sales income, etc.
Net cash flows from investing activities	-32,302,791	-121,005,633	73.30	Principals of some debt investments were returned with interest.
Net cash flows from financing activities	-9,540,585	-48,550,264	80.35	Decrease of cash paid for debt repayment, etc.

3.2 Progress of significant events as well as their influence and solutions

3.2.1 Non-standard audit opinion

?Applicable √Inapplicable

3.2.2 The Company provides funds for the controlling shareholder or its related parties or provides external guarantees in violation of the prescribed procedure

?Applicable √Inapplicable

3.2.3 Significant contracts signed and executed concerning routine operation

?Applicable √Inapplicable

3.2.4 Other

?Applicable vInapplicable

3.3 Commitments made by the Company, its shareholders and actual controller

?Applicable vInapplicable

3.4 Warnings of possible loss or large-margin change of the accumulated net profit made during the period from the beginning of the year to the end of the next report period compared with the same period of the last year according to prediction, as well as explanations on the reasons

?Applicable vInapplicable

3.5 Other significant events

3.5.1 Securities investment

?Applicable vInapplicable

3.5.2 Researches, interviews and visits received in report period.

No field researches, phone calls or written inquiries were received from investors in the report period.

3.6 Investments in financial derivative products

?Applicable vInapplicable

3.6.1 Positions of financial derivative products held at period-end

?Applicable vInapplicable

HaiNan Pearl River Holdings Co., Ltd.

Chairman of the Board of Directors: Zheng Qing

29 Apr. 2011

Balance Sheet

31 Mar. 2011

Prepared by HaiNan Pearl River Holdings Co., Ltd.

Unit: RMB Yuan

Items	Closing balance		Opening balance	
	Consolidation	The Company	Consolidation	The Company
Current Assets:				
Monetary funds	95,187,454.39	22,755,655.98	136,376,851.19	47,697,821.48
Settlement reserves				
Lendings to banks and other financial institutions				
Transactional financial assets				
Notes receivable				
Accounts receivable	5,978,418.82	941,024.31	3,627,245.66	1,039,916.11
Accounts paid in advance	58,690,918.67	50,000,000.00	53,898,082.24	50,070,000.00
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	295,512,040.71	326,827,059.86	258,266,331.45	289,469,963.47
Financial assets purchased under agreements to resell				
Inventories	134,355,213.73	12,782,893.61	154,866,011.08	12,782,893.61
Non-current assets due within 1 year				
Other current assets				
Total current assets	589,984,061.32	413,566,648.76	607,294,536.62	401,320,609.67
Non-current assets:				
Loans and advances granted				
Available-for-sale financial assets	394,677,500.00	394,677,500.00	386,697,500.00	386,697,500.00
Held-to-maturity investments				
Long-term accounts receivable				
Long-term equity investment	56,775,639.59	302,074,009.30	51,675,639.59	296,974,009.30
Investing property	19,677,788.04		19,898,962.92	
Fixed assets	328,972,974.35	20,768,614.86	334,512,524.54	21,376,736.10
Construction in progress	4,982,000.00		4,732,000.00	
Engineering materials	606,206.60		606,206.60	
Disposal of fixed assets				
Production biological assets				
Oil-gas assets				
Intangible assets	33,233,517.08	1,636,451.97	33,492,984.34	1,648,367.88
R&D expense				
Goodwill				
Long-term deferred expenses	9,564,662.67		9,975,195.63	
Deferred income tax assets				
Other non-current assets				
Total of non-current assets	848,490,288.33	719,156,576.13	841,591,013.62	706,696,613.28
Total assets	1,438,474,349.65	1,132,723,224.89	1,448,885,550.24	1,108,017,222.95

Legal Representative: Zheng Qing; CFO: Chen Binglian; Accounting Manager: Yang Daoliang

Balance Sheet (Continued)

31 Mar. 2011

Prepared by HaiNan Pearl River Holdings Co., Ltd.

