

HAINAN PEARL RIVER HOLDINGS CO., LTD.

ABSTRACT OF THE SEMI-ANNUAL REPORT 2011

§1 Important Statement

1.1 The Board of Directors, the Supervisory Committee as well as directors, supervisors and senior management staff of HaiNan Pearl River Holdings Co., Ltd. (hereinafter referred to as “the Company”) warrant that this report does not contain any false information, misleading statements or material omissions and they will assume individual and joint responsibility for the factuality, accuracy and completeness of all contents set forth herein.

The Abstract of the Semi-annual Report 2011 is excerpted from the full text of the Semi-annual Report 2011, which is published on the Internet website <http://www.cninfo.com.cn> in the mean time with the Abstract. Investors are suggested to read the full text to understand more details.

1.2 The financial report for the first half of 2011 has not been audited by a CPA firm.

1.3 Mr. Zheng Qing, company principal, Mr. Chen Binglian, head of the accounting work, and Mr. Yang Daoliang, head of the accounting department (person-in-charge of accounting) hereby declare that they guarantee the factuality and completeness of the financial report carried in the semi-annual report.

English Translation for Reference Only. Should there be any discrepancy between the two versions, the Chinese version shall prevail.

§2 Company Profile

2.1 Basic information

Stock abbr.	ST Pearl River, ST Pearl River B	
Stock code	000505, 200505	
Stock exchange	Shenzhen Stock Exchange	
	Company Secretary	Securities Affairs Representative
Name	Yu Cuihong	Yu Cuihong
Contact address	29/F, Royal Empire Building, Pearl River Plaza, Binhai Avenue, Haikou, Hainan	29/F, Royal Empire Building, Pearl River Plaza, Binhai Avenue, Haikou, Hainan
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2.2 Financial highlights

2.2.1 Major accounting data and financial indexes

Unit: RMB Yuan

	At the end of this reporting period	At the end of last year	Increase/decrease at the end of this reporting period compared with the end of last year (%)
Total assets (Yuan)	1,422,714,139.13	1,448,885,550.24	-1.81%
Owners' equity attributable to shareholders of the listed company (Yuan)	488,238,539.33	497,295,405.44	-1.82%
Share capital (share)	426,745,404.00	426,745,404.00	0.00%
Net assets per share attributable to shareholders of the listed company (Yuan/share)	1.1441	1.1653	-1.82%
	Reporting period (From Jan. to Jun. 2011)	Same period of last year	Increase/decrease year-on-year (%)
Total operating income (Yuan)	144,292,773.73	544,036,572.15	-73.48%
Operating profit (Yuan)	-8,992,867.70	69,209,013.89	-112.99%
Total profit (Yuan)	-8,630,152.22	70,805,496.99	-112.19%
Net profit attributable to shareholders of the listed company (Yuan)	-15,041,866.11	50,911,704.50	-129.55%
Net profit attributable to shareholders of the listed company after deducting non-recurring gains and losses (Yuan)	-35,013,277.56	40,581,004.88	-186.28%
Basic earnings per share (Yuan/share)	-0.04	0.12	-133.33%
Diluted earnings per share (Yuan/share)	-0.04	0.12	-133.33%
Weighted average ROE (%)	-3.05%	8.56%	-11.61%
Weighted average ROE after deducting non-recurring gains and losses (%)	-7.11%	6.82%	-13.93%
Net cash flows from operating activities (Yuan)	-27,380,569.51	142,650,825.02	-119.19%
Net cash flows per share from operating activities (Yuan/share)	-0.0642	0.3343	-119.20%

2.2.2 Items of non-recurring gains and losses

Applicable

Inapplicable

Unit: RMB Yuan

Items of non-recurring gains and losses	Amount	Note (if applicable)
Gains and losses from disposal of non-current assets	-14,410.25	
Effect on minority interests	-475,212.08	
Effect on income tax	-885,778.44	
Other non-operating incomes and expenses besides the items above	377,125.73	
Capital occupation fees paid by non-financial enterprises which are recognized into current gains/losses	20,969,686.49	

Total	19,971,411.45	-
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2.2.3 Difference between PRC GAAP and IFRS

Applicable

Inapplicable

Unit: RMB Yuan

	Net profit attributable to shareholders of the listed company		Owners' equity attributable to shareholders of the listed company	
	Amount in the reporting period	Amount in the same period of last year	Closing amount	Opening amount
According to IFRS	-15,041,866.11	50,911,704.50	486,901,539.33	495,958,405.44
According to PRC GAAP	-15,041,866.11	50,911,704.50	488,238,539.33	497,295,405.44
Sub-items adjusted according to IFRS and total:				
Adjustment of land use rights amortization	0.00	0.00	-1,337,000.00	-1,337,000.00
Total difference between PRC GAAP and IFRS	0.00	0.00	-1,337,000.00	-1,337,000.00
Explanation on difference between PRC GAAP and IFRS	Before execution of the PRC GAAP 2006, original land use rights in the item of construction in process were amortized according to the IFRS.			

§3 Changes in Share Capital and Particulars about Shareholders

3.1 Changes in shares

Applicable

Inapplicable

3.2 Shares held by the top ten shareholders and top ten shareholders holding shares not subject to trading moratorium

Unit: Share

Total number of shareholders		46,404			
Particulars about shares held by the top ten shareholders					
Name of shareholder	Nature of shareholder	Shareholding ratio (%)	Total number of shares held	Shares subject to trading moratorium held	Shares pledged or frozen
Beijing Wanfa Real Estate Development Co., Ltd.	State-owned corporation	26.36%	112,479,478	0	0
Chen Yunxuan	Domestic natural person	0.59%	2,534,502	0	0
Wu Fengming	Domestic natural person	0.55%	2,360,000	0	0
Qu Chen	Domestic natural person	0.52%	2,200,700	0	0
Qin Chengquan	Domestic natural person	0.47%	2,000,000	0	0
Zhang Xiaoxia	Domestic natural person	0.46%	1,949,250	0	0
Li Lin	Domestic natural person	0.35%	1,500,000	1,299,500	0

Nanhua Finance Co., Ltd.	Domestic non-state-owned corporation	0.30%	1,299,500	0	0
Shanghai Fengshen Steel Co., Ltd.	Domestic non-state-owned corporation	0.30%	1,264,054	0	0
Han Xiao	Domestic natural person	0.29%	1,234,900	0	0
Particulars about shares held by the top ten shareholders not subject to trading moratorium					
Name of shareholder		Shares not subject to trading moratorium held			Type of shares
Beijing Wanfa Real Estate Development Co., Ltd.		112,479,478			RMB ordinary share
Chen Yunxuan		2,534,502			RMB ordinary share
Wu Fengming		2,360,000			RMB ordinary share
Qu Chen		2,200,700			Domestically listed foreign share
Qin Chengquan		2,000,000			RMB ordinary share
Zhang Xiaoxia		1,949,250			Domestically listed foreign share
Li Lin		1,500,000			RMB ordinary share
Shanghai Fengshen Steel Co., Ltd.		1,264,054			RMB ordinary share
Han Xiao		1,234,900			RMB ordinary share
Beijing Long-term Financial State Investment Co., Ltd		1,157,553			RMB ordinary share
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.				