Unit: RMB Yuan

Items	Closing balance		Opening balance	
	Consolidation	The Company	Consolidation	The Company
Current liabilities:				
Short-term borrowings				
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	30,539,722.67	2,482,949.70	37,588,815.47	3,782,949.70
Accounts received in advance	37,150,896.30	237,600.00	39,134,147.85	
Financial assets sold for repurchase				
Handling charges and commissions payable				
Employee's compensation payable	4,502,718.48	200,095.43	5,631,750.04	492,944.38
Tax payable	17,246,255.84	-2,487,780.16	30,809,972.66	-2,851,226.09
Interest payable	81,640,210.59	48,101,960.06	85,390,223.02	51,834,549.23
Dividend payable	3,213,302.88	3,213,302.88	3,213,302.88	3,213,302.88
Other accounts payable	334,216,868.12	287,592,918.87	329,316,226.89	266,835,267.94
Reinsurance premiums payable				
Insurance contract reserves				
Funds for acting trading of securities				
Funds for acting underwriting of securities				
Non-current liabilities due within 1 year	220,000,000.00	220,000,000.00		
Other current liabilities				
Total current liabilities	728,509,974.88	559,341,046.78	531,084,438.81	323,307,788.04
Non-current liabilities:				
Long-term borrowings	105,000,000.00		325,000,000.00	220,000,000.00
Bonds payable				
Long-term payables				
Specific payables				
Estimated liabilities				
Deferred income tax liabilities	76,280,138.80	75,228,125.00	74,285,138.80	73,233,125.00
Other non-current liabilities				
Total non-current liabilities	181,280,138.80	75,228,125.00	399,285,138.80	293,233,125.00
Total liabilities	909,790,113.68	634,569,171.78	930,369,577.61	616,540,913.04
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	611,249,155.97	614,265,495.51	605,264,155.97	608,280,495.51
Less: Treasury stock				
Surplus reserves	114,177,485.88	109,487,064.39	114,177,485.88	109,487,064.39
Provisions for general risks				
Retained profits	-645,745,801.32	-652,343,910.79	-648,891,640.41	-653,036,653.99
Foreign exchange difference				
Total equity attributable to owners of the Company	506,426,244.53	498,154,053.11	497,295,405.44	491,476,309.91
Minority interests	22,257,991.44		21,220,567.19	
Total owners' equity	528,684,235.97	498,154,053.11	518,515,972.63	491,476,309.91
Total liabilities and owners' equity	1,438,474,349.65	1,132,723,224.89	1,448,885,550.24	1,108,017,222.95

Legal Representative: Zheng Qing; CFO: Chen Binglian; Accounting Manager: Yang Daoliang

Income Statement

Jan.- Mar. 2011

Prepared by HaiNan Pearl River Holdings Co., Ltd.

Unit: RMB Yuan

Items	Jan.-Mar. 2011		Jan.-Mar. 2010	
	Consolidation	The Company	Consolidation	The Company
I. Total operating revenues	83,788,041.95	66,970.00	192,179,933.98	89,005.20
Including: Sales income	83,788,041.95	66,970.00	192,179,933.98	89,005.20
Interest income				
Premium income				
Handling charge and commission income				
II. Total operating cost	77,514,884.47	-638,688.20	191,241,951.06	2,286,926.83
Including: Cost of sales	47,473,716.01	13,289.25	157,540,842.50	33,189.49
Interest expenses				
Handling charges 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	9,623,362.23	10,772.66	12,706,631.35	4,895.29
Selling and distribution expenses	1,758,476.10		2,629,616.08	19,061.00
Administrative expenses	20,272,898.86	4,679,926.15	14,409,352.51	3,440,099.06
Financial expenses	-1,668,088.97	-3,776,517.17	7,737,855.12	4,196,504.90
Asset impairment loss	54,520.24	-1,566,159.09	-3,782,346.50	-5,406,822.91
Add: Gain/(loss) from change in fair value ("-" means loss)				
Gain/(loss) from investment ("-" means loss)			-145,793.72	-145,793.72
Including: share of profits in associates and joint ventures			-145,793.72	-145,793.72
Foreign exchange gains ("-" means loss)				
III. Business profit ("-" means loss)	6,273,157.48	705,658.20	792,189.20	-2,343,715.35
Add: non-operating income	430,386.00		1,710,013.72	1,710,013.72
Less: non-operating expense	57,527.34	12,915.00	44,963.64	14,023.12
Including: loss from non-current asset disposal	15,200.25	12,915.00	24,963.64	14,023.12
IV. Total profit ("-" means loss)	6,646,016.14	692,743.20	2,457,239.28	-647,724.75
Less: Income tax expense	2,462,752.80		1,970,430.01	
V. Net profit ("-" means loss)	4,183,263.34	692,743.20	486,809.27	-647,724.75
Attributable to owners of the Company	3,145,839.09		-204,728.92	
Minority shareholders' income	1,037,424.25		691,538.19	
VI. Earnings per share				
(I) basic earnings per share	0.01		0.00	
(II) diluted earnings per share	0.01		0.00	
. Other comprehensive incomes	5,985,000.00	5,985,000.00	-64,688,940.67	-67,430,289.56
. Total comprehensive incomes	10,168,263.34	6,677,743.20	-64,202,131.40	-68,078,014.31
Including: Attributable to owners of the Company	9,130,839.09		-64,893,669.59	
Attributable to minority shareholders	1,037,424.25		691,538.19	

Legal Representative: Zheng Qing;

CFO: Chen Binglian;

Accounting Manager: Yang Daoliang

Cash Flow Statement

Jan.- Mar. 2011

Prepared by HaiNan Pearl River Holdings Co., Ltd.