3.3 Change of the controlling shareholder and actual controller

Applicable

Inapplicable

§4 Directors, Supervisors and Senior Management Staff

4.1 Changes in shares held by directors, supervisors and senior management staff

Applicable

Inapplicable

§5 Report of the Board of Directors

5.1 Main businesses classified according to industries or products

Unit: RMB'0000

Main businesses classified according to industries						
Industries or products	Operating income	Operating cost	Gross profit rate (%)	Year-on-year increase/decrease of operating income (%)	Year-on-year increase/decrease of operating cost (%)	Year-on-year increase/decrease of gross profit rate (%)

Sale of real estate	6,809.65	3,191.27	53.14%	-86.08%	-90.25%	20.08%
Property management and service	4,765.39	4,256.83	10.67%	37.60%	42.27%	-2.94%
Travel and hotel services	2,742.10	1,147.15	58.17%	40.66%	29.70%	3.54%
Main businesses classified according to products						
Sale of real estate	6,809.65	3,191.27	53.14%	-86.08%	-90.25%	20.08%
Property management and service	4,765.39	4,256.83	10.67%	37.60%	42.27%	-2.94%
Travel and hotel services	2,742.10	1,147.15	58.17%	40.66%	29.70%	3.54%

5.2 Main businesses classified according to regions

Unit: RMB'0000

Region	Operating income	Year-on-year increase/decrease (%)
Hainan	6,839.29	-49.47%
Hubei	6,857.49	-83.19%
Mudanjiang	614.83	
Beijing	5.52	

5.3 Explanation on reasons for changes in main operation and its structure

Applicable

Inapplicable

5.4 Reasons for significant changes in profitability (gross profit margin) of core business compared with the previous year

Applicable

Inapplicable

5.5 Analysis to reasons of significant changes in profit breakdown compared with the previous year

Applicable

Inapplicable

5.6 Utilization of the raised proceeds

5.6.1 Utilization of the raised proceeds

Applicable

Inapplicable

5.6.2 Change of projects invested with raised proceeds

Applicable

Inapplicable

5.7 Business plan revised by the Board of Directors for the second half of the year

Applicable

Inapplicable

Contents of the adjusted business plan	<p>Plan of work for the second half of the year:</p> <p>1. In the second half of the year, the Company will try to finish location selection, planning and the relocation plan for the Shijiazhuang Luquan new countryside construction project. It will continue to carry forward the project launch approval, planning, application for construction and other matters of the project, trying to start the construction by March 2012.</p>
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	<p>2. The Company will carry forward the land exchange formalities for the Hubei Meilin Qingcheng third-phase project, and start doing previous work such as project launch, planning and application for construction, trying to start the construction by May 2012.</p> <p>3. According to the Xuexiang National Forest Park overall development framework letter of intent, by making use of its independent development and operation advantage, Mudanjiang Tourism Group will work out individual plans for the Yangcao Mountain Scenic Spot, the Erlong Mountain Movie Town, the Taipinggou Tree Farm and other tourist attractions, improving the construction and infrastructure there step by step. Mudanjiang Tourism Group will also start to buy all existing entertainment facilities in the core scenic spots, and reconstruct the existing ski field so as to provide better services for tourists.</p> <p>4. The Company will continue to follow up the Mulin Town special rail and coal wholesale market projects, trying to finish the land transfer formalities within this year. Meanwhile, it will try to get approval for the launch of the projects so as to realize production, operation and sale as soon as possible.</p> <p>5. It will beef up the operation of the long-term lease of the underground garage of Pearl River Square, trying to accomplish a 60% garage lease within this year.</p> <p>6. It will also continue to follow up and carry out researches for new projects throughout the country, trying to expand new business and enhancing financing-related work.</p>
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5.8 Estimation on accumulative net profit from the beginning of the year to the end of the next reporting period to be loss probably or the warning of its significant change compared with the corresponding period of the last year and explanation on reason

Applicable

Inapplicable

5.9 Explanation of the Board of Directors on “Non-standard Auditors’ Report” from the Certified Public Accountants in the reporting period

Applicable

Inapplicable

5.10 Explanation of the Board of Directors on changes and solutions of the issues involved in “Non-standard Auditors’ Report” from the Certified Public Accountants in the last year

Applicable

Inapplicable

§6 Significant Events

6.1 Acquisition, sale and reorganization of assets

6.1.1 Assets acquired

Applicable

Inapplicable

6.1.2 Assets sold

Applicable

Inapplicable

6.1.3 Progress of these events and its influence on the operating results and financial status in the reporting period after the report on assets restructure or public notice on acquisition and sales of assets being published

Applicable

Inapplicable

6.2 Guarantees

Applicable

Inapplicable

6.3 Credits and liabilities with related parties for non-operating purposes

Applicable

Inapplicable

Unit: RMB '0000

Related party	Funds provided by the Company to the related party		Funds provided by the related party to the Company	
	Incurred amount	Balance	Incurred amount	Balance
Beijing Xinxing Real Estate Development General Company	0.00	0.00	0.00	15,254.04
Beijing Wanfa Real Estate Development Co., Ltd.	0.00	0.00	0.00	8,172.50
Sanya Wanjia Industrial Co., Ltd.	0.00	0.00	0.00	154.50
Beijing Yulong Jisheng Real Estate Co., Ltd.	0.00	0.00	0.00	150.00
Mudanjiang Wanjia Hotel Management Co., Ltd.	0.00	0.00	0.00	15.72
Beijing Aipuzhi Intellectual Property Management & Consulting Co., L td.	0.00	0.00	185.53	1,073.11
Shanghai Sea Pearl Property Management Co., Ltd.	0.00	0.00	100.00	100.00
Beijing Wanfa Real Estate Development Co., Ltd.	0.00	0.00	241.71	2,661.34
Beijing Xinxing Real Estate Development General Company	0.00	0.00	473.56	47,731.16
Total	0.00	0.00	1,000.80	75,312.37

The amount incurred and the balance concerning the Company's providing funds to the controlling shareholder and its subsidiaries was RMB 0.00 and RMB 0.00 respectively in the reporting period.

6.4 Material lawsuits and arbitrations

Applicable

Inapplicable

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

Applicable

Inapplicable

6.5.1 Securities investment

Applicable

Inapplicable

6.5.2 Equity of other listed companies held by the Company

Applicable

Inapplicable

Unit: RMB Yuan

Securities code	Short form	Initial investment amount	Equity proportion in the	Book value at the period-end	Gain/loss in the reporting	Changes in owner's equity in the reporting	Accounting title	Source of stock
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			investee		period	period		
600369	Southwest Securities	150,000,000.00	1.43%	394,677,500.00	0.00	5,985,000.00	Available-for-sale financial assets	Direct share buying
Total		150,000,000.00	-	394,677,500.00	0.00	5,985,000.00	-	-

6.5.3 Non-operating capital occupation by principal shareholders and its affiliated enterprises and progress of debt repayment

Applicable Inapplicable

6.5.4 Implementation of commitments made by the Company, as well as its shareholders and actual controller

Commitments made by the Company, its directors, supervisors, senior executives, shareholders with an over 5% shareholding, actual controller and other stakeholders during the reporting period, or such commitments carried down into the reporting period:

Applicable Inapplicable

6.5.5 Pre-plan of the Board of Directors for profit distribution or turning capital reserves into share capital

Applicable Inapplicable

6.5.6 Items of other comprehensive income

Unit: RMB Yuan

Items	Reporting period	Same period of last year
1. Profits/(losses) from available-for-sale financial assets	7,980,000.00	-226,100,000.00
Less: Effects on income tax generating from available-for-sale financial assets	1,995,000.00	-56,525,000.00
Net amount transferred into profit and loss in the current period that was recognized into other comprehensive income in prior period		
Subtotal	5,985,000.00	-169,575,000.00
2. Interests in the investee entities' other comprehensive income as per equity method		
Less: Effects on income tax generating 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 period		
Subtotal		
3. Profits/(losses) from cash flow hedging instrument		
Less: Effects on income tax generating 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. Converted amount of foreign currency financial statements		
Less: Net value of disposal of oversea operations that was recognized into current profit and loss		
Subtotal		
5. Other		1,644,809.33
Less: Effects on income tax generating 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 period		
Subtotal		1,644,809.33
Total	5,985,000.00	-167,930,190.67

6.6 Particulars about surveys, interviews and visits received in the reporting period
The Company received no field researches, phone calls or written inquiries from investors during the reporting period.

§7 Financial Report

7.1 Auditing opinion

Financial Report	Un-audited	Audited
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7.2 Financial statements

7.2.1 Balance Sheet

Prepared by HaiNan Pearl River Holdings Co., Ltd

30 Jun. 2011

Unit: RMB Yuan

Items	Closing balance		Opening balance	
	Consolidation	The Company	Consolidation	The Company
Current Assets:				
Monetary funds	71,686,794.91	27,066,982.58	136,376,851.19	47,697,821.48
Settlement reserves				
Intra-group lendings				
Transactional financial assets				
Notes receivable				
Accounts receivable	6,175,555.95	1,006,654.91	3,627,245.66	1,039,916.11
Accounts paid in advance	61,654,998.64	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	321,668,389.71	382,131,705.10	258,266,331.45	289,469,963.47
Financial assets purchased under agreements to resell				
Inventories	123,097,218.30	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	584,542,972.51	473,248,251.20	607,294,536.62	401,320,609.67
Non-current assets:				
Loans by mandate 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	51,270,823.67	301,669,193.38	51,675,639.59	296,974,009.30
Investing property	19,367,639.84		19,898,962.92	
Fixed assets	324,721,291.38	20,214,395.25	334,512,524.54	21,376,736.10
Construction in progress	5,410,500.00		4,732,000.00	
Engineering materials	606,206.60		606,206.60	
Disposal of fixed assets				
Production biological assets				
Oil-gas assets				
Intangible assets	32,963,075.42	1,624,536.06	33,492,984.34	1,648,367.88
R&D expense				
Goodwill				
Long-term deferred expenses	9,154,129.71		9,975,195.63	
Deferred income tax assets				
Other non-current assets				
Total of non-current assets	838,171,166.62	718,185,624.69	841,591,013.62	706,696,613.28
Total assets	1,422,714,139.13	1,191,433,875.89	1,448,885,550.24	1,108,017,222.95
Current liabilities:				
Short-term borrowings				

Borrowings from Central Bank				
Customer bank deposits and due to banks and other financial institutions				
Intra-group borrowings				
Transactional financial liabilities				
Notes payable				
Accounts payable	23,697,282.21	2,482,949.70	37,588,815.47	3,782,949.70
Accounts received in advance	22,338,224.29	329,885.00	39,134,147.85	
Financial assets sold for repurchase				
Handling charges and commissions payable				
Employee' s compensation payable	5,107,973.38	398,997.63	5,631,750.04	492,944.38
Tax payable	9,535,741.72	-2,850,664.30	30,809,972.66	-2,851,226.09
Interest payable	95,081,923.39	59,132,308.73	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	347,122,020.64	348,446,688.58	329,316,226.89	266,835,267.94
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	232,000,000.00	220,000,000.00		
Other current liabilities				
Total current liabilities	738,096,468.51	631,153,468.22	531,084,438.81	323,307,788.04
Non-current liabilities:				
Long-term borrowings	93,000,000.00		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	169,280,138.80	75,228,125.00	399,285,138.80	293,233,125.00
Total liabilities	907,376,607.31	706,381,593.22	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				
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	-663,933,506.52	-665,445,681.23	-648,891,640.41	-653,036,653.99
Foreign exchange difference				
Total equity attributable to owners of the Company	488,238,539.33	485,052,282.67	497,295,405.44	491,476,309.91
Minority interests	27,098,992.49		21,220,567.19	
Total owners' equity	515,337,531.82	485,052,282.67	518,515,972.63	491,476,309.91
Total liabilities and owners' equity	1,422,714,139.13	1,191,433,875.89	1,448,885,550.24	1,108,017,222.95

7.2.2 Income Statement

Prepared by HaiNan Pearl River Holdings Co., Ltd

Jan.-Jun. 2011

Unit: RMB Yuan

Items	Reporting period		Same period of last year	
	Consolidation	The Company	Consolidation	The Company
I. Total operating revenues	144,292,773.73	193,340.00	544,036,572.15	81,930,643.20
Including: Sales income	144,292,773.73		544,036,572.15	81,930,643.20
Interest income				
Premium income				
Handling charge and commission income				
II. Total operating costs	152,880,825.51	12,174,972.10	474,892,422.82	72,178,777.15
Including: Cost of sales	86,517,326.29	26,578.50	366,666,811.33	42,170,962.08
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	17,123,298.21	46,550.85	63,804,616.18	20,124,893.20

Selling and distribution expenses	3,593,594.12	15,000.00	6,584,871.53	24,477.00
Administrative expenses	39,721,435.23	8,780,814.70	29,852,762.04	8,722,821.79
Financial expenses	5,755,839.36	3,766,085.05	12,698,260.97	6,422,101.48
Asset impairment loss	169,332.30	-460,057.00	-4,714,899.23	-5,286,478.40
Add: Gain/(loss) from change in fair value ("-" means loss)				
Gain/(loss) from investment ("-" means loss)	-404,815.92	-404,815.92	64,864.56	64,864.56
Including: share of profits in associates and joint ventures	-404,815.92	-404,815.92	64,864.56	64,864.56
Foreign exchange gains ("-" means loss)				
III. Business profit ("-" means loss)	-8,992,867.70	-12,386,448.02	69,209,013.89	9,816,730.61
Add: non-operating income	430,386.00		1,710,013.72	1,710,013.72
Less: non-operating expense	67,670.52	22,579.22	113,530.62	14,023.12
Including: loss from non-current asset disposal	15,200.25	12,915.00	32,373.03	14,023.12
IV. Total profit ("-" means loss)	-8,630,152.22	-12,409,027.24	70,805,496.99	11,512,721.21
Less: Income tax expense	5,433,288.59		12,880,565.60	
V. Net profit ("-" means loss)	-14,063,440.81	-12,409,027.24	57,924,931.39	11,512,721.21
Attributable to owners of the Company	-15,041,866.11	-12,409,027.24	50,911,704.50	11,512,721.21
Minority shareholders' income	978,425.30	0.00	7,013,226.89	
VI. Earnings per share				
(I) Basic earnings per share	-0.04		0.12	
(II) Diluted earnings per share	-0.04		0.12	
. Other comprehensive incomes	5,985,000.00	5,985,000.00	-167,930,190.67	-170,671,539.56
. Total comprehensive incomes	-8,078,440.81	-6,424,027.24	-110,005,259.28	-159,158,818.35
Attributable to owners of the Company	-9,056,866.11	-6,424,027.24	-117,018,486.17	-159,158,818.35
Attributable to minority shareholders	978,425.30		7,013,226.89	

For any business combination under the same control that occurred in the reporting period, the combined party realized zero net profit before the combination.

7.2.3 Cash Flow Statement

Prepared by HaiNan Pearl River Holdings Co., Ltd

Jan.-Jun. 2011

Unit: RMB Yuan

Items	Reporting period		Same period of last year	
	Consolidation	The Company	Consolidation	The Company
I. Cash flows from operating activities:				
Cash received from sale of commodities and rendering of service	121,695,433.47	707,165.00	263,395,787.90	61,962,832.61
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 intra-group borrowings				
Net increase of funds in repurchase business				
Tax refunds received				
Other cash received relating to operating activities	17,137,414.67	14,337,432.68	44,480,734.95	56,992,791.55
Subtotal of cash inflows from operating activities	138,832,848.14	15,044,597.68	307,876,522.85	118,955,624.16
Cash paid for goods and services	37,708,925.23		67,511,867.17	402,212.71
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	41,532,522.52	2,195,035.52	28,516,777.02	1,734,668.08
Various taxes paid	46,765,196.25	1,234,830.23	44,302,996.97	20,816,204.78
Other cash payment relating to operating activities	40,206,773.65	8,550,914.15	24,894,056.67	18,823,289.74
Subtotal of cash outflows from operating activities	166,213,417.65	11,980,779.90	165,225,697.83	41,776,375.31
Net cash flows from operating activities	-27,380,569.51	3,063,817.78	142,650,825.02	77,179,248.85
II. Cash flows from investing activities:				
Cash received from retraction of investments	188,500,000.00	118,500,000.00	28,000,000.00	20,000,000.00
Cash received from return on investments				
Net cash received from disposal of fixed assets, intangible assets and other long-term assets	164,708.50	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	22,360,895.82	20,034,243.32		
Subtotal of cash inflows from investing activities	211,025,604.32	138,540,243.32	31,686,573.00	23,628,173.00
Cash paid to acquire fixed assets, intangible assets and other long-term assets	8,462,406.09	1,334,900.00	11,297,369.53	922,747.00
Cash paid for investment	243,500,000.00	216,600,000.00	132,600,000.00	125,600,000.00
Net increase of pledged loans				
Net cash paid to acquire subsidiaries and other business units				
Other cash payments relating to investing activities			15,401,893.30	
Subtotal of cash outflows from investing activities	251,962,406.09	217,934,900.00	159,299,262.83	126,522,747.00
Net cash flows from investing activities	-40,936,801.77	-79,394,656.68	-127,612,689.83	-102,894,574.00
III. Cash Flows from Financing Activities:				
Cash received from capital contributions	4,900,000.00			
Including: Cash received from minority shareholder investments by subsidiaries	4,900,000.00			
Cash received from borrowings	27,216,000.00	70,000,000.00		
Cash received from issuance of bonds				
Other cash received relating to financing				