Unit: RMB Yuan

Items	Jan.-Mar. 2011		Jan.-Mar. 2010	
	Consolidation	The Company	Consolidation	The Company
I. Cash flows from operating activities:				
Cash received from sale of commodities and rendering of service	77,387,121.79	555,480.00	125,827,958.74	58,080.41
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 savings 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	16,327,870.68	22,784,792.47	42,902,688.17	36,165,058.20
Subtotal of cash inflows from operating activities	93,714,992.47	23,340,272.47	168,730,646.91	36,223,138.61
Cash paid for goods and services	19,468,484.74		54,007,448.14	225,927.07
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	23,225,073.68	1,394,068.58	15,327,519.92	868,429.47
Various taxes paid	27,558,243.17	567,823.07	6,584,875.54	496,485.45
Other cash payment relating to operating activities	22,809,211.39	6,317,991.03	59,557,299.83	7,545,150.00
Subtotal of cash outflows from operating activities	93,061,012.98	8,279,882.68	135,477,143.43	9,135,991.99
Net cash flows from operating activities	653,979.49	15,060,389.79	33,253,503.48	27,087,146.62
II. Cash flows from investing activities:				
Cash received from disposal of investments	82,000,000.00	82,000,000.00	5,000,000.00	5,000,000.00
Cash received from return on investments				
Net cash received from disposal of fixed assets, intangible assets and other long-term assets	6,790.00	6,000.00	3,686,573.00	3,628,173.00
Net cash received from disposal of subsidiaries or other business units				
Other cash received relating to investing activities	15,191,444.71	15,191,444.71		
Subtotal of cash inflows from investing activities	97,198,234.71	97,197,444.71	8,686,573.00	8,628,173.00
Cash paid to acquire fixed assets, intangible assets and other long-term assets	5,901,026.00	1,300,000.00	7,290,312.93	922,747.00
Cash paid for investment	118,500,000.00	116,500,000.00	107,000,000.00	107,000,000.00
Net increase of pledged loans				
Net cash paid to acquire subsidiaries and other business units	5,100,000.00	5,100,000.00		
Other cash payments relating to investing activities			15,401,893.30	
Subtotal of cash outflows from investing activities	129,501,026.00	122,900,000.00	129,692,206.23	107,922,747.00
Net cash flows from investing activities	-32,302,791.29	-25,702,555.29	-121,005,633.23	-99,294,574.00
III. Cash flows from financing activities:				
Cash received from capital contributions				
Including: Cash received from minority shareholder investments by subsidiaries				
Cash received from borrowings	7,000,000.00			
Cash received from issuance of bonds				
Other cash received relating to financing activities				
Subtotal of cash inflows from financing activities	7,000,000.00			
Repayment of borrowings	500,000.00	-	46,000,000.00	16,000,000.00
Cash paid for interest expenses and distribution of dividends or profit	16,040,585.00	14,300,000.00	2,550,264.31	-87,960.12
Including: dividends or profit paid by subsidiaries to minority shareholders				
Other cash payments relating to financing activities				
Sub-total of cash outflows from financing activities	16,540,585.00	14,300,000.00	48,550,264.31	15,912,039.88
Net cash flows from financing activities	-9,540,585.00	-14,300,000.00	-48,550,264.31	-15,912,039.88
IV. Effect of foreign exchange rate changes on cash and cash equivalents				
V. Net increase in cash and cash equivalents	-41,189,396.80	-24,942,165.50	-136,302,394.06	-88,119,467.26
Add: Cash and cash equivalents at the period-begin	136,376,851.19	47,697,821.48	291,787,132.78	161,760,970.47
VI. Cash and cash equivalents at the period-end	95,187,454.39	22,755,655.98	155,484,738.72	73,641,503.21

Legal Representative: Zheng Qing;

CF0: Chen Binglian;

Accounting Manager: Yang Daoliang