activities				
Subtotal of cash inflows from financing activities	32,116,000.00	70,000,000.00		
Repayment of borrowings	10,500,000.00		71,000,000.00	16,000,000.00
Cash paid for interest expenses and distribution of dividends or profit	17,988,685.00	14,300,000.00	-3,092,330.66	-8,016,323.92
Including: dividends or profit paid by subsidiaries to minority shareholders			-3,092,330.66	-8,016,323.92
Other cash payments relating to financing activities				
Sub-total of cash outflows from financing activities	28,488,685.00	14,300,000.00	67,907,669.34	7,983,676.08
Net cash flows from financing activities	3,627,315.00	55,700,000.00	-67,907,669.34	-7,983,676.08
IV. Effect of foreign exchange rate changes on cash and cash equivalents				
V. Net increase in cash and cash equivalents	-64,690,056.28	-20,630,838.90	-52,869,534.15	-33,699,001.23
Add: Opening balance of cash and cash equivalents	136,376,851.19	47,697,821.48	291,787,132.78	161,760,970.47
VI. Closing balance of cash and cash equivalents	71,686,794.91	27,066,982.58	238,917,598.63	128,061,969.24

Prepared by HaiNan Pearl River Holdings Co., Ltd

Unit: RMB Yuan

[illegible]

(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																			
IV. Closing balance	426,745,404.00	611,249,155.97			114,177,485.88	-663,933,506.52		27,098,992.49	515,337,531.82	426,745,404.00	605,264,155.97			114,177,485.88	-648,891,640.41		21,220,567.19	518,515,972.63	

Prepared by HaiNan Pearl River Holdings Co., Ltd

Unit: RMB Yuan

[illegible]

[illegible]

() 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	614,265,495.51			109,487,064.39		-665,445,681.23	485,052,282.67	426,745,404.00	608,280,495.51			109,487,064.39		-653,036,653.99	491,476,309.91

7.3 Notes to the financial statements

7.3.1 Should there be any change in accounting policies and estimates or correction of accounting errors, give the relevant information, reasons and the influenced amounts.

Applicable Inapplicable

7.3.2 Should there be any significant change in the scope for the consolidated statements, give the reasons and the influenced amounts.

Applicable Inapplicable

7.3.3 If a non-standard auditor's report is issued, list notes to involved matters.

Applicable Inapplicable

Hainan Pearl River Holding Company Limited

Notes on the Financial Statements for the Six Months ended 30 June 2011

(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. This report cover the period, which is from January 1, 2011 to June 30, 2011.

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 topay 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' 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' 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	24%, 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 24% 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
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
Mudanjiang Wanjia Star Hotel Co., Ltd.	Mudanjiang	50	Hotel service	100%	100%	50
Mudanjiang Jingbohu Wanjia Hotel Co., Ltd.	Mudanjiang	50	Hotel service	100%	100%	50
Hebei zhengshiqinghui Real Estate Development Co., Ltd.	Hebei Sijiazhuang	1,000	Real estate development and	51%	51%	510

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)
			property services			

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 Snowtown 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	Jun 30, 2011	Jan 1, 2011
Cash	889,579.96	489,550.91
Bank deposit	70,779,219.00	135,877,954.53
Other monetary funds	17,995.95	9,345.75
Total	71,686,794.91	136,376,851.19

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

2. Accounts receivable

(1) Accounts receivable listed by categories

Categories	June 30, 2011				January 1, 2011			
	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	46.95	7,761,707.60	100.00	7,761,707.60	55.70	7,761,707.60	100.00
2. Bad debt accounted by the combinations								
Age Combinations	6,871,185.67	41.56	695,629.72	10.12	4,183,464.89	30.02	556,219.23	13.30
Combined Subtotal	6,871,185.67	41.56	695,629.72	10.12	4,183,464.89	30.02	556,219.23	13.30
3. Other unimportant receivables but bad debts accounted individually	1,898,690.60	11.49	1,898,690.60	100.00	1,990,680.02	14.28	1,990,680.02	100.00
Total	16,531,583.87	100.00	10,356,027.92	62.64	13,935,852.51	100.00	10,308,606.85	73.97

(2) Aging analysis

Ages	30 Jun 2011				1 Jan 2011			
	Balance	Proportion (%)	Bad debts	Bad debts ratio (%)	Balance	Proportion (%)	Bad debts	Bad debts ratio (%)

Within 1 year	5,472,008.83	79.64	109,440.18	2.00	2,871,277.47	68.63	57,425.52	2.00
1-2 years	106,000.00	1.54	5,300.00	5.00	106,000.00	2.53	5,300.00	5.00
2-3 years	101,500.00	1.48	10,150.00	10.00	141,500.00	3.38	14,150.00	10.00
3-4 years	35,000.00	0.51	7,000.00	20.00				
4-5 years	265,000.00	3.86	79,500.00	30.00	265,000.00	6.33	79,500.00	30.00
Over 5 years	891,676.84	12.98	484,239.54	54.31	799,687.42	19.12	399,843.71	50.00
Total	6,871,185.67	100.00	695,629.72	10.12	4,183,464.89	100.00	556,219.23	13.30

(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	14.55
Hainan Baoping company	client	2,218,494.43	over 5 years	13.42
Hainan centaline property agency	client	2,090,069.77	over 5 years	12.64
Hainan dragon film studio	client	1,046,985.40	over 5 years	6.33
Xinhe company	client	1,920,193.85	Within 1 year	11.62
Total		8,259,227.60		58.56

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

3. Prepayments

(1) Aging analysis

Ages	30 Jun 2011		1 Jan 2011	
	Balance	Proportion (%)	Balance	Proportion (%)
Within 1 year	58,137,066.89	94.29	51,233,124.48	95.05
1-2 years	2,032,893.29	3.30	672,777.82	1.25
2-3 years	295,238.46	0.48	1,982,179.94	3.68
Over 3 years	1,189,800.00	1.93	10,000.00	0.02
Total	61,654,998.64	100.00	53,898,082.24	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	81.10	2010	Pre-paid subcontracting project with a long-term construction cycle.
Harbin Hulan District, Shen Zhen brick	Supplier	4,000,000.00	6.49	2011	
Guangdong High-spirited Technology Development Co., Ltd.	Supplier	1,189,800.00	1.93	2008	
Xizi Otis Elevator Co., Ltd.	Supplier	861,140.00	1.40	2010	
Shijiazhuang Yongcheng Survey and Design Company	Supplier	710,000.00	1.15	2011	

Company's Name	Relationship	Amounts	Proportion (%)	Year	Unsettled reason
Total		52,910,647.43	92.07		

Note : The period 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, 2011	Increment	Decrement	Jun 30, 2011
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.	3-4years	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	Jun 30, 2011				Jan 1, 2011			
	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	336,852,344.10	91.75	15,844,665.99	4.70	260,684,062.91	85.86	10,097,731.46	3.87
Combined Subtotal	336,852,344.10	91.75	15,844,665.99	4.70	260,684,062.91	85.86	10,097,731.46	3.87
3. Other unimportant receivables but bad debts accounted individually	30,302,734.25	8.25	29,642,022.65	97.82	42,947,045.95	14.14	35,267,045.95	82.12
Total	367,155,078.35	100.00	45,486,688.64	12.39	303,631,108.86	100.00	45,364,777.41	14.94

(2) Aging analysis

Ages	30 Jun 2011				1 Jan 2011			
	Balance	Proportion (%)	Bad debts	Bad debts ratio (%)	Balance	Proportion (%)	Bad debts	Bad debts ratio (%)
Within 1 year	306,083,723.14	90.88	6,121,674.46	2.00	171,435,006.07	65.76	3,428,700.12	2.00
1-2 years	5,104,228.86	1.52	255,211.44	5.00	84,109,980.74	32.27	4,205,499.04	5.00
2-3 years	8,008,640.00	2.38	800,864.00	10.00	17,654.78	0.01	1,765.48	10.00
3-4 years	3,199.86	0.00	639.97	20.00	196,479.49	0.08	39,295.90	20.00
4-5 years	800,000.00	0.24	240,000.00	30.00	200,000.00	0.08	60,000.00	30.00

Over 5 years	16,852,552.24	5.00	8,426,276.12	50.00	4,724,941.83	1.81	2,362,470.92	50.00
Total	336,852,344.10	100.02	15,844,665.99	4.70	260,684,062.91	100.00	10,097,731.46	3.87

(3) Top five units of others receivable

Name	Relationship with the company	Owned amount	Ages	Proportion of total Other receivable (%)
Public Investment Co., Ltd	The entity outside the group	125,574,750.00	Within 1 year	34.20
Beijing Wanjia Hongtai Consultant Co., Ltd	The entity outside the group	59,332,500.00	Within 1 year	16.16
Zhengzhou Xinliyuan Commercial Information Service Co., Ltd	Ministry interests party	50,000,000.00	Within 1 year	13.62
Beijing Sunshine Cambridge Investment Advisory Co., Ltd	The entity outside the group	43,724,250.00	Within 1 year	11.91
YangPu Nanhua Datong Holding Co., Ltd	Ministry interests party	12,600,000.00	600,000.00 Yuan between 3-4 Years; and 12000,000.00 Yuan over 5 years Over 5 years	3.43
Total		291,231,500.00		79.32

Note : The period 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	697,475.99		697,475.99	4,114,823.16		4,114,823.16
Low-value consumption goods:	3,288,261.94		3,288,261.94	917,444.41		917,444.41
Finished goods	34,365,616.69		34,365,616.69	165,126.60		165,126.60
Constructing development product	45,272,189.18		45,272,189.18	44,083,027.01		44,083,027.01
Development products	62,084,505.23	22,610,830.73	39,473,674.50	128,196,420.63	22,610,830.73	105,585,589.90
Total	145,708,049.03	22,610,830.73	123,097,218.30	177,476,841.81	22,610,830.73	154,866,011.08

(2) Inventories impairment provision

Items	1 Jan 2011	Increment	Decrement		30 Jun 2011
			Transfer back	Write off	
Development product	22,610,830.73				22,610,830.73
Total	22,610,830.73				22,610,830.73

7. Available for sales financial assets

(1) Available for sales financial assets listed by categories

Items	Fair value at Jun 30,2011	Fair value at Jan 1,2011
Available for sales equity instrument	394,677,500.00	386,697,500.00
Total	394,677,500.00	386,697,500.00

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	1,270,033.50	115,536.68

(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 Jun 30, 2011 (IRR)	Total Liabilities on Jun 30, 2011 (IRR)	Net Assets on Jun 30, 2011 (IRR)	Total Operating Income till Jun 30, 2011 (IRR)	Net Profit till Jun 30, 2011 (IRR)
Beijing Sunshine Tiansheng Property Management Co., Ltd.	12,122,487.52	6,473,291.82	5,649,195.70	4,012,563.50	103,230.60
Sanya Wanjia Enterprises Holding Co., Ltd.	96,203,514.37	1,058,805.68	95,144,708.69		-1,012,039.81

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	-404,815.92	38,057,883.48	40	40		
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	0.00			0.00	
Hainan Tongsheng Ports Co.	Cost Method	6,000,000.00	6,000,000.00		6,000,000.00			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	2	2		
Beijing Sunshine Tiansheng Property Management Co., Ltd.	Equity Method	1,500,000.00	1,626,145.96		1,626,145.96	30	30		
Shanghai Sea Pearl Property Management Corporation	Equity Method	832,000.00	507,576.33		507,576.33	50	50	332,092.00	

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
Total		69,019,140.29	87,091,376.98	-9,044,815.92	78,046,561.06			26,775,737.39	

10. Investment real estates

Items	1 Jan 2011	Increment	Decrement	30 Jun 2011
I. Original value	26,260,649.34		107,354.26	26,153,295.08
Buildings and structures	26,260,649.34		107,354.26	26,153,295.08
II. Accumulated depreciation and amortization	3,382,602.54	441,669.87	17,701.05	3,806,571.36
Buildings and structures	3,382,602.54	441,669.87	17,701.05	3,806,571.36
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	19,898,962.92			19,367,639.84
Buildings and structures	19,898,962.92			19,367,639.84

Note 1. The depreciation of this period was 441,669.87 Yuan.

11. Fixed assets

Items	1 Jan 2011	Increment	Decrement	30 Jun 2011
I. Original value	429,260,518.47	3,086,109.86	389,325.00	431,957,303.33
Buildings and structures	308,735,748.34			308,735,748.34
Vehicles	23,450,238.72	1,885,869.10	378,300.00	24,957,807.82
General equipments	51,896,771.37	9,300.00	670.00	51,905,401.37
Special equipment	4,303,239.00	662,023.76		4,965,262.76
Other equipments	40,874,521.04	528,917.00	10,355.00	41,393,083.04
II. Accumulated depreciation	87,248,698.01	12,855,053.81	367,035.79	99,736,716.03
Buildings and structures	33,198,688.03	5,706,366.28		38,905,054.31
Vehicles	8,837,380.09	1,682,249.29	359,385.00	10,160,244.38
General equipments	23,081,678.67	1,763,222.81	60.00	24,844,841.48
Special equipment	339,608.22	452,808.63		792,416.85
Other equipments	21,791,343.00	3,250,406.80	7,590.79	25,034,159.01
III. Impairment provision	7,499,295.92			7,499,295.92
Buildings and structures	7,499,295.92			7,499,295.92
Vehicles				
General equipments				
Special equipment				
Other equipments				
IV. Book value	334,512,524.54			324,721,291.38
Buildings and structures	268,037,764.39			262,331,398.11
Vehicles	14,612,858.63			14,797,563.44

Items	1 Jan 2011	Increment	Decrement	30 Jun 2011
General equipments	28,815,092.70			27,060,559.89
Special equipment	3,963,630.78			4,172,845.91
Other equipments	19,083,178.04			16,358,924.03

Note 1. The depreciation cost of this period was 12,855,053.81 Yuan.

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

12. Construction in progress

Project name	30 Jun 2011			1 Jan 2011		
	Ending Balance	Impairment loss provision	Book value	Ending Balance	Impairment loss provision	Book value
Lake Hotel	5,064,500.00		5,064,500.00	4,732,000.00		4,732,000.00
Expansion project of Xuxiang	96,000.00		96,000.00			
Forest Park area projects	250,000.00		250,000.00			
Total	5,410,500.00		5,410,500.00	4,732,000.00		4,732,000.00

13. Engineering Materials

Items	1 Jan 2011	Increment	Decrement	30 Jun 2011
Special equipment	606,206.60			606,206.60
Total	606,206.60			606,206.60

14. Intangible assets

Items	1 Jan 2011	Increment	Decrement	30 Jun 2011
I. Original value	37,401,642.93	35,000.00		37,436,642.93
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	1,386,357.28	35,000.00		1,421,357.28
Others	480,000.00			480,000.00
II.Accumulative amortization	3,908,658.59	564,908.92		4,473,567.51
Land use right of Sanya hotel	3,075,260.48	394,224.96		3,469,485.44
Sanya villa land	190,654.56	23,831.82		214,486.38
Wuhan club land	73,432.55	10,312.32		83,744.87
Shanghai house use right	244,317.46	6,957.32		251,274.78
Land use right of Xuxiang hotel	28,685.07	15,524.58		44,209.65
Software	272,393.83	103,808.78		376,202.61

Others	23,914.64	10,249.14		34,163.78
III. Total impairment loss provision				
IV. Carrying amount	33,492,984.34			32,963,075.42
Land use right of Sanya hotel	27,267,223.52			26,872,998.56
Sanya villa land	1,648,367.88			1,624,536.06
Wuhan club land	1,370,292.58			1,359,980.26
Shanghai house use right	451,414.54			444,457.22
Land use right of Xuxiang hotel	1,185,637.01			1,170,112.43
Software	1,113,963.45			1,045,154.67
Others	456,085.36			445,836.22

Note 1. The amortization of this year was 564,908.92 Yuan.

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

15. Long-term prepayments

Items	1 Jan 2011	Increment	Amortization	Other decrements	30 Jun 2011
Decoration	3,621,862.30		301,063.92		3,621,862.30
Ski rental fee	5,700,000.00		450,000.00		5,700,000.00
Technical service fee	653,333.33		70,002.00		653,333.33
Total	9,975,195.63		821,065.92		9,975,195.63

16. Deferred income tax asset and deferred income tax liability

(1) Identified deferred income tax liability

Items	30 Jun 2011	1 Jan 2011
Deferred income tax liability :		
Changes on the fair value of available for sales financial assets credited to capital reserves	75,228,125.00	73,233,125.00
Difference between fair value and the book value of net assets of purchased unit as business combination	1,052,013.80	1,052,013.80
Total	76,280,138.80	74,285,138.80

(2) Unrecognized deferred income tax asset

Items	30 Jun 2011	1 Jan 2011
Deductible temporary differences	115,707,664.48	129,810,082.22
Total	115,707,664.48	129,810,082.22

17. Assets impairment provision

Items	1 Jan 2011	Increment	Decrement			30 Jun 2011
			Transfer back	Write off	Other Decrement	

Bad debt provision	55,673,384.26	169,332.30				55,842,716.56
Inventories impairment provision	22,610,830.73					22,610,830.73
long-term equity investment impairment provision	35,415,737.39			8,640,000.00		26,775,737.39
Investment property impairment provision	2,979,083.88					2,979,083.88
Fixed assets impairment provision	7,499,295.92					7,499,295.92
Total	124,178,332.18	169,332.30		8,640,000.00		115,707,664.48

Note: The amount of 8,640,000.00 Yuan of write off was incurred because the equity of China (Hainan) Reform and Development Institute was donated to Hainan Reform and Development Institute Fund.

18. Assets with restricted ownership

Items	Assets name	Amount	Remark
1.Fixed assets			
Buildings and structures	Main Building of Days Hotel & Suites Sanya Resort	169,134,137.83	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	8,882,589.81	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	26,872,998.56	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	1,624,536.06	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	394,677,500.00	It has been mortgaged to Jilin Province Trust Co., Ltd. for the loan of 260 million Yuan (Contract No. JLXT2009A018).
Total		601,191,762.26	

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

19. Accounts payable

Ages	Jun 30, 2011		Jan 1, 2011	
	Ending Balance	Percentage (%)	Opening Balance	Percentage (%)
Within 1 year	15,624,075.00	65.93	28,663,036.89	76.25
1 to 2 years	1,497,366.65	6.32	1,765,033.41	4.70
2 to 3 years	914,631.33	3.86	1,078,078.90	2.87
3 years and more	5,661,209.23	23.89	6,082,666.27	16.18
Total	23,697,282.21	100.00	37,588,815.47	100

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.

20. Accounts received in advance

Ages	Jun 30, 2011		Jan 1, 2011	
	Ending Balance	Percentage (%)	Opening Balance	Percentage (%)

Ages	Jun 30, 2011		Jan 1, 2011	
	Ending Balance	Percentage (%)	Opening Balance	Percentage (%)
Within 1 year	21,722,018.23	97.24	38,964,535.66	99.57
1 to 2 years	616,206.06	2.76	169,612.19	0.43
Total	22,338,224.29	100.00	39,134,147.85	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. Accrued payroll

Items	Jan 1, 2011	Increment	Decrement	30 Jun 2011
I. Salary, bonus, allowance	1,887,388.77	33,292,146.48	34,110,757.21	1,068,778.04
II. Employee Welfare expenses		3,233,730.58	3,564,518.84	-330,788.26
III. Social insurance		4,218,428.77	4,218,428.44	0.33
Where: 1) Medical insurance		1,062,469.09	1,062,468.76	0.33
2) Endowment insurance		2,695,745.77	2,695,745.77	
3) annuity				
4) Unemployment insurance		297,124.43	297,124.43	
5) Working accident insurance		89,640.86	89,640.86	
6) Maternity insurance		73,448.62	73,448.62	
IV. Housing accumulation fund		415,804.54	410,458.38	5,346.16
V. Labor union fees& Employee education fees	3,744,361.27	952,836.05	332,560.21	4,364,637.11
VI. Non-monetary welfares				
VII. Compensation for dismissal				
Total	5,631,750.04	42,112,946.42	42,636,723.08	5,107,973.38

22. Taxes payable

Items	30 Jun 2011	Jan 1, 2011
VAT	-76,401.01	-65,250.17
Individual income tax	34,137.44	74,437.72
City construction and maintenance tax	32,228.77	306,150.47
Corporate income tax	2,053,959.46	9,629,357.45
Property tax	606,731.12	541,569.17
Business tax	-100,330.34	3,914,681.53
Land use tax	79,762.62	79,762.62
Education fee	-191,447.76	8,332.07
Local education fee	30,025.72	-35,354.66
Land value-added tax	6,987,739.47	16,157,890.06
Others	79,336.23	198,396.40

Items	30 Jun 2011	Jan 1, 2011
Total	9,535,741.72	30,809,972.66

23. Interest payable

Item	30 Jun 2011	Jan 1, 2011
Loan interest	95,081,923.39	85,390,223.02
Total	95,081,923.39	85,390,223.02

24. Dividend payable

Investor	30 Jun 2011	Jan 1, 2011
Dividend payable of institutional shares	3,213,302.88	3,213,302.88
Total	3,213,302.88	3,213,302.88

25. Other payables

Age	Jun 30, 2011		Jan 1, 2011	
	Ending Balance	Percentage (%)	Opening Balance	Percentage (%)
Within 1 year	86,181,648.23	24.83	63,750,161.16	19.36
1 to 2 years	168,182,651.34	48.46	167,828,134.16	50.96
2 to 3 years	11,253,545.17	3.23	12,889,507.69	3.91
3 years and more	81,504,175.90	23.48	84,848,423.88	25.77
Total	347,122,020.64	100.00	329,316,226.89	100.00

Note 1: Among the balance of the period end, there are no loans of shareholders holding over 5% of the Company ' s equity (including 5%). 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 " .

26. Long-term borrowings

(1) Long-term borrowings listed by categories

Category	30 Jun 2011	1 Jan 2011
Pledge loans	220,000,000.00	220,000,000.00
Mortgage loans	105,000,000.00	105,000,000.00
Total	325,000,000.00	325,000,000.00

27. Share capital

Unit: share			
Items	1 Jan 2011	Increment or decrement (+,-)	30 Jun 2011

		issued new shares	Bonus issue	Surplus converted	others	subtotal	
1. Unlisted shares	1,325,131.00						1,325,131.00
State owned shares							
Other domestic shares	1,325,131.00						1,325,131.00
Including: Domestic corporate shares	1,299,500.00						1,299,500.00
Domestic natural person shares	25,631.00						25,631.00
2. Listed shares	425,420,273.00						425,420,273.00
A shares	360,445,273.00						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

28. Capital surplus

Items	1 Jan 2011	Increment	Decrement	30 Jun 2011
Capital reserve spill price	224,960,139.16			224,960,139.16
Others capital surplus	380,304,016.81	5,985,000.00		386,289,016.81
Including: Old capital surplus converted into	109,300,017.82			109,300,017.82
Changes on fair value of available for sales financial assets	344,237,123.99	7,980,000.00		352,217,123.99
Income tax effects	-73,233,125.00	-1,995,000.00		-75,228,125.00
Total	605,264,155.97	5,985,000.00		611,249,155.97

29. Surplus reserves

Items	30 Jun 2011	1 Jan 2011
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

30. Undistributed profits

Items	Amounts	allocation proportion
Non-adjusted ending balance of the year 2010	-648,891,640.41	
Adjusted opening balance of the year 2011	-648,891,640.41	
Add: Net profit attributed to the owners of the parent company	-15,041,866.11	
Less : Statutory surplus reserve		
Random surplus reserve		
Common risk provision		

Items	Amounts	allocation proportion
Dividend payable of Ordinary shares		
Share capital converted from dividend of ordinary shares		
Undistributed profit at the end of period	-663,933,506.52	

31. Operating income and operating costs

(1) Operating income

Items	Jan. — Jun, 2011	Year 2010
Main operating business income	143,171,323.23	543,211,038.95
Other operating business income	1,121,450.50	825,533.20
Total	144,292,773.73	544,036,572.15

(2) Operating costs

Items	Jan. — Jun, 2011	Year 2010
Main operating business costs	85,952,467.39	366,171,025.51
Other operating business costs	564,858.90	495,785.82
Total	86,517,326.29	366,666,811.33

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

Items	Jan. — Jun, 2011		Year 2010	
	Main operating business income	Main operating business costs	Main operating business income	Main operating business costs
Real estate sales	68,096,461.00	31,912,697.53	489,083,485.00	327,406,426.69
Property management services	47,653,910.37	42,568,319.24	34,632,653.97	29,919,876.36
Tourist hotel services	27,420,951.86	11,471,450.62	19,494,899.98	8,844,722.46

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

Location	Jan. — Jun, 2011		Year 2010	
	Main operating business income	Main operating business costs	Main operating business income	Main operating business costs
Hainan	68,392,893.88	51,771,444.51	135,353,262.55	80,500,200.35
Hubei	68,574,907.40	32,218,287.12	407,857,776.40	285,670,825.16
Mudanjiang	6,148,280.45	1,962,735.76		
Beijing	55,241.50			

32. Operating taxes and extras

Items	Jan. – Jun, 2011	Year 2010
City construction and maintenance tax	505,024.71	1,904,128.00
Education fee	216,439.16	816,054.86
Business tax	7,214,638.69	27,201,828.61
Land value-added tax	7,987,739.47	32,570,104.29
Others	1,199,456.18	1,312,500.42
Total	17,123,298.21	63,804,616.18

33. Operating expenses

Items	Jan. – Jun, 2011	Year 2010
Payroll expense	240,853.40	212,019.16
Consignment commission charge	1,538,959.00	2,077,646.00
Operation expenses	48,131.28	110,115.51
Advertising fees	1,076,986.47	3,071,352.34
other selling expenses	688,663.97	1,113,738.52
合 计	3,593,594.12	6,584,871.53

34. General and administrative expenses

Items	Jan. – Jun, 2011	Year 2010
Payroll expense	7,984,473.37	5,621,157.73
Office allowance	549,665.37	469,007.79
Travelling expense	1,620,508.53	1,378,627.30
Vehicle expenses	1,042,472.53	605,238.86
Depreciation expense	12,828,475.31	9,416,548.98
Business entertainment	4,066,233.01	3,115,051.66
Repair charge	647,431.36	588,923.88
Audit consulting fees	809,000.00	609,000.00
Lawyer fee	206,000.00	310,500.00
Employee benefits	1,137,433.87	860,514.67
Housing property tax	1,146,025.24	953,352.85
Consult fees	716,198.00	1,863,000.00
Amortization of intangible assets	557,951.60	474,585.98
Property management fee and	489,198.50	307,797.17

utilities		
Other expenses	5,920,368.54	3,279,455.17
Total	39,721,435.23	29,852,762.04

35. Financial expenses

Items	Jan. – Jun, 2011	Year 2010
Interest exchange	30,895,882.28	21,393,528.03
Less:interest revenue	25,366,137.33	9,271,078.97
Foreign exchange loss		
Less:exchange gain		
Charge for trouble	226,094.41	575,811.91
Others		
Total	5,755,839.36	12,698,260.97

36. Investment income

Items	Jan. – Jun, 2011	Year 2010
Long-term equity investment income accounted by Costs Method		
Long-term equity investment income accounted by Equity Method	-404,815.92	64,864.56
Investment income of disposal Long-term equity investment		
Others		
Total	-404,815.92	64,864.56

35. Impairment Loss of Assets

Items	Jan. – Jun, 2011	Year 2010
Bad debts impairment loss	169,332.30	2,485,100.77
Inventories impairment loss		-7,200,000.00
Total	169,332.30	-4,714,899.23

36. Non-operating income

(1) Details of non-operating income

Items	Jan. – Jun, 2011	Year 2010
Gain on disposal of non-current assets	790.00	1,710,013.72
Gains on debt restructure		
Others	429,596.00	
Total	430,386.00	1,710,013.72

37. Non-operating expenses

Items	Jan. – Jun, 2011	Year 2010
Loss on disposal of fixed assets	15,200.25	32,373.03
Donation		
Penalty payout	22,327.09	52,257.59
Indemnity for breaking a contract		50,000.00
Others	30,143.18	28,900.00
Total	67,670.52	113,530.62

38. Income tax

Items	Jan. – Jun, 2011	Year 2010
Income tax this year	5,433,288.59	12,880,565.60
Deferred income tax		
Total	5,433,288.59	12,880,565.60

39. Information of cash flow statement

(1) Cash received relating to other operating activities

Items	Jan. – Jun, 2011	Year 2010
Water fitting deposit received, certificate permit fees and transfer tax	8,127,655.00	5,658,235.50
Project refunds received from Yanhai Yi Lu		36,000,000.00
Other transaction funds	6,052,453.87	556,800.00
Others	2,957,305.80	2,265,699.45
Total	17,137,414.67	44,480,734.95

(2) Cash paid relating to other operating activities

Items	Jan. – Jun, 2011	Year 2010
Mudanjiang Jingbohu Travel Group Co., Ltd		4,000,000.00
Other transaction funds	17,326,696.00	3,806,878.04
Return Water fitting deposit received and certificate permit fees	9,355,414.42	4,425,623.80

Items	Jan. – Jun, 2011	Year 2010
Audit consulting fees	809,000.00	556,000.00
Advertising expenses	1,076,986.47	2,768,622.00
Agent and lawyer fee	1,744,959.00	3,927,646.00
Other management fees	9,893,717.76	5,409,286.83
Total	40,206,773.65	24,894,056.67

(3)Cash paid relating to other investing activities

Items	Jan. – Jun, 2011	Year 2010
Expenses for financing activities	22,360,895.82	
Total	22,360,895.82	

(4) Cash paid relating to other investing activities

Items	Jan. – Jun, 2011	Year 2010
Ending balance of cash of year end 2009 of Sanya Wanjia Property Holding Co., Ltd.		15,401,893.30
Total		15,401,893.30

40.Supplementary information of cash flow statement

(1) Supplementary information

Items	Jan. – Jun, 2011	Year 2010
1 . Reconciliation of net profit to cash flows from operating activities:		
Net profit	-14,063,440.81	57,924,931.39
Add: Provision for assets impairment	169,332.60	-18,641,531.66
Depreciation of fixed assets, production biological assets, petroleum and natural gas	13,279,022.62	9,862,180.86
Amortization of intangible assets	564,908.92	481,543.30
Amortization of long-term prepayments	821,065.92	85,974.17
Losses on disposal of fixed assets, intangible assets and other long-term assets	-35,675.03	2,927,123.32
Losses on scrapping of fixed assets		6,040.33
Losses on fair value change		
Financial expenses	9,531,455.61	13,063,109.39
Investment losses	404,815.92	-64,864.56
Decrease in deferred income tax assets		
Increase in deferred income tax liabilities		
Decrease in inventories	31,768,792.78	375,789,519.81

Items	Jan. — Jun, 2011	Year 2010
Decrease in operating receivables	-14,399,498.17	-9,161,204.93
Increase in operating payables	-55,421,349.87	-289,621,996.40
Others		
Net cash flows from operating activities	-27,380,569.51	142,650,825.02
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	71,686,794.91	238,917,598.63
Less: Cash at the beginning of the period	136,376,851.19	291,787,132.78
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	-64,690,056.28	-52,869,534.15

(2) Cash and cash equivalents

Items	Jan. — Jun, 2011	Year 2010
1. Cash	71,686,794.91	238,917,598.63
Including: Cash on hand	889,579.96	193,980.73
Bank deposit paid at any time	70,779,219.00	238,697,000.71
Other monetary funds paid at any time	17,995.95	26,617.19
2. cash equivalents		
3. Cash and cash equivalents at the end of year	71,686,794.91	238,917,598.63

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
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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	Jun 30, 2011	Jan 1, 2011
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.	1,544,987.47	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.	157,206.10	173,045.00
	Beijing Aipuzhi Intellectual Property Management Consulting Co., Ltd	10,731,064.00	8,875,730.67
	Shanghai Haishang Mingzhu Property Management Co., Ltd.	1,000,000.00	
Interest payable:	Beijing Wangfa Real Estate Development Holdings Co., Ltd.	26,613,356.67	24,196,160.88
	Beijing Xinxing Real Estate Development Company	47,731,567.85	42,995,971.20

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. At the end of this reporting period, the balance of loans is 105 million Yuan. 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

Not applicable.

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	30 Jun 2011				1 Jan 2011			
	Balance	Proportion (%)	Bad debts	Bad debt ratio (%)	Balance	Proportion (%)	Bad debts	Bad debt ratio (%)
1 Individual with significant amount	7,761,707.60	69.51	7,761,707.60	100.00	7,761,707.60	69.30	7,761,707.60	100.00
2. Bad debt accounted by the combinations								
Age Combinations	1,506,127.42	13.49	499,472.51	33.16	1,540,067.42	13.75	500,151.31	32.48
Combined Subtotal	1,506,127.42	13.49	499,472.51	33.16	1,540,067.42	13.75	500,151.31	32.48
3. Other unimportant receivables	1,898,690.60	17.00	1,898,690.60	100.00	1,898,690.60	16.95	1,898,690.60	100.00
Total	11,166,525.62	100.00	10,159,870.71	90.99	11,200,465.62	100.00	10,187,100.42	90.72

(2) Age analysis

Age	June 30, 2011		January 1, 2011	
	Amounts	Bad Debts Provision	Amounts	Bad Debts Provision
Within 1 year	233,940.00	4,678.80	267,880.00	5,357.60
1 to 2 years	106,000.00	5,300.00	106,000.00	5,300.00
2 to 3 years	101,500.00	10,150.00	101,500.00	10,150.00
3 to 4 year				
4 to 5 years	265,000.00	79,500.00	265,000.00	79,500.00

Age	June 30, 2011		January 1, 2011	
	Amounts	Bad Debts Provision	Amounts	Bad Debts Provision
5 years and more	799,687.42	399,843.71	799,687.42	399,843.71
Total	1,506,127.42	499,472.51	1,540,067.42	500,151.31

2. Other receivables

(1) Detailed information

Items	30 Jun 2011				1 Jan 2011			
	Balance	Proportion (%)	Bad debts	Bad debt ratio (%)	Balance	Proportion (%)	Bad debts	Bad debt ratio (%)
1. Individual with significant amount	54,482,525.99	12.70	14,982,000.57	27.50	55,482,525.99	16.47	14,982,000.57	27.00
2. Bad debt accounted by the combinations								
Age Combinations	351,156,591.53	81.83	8,525,411.85	2.43	257,909,916.40	76.55	8,940,478.35	3.47
Combined Subtotal	351,156,591.53	81.83	8,525,411.85	2.43	257,909,916.40	76.55	8,940,478.35	3.47
3. Other unimportant receivables	23,459,217.36	5.47	23,459,217.36	100.00	23,503,529.06	6.98	23,503,529.06	100.00
Total	429,098,334.88	100.00	46,966,629.78	10.95	336,895,971.45	100.00	47,426,007.98	14.08

(2) Aging analysis

Age	June 30, 2011			January 1, 2011		
	Amounts		Bad Debt Provision	Amounts		Bad Debt Provision
	Amounts	Ratio (%)		Amounts	Ratio (%)	
Within 1 year	347,943,102.53	99.08	3,573,928.55	178,696,427.40	69.28	3,573,928.55
1 to 2 years			3,800,000.00	76,000,000.00	29.47	3,800,000.00
2 to 3 years						
3 to 4 year	649.00		129.80	649.00	0.00	129.80
4 to 5 years	200,000.00	0.06	60,000.00	200,000.00	0.08	60,000.00
5 years and more	3,012,840.00	0.86	1,506,420.00	3,012,840.00	1.17	1,506,420.00
Total	257,909,916.40	100.00	8,940,478.35	257,909,916.40	100.00	8,940,478.35

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 loss provision
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 Wanjia Hotel Management Co., Ltd.	Equity Method	120,000,000.00	120,000,000.00		120,000,000.00	100	100	
Sanya Wanjia Enterprises Holding Co., Ltd.	Cost Method	20,000,000.00	38,462,699.40	-404,815.92	38,057,883.48	40	40	
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.,	Cost Method	40,000,000.00	40,000,000.00		40,000,000.00	100	100	40,000,000.00

Name	Accounting Method	Initial investment Cost	Beginning Balance	Increase or decrease	Ending Balance	Percentage of equity interest (%)	Percentage of vote right (%)	Impairment loss provision
Ltd. Shanghai Real Estate Co.								
Beijing Jiubo 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	60,000,000.00		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	9.48	9.48	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	0.00			
Hainan Tongsheng Ports Co.	Cost Method	6,000,000.00	6,000,000.00		6,000,000.00			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			500,000.00
Hainan Huadi Pearl River Foundation Engineering Co., Ltd.	Cost Method	160,000.00	160,000.00		160,000.00	2	2	
Hebei Zhengshi Qinghui Real Estate Development Co., Ltd.	Cost Method	5,100,000.00	5,100,000.00		5,100,000.00	51	51	
Total		318,638,140.29	376,908,654.69	-9,044,815.92	367,863,838.77			66,194,645.39

4. Operating income and operating costs

(1) Operating income

Items	Jan. – Jun, 2011	Year 2010
Main operating business income		81,780,389.00
Other operating business income	193,340.00	150,254.20
Total	193,340.00	81,930,643.20

(2) Operating costs

Items	Jan. – Jun, 2011	Year 2010
Main operating business costs		42,124,483.34
Other operating business costs	26,578.50	46,478.74
Total	26,578.50	42,170,962.08

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

Items	Jan. – Jun, 2011		Year 2010	
	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

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

	Jan. – Jun, 2011	Year 2010
Location		

	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	Jan. – Jun, 2011	Year 2009
Income from transferring equity investment	-404,815.92	64,864.56
Income from disposal sellable financial assets		
Total	-404,815.92	64,864.56

6. Supplementary information of cash flow statement

Items	Jan. – Jun, 2011	Year 2010
1 . Reconciliation of net profit to cash flows from operating activities:		
Net profit	-12,409,027.24	11,512,721.21
Add: Provision for assets impairment	-460,057.00	-19,213,110.83
Depreciation of fixed assets, production biological assets, petroleum and natural gas	1,178,325.85	1,043,522.34
Amortization of intangible assets	23,831.82	23,831.82
Amortization of long-term prepayments		
Losses on disposal of fixed assets, intangible assets and other long-term assets	12,915.00	2,916,182.80
Losses on scrapping of fixed assets		
Losses on fair value change		
Financial expenses	3,766,307.21	6,035,811.28
Investment losses	404,815.92	-64,864.56
Decrease in deferred income tax assets		
Increase in deferred income tax liabilities		
Decrease in inventories		88,124,012.28
Decrease in operating receivables	-1,301,214.46	-13,790,282.95
Increase in operating payables	11,847,920.68	591,425.46
Others		
Net cash flows from operating activities	3,063,817.78	77,179,248.85
2 . Significant investing and financing activities that non-cash receipts and payments		

Items	Jan. – Jun, 2011	Year 2010
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	27,066,982.58	128,061,969.24
Less: Cash at the beginning of the period	47,697,821.48	161,760,970.47
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	-20,630,838.90	-33,699,001.23

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	Jan. – Jun, 2011
Profit and loss on disposal of non-current assets	-14,410.25
Fund occupation fee from non-financial enterprises included in the current profit and loss	20,969,686.49
Revenue generated from obtaining subsidiaries, associates and joint venture investment as the investment cost less than the fair value of identifiable net assets	
Others non-operating income and expenses excluded as above	377,125.73
Other non-operating income and costs	
Income tax impact	-885,778.44
Equity impacts of minority interests	-475,212.08
Total	19,971,411.45

2. Earnings per share

Profit of this year	Earnings per share			
	Basic earnings per share		Diluted earnings per share	
	Jan. – Jun, 2011	2010	Jan. – Jun, 2011	2010
Net profit attributable to common shareholders	-0.04	0.12	-0.04	0.12
Net profit excluding non-recurring Profit and Loss attributable to common shareholders	-0.08	0.10	-0.08	0.10

XIII. Approval of the financial statements

The financial statements have been approved by the board of directors of the Company in August 23, 2011.

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

Hainan Pearl River Holding Company Limited
August 23, 2011

Legal representative :

Accounting Supervisor:

Chief Accountant:

Signature:

Signature:

Signature:

Date:

Date:

Date: