

## HAINAN PEARL RIVER HOLDINGS CO., LTD.

### 2011 ANNUAL REPORT

#### §1. Important Notice

1.1 The Board of Directors, the Supervisory Committee, all directors, supervisors and senior executives of HaiNan Pearl River Holdings Co., Ltd. (hereinafter referred to as the Company) hereby confirm that there are no any fictitious statements, misleading statements, or important omissions carried in this report, and shall take all responsibilities, individual and/or joint, for the reality, accuracy and completeness of the whole contents.

1.2 BDO Da Hua Certified Public Accountants Co., Ltd. has audited the financial report of the Company for 2011 and issued a standard unqualified auditor's report therefor.

1.3 Mr. Zheng Qing, the principal of the Company, Mr. Chen Binglian, the principal of the accounting work, and Mr. Yang Daoliang, the principal of the accounting organ hereby confirm that the Financial Report in the Annual Report is true and complete.

*English version 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 listed with	Shenzhen Stock Exchange

##### 2.2 Contact information

	Secretary of the Board
Name	Yu Cuihong
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#### §3. Accounting Data and Financial Indices

##### 3.1 Main accounting data

Unit: Yuan

	2011	2010	Increase/decrease over last year (%)	2009
Gross operating revenues (Yuan)	233,145,578.90	686,065,924.45	-66.02%	285,105,975.50
Operating profit (Yuan)	-42,006,245.44	57,563,305.12	-172.97%	81,271,235.36
Total profit (Yuan)	-41,983,785.87	59,149,596.98	-170.98%	81,182,113.79

Net profit attributable to the Company's shareholders (Yuan)	-49,478,157.24	27,730,981.17	-278.42%	79,473,893.43
Net profit attributable to the Company's shareholders after deducting non-recurring gains and losses (Yuan)	-82,077,765.00	-14,783,336.29	-455.20%	-53,418,144.50
Net cash flows from operating activities (Yuan)	-76,119,321.82	141,567,532.95	-153.77%	143,044,992.66
	At the end of 2011	At the end of 2010	Increase/decrease over last year (%)	At the end of 2009
Total assets (Yuan)	1,311,949,739.44	1,448,885,550.24	-9.45%	2,033,695,297.92
Total liabilities (Yuan)	912,270,365.08	930,369,577.61	-1.95%	1,367,819,543.42
Owners' equity attributable to the Company's shareholders (Yuan)	373,004,748.20	497,295,405.44	-24.99%	653,104,424.27
Total share capital (share)	426,745,404.00	426,745,404.00	0.00%	426,745,405.00

### 3.2 Main financial indices

Unit: Yuan

	2011	2010	Increase/decrease over last year (%)	2009
Basic earnings per share (Yuan/share)	-0.12	0.06	-300.00%	0.19
Diluted earnings per share (Yuan/share)	-0.12	0.06	-300.00%	0.19
Basis earnings per share after deducting non-recurring gains and losses (Yuan/share)	-0.19	-0.03	-533.33%	-0.13
Weighted average return on equity (%)	-11.37%	4.82%	-16.19%	15.90%
Weighted average return on equity after deducting non-recurring gains and losses (%)	-18.86%	-2.57%	-16.29%	-10.69%
Net cash flow per share arising from operating activities (Yuan/share)	-0.18	0.33	-154.55%	0.34
	At the end of 2011	At the end of	Increase/decrease	At the end of 2009

		2010	over last year (%)	
Net assets per share attributable to shareholders of listed companies (Yuan/share)	0.87	1.17	-25.64%	1.53
Asset-liability ratio ( % )	69.54%	64.21%	5.33%	67.26%

### 3.3 Items of non-recurring gains and losses

v Applicable      ? Inapplicable

Unit: Yuan

Items of non-recurring gains and losses	Amount in 2011	Note (if applicable)	Amount in 2010	Amount in 2009
Gains and losses from disposal of non-current assets	164,225.87		1,675,363.51	28,023.37
Capital occupation fees received from non-financial enterprises which are recorded in the profits and losses for the current period	34,251,932.51		19,945,435.72	1,859,305.17
Gains arising from the balance between the investment costs on the Company's obtaining subsidiaries, associates and joint ventures and the attributable share of fair value of the invested parties' identifiable net assets when those investments are obtained	0.00		151,565.71	0.00
Gains and losses from debts restructure	0.00		0.00	103,580.08
Gains and losses on change in fair value from tradable financial assets and tradable financial liabilities, as well as investment income from disposal of tradable financial assets and tradable financial liabilities and financial assets available for sales except for effective hedging related with normal businesses of the Company	0.00		0.00	131,129,924.21
Other non-operating income/expense	-141,766.30		-240,637.36	-220,725.02
Other gain and loss items that satisfy the definition for non-recurring gains and losses	0.00		21,180,402.43	0.00
Income tax effects	-1,246,878.08		-142,206.68	-7,807.38
Minority interests effects	-427,906.24		-55,605.87	-262.50
Total	32,599,607.76	-	42,514,317.46	132,892,037.93

## §4. Particulars on Shareholding of Shareholders and Control Block Diagram

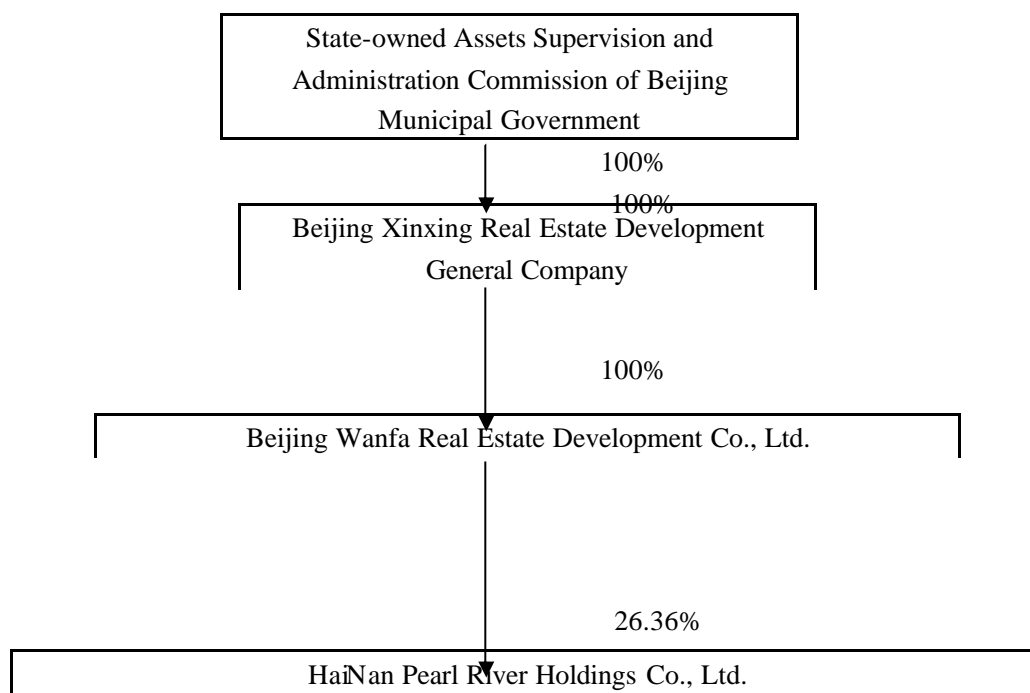
### 4.1 Particulars about shares held by the top ten shareholders and the top ten shareholders holding shares not subject to trading moratorium

Unit: share

Total number of	44,647	Total number of shareholders as at	44,293
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shareholders as at the end of 2011		one month before the reporting date			
Particulars about shares held by the top ten shareholders					
Name of shareholders	Nature of shareholders	Proportion (%)	Total shares held	Shares subject to moratorium held	Frozen or pledged share
Beijing Wanfa Real Estate Development Co., Ltd.	State-owned corporation	26.36%	112,479,478	0	0
Chen Yunxuan	Domestic natural person	0.70%	2,978,402	0	0
Qu Chen	Domestic natural person	0.52%	2,213,400	0	0
Zhang Xiaoxia	Domestic natural person	0.46%	1,949,250	0	0
Li Jinquan	Domestic natural person	0.42%	1,810,018	0	0
Zhang Chuntian	Domestic natural person	0.38%	1,630,000	0	0
Zhou Qin	Domestic natural person	0.32%	1,370,000	0	0
Nanhua Finance Co., Ltd.	Domestic non-state-owned corporation	0.30%	1,299,050	1,299,050	0
Zhang Huisheng	Domestic natural person	0.29%	1,240,000	0	0
Ou Lei	Domestic natural person	0.28%	1,206,348	0	0
Particulars about shares not subject to moratorium held by the top ten shareholders					
Name of shareholders		Shares not subject to moratorium held		Type of shares	
Beijing Wanfa Real Estate Development Co., Ltd.		112,479,478		RMB ordinary share	
Chen Yunxuan		2,978,402		RMB ordinary share	
Qu Chen		2,213,400		Domestically listed foreign share	
Zhang Xiaoxia		1,949,250		Domestically listed foreign share	
Li Jinquan		1,810,018		RMB ordinary share	
Zhang Chuntian		1,630,000		RMB ordinary share	
Zhou Qin		1,370,000		RMB ordinary share	
Zhang Huisheng		1,240,000		RMB ordinary share	
Ou Lei		1,206,348		RMB ordinary share	
Pearl River Enterprises Group		1,150,000		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.				

## 4.2 Ownership and control relationship between the Company and its actual controller



## §5

### Report of the Board of Directors

#### 5.1 Discussion and analysis by the management team

(I) Discussion and analysis by the management team: overview of the Company's operation during the reporting period

1. As affected by various regulatory policies on real estate industry, the domestic market of real estate was sluggish. Due to Meilin Qingcheng second-phase project almost came to the end, and the third-phase project hadn't started, the said regulatory policies had little effect on the Company's strategic operation, but it extended the winding-up period for Meilin Qingcheng second-phase project, and further obstructed the capital recovery from the retained houses. In 2011, 18 houses were sold with an area of 2683.17 m<sup>2</sup>, generating a sales income of RMB 29,192,465.

2. In aspect of tourism real estate, the establishment of Mudanjiang Pearl River Wanjia Tourism Group Co., Ltd. marked the Company had formed the strategic pattern on developing tourism real estate business in Mudanjiang and Xuexiang. On 15 Jun. 2011, it signed a Cooperation Intention on the Project of Overall Developing the Tourism Resources of Xuexiang National Forest Park, finishing the strategic transfer from single hotel operation to tourism resources development, which helped the Company strode forward a solid step in the direction of creating first class tourism brand in northeast china. Besides, in 2011, through expanding and cultivating new customer resources, adjusting the room price for off season and peak season as well as increasing the entertainment items in the tourist area, it realized a sustainable growth for economic income with a total sales income of RMB 15,785,100, up by 104% over the same period of last year. In order to explore the hotel business and expand the operation scale, it consolidated the Jingbo Lake Garden Hotel and Baoyuewan Hotel by entrust operation in Mar. and Jun. 2011 respectively, thus formally entered the hotel industry in Jingbo Lake. Meanwhile, it advanced the construction of Xuexiang scenic spot quickly, and completed the work on Overall Development Plan for Xuexiang to Taipinggou, acquisition of Xuesongge Hotel and Xueyuan Hotel, construction of Yangcao Mountain road, acquisition of transport vehicles for sightseeing and entertainment in scenic spot, construction of Yongan Staff Living Area and the construction of ski equipment hall of ski resort, etc., so as to lay a good foundation for the scenic spot development work and further provide a solid guarantee for the

Company to realize its business upgrading relying on Xuexiang Tourism Project.

3. 2011 witnessed the 4<sup>th</sup> operation period of Sanya Days Hotel & Suites Xuexiang, at which it registered a stable growth for operating income but also faced serious challenge for operation. On one hand, the policy of Being an International Tourism Island had not taken significantly positive effect on the tourism market in Sanya, the passenger flow volume of Sanya Airport was still restricted; on the other hand, the hotels in Sanya continued to increase. Therefore, the said hotel adjusted its marketing strategy in a timely manner, integrated and reduced its partners, made best use of the advantages and bypassed the disadvantages as well as integrated with its own characteristics, so as to open new sales channels and increase the network channel resources; besides, it actively explored the overseas market, realizing an operating revenue in 2011 as RMB 37 million, with the gross operating profits of RMB 8.7 million, increased by 11 % over the same period of 2010, and the annual occupancy rate increased by 10.98% compared with 2010. Moreover, the hotel's popularity and brand effect gradually enhanced.

4. In Jan. 2011, the Company cooperated with Zhonghe Investment Co., Ltd. to invest on the Construction Project of Special Railway Line in Mulin County and Coal Wholesale Market. In Apr. 2011, Zhonghe Investment Co., Ltd. gained the ownership of state-owned land use rights and their above-ground buildings for the project through statutory auction process in accordance with their agreement. In Jun. 2011, the Company added an investment of RMB 80 million to use specially for the construction of the said project according the needs of project construction. At present, the property transfer procedure for the project has been finished, and the transfer procedure for state-owned land use rights has been reported to Shunyi District Government by Shunyi District Bureau of Land Resources. The Pre-feasibility Report has been finished, which is reported to relevant railway authorities; the Company has resigned a cooperation agreement with the original cooperative unit for the construction of the special railway line in Mulin County for Daqin railway, which laid a foundation for the project construction and post-operation. Besides, the Market Research Report by entrusting China University of Mining and Technology has been finished, the operation scheme of loading & unloading, storage & transportation and technology of raw coal, as well as the Feasibility Report on Coal Business used to handle the coal business license have been finished, and the Company is communicating with the National Development and Reform Commission, and environmental protection department, etc. to handle the application work on environmental impact assessment, approving the establishment of project and coal business license.

5. Aiming at creating a new benefit-generating point, the Company made an initial investment of RMB 64 billion with Beijing Kangtai Industrial Investment Company on the cooperation and development of the iron mine Project in Yunxi District. Thereof, the Company took the first step into iron mine industry, which advanced the march toward a diversified operation. Iron mine project in Yunxi District refers to iron mine project in Zhaojiayuan and Dujiawan of Yunxi District, northwest of Hubei Province. Restructure of production line and establishment of the said project has been set out in 2011. In the meanwhile, the Company has consigned Northwest Hubei Province Hubei Geological Minerals Investigation Bureau to conduct a thorough examination on iron mine of Dujiawan, and basically worked out stratum, lithology, structure, category and grade of mineral, hydrogeology, engineering geology and environmental geology. Besides, the investigation bureau carried out an appraisal on the conditions of mining technology of deposit, thereof, provided a basis for the overall design of mine, construction project of mine and design of mining.

6. The Company carried on the Shijiazhuang Luquan new countryside construction and real estate

development project. Luoling community project was a construction and development project of new residential department in provincial level of Hebei. It located on the northwest of Shijiazhuang, Hebei province and neighboring to downtown Xinhua district. The project involved in three administrative villages: south Luoling, middle Luoling and north Luoling, with a total construction land of 1,053 mu (70.2 hectare), a total construction area of 1.7 million square meters and an estimated rate of 2.5 overall volume terms. It has completed the signing of project, application for construction on new residential department, investigation of homestead, draft of supplemental plan for reallocation in 2011. As for the aspects of development and construction project, it has accomplished each preparation of prophase such as the adjustment of land use planning, communication of construction planning schemes etc..

7. Since the original Haikou Longzhu third-phase project was transferred to Haikou Visun Real Estates Development Co., Ltd. (hereinafter referred as Visun Company) in Jun. 2010, the Company paid close attention to the progress of the project. In Nov. 2011, Visun Company sent a letter to notice the Company that “the provincial and municipal leaders and relevant departments paid highly attention to the project due to the project belongs to the key area for city image, so required Visun Company to build it as a super high landmark building in Haikou, and the planning and design program should be specially reviewed by various departments. In light that China has issued strict policies, laws and regulations on real estate development and operation recently, the approval condition on project development and construction is more stringent, the period of special approval and reply for the project by the government authorities will be longer correspondingly, so the starting date for the project construction will be delayed until Jun. 2012 once again.” In order to protect the legal benefits of the Company, the Company will urge Visun Company to start the construction as soon as possible by various ways, and consider revising the original agreement if necessary to re-confirm the rights and responsibilities for both parties.

## 5.2 Main businesses classified according to industries or products

Unit: RMB'0000

Main businesses classified according to industries						
Industries	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	7,758.97	3,633.59	53.17%	-86.46%	-90.18%	17.72%
Property management and service	9,891.90	8,549.74	13.57%	30.42%	28.12%	1.55%
Travel and hotel services	5,427.80	2,433.39	55.17%	51.09%	36.71%	4.72%
Main businesses classified according to products						
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	7,758.97	3,633.59	53.17%	-86.46%	-90.18%	17.72%
Property management and service	9,891.90	8,549.74	13.57%	30.42%	28.12%	1.55%
Travel and hotel services	5,427.80	2,433.39	55.17%	51.09%	36.71%	4.72%

5.3 Explanation on reasons for significant changes in profit breakdown, main operation and its structure, and profitability of core business of the reporting period compared with the previous reporting period

Applicable

Inapplicable

Items	Amount of this period	Amount of last period	Amount of change	Change ratio	Reason for change
Operation revenue	233,145,578.90	686,065,924.45	-452,920,345.55	-66.02%	Note 1
Operation cost	147,356,459.09	455,355,582.46	-307,999,123.37	-67.64%	Note 1
Taxes and associate charges	21,722,074.58	80,315,959.95	-58,593,885.37	-72.95%	Note 1
Sales expenses	6,097,882.73	10,724,982.92	-4,627,100.19	-43.14%	Note 2
Administrative expenses	78,495,572.48	62,229,213.13	16,266,359.35	26.14%	Note 3
Financial expenses	18,453,629.84	23,453,020.50	-4,999,390.66	-21.32%	Note 4
Investment income	-989,818.18	1,267,564.07	-2,257,382.25	-178.09%	Note 5
Non-operating income	891,399.47	1,889,073.34	-997,673.87	-52.81%	Note 6
Non-operating expense	868,939.90	302,781.48	566,158.42	186.99%	Note 7
Other comprehensive incomes	-74,812,500.00	-183,540,000.00	108,727,500.00	59.24%	Note 8
Net cash flow arising from operation activities	-76,119,321.82	141,567,532.95	-217,686,854.77	-153.77%	Note 9
Net cash flow arising from financing activities	76,461,468.75	-155,834,656.21	232,296,124.96	149.07%	Note 10

Note 1: The decrease in “operation revenue, operation cost, taxes and surcharges” was mainly because: sales income of Meilin Qingcheng second-phase project of subsidiary Hubei Pearl River Real Estate Development Co., Ltd. was decreased.

Note 2: The decrease of sales expenses was mainly because: the sales of commercial house of Meilin Qingcheng second-phase sales of subsidiary Hubei Pearl River Real Estate Development Co., Ltd. was coming to the final sales.

Note 3: The increase of administrative expenses was mainly because: the Company newly invested and established three subsidiaries in the reporting period, they are Mudanjiang Chingpo Pearl River Wanjia Hotel Co., Ltd., Mudanjiang Star of Wanjia Hotel Co., Ltd. and Hebei Zhengshi Qinghui Real Estate Co., Ltd., thereof increased relevant expenses.

Note 4: The decrease of financial expenses was mainly because capital occupation charges the Company collected was increased in the reporting period.



Note 5: The decrease in investment income was mainly because profitability of Sanya Wanjia Industrial Co., Ltd., invested by the Company wasn't improved. While investment income of last period was higher than current period was due to the change of shareholding proportion of the Company was the difference of the sum of the consideration acquired from disposal of equity and the fair value of remaining equity, less net assets enjoyed in former subsidiaries that were measured at former shareholding proportion and consistently counted from the acquisition date in the consolidated financial report.

Note 6: Operation revenue was gradually decreasing was mainly due to the decrease in gains arising from disposal of fixed assets in the reporting period.

Note 7: The increase in non-operation expenses was mainly due to the Company increased external donations.

Note 8: Other comprehensive incomes were decreased mainly due to the decrease in fair value of available-for-sale financial assets.

Note 9: The decrease of net cash flow arising from operation activities was mainly due to the sales revenue of commercial house of Meilin Qingcheng second-phase sales of subsidiary Hubei Pearl River Real Estate Development Co., Ltd. decreased.

Note 10: The increase in net cash flow arising from financing activities was mainly due to cash payment for debts was decreased.

## §6. Financial Report

6.1 Explanation for changes in accounting policies, accounting estimates and accounting method of the reporting period compared with previous annual report

Applicable                      Inapplicable

Changes in accounting policies

When the Company first carried out Enterprises Accounting Standard in 2007, in terms of there was no defined regulations on whether to resume the recognition of amount of surplus reserve in consolidated financial statement or not according to rules of Consolidated Financial Statement, the Company followed suit on former disposal regulations of consolidated financial statements on Enterprises Accounting Standard by resuming the amount of surplus reserve of subsidiaries in the preparation of consolidated statements. In the reporting period, the Company made changes to the said accounting policy. Subsequent to the change, the Company shall no longer resume the amount of surplus reserve of subsidiaries attributable to the Company in consolidated statements according to the new accounting policy. In the meanwhile, the Company shall disclose the amount of surplus reserve withdrew by subsidiaries that attributable to the Company under "Retained profit" of consolidated statement in the notes. The said change in accounting policies with an impact on retained profit of RMB 4,690,421.49 at the beginning of 2011 (which including RMB 4,690,421.49 on the beginning of 2010); on surplus reserve of RMB -4,690,421.49 at the beginning of 2011 (which including RMB -4,690,421.49 on the beginning of 2010).

6.2 Content of significant accounting mistakes, correction amount, reasons and its impact

Applicable                      Inapplicable

6.3 Explanation on changes in consolidated scope of the reporting period compared with previous annual report

Applicable                      Inapplicable

1. There are four newly enterprises combined into the scope compared with last year, that is because:

In the reporting period, the Company newly established subsidiary Hebei Zhengshi Qinghui Real Estate Co., Ltd., subsidiary Mudanjiang Pearl River Wanjia Travel Investment and Development

Group Co., Ltd., subsidiary Mudanjiang Chingpo Pearl River Wanjia Hotel Co., Ltd. and subsidiary Mudanjiang Star of Wanjia Hotel Co., Ltd.

Subsidiaries Hainan Pearl River Enterprises Holding Co., Ltd. and Shanghai Real Estate Company of Hainan Pearl River Enterprises Holdings Co., Ltd. respectively held 20% and 30% equity of Shanghai Sea Pearl Property Management Co., Ltd.. In terms of the Company realized control of Shanghai Sea Pearl Property Management Co., Ltd. in current period, then it was combined into consolidated scope in current period.

2. There was one company combined into consolidated scope which the Company has voting right of 50% or lower in the said company, that is because:

The Company totally held 50% equity of Shanghai Sea Pearl Property Management Co., Ltd. through subsidiaries that the Company was in charge of actual operation of Shanghai Sea Pearl Property Management Co., Ltd.

6.4 Explanation of the Board of Directors on “Non-standard Auditors’ Report” from the Certified Public Accountants

Applicable

Inapplicable

# Independent Auditors' Report

DHSZ [2012] No.3687

## **To the Shareholders of Hainan Pearl River Holding Company Limited:**

We have audited the accompanying financial statements of Hainan Pearl River Holding Company Limited (“the Company”), including balance sheet and consolidated balance sheet as of December 31, 2011, income statement and consolidated income statement, cash flow statement and consolidated cash flow statement, statement of changes in equity and consolidated statement of changes in equity, and notes to the financial statements for the year then ended.

## **I. Management's responsibility for the financial statements**

The Company's management is responsible for the preparation of the financial statements in accordance with the Accounting Standards for Business Enterprises issued by PRC Ministry of Finance. The responsibility includes: (1) designing, implementing and maintaining an internal control system for the preparation of the financial statements so that they are free from material misstatement due to frauds or errors; (2) choosing and applying appropriate accounting principles; (3) making reasonable accounting estimates.

## **II. Auditor's responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audits in accordance with the Chinese Auditing Standards. Those standards require that we comply with professional ethics, plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit includes examining, on test basis, evidence supporting the amounts and disclosures in the financial statements. The testing methods and procedures are based on auditor's judgment, including the evaluation of the risk of material misstatement due to frauds or errors. When evaluating risk, we consider the internal control system in relating to financial statements in order to design auditing procedures, but not for the purpose of expressing an opinion on the system's effectiveness. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation.

We believe that we have obtained sufficient and appropriate evidence to provide a reasonable basis for our audit opinion.

### **III. Auditing opinion**

In our opinion, the Company's financial statements have been prepared in accordance with the Accounting Standards for Business Enterprises, and they fairly present, in all material respects, the financial position of the Company as of 31 December 2011, and the results of its operations and its cash flows for year then ended.

Chinese Certified Public Accountant:Ma Ning

Chinese Certified Public Accountant:Chen Wan Jun

BDO CHINA DA HUA  
Certified Public Accountants.

Beijing · China  
18th April, 2012

**Hainan Pearl River Holding Company Limited**  
**Consolidated Balance Sheet**

**31 December 2011**  
**Expressed in Renminbi**

Items	Notes	31-Dec-11	1-Jan-11
<b>Current assets:</b>			
Monetary funds	V.1	52,507,843.73	136,376,851.19
Financial assets held for trading			
Notes receivable			
Accounts receivable	V.2	7,047,354.39	3,627,245.66
Prepayments	V.3	76,803,784.89	53,898,082.24
Interest receivable			
Dividend receivable	V.4	260,015.00	260,015.00
Other receivables	V.5	305,101,592.12	258,266,331.45
Inventories	V.6	118,087,721.51	154,866,011.08
Non-current asset due within 1 year			
Other current assets			
<b>Total current assets</b>		559,808,311.64	607,294,536.62
<b>Non-current assets:</b>			
Available-for-sale financial assets	V.7	286,947,500.00	386,697,500.00
Held-to-maturity securities			
Long-term receivables			
Long-term equity investments	V.9	51,861,567.21	51,675,639.59
Investment real estates	V.10	26,736,246.75	19,898,962.92
Fixed assets	V.11	325,412,316.44	334,512,524.54
Construction in progress	V.12	17,949,172.88	4,732,000.00
Engineering material	V.13	606,206.60	606,206.60
Disposal of fixed assets			
Bearer biological assets			
Oil and gas assets			
Intangible assets	V.14	32,558,549.97	33,492,984.34
Expense on research and development			
Goodwill			
Long-term prepayments	V.15	10,069,867.95	9,975,195.63
Deferred income tax assets			
Other non-current asset			
<b>Total non-current assets</b>		752,141,427.80	841,591,013.62
<b>Total assets</b>		1,311,949,739.44	1,448,885,550.24

Corporate representative: Zheng Qing

Chief Accountant: Chen Binglian

Accounting Supervisor: Yang Daoliang

**Hainan Pearl River Holding Company Limited**  
**Consolidated Balance Sheet**

**31 December 2011**  
**Expressed in Renminbi**

Items	Notes	31-Dec-11	1-Jan-11
<b>Current liabilities:</b>			
Short-term loans	V.19	45,000,000.00	
Financial liabilities held for trading			
Notes payable			
Accounts payable	V.20	22,624,982.35	37,588,815.47
Accounts received in advance	V.21	19,556,674.90	39,134,147.85
Accrued payroll	V.22	6,909,929.01	5,631,750.04
Taxes payable	V.23	3,581,099.43	30,809,972.66
Interest payable	V.24	99,701,134.38	85,390,223.02
Dividend payable	V.25	3,213,302.88	3,213,302.88
Other payables	V.26	349,335,603.33	329,316,226.89
Non-current liabilities due within 1 year	V.27	232,000,000.00	
Other current liabilities			
<b>Total current liabilities</b>		781,922,726.28	531,084,438.81
<b>Non-current liabilities:</b>			
Long-term borrowings	V.28	81,000,000.00	325,000,000.00
Bonds payable			
Long-term payables			
Special payables			
Accrued liabilities			
Deferred income tax liabilities	V.16	49,347,638.80	74,285,138.80
Other non-current liabilities			
<b>Total non-current liabilities</b>		130,347,638.80	399,285,138.80
<b>Total liabilities</b>		912,270,365.08	930,369,577.61
<b>Owner's equity:</b>			
Share capital	V.29	426,745,404.00	426,745,404.00
Capital surplus	V.30	530,451,655.97	605,264,155.97
Less:treasury stock			
Surplus reserves	V.31	109,487,064.39	109,487,064.39
Undistributed profits	V.32	-693,679,376.16	-644,201,218.92
Foreign currency translation differences			
Total owner's equity attributable to parent company		373,004,748.20	497,295,405.44
Minority interests		26,674,626.16	21,220,567.19
<b>Total owner's equity</b>		399,679,374.36	518,515,972.63
<b>Total liabilities and owner's equity</b>		1,311,949,739.44	1,448,885,550.24

Corporate representative:Zheng Qing

Chief Accountant:Chen Binglian

Accounting Supervisor: Yang Daoliang

**Hainan Pearl River Holding Company Limited**  
**Balance Sheet**

**31 Dec 2011**  
**Expressed in Renminbi**

Items	Notes	31-Dec-11	1-Jan-11
<b>Current assets:</b>			
Monetary funds		515,955.59	47,697,821.48
Financial assets held for trading			
Notes receivable			
Accounts receivable	XI.1	1,233,403.30	1,039,916.11
Prepayments		50,000,000.00	50,070,000.00
Interest receivable			
Dividend receivable		260,015.00	260,015.00
Other receivables	XI.2	401,353,832.36	289,469,963.47
Inventories		4,824,035.45	12,782,893.61
Non-current asset due within 1 year			
Other current assets			
<b>Total current assets</b>		458,187,241.70	401,320,609.67
<b>Non-current assets:</b>			
Available-for-sale financial assets		286,947,500.00	386,697,500.00
Held-to-maturity securities			
Long-term receivables			
Long-term equity investments	XI.3	301,163,618.90	296,974,009.30
Investment real estates		7,895,850.53	
Fixed assets		19,120,348.43	21,376,736.10
Construction in progress			
Engineering material			
Disposal of fixed assets			
Bearer biological assets			
Oil and gas assets			
Intangible assets		1,600,704.24	1,648,367.88
Expense on research and development			
Goodwill			
Long-term prepayments			
Deferred income tax assets			
Other non-current asset			
<b>Total non-current assets</b>		616,728,022.10	706,696,613.28
<b>Total assets</b>		1,074,915,263.80	1,108,017,222.95

Corporate representative: Zheng Qing

Chief Accountant: Chen Binglian

Accounting Supervisor: Yang Daoliang

**Hainan Pearl River Holding Company Limited**  
**Balance Sheet**

**31 Dec 2011**  
**Expressed in Renminbi**

Items	Notes	31-Dec-11	1-Jan-11
<b>Current liabilities:</b>			
Short-term loans			
Financial liabilities held for trading			
Notes payable			
Accounts payable		2,482,949.70	3,782,949.70
Accounts received in advance		59,400.00	
Accrued payroll		537,236.72	492,944.38
Taxes payable		-2,478,194.48	-2,851,226.09
Interest payable		69,588,108.07	51,834,549.23
Dividend payable		3,213,302.88	3,213,302.88
Other payables		347,896,763.31	266,835,267.94
Non-current liabilities due within 1 year		220,000,000.00	
Other current liabilities			
<b>Total current liabilities</b>		641,299,566.20	323,307,788.04
<b>Non-current liabilities:</b>			
Long-term borrowings			220,000,000.00
Bonds payable			
Long-term payables			
Special payables			
Accrued liabilities			
Deferred income tax liabilities		48,295,625.00	73,233,125.00
Other non-current liabilities			
<b>Total non-current liabilities</b>		48,295,625.00	293,233,125.00
<b>Total liabilities</b>		689,595,191.20	616,540,913.04
<b>Owner's equity:</b>			
Share capital		426,745,404.00	426,745,404.00
Capital surplus		533,467,995.51	608,280,495.51
Less:treasury stock			
Surplus reserves		109,487,064.39	109,487,064.39
Undistributed profits		-684,380,391.30	-653,036,653.99
<b>Total owner's equity</b>		385,320,072.60	491,476,309.91
<b>Total liabilities and owner's equity</b>		1,074,915,263.80	1,108,017,222.95

Corporate representative:Zheng Qing

Chief Accountant:Chen Binglian

Accounting Supervisor: Yang Daoliang



**Hainan Pearl River Holding Company Limited**  
**Consolidated Income Statement**

Year ended 31 December 2011

Expressed in Renminbi

Items	Notes	2011	2010
<b>I.Total operating income</b>		233,145,578.90	686,065,924.45
Including : operating income	V.33	233,145,578.90	686,065,924.45
<b>II.Total operating cost</b>		274,162,006.16	629,770,183.40
Including : operating cost	V.33	147,356,459.09	455,355,582.46
Operating taxes and extras	V.34	21,722,074.58	80,315,959.95
Sales expenses	V.35	6,097,882.73	10,724,982.92
General and administrative expenses	V.36	78,495,572.48	62,229,213.13
Financial expenses	V.37	18,453,629.84	23,453,020.50
Loss of devaluation of assets	V.39	2,036,387.44	-2,308,575.56
Add:Changing income of fair value			
Investment income	V.38	-989,818.18	1,267,564.07
Including: investment income on affiliated company and joint venture			
<b>III.Operating profit</b>		-42,006,245.44	57,563,305.12
Add: Non-operating income	V.40	891,399.47	1,889,073.34
Less: Non-operating expenses	V.41	868,939.90	302,781.48
Including: disposal loss of non-current asset		174,148.32	48,055.21
<b>IV.Total profit</b>		-41,983,785.87	59,149,596.98
Less: income tax	V.42	7,234,566.58	22,969,378.85
<b>V.Net profit</b>		-49,218,352.45	36,180,218.13
Net profit attributable to parent company's owner		-49,478,157.24	27,730,981.17
Profit and loss of minority interests		259,804.79	8,449,236.96
<b>VI.Earnings per share</b>			
i.Basic earnings per share		-0.12	0.06
ii.Diluted earnings per share		-0.12	0.06
<b>VII.Other integrated income</b>		-74,812,500.00	-183,540,000.00
<b>VIII.Total integrated income</b>		-124,030,852.45	-147,359,781.87
Including: Total integrated income attributed to the owners of parent company		-124,290,657.24	-155,809,018.83
Total integrated income attributed to minority interests		259,804.79	8,449,236.96

Corporate representative:Zheng Qing

Chief Accountant:Chen Binglian

Accounting Supervisor: Yang Daoliang

**Hainan Pearl River Holding Company Limited**

**Income Statement**

**Year ended 31 December 2011**

**Expressed in Renminbi**

Items	Notes	2011	2010
<b>I.Total operating income</b>	XI.4	739,580.50	82,215,809.90
Less:Operating costs	XI.4	116,164.63	42,197,540.58
Operating taxes and extras		77,140.34	20,144,260.72
Sales expenses		15,000.00	28,564.00
General and administrative expenses		18,006,740.13	14,909,029.58
Financial expenses		13,293,779.01	13,444,268.99
Loss of devaluation of assets		-861,724.50	-3,456,417.44
Add:Changing income of fair value			
Investment income	XI.5	-910,390.40	-440,761.04
Including: investment income on affiliated company and joint venture		-910,390.40	-440,761.04
<b>II.Operating profit</b>		-30,817,909.51	-5,492,197.57
Add: Non-operating income		0.00	1,710,013.72
Less: Non-operating expenses		525,827.80	17,271.58
Including: disposal loss of non-current asset		16,112.15	17,271.58
<b>III.Total profit</b>		-31,343,737.31	-3,799,455.43
Less: income tax			
<b>IV.Net profit</b>		-31,343,737.31	-3,799,455.43
<b>V.Earnings per share</b>			
i.Basic earnings per share			
ii.Diluted earnings per share			
<b>VI.Other integrated income</b>		-74,812,500.00	-183,540,000.00
<b>VII.Total integrated income</b>		-106,156,237.31	-187,339,455.43

Corporate representative:Zheng Qing

Chief Accountant:Chen Binglian

Accounting Supervisor: Yang Daoliang

**Hainan Pearl River Holding Company Limited**

**Consolidated Cash Flow Statement**

**Year ended 31 December 2011**

**Expressed in Renminbi**

Items	Notes	2011	2010
<b>I.Cash flows from operating activities:</b>			
Cash received from sales of goods or rendering of services		195,657,505.14	390,537,368.19
Refunds of taxes			
Cash received relating to other operating activities	V.45(1)	80,780,902.16	65,977,180.94
<b>Subtotal of cash inflows</b>		276,438,407.30	456,514,549.13
Cash paid for goods and services		65,207,561.49	141,392,840.40
Cash paid to and on behalf of employees		83,062,241.99	61,287,864.70
Payments of all types of taxes		61,622,263.26	59,920,424.95
Cash paid relating to other operating activities	V.45(2)	142,665,662.38	52,345,886.13
<b>Subtotal of cash outflows</b>		352,557,729.12	314,947,016.18
<b>Net cash flows from operating activities</b>	V.46(1)	-76,119,321.82	141,567,532.95
<b>II.Cash flows from investing activities:</b>			
Cash received from return of investments		215,500,000.00	89,300,000.00
Cash received from return on investments			
Net cash received from the sale of fixed assets, intangible assets and other long-term assets		804,903.50	3,702,673.00
Net cash received from selling subsidiary company and joint venture			
Cash received relating to other investing activities	V.45(3)	35,026,093.04	10,340,756.08
<b>Subtotal of cash inflows</b>		251,330,996.54	103,343,429.08
Cash paid to acquire fixed assets, intangible assets and other long-term assets		47,572,150.93	36,484,694.11
Cash paid to acquire investments		287,970,000.00	172,600,000.00
Net cash paid to purchase subsidiary company and joint venture			20,000,000.00
Cash paid relating to other investing activities	V.45(4)		15,401,893.30
<b>Subtotal of cash outflows</b>		335,542,150.93	244,486,587.41
<b>Net cash flows from investing activities</b>		-84,211,154.39	-141,143,158.33
<b>III.Cash flows from financing activities:</b>			
Cash received from investments by others		4,900,000.00	
Cash received from borrowings		124,000,000.00	228,500,000.00
Cash received relating to other financing activities			
<b>Subtotal of cash inflows</b>		128,900,000.00	228,500,000.00
Cash repayments of amounts borrowed		12,790,930.00	360,980,110.00
Cash paid for distribution of dividends or profits and for interest expenses		37,522,601.25	23,354,546.21
Cash paid relating to other financing activities	V.45(5)	2,125,000.00	-
<b>Subtotal of cash outflows</b>		52,438,531.25	384,334,656.21
<b>Net cash flows from financing activities</b>		76,461,468.75	-155,834,656.21
<b>IV.Effect of foreign exchange rate changes on cash</b>			
<b>V.Net increase in cash and cash equivalents</b>		-83,869,007.46	-155,410,281.59
Add:balance of cash and cash equivalents at the beginning of the year		136,376,851.19	291,787,132.78
<b>VI.Balance of cash and cash equivalents at the end of the year</b>		52,507,843.73	136,376,851.19

Corporate representative:Zheng Qing

Chief Accountant:Chen Binglian

Accounting Supervisor: Yang Daoliang

**Hainan Pearl River Holding Company Limited**

**Cash Flow Statement**

**Year ended 31 December 2011**

**Expressed in Renminbi**

Items	Notes	2011	2010
<b>I.Cash flows from operating activities:</b>			
Cash received from sales of goods or rendering of services		819,245.00	63,147,999.31
Refunds of taxes			
Cash received relating to other operating activities		4,166,262.33	42,151,448.86
<b>Subtotal of cash inflows</b>		4,985,507.33	105,299,448.17
Cash paid for goods and services			50,444,358.71
Cash paid to and on behalf of employees		4,495,003.19	3,103,139.58
Payments of all types of taxes		2,097,282.22	21,359,973.83
Cash paid relating to other operating activities		13,919,448.24	11,531,023.42
<b>Subtotal of cash outflows</b>		20,511,733.65	86,438,495.54
<b>Net cash flows from operating activities</b>	XI.6	-15,526,226.32	18,860,952.63
<b>II.Cash flows from investing activities:</b>			
Cash received from return of investments		217,500,000.00	81,300,000.00
Cash received from return on investments			
Net cash received from the sale of fixed assets, intangible assets and other long-term assets		6,000.00	3,628,173.00
Net cash received from selling subsidiary company and joint venture			
Cash received relating to other investing activities		30,721,904.43	10,340,756.08
<b>Subtotal of cash inflows</b>		248,227,904.43	95,268,929.08
Cash paid to acquire fixed assets, intangible assets and other long-term assets		1,383,544.00	3,526,586.70
Cash paid to acquire investments		327,700,000.00	211,310,000.00
Net cash paid to purchase subsidiary company and joint venture			
Cash paid relating to other investing activities			
<b>Subtotal of cash outflows</b>		329,083,544.00	214,836,586.70
<b>Net cash flows from investing activities</b>		-80,855,639.57	-119,567,657.62
<b>III.Cash flows from financing activities:</b>			
Cash received from investments by others			
Cash received from borrowings		79,000,000.00	272,000,000.00
Cash received relating to other financing activities			
<b>Subtotal of cash inflows</b>		79,000,000.00	272,000,000.00
Cash repayments of amounts borrowed		790,930.00	276,000,000.00
Cash paid for distribution of dividends or profits and for interest expenses		29,009,070.00	9,356,444.00
Cash paid relating to other financing activities			
<b>Subtotal of cash outflows</b>		29,800,000.00	285,356,444.00
<b>Net cash flows from financing activities</b>		49,200,000.00	-13,356,444.00
<b>IV.Effect of foreign exchange rate changes on cash</b>			
<b>V.Net increase in cash and cash equivalents</b>		-47,181,865.89	-114,063,148.99
Add:balance of cash and cash equivalents at the beginning of the year		47,697,821.48	161,760,970.47
<b>VI.Balance of cash and cash equivalents at the end of the year</b>		515,955.59	47,697,821.48

Corporate representative:Zheng Qing

Chief Accountant:Chen Binglian

Accounting Supervisor: Yang Daoliang

## Hainan Pearl River Holding Company Limited

## Consolidated Statement of Changes in Equity

Year ended 31 December 2011

Expressed in Renminbi

Items	31 December 2011							
	Total owner's equity attributable to parent company						Minority interests	Total owner's equity
	Share capital	Capital reserves	Less:treasury stock	Surplus reserves	Undistributed profits	Others		
<b>I.Amount at the end of last year</b>	426,745,404.00	605,264,155.97	0.00	109,487,064.39	-644,201,218.92		21,220,567.19	518,515,972.63
1.Amount because the change of accounting policy								0.00
2.Amount because correction of accounting error								0.00
<b>II.Amount at the beginning of this year</b>	426,745,404.00	605,264,155.97	0.00	109,487,064.39	-644,201,218.92	0.00	21,220,567.19	518,515,972.63
<b>III.Increment and decrement of this year</b>	0.00	-74,812,500.00	0.00	0.00	-49,478,157.24	0.00	5,454,058.97	-118,836,598.27
1.Net profit					-49,478,157.24		259,804.79	-49,218,352.45
2.Profit and loss through owner's equity directly		-74,812,500.00						-74,812,500.00
(1) Net changing amount of fair value of available-for-sale financial assets								0.00
(2) Influence of other owner's equity change of invested enterprise under equity method								0.00
(3) Relating income tax effect through owner's equity items								0.00
(4) Other		-74,812,500.00						-74,812,500.00
Subtotal of above 1 and 2		-74,812,500.00			-49,478,157.24			-124,290,657.24
3.Owners invest or reduce capital	0.00	0.00	0.00	0.00	0.00	0.00	5,194,254.18	5,194,254.18
(1) Owners invest capital							4,900,000.00	4,900,000.00
(2) Share-based payment recorded into owner's equity								0.00
(3) Other							294,254.18	
4. Profit distribution								0.00
(1) Draw surplus reserves								0.00
(2) Draw common risk provision								0.00
(3) Distribute to owners (shareholders)								0.00
(4) Other								0.00
5. Inner rotation within owner's equity								0.00
(1) Capital reserves transfer to share capital								0.00
(2) Surplus reserves transfer to share capital								0.00
(3) Surplus reserves offset loss								0.00
(4) Other								0.00
<b>IV.Amount at the end of this year</b>	426,745,404.00	530,451,655.97	0.00	109,487,064.39	-693,679,376.16	0.00	26,674,626.16	399,679,374.36

Corporate representative: Zheng Qing

Chief Accountant: Chen Binglian

Accounting Supervisor: Yang Daoliang

## Hainan Pearl River Holding Company Limited

## Consolidated Statement of Changes in Equity

Year ended 31 December 2011

Expressed in Renminbi

Items	2010							
	Total owner's equity attributable to parent company						Minority interests	Total owner's equity
	Share capital	Capital reserves	Less:treasury stock	Surplus reserves	Undistributed profits	Others		
<b>I.Amount at the end of last year</b>	426,745,404.00	788,804,155.97		114,177,485.88	-676,622,621.58		12,771,330.23	665,875,754.50
1.Amount because the change of accounting policy				-4,690,421.49	4,690,421.49			0.00
2.Amount because correction of accounting error								0.00
<b>II.Amount at the beginning of this year</b>	426,745,404.00	788,804,155.97		109,487,064.39	-671,932,200.09		12,771,330.23	665,875,754.50
<b>III.Increment and decrement of this year</b>		-183,540,000.00			27,730,981.17		8,449,236.96	-147,359,781.87
1.Net profit					27,730,981.17		8,449,236.96	36,180,218.13
2.Profit and loss through owner's equity directly		-183,540,000.00						-183,540,000.00
(1) Net changing amount of fair value of available-for-sale financial assets								0.00
(2) Influence of other owner's equity change of invested enterprise under equity method								0.00
(3) Relating income tax effect through owner's equity items								0.00
(4) Other		-183,540,000.00						-183,540,000.00
Subtotal of above 1 and 2	0.00	-183,540,000.00			27,730,981.17		8,449,236.96	-147,359,781.87
3.Owners invest or reduce capital								0.00
(1) Owners invest capital								0.00
(2) Share-based payment recorded into owner's equity								0.00
(3) Other								0.00
4. Profit distribution								0.00
(1) Draw surplus reserves								0.00
(2) Draw common risk provision								0.00
(3) Distribute to owners (shareholders)								0.00
(4) Other								0.00
5. Inner rotation within owner's equity								0.00
(1) Capital reserves transfer to share capital								0.00
(2) Surplus reserves transfer to share capital								0.00
(3) Surplus reserves offset loss								0.00
(4) Other								0.00
<b>IV.Amount at the end of this year</b>	426,745,404.00	605,264,155.97	0.00	109,487,064.39	-644,201,218.92	0.00	21,220,567.19	518,515,972.63

Corporate representative: Zheng Qing

Chief Accountant: Chen Binglian

Accounting Supervisor: Yang Daoliang

## Hainan Pearl River Holding Company Limited

## Statement of Changes in Equity

Year ended 31 December 2011

Expressed in Renminbi

Items	31 December 2011					
	Share capital	Capital reserves	Less:treasury stock	Surplus reserves	Undistributed profits	Total owner's equity
<b>I.Amount at the end of last year</b>	426,745,404.00	608,280,495.51		109,487,064.39	-653,036,653.99	491,476,309.91
1.Amount because the change of accounting policy						0.00
2.Amount because correction of accounting error						0.00
<b>II.Amount at the beginning of this year</b>	426,745,404.00	608,280,495.51	0.00	109,487,064.39	-653,036,653.99	491,476,309.91
<b>III.Increment and decrement of this year</b>		-74,812,500.00	0.00	0.00	-31,343,737.31	-106,156,237.31
1.Net profit					-31,343,737.31	-31,343,737.31
2.Profit and loss through owner's equity directly		-74,812,500.00				-74,812,500.00
(1) Net changing amount of fair value of available-for-sale financial assets						0.00
(2) Influence of other owner's equity change of invested enterprise under equity method						0.00
(3) Relating income tax effect through owner's equity items						0.00
(4) Other		-74,812,500.00				-74,812,500.00
Subtotal of above 1 and 2		-74,812,500.00				-74,812,500.00
3.Owners invest or reduce capital						0.00
(1) Owners invest capital						0.00
(2) Share-based payment recorded into owner's equity						0.00
(3) Other						0.00
4. Profit distribution						0.00
(1) Draw surplus reserves						0.00
(3) Distribute to owners (shareholders)						0.00
(4) Other						0.00
5. Inner rotation within owner's equity						0.00
(1) Capital reserves transfer to share capital						0.00
(2) Surplus reserves transfer to share capital						0.00
(3) Surplus reserves offset loss						0.00
(4) Other						0.00
6. Others						0.00
<b>IV.Amount at the end of this year</b>	426,745,404.00	533,467,995.51	0.00	109,487,064.39	-684,380,391.30	385,320,072.60

Corporate representative: Zheng Qing

Chief Accountant: Chen Binglian

Accounting Supervisor: Yang Daoliang

## Hainan Pearl River Holding Company Limited

## Statement of Changes in Equity

Year ended 31 December 2011

Expressed in Renminbi

Items	2010					
	Share capital	Capital reserves	Less:treasury stock	Surplus reserves	Undistributed profits	Total owner's equity
<b>I.Amount at the end of last year</b>	426,745,404.00	791,820,495.51		109,487,064.39	-648,140,659.00	679,912,304.90
1.Amount because the change of accounting policy						
2.Amount because correction of accounting error						
<b>II.Amount at the beginning of this year</b>	426,745,404.00	791,820,495.51		109,487,064.39	-648,140,659.00	679,912,304.90
<b>III.Increment and decrement of this year</b>		-183,540,000.00			-4,895,994.99	-188,435,994.99
1.Net profit					-3,799,455.43	-3,799,455.43
2.Profit and loss through owner's equity directly		-183,540,000.00	0.00	0.00	0.00	-183,540,000.00
(1) Net changing amount of fair value of available-for-sale financial assets						0.00
(2) Influence of other owner's equity change of invested enterprise under equity method						0.00
(3) Relating income tax effect through owner's equity items						0.00
(4) Other		-183,540,000.00				-183,540,000.00
Subtotal of above 1 and 2		-183,540,000.00			-3,799,455.43	-187,339,455.43
3.Owners invest or reduce capital						
(1) Owners invest capital						
(2) Share-based payment recorded into owner's equity						
(3) Other						
4. Profit distribution					-1,096,539.56	-1,096,539.56
(1) Draw surplus reserves						
(3) Distribute to owners (shareholders)						
(4) Other					-1,096,539.56	-1,096,539.56
5. Inner rotation within owner's equity						
(1) Capital reserves transfer to share capital						
(2) Surplus reserves transfer to share capital						
(3) Surplus reserves offset loss						
(4) Other						0.00
<b>IV.Amount at the end of this year</b>	426,745,404.00	608,280,495.51	0.00	109,487,064.39	-653,036,653.99	491,476,309.91

Corporate representative: Zheng Qing

Chief Accountant: Chen Binglian

Accounting Supervisor: Yang Daoliang



# Hainan Pearl River Holding Company Limited

Notes on the Financial Statements for the Year ended 31 December 2011  
(All amounts are stated in RMB Yuan unless otherwise stated)

## I. General information

Hainan Pearl River Holding Company Limited, referred to as 'the Company' or 'Pearl River Holding', grew out of the lawful re-registration by the original Hainan Pearl River Industry Company Limited on January 11 1992. The re-registration was based on the document of Qiong Fu Ban [1992] No.1 issued by the General Office of Hainan People's Government and City Management Office Qiong Yin [1992] No. 6 issued by the People's Bank of Hainan province. By the time when the re-registration took place, the Company issued a total amount of 81,880,000 shares, among which 60,793,600 shares were folded from the predecessor's net assets while the rest amount, 21,086,400 shares, were newly issued and were listed on Shenzhen Stock Exchange according to the document of securities administration office [1992] No. 83 issued by the People's Bank of China in December 1992. The parent company of the Pearl River Holding, the Guangjiang Industrial Company held the amount of 36,393,600 shares in 1992, equivalent to a shareholding ratio of 44.45%. The business license registration number is 20128455-6 and the company is defined as belonging to the real estate industry.

On 25<sup>th</sup> March 1993, approved by the Hainan joint-stock system pilot leading group office with the supporting document of Qiong joint-stock office [1993] No.028 and the Shenzhen special economic zone branch of the People's Bank of China with the corresponding document of Shen People's Bank Fu [1993] No.099, the company increased its share capital by stock-for stock: five new shares for every ten shares held plus two freely delivered new shares. As a result, the share capital increased to 139,196,000 shares, of which the shareholder, Guangzhou Pearl River Industrial Company occupied 48,969,120 shares, holding an equity stake of 35.18%.

In 1994, the equity capital was raised to the amount of 278,392,000 shares through delivering 10 new free shares for every 10 shares held. Guangzhou Pearl River Industrial Company occupied 97,938,240 shares, holding an equity stake of 35.18%.

In 1995, based on the approval stated at the document of Shenzhen BanFu [1995] No. 45 and Shenzhen BanFu [1995] No.12, the company issued 50 million B shares. An incremental share capital was thus followed based on the fact that every 1.5 new shares were generated for every ten B shares, resulting in the amount of 377,650,800 shares outstanding in total. Guangzhou

Pearl River Industrial Company occupied 112,628,876 shares, holding an equity stake of 29.82%.

In 1999, 112,628,976 shares that were held by the Guangzhou Pearl River Industrial Group Co., Ltd. were transferred to Beijing Wanfa Real Estate Development Stock Limited Company. Consequently, Beijing Wanfa Real Estate Development Company became the first majority shareholder, holding the amount of 112,628,976 shares, which accounts for 29.82% of the total outstanding shares of the company.

On 10<sup>th</sup> January 2000, with the Business License for Legal Person issued by the Hainan Administrative Bureau for Industry and Commerce and the registration number 4600001006830 obtained, the name of the company was formally changed to Hainan Pearl River Holding Company Limited.

August 17, 2006, with the implementation of equity division reform, an incremental of share capital to the total amount of 49.094604 million shares took place since additional shares were delivered to all shareholders based on a 10 : 1.3 (1.3 free new shares for every 10 held) distribution regime. The total amount of shares outstanding was thus increased to 426,745,404 shares with the Wanfa Real Estate Development Company occupying 107,993,698 shares, taking up the ownership percentage of 25.31%. In 2009, non-circulation stock shareholders paid back the non-tradable shares of equity; the corresponding value was 897,000 shares of stock. Beijing Wanfa Real Estate Development Company held an amount of 112,180,478 shares at the end of 2009, which was equivalent to an equity stake of 26.36%. In 2010, the controlling shareholder Beijing Wanfa Real Estate Development Stock Limited Company changed its name to Beijing Wanfa Real Estate Development Limited Liability Company. At the end of 2011, this dominant shareholder held an amount of 112,180,478 shares, equivalent to an ownership percentage of 26.36%.

Registered capital: ¥426,745,400 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 covers the period from January 1, 2011 to December 31, 2011.

### 4. Reporting currency

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

### 5. Consolidation Basis

#### (1) Merge of the enterprises under the uniform control

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

incurred by the merged party, shall be attributed to consolidated income statement.

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

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

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

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

## 6. The standard for consolidation financial statement preparation

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

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

## 7. Cash and Cash equivalents

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

## 8. Foreign currency transactions

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

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

## 9. Financial Instruments

### (1) Classification of financial assets and financial liabilities

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

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

### (2) Recognition and measurement of financial instruments

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

An enterprise shall make subsequent measurement on its financial assets according to their

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

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

### (3) Recognition and measurement of transfer of financial assets

Where an enterprise has transferred nearly all of the risks and rewards related to the ownership of the financial asset to the transferee, it shall stop recognizing the financial asset. If it retained nearly all of the risks and rewards related to the ownership of the financial asset, it shall not stop recognizing the financial asset. Where an enterprise does not transfer or retain nearly all of the risks and rewards related to the ownership of a financial asset, it shall deal with it according to the circumstances as follows, respectively: a. If it gives

up its control over the financial asset, it shall stop recognizing the financial asset; b. If it does not give up its control involvement in the transferred financial asset, recognize the related financial asset and recognize the relevant liability accordingly.

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

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

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

#### (5) Impairment of financial assets

An enterprise shall carry out an inspection, on the balance sheet day, on the carrying amount of the financial assets other than those measured at their fair values and of which the variation is recorded into the profits and losses of the current period. An impairment test shall be made

on the financial assets with significant single amounts. With regard to the financial assets with insignificant single amounts, they shall be included in a combination of financial assets with similar credit risk features so as to carry out an impairment-related test. Where, upon independent test, the financial asset (including those financial assets with significant single amounts and those with insignificant amounts) has not been impaired, it shall be included in a combination of financial assets with similar risk features so as to conduct another impairment test.

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

#### 10. Accounts receivable and bad debts

##### (1) Measurement method and the percentage of bad debts

Measurement method of bad debts: accounted with allowance method.

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

For those individual accounts receivable without significant amounts at the end of the period,



along with those accounts receivable that have been tested individually but not impaired, the Company classifies them in line with similar credit risk characteristics into several groups, and make a specific percentage of bad debts provision on the accounts receivable balances at balance sheet date. On the basis of the actual loss rate of receivable accounts, with same or similar credit risk characteristics of accounts receivable package in previous year, the Company also considers current situation and determine the percentage of bad debt provision.

Here is the Company ' s bad debts provision policy:

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

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

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

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

#### 11. Inventories

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

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

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

(2) For inventories at balance sheet date, the evaluation criteria should base on the lower

value between costs and net values that can be converted into cash. When net values that can be converted into cash are lower than costs, provision for impairment loss of inventories shall be made and recorded into current profit and loss.

## 12. Long-term equity investment

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

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

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

### (2) Subsequent measurement

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

A long-term equity investment of the investing enterprise that does joint control or

significant influences over the invested entity shall be measured by employing the equity method. If the initial cost of a long-term equity investment is more than the investing enterprise' 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 cannot 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

When the company first time adopted Accounting Standards for Business Enterprises, it continued to use primary Accounting System for Business Enterprises for preparation consolidated financial statements-recover parent's shareholding of surplus reserves, because the Accounting Standards for Business Enterprises cannot make it clear whether recover parent's shareholding of surplus reserves. The period change the accounting policies that not to recover parent's shareholding of surplus reserves in consolidated statements. The changes of accounting policies increased the undistributed profit at the beginning of the year 2010 by 4,690,421.49 and decreased surplus reserves by 4,690,421.49.

##### (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: For the year 2011, 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 Mellin 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
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
Shanghai Sea Pearl Property Management Co., Ltd.	Shanghai	166	Property management	50%	50%	83
Hebei zhengshiqinghui Real Estate Development Co., Ltd.	Hebei Sijiazhuang	1,000	Real estate development and property services	51%	51%	510

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

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

## V. Notes to significant items of the consolidated financial statements

### 1. Monetary funds

#### (1) Monetary funds disclosed by categories

Items	Dec 31, 2011	Jan 1, 2011
Cash	2,174,511.88	489,550.91
Bank deposit	50,327,357.51	135,877,954.53
Other monetary funds	5,974.34	9,345.75
Total	52,507,843.73	136,376,851.19

Note: RMB is the currency that applies to all monetary funds held by the company.

(2) Details of 'Other Monetary funds'

Items	Dec 31, 2011	Jan 1, 2011
Credit card	5,974.34	9,345.75
Total	5,974.34	9,345.75

Note: There were no access-restricted funds for the final balance, neither were those funds that have been deposited abroad or may bring potential recovery risks.

2. Accounts receivable

(1) Accounts receivable listed by categories

Categories	December 31, 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	42.98	7,761,707.60	100.00	7,761,707.60	55.70	7,761,707.60	100.00
3. Bad debt accounted by the combinations								
Age Combinations	7,596,153.44	42.06	645,638.32	8.50	4,183,464.89	30.02	556,219.23	13.30
Combined Subtotal	7,596,153.44	42.06	645,638.32	8.50	4,183,464.89	30.02	556,219.23	13.30
4. Other unimportant receivables but bad debts accounted individually	2,702,706.37	14.96	2,605,867.10	96.42	1,990,680.02	14.28	1,990,680.02	100.00
Total	18,060,567.41		11,013,213.02		13,935,852.51		10,308,606.85	

(2) Aging analysis

Ages	31 Dec 2011			1 Jan 2011		
	Balance	Proportion (%)	Bad debts	Balance	Proportion (%)	Bad debts
Within 1 year	6,285,843.87	82.74	125,674.50	2,871,277.47	68.60	57,425.52
1-2 years	115,202.15	1.52	5,760.11	106,000.00	2.54	5,300.00
2-3 years	106,000.00	1.40	10,600.00	141,500.00	3.39	14,150.00
3-5 years	136,500.00	1.80	27,300.00	265,000.00	6.34	79,500.00
Over 5 years	952,607.42	12.54	476,303.71	799,687.42	19.13	399,843.71
Total	7,596,153.44	100.00	645,638.32	4,183,464.89	100.00	556,219.23

(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	Unrelated Client	2,406,158.00	over 5 years	13.32
Hainan Baoping company	Unrelated Client	2,218,494.43	over 5 years	12.28
Hainan centaline property agency	Unrelated Client	2,090,069.77	over 5 years	11.57
Hainan dragon film studio	Unrelated Client	1,046,985.40	over 5 years	5.80
Reception Office of Mudanjiang City	Unrelated Client	1,009,449.60	Within 1 year	5.59

(4) At the end of this reporting period, none of the amount of accounts receivable was owed to related parties.

(5) There exists no situation in which there are receivables that are transferred back or

paid back in full or in large percentage during the current accounting period (January 1, 2011-December 31, 2011) provided that those receivables have already been made bad debt provision in full or in large percentage previously in the past accounting period.

(6) None of the account receivables has been written off in the reporting period.

(7) The yearend balance did not contain any debt owned by major shareholders who own more than 5% of the Company ' s share capital .

### 3. Prepayments

#### (1) Aging analysis

Ages	31 Dec 2011		1 Jan 2011	
	Balance	Proportion (%)	Balance	Proportion (%)
Within 1 year	23,848,719.79	31.05	51,233,124.48	95.05
1-2 years	50,367,143.59	65.58	672,777.82	1.25
2-3 years	667,741.57	0.87	1,982,179.94	3.68
Over 3 years	1,920,179.94	2.50	10,000.00	0.02
Total	76,803,784.89	100.00	53,898,082.24	100.00

#### (2) Top five units of prepayments

Company ' s Name	Relationship	Amounts	Ages	Unsettled reason
Haikou Hongzhou Real Estate Development Co., Ltd	Unrelated Client	50,000,000.00	1-2 years	Pre-paid property purchase payment
Dahailin Forestry Bureau	Unrelated Client	4,411,000.00	Within 1 year	The project is not complete yet.
Longshi Artist Management Co., Ltd	Unrelated Client	3,350,000.00	Within 1 year	The project is not complete yet.
Beijing Xueyilan Sport Development Co., Ltd	Unrelated Client	2,577,800.00	Within 1 year	The project is not complete yet.
HomeHotel Yan Yu, etc	Unrelated Client	1,905,000.00	Within 1 year	The project is not complete yet.
Total		62,243,800.00		

Note: The ¥50 million prepayment made to the Haikou Hongzhou Real Estate Development Company was the payment required by the contract of ' supplementary agreement of the implementation of the 3<sup>rd</sup> phase of Longzhu project ' . Under this contract, the company is obliged to make the payment of ¥50 million after the completion of the 15,000 square office building. In addition to that, the Company has signed another ' guarantee contract ' with Hainan Hongzhou Real Estate Group Co., Ltd, which is the parent company of the Haikou Hongzhou Real Estate Development company. Based on this contract, the Group will use its own land and property as security.

(3) The yearend 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	Dec 31, 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 investee confronts the problem of tight budget.	None
Total		260,015.00		

## 5. Other receivables

## (1) Others receivable listed by categories

Categories	Dec 31, 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	25,978,479.90	7.38	25,978,479.90	100.00	37,943,603.58	12.50	30,881,838.72	81.39
2. Bad debt accounted by the combinations								
Age Combinations	319,808,779.78	90.09	16,072,774.33	5.03	260,684,062.91	85.86	10,097,731.46	3.87
Combined Subtotal	319,808,779.78	90.09	16,072,774.33	5.03	260,684,062.91	85.86	10,097,731.46	3.87
3. Other unimportant receivables but bad debts accounted individually	6,041,420.44	1.72	4,675,833.77	77.40	5,003,442.37	1.65	4,385,207.23	87.64
Total	351,828,680.12		46,727,088.00		303,631,108.86		45,364,777.41	

Note: Details about related party's transaction refer to 'Notes VI. 5. (3)'.

## (2) Aging analysis

Ages	31 Dec 2011			1 Jan 2011		
	Balance	Proportion (%)	Bad debts	Balance	Proportion (%)	Bad debts
Within 1 year	261,835,652.15	81.87	5,236,713.04	166,016,869.40	63.69	3,799,477.38
1-2 years	40,231,432.94	12.58	2,011,571.65	76,930,017.41	29.50	3,996,500.87
2-3 years	5,838.21		583.82	15,754.78	0.01	1,765.48
3-5 years	212,234.27	0.07	62,094.70	396,479.49	0.15	99,295.90
Over 5 years	17,523,622.21	5.48	8,761,811.12	17,324,941.83	6.65	2,200,691.83
Total	319,808,779.78	100.00	16,072,774.33	260,684,062.91	100.00	10,097,731.46

## (3) Top five units of others receivable

Name	Relationship with the company	Owned amount	Ages	Proportion of total Other receivable (%)
Public Investment Co., Ltd	Unrelated Party	140,000,000.00	Within 1 year	39.79
Beijing Kangtai Xingye Investment Co., Ltd	Unrelated Party	60,000,000.00	Within 1 year	17.05
Beijing Wanjia Hongtai Investment Consultation Co., Ltd	Unrelated Party	49,365,000.00	1-2 years	14.03
YangPu Nanhua Datong Holding Co., Ltd	Ministry interests party	12,600,000.00	Over 5 years	3.58
Shenzhen Yinxiang Computer Co., Ltd	Unrelated Party	6,482,625.00	Over 5 years	1.84

Note: On 3rd January 2011, the proposal of 'the private railway sidings for Mulin town as well as coal wholesale market construction cooperation project' was signed between Public Investment Co., Ltd and the Company. On 28<sup>th</sup> June 2011, the project supplementary agreement was signed, which stipulates the joint investment of the the private railway sidings for Mulin town

as well as coal wholesale market construction project. Under the agreement, staged financing is required from both parties while the upper limit investment amount for the Pearl River Holding is ¥140 million. With regard to the project income distribution, the company enjoys a 60% of the return while the partner enjoys the rest 40% during the transition period. Once the transition period ends, the Company has the priority to choose whether or not to participate in the operating management and enjoying earnings through ownership investment. If the Company chooses to quit the project investment, the Public Investment Corporation must promise an annual investment return no less than 18% of the aggregate investment. Consistent with agreement, the Company has already made the payment of ¥ 140 million to the designated account of the Public Investment Corporation. The Beijing branch investment & consultation firm which belongs to the Company will supervise the use of the funds all the way from the project approval, construction to project management.

On 18<sup>th</sup> July 2011, the Company has signed a cooperation proposal together with Beijing Kangtai Xingye Investment Co., Ltd and the natural person, Lijun Gu. Under the proposal, a project company will be co-founded by the capital rejection of ¥70 million from the natural person and the capped capital contribution of ¥64 million from the Company. That is, the natural person, Lijun Gu holds an equity stake of 60%, the Company occupied 40%. The project company is responsible for the development and sales of the iron and ore resources at Dujiawan magnetite iron ore and Zhaojiayuan iron ore located at Shiyan city, Hubei province. The company has already made a payment of ¥60 million to the designated account of Beijing Kangtai Xingye Investment Company. Lijun Gu and the Beijing Kangtai Xingye Investment Company uses their respective 70% ownership holding rights in Yuxi Shengying mining industry limited liability company as the pledged collateral to the Company.

On 13<sup>th</sup> December 2011, the Company signed a third party supplementary agreement with Beijing HongTai investment management Co., Ltd, Beijing Oriental HengYuan real estate brokers Co., Ltd and Beijing WanJia Hongtai investment consulting Co., Ltd to extend the cooperation deadline to March 14, 2012. In accordance with the agreement, the Company has confirmed a fund usage charge of ¥17,702,000.00 for this reporting period and recovered the principal of ¥18 million and a fund usage fee of ¥11,337,000.00.

## 6. Inventories

### (1) Inventories category

Items	Dec 31, 2011			Jan 1, 2011		
	Ending Balance	Provision for Inventory	Book value	Ending Balance	Provision for Inventory	Book value
Raw materials	4,232,624.93		4,232,624.93	4,114,823.16		4,114,823.16
Low value consumption goods:	880,919.41		880,919.41	917,444.41		917,444.41
Finished goods	309,086.29		309,086.29	165,126.60		165,126.60
Constructing development product	51,135,927.01		51,135,927.01	44,083,027.01		44,083,027.01
Development products	83,686,150.88	22,156,987.01	61,529,163.87	128,196,420.63	22,610,830.73	105,585,589.90
Total	140,244,708.52	22,156,987.01	118,087,721.51	177,476,841.81	22,610,830.73	154,866,011.08



## (2) Inventories impairment provision

Items	1 Jan 2011	Increment	Decrement		31 Dec 2011
			Transfer back	Write off	
Development product	22,610,830.73			453,843.72	22,156,987.01
Total	22,610,830.73			453,843.72	22,156,987.01

Note: For this reporting period, the 5<sup>th</sup> floor of skirt building in Pearl River Square has been rented out to the public.

The development products were categorized into investment real estate and the corresponding impairment was transferred into the investment real estate.

## 7. Available for sales financial assets

### Available for sales financial assets listed by categories

Items	Fair value at Dec 31, 2011	Fair value at Jan 1, 2011
Available for sales equity instrument	286,947,500.00	386,697,500.00
Total	286,947,500.00	386,697,500.00

Note: The Company holds 33,250,000 shares of stock of Southwest Securities. The yearend book value is ¥42,460,376.01 while the market price is ¥8.63 per share.

## 8. Joint investment and joint venture investment

### Joint venture investment

Name	Nature	Registration address	legal representative	Business Character	Registered capital	Percentage of equity interest (%)	Percentage of vote right (%)
Sanya Wanjia Enterprises Holding Co., Ltd	Limited liability	Sanya, Hainan	Qing Zheng	Entertainment Service	100,000,000.00	40	40
Beijing Found Vision Media Co., Ltd.	Limited liability	Beijing	Qing Zheng	Entertainment Service	3,000,000.00	49	49
Beijing Sunshine Tiansheng Property Management Co., Ltd.	Limited liability	Beijing	Qing Zheng	Property Management	5,000,000.00	30	30

Name	Ending Balance of Total Assets	Ending Balance of Total Liabilities	Ending Balance of Net Assets	Operating Income	Net profit
Sanya Wanjia Enterprises Holding Co., Ltd	94,990,987.66	1,110,215.17	93,880,772.49		-2,275,976.01
Beijing Found Vision Media Co., Ltd.	3,000,000.00		3,000,000.00		
Beijing Sunshine Tiansheng Property Management Co., Ltd.	9,958,804.67	5,601,091.95	4,357,712.72	8,983,203.72	-660,658.83

## 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	40,000,000.00	38,462,699.40	-910,390.40	37,552,309.00	40	40		
Beijing Found Vision Media Co., Ltd.	Equity Method	1,470,000.00		1,470,000.00	1,470,000.00	49	49		

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
Beijing Sunshine Tiansheng Property Management Co., Ltd.	Equity Method	1,500,000.00	1,626,145.96	-198,197.65	1,427,948.31	30	30		
Shanghai Sea Pearl Property Management Corporation	Equity Method	832,000.00	507,576.33	-507,576.33		50	50		
<b>Subtotal for Equity Method</b>		<b>43,802,000.00</b>	<b>40,596,421.69</b>	<b>-146,164.38</b>	<b>40,450,257.31</b>				
Hainan Pearl River Guanzhuang Co., Ltd	Cost Method	426,315.00	426,315.00		426,315.00	1.33	1.33		
Hainan Tongsheng Ports Co., Ltd	Cost Method	6,000,000.00	6,000,000.00		6,000,000.00	15	15	6,000,000.00	
Hainan Chamber of Commerce	Cost Method	500,000.00	500,000.00		500,000.00	6.67	6.67	500,000.00	
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	
Hainan Huadi Pearl River Foundation Engineering Co., Ltd.	Cost Method	160,000.00	160,000.00		160,000.00	2	2		
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	
Hainan Nanyang Shipping Industrial Company Limited	Cost Method	1,680,000.00	1,680,000.00		1,680,000.00			1,680,000.00	
China (Hainan) Reform and Development Institute	Cost Method	8,640,000.00	8,640,000.00	-8,640,000.00					
<b>Subtotal for Cost Method</b>		<b>45,583,555.29</b>	<b>45,583,555.29</b>	<b>-8,640,000.00</b>	<b>36,943,555.29</b>			<b>25,532,245.39</b>	
Total		89,385,555.29	86,179,976.98	-8,786,164.38	77,393,812.60			25,532,245.39	

Note: Since one of the investees, the China (Hainan) Reform and Development Institute, has changed to Corporate Legal Person, the 20<sup>th</sup> article of the ‘ Regulations ’ adopted by the board meeting held on 27<sup>th</sup> June 2009 stipulates that: the discretionary properties which were granted by the government and related agencies will be changed to donation gradually based on the ‘ Welfare Donations Law of the People's Republic of China ’. Any organization or individual is prohibited from pulling back the properties that were granted to the Institute for any reason. In addition to that, the board of directions reaches an agreement that the stock ownership which is worth 8.64 million will be donated to Hainan Reform Development Research Foundation. As the company has already made full impairment loss provision for this long-term equity investment, this donation will impose no effects on the profit for the accounting period audited.

The subsidiary, Beijing Jiubo Culture Development Co., LTD made an investment of ¥1,470,000.00 in Beijing Found Vision Media Co., Ltd, holding a share ratio of 49%.

## 10. Investment real estates

Items	1 Jan 2011	Increment	Decrement	31 Dec 2011
I. Original value	26,260,649.34	8,412,701.88	214,708.52	34,458,642.70
Buildings and structures	26,260,649.34	8,412,701.88	214,708.52	34,458,642.70
II. Accumulated depreciation and amortization	3,382,602.54	944,307.64	37,441.83	4,289,468.35
Buildings and structures	3,382,602.54	944,307.64	37,441.83	4,289,468.35
III. Impairment provision	2,979,083.88	453,843.72		3,432,927.60
Buildings and structures	2,979,083.88	453,843.72		3,432,927.60
IV. Book value	19,898,962.92			26,736,246.75
Buildings and structures	19,898,962.92			26,736,246.75

Note: For this accounting period, the 5<sup>th</sup> floor of skirt building in Pearl River Square has been categorized into the investment real estate and its corresponding depreciation costs for this reporting period was ¥944,307.64.

## 11. Fixed assets

Items	1 Jan 2011	Increment	Decrement	31 Dec 2011
I. Original value	429,260,518.47	22,384,463.97	7,275,967.43	444,369,015.01
Buildings and structures	308,735,748.34	4,967,459.02		313,703,207.36
Mechanism equipments	68,203,763.37	4,617,288.80	410,209.72	72,410,842.45
Vehicles	23,450,238.72	10,731,893.81	6,213,454.90	27,968,677.63
Electronic equipments	206,603.90	12,774.00		219,377.90
Office equipments	173,200.00	48,644.00		221,844.00
Other equipments	28,490,964.14	2,006,404.34	652,302.81	29,845,065.67
II. Accumulated depreciation	87,248,698.01	25,377,016.85	1,168,312.21	111,457,402.65
Buildings and structures	33,198,688.03	11,415,218.27		44,613,906.30
Mechanism equipments	27,239,339.09	6,555,651.62	182,980.66	33,612,010.05
Vehicles	8,837,380.09	2,935,780.70	534,475.12	11,238,685.67
Electronic equipments	123,878.57	19,831.18		143,709.75
Office equipments	15,611.66	34,942.06		50,553.72
Other equipments	17,833,800.57	4,415,593.02	450,856.43	21,798,537.16
III. Impairment provision	7,499,295.92			7,499,295.92
Buildings and structures	7,499,295.92			7,499,295.92
Mechanism equipments				
Vehicles				
Electronic equipments				
Office equipments				
Other equipments				
IV. Book value	334,512,524.54	—	—	325,412,316.44
Buildings and structures	268,037,764.39	—	—	261,590,005.14
Mechanism equipments	40,964,424.28	—	—	38,798,832.40
Vehicles	14,612,858.63	—	—	16,729,991.96
Electronic equipments	82,725.33	—	—	75,668.15

Items	1 Jan 2011	Increment	Decrement	31 Dec 2011
Office equipments	157,588.34	—	—	171,290.28
Other equipments	10,657,163.57	—	—	8,046,528.51

Note: The depreciation cost of this period was ¥25,377,016.85 Yuan.

## 12. Construction in progress

Project name	31 Dec 2011			1 Jan 2011		
	Ending Balance	Impairment loss provision	Book value	Ending Balance	Impairment loss provision	Book value
Lake Hotel	4,742,000.00		4,742,000.00	4,732,000.00		4,732,000.00
Expansion project of Xuxiang	96,000.00		96,000.00			
River side Staff Residence	788,613.30		788,613.30			
Little Train 550	5,648,964.09		5,648,964.09			
Earlier stage of Xuxiang Project	2,194,595.49		2,194,595.49			
Little Train 400	4,000,000.00		4,000,000.00			
Electronic project of acting tent	80,000.00		80,000.00			
Studio project of Er'long Mountain	149,000.00		149,000.00			
Forest Park area projects	250,000.00		250,000.00			
Total	17,949,172.88		17,949,172.88	4,732,000.00		4,732,000.00

## 13. Engineering Materials

Items	1 Jan 2011	Increment	Decrement	31 Dec 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	31 Dec 2011
I. Original value	38,313,042.93	198,400.00		38,511,442.93
Software	1,386,357.28	198,400.00		1,584,757.28
Land use right	35,535,285.65			35,535,285.65
Zhenghe membership of Sanya Hongzhou International Yacht Club	480,000.00			480,000.00
Golf membership of Nanli Lake	911,400.00			911,400.00
II. Accumulative amortization	3,908,658.59	1,132,834.37		5,041,492.96
Software	272,393.83	222,402.34		494,796.17
Land use right	3,612,350.12	889,933.75		4,502,283.87
Zhenghe membership of Sanya Hongzhou International Yacht Club	23,914.64	20,498.28		44,412.92
Golf membership of Nanli Lake				
III. Total impairment loss provision	911,400.00			911,400.00
Golf membership of Nanli Lake	911,400.00			911,400.00
IV. Carrying amount	33,492,984.34	—	—	32,558,549.97
Software	1,113,963.45	—	—	1,089,961.11
Land use right	31,922,935.53	—	—	31,033,001.78
Zhenghe membership of Sanya Hongzhou International Yacht Club	456,085.36	—	—	435,587.08

Golf membership of Nanli Lake		—	—	
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Note: 1. The amortization of this year is 1,132,834.37 Yuan.

2. The yearend land use right used as mortgage or collateral holds a book value of 28,079,477.84 Yuan. More details are explained at "Note V.8".

### 15. Long-term prepayments

Items	1 Jan 2011	Increment	Amortization	Other decrements	31 Dec 2011
Decoration	3,621,862.30	1,961,190.70	826,514.38		4,756,538.62
Ski rental fee	5,700,000.00	300,000.00	1,200,000.00		4,800,000.00
Technical service fee	653,333.33	46,666.67	186,670.67		513,329.33
Total	9,975,195.63	2,307,857.37	2,213,185.05		10,069,867.95

### 16. Deferred income tax asset and deferred income tax liability

#### (1) Identified deferred income tax liability

Items	31 Dec 2011	1 Jan 2011
Deferred income tax liability :	49,347,638.80	74,285,138.80
Changes on the fair value of available for sales financial assets credited to capital reserves	48,295,625.00	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

#### (2) Unrecognized deferred income tax asset

Items	31 Dec 2011	1 Jan 2011
Deductible temporary differences	117,273,156.94	124,178,332.18
Deductible losses	48,796,714.62	48,796,714.62
Total	166,069,871.56	172,975,046.80

### 17. Assets impairment provision

Items	1 Jan 2011	Increment	Decrement			31 Dec 2011
			Transfer back	Write off	Other Decrement	
Bad debt provision	55,673,384.26	2,066,916.76				57,740,301.02
Inventories impairment provision	22,610,830.73			453,843.72		22,156,987.01
long-term equity investment impairment provision	34,504,337.39			8,972,092.00		25,532,245.39
Investment property impairment provision	2,979,083.88	453,843.72				3,432,927.60
Fixed assets impairment provision	7,499,295.92					7,499,295.92
Intangible assets impairment provision	911,400.00					911,400.00
Total	124,178,332.18	2,520,760.48		9,425,935.72		117,273,156.94

### 18. Assets with restricted ownership

Items	Assets name	Amount	Remark
1.Fixed assets			
Buildings and structures	Main Building of Days Hotel & Suites Sanya Resort	184,820,658.33	It has been mortgaged to the Bank of China Hainan Yeshumeng branch for loan 110 million Yuan (Contract No.G004-1).

Items	Assets name	Amount	Remark
Buildings and structures	Hotel Villa A B & C	8,688,345.30	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	26,478,773.60	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	1,600,704.24	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	286,947,500.00	It has been mortgaged to chongqin Province Trust Co., Ltd. for the loan of 220 million Yuan (Contract No. JLXT2009A018).
Total		508,535,981.47	

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

## 19. Short-term loan

### 1. Short-term loan disclosed by categories

Category	31 Dec 2011	1 Jan 2011
Guaranteed loans	45,000,000.00	
Total	45,000,000.00	

### 2. Guarantee related issues

Lender	Loan amount	Guarantor
China Construction Bank, HIT Branch	45,000,000.00	Qing Zheng
Total	45,000,000.00	

## 20. Accounts payable

Ages	Dec 31, 2011		Jan 1, 2011	
	Ending Balance	Percentage (%)	Opening Balance	Percentage (%)
Within 1 year	6,366,825.29	28.14	28,657,938.84	76.24
1 to 2years	8,478,035.44	37.47	1,127,821.12	3.00
2 to 3years	52,270.02	0.23	259,081.18	0.69
3 years and more	7,727,851.60	34.16	7,543,974.33	20.07
Total	22,624,982.35	100.00	37,588,815.47	100.00

Note: 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. And there were no related parties involved for the final balance.

## 21. Accounts received in advance

Ages	Dec 31, 2011		Jan 1, 2011	
	Ending Balance	Percentage (%)	Opening Balance	Percentage (%)
Within 1 year	18,272,805.52	93.44	37,928,710.55	96.92
Over 1 year	1,283,869.38	6.56	1,205,437.30	3.08
Total	19,556,674.90	100.00	39,134,147.85	100.00

Note: 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. And the yearend balance excluded any related party.

## 22. Accrued payroll

Items	Jan 1, 2011	Increment	Decrement	31 Dec 2011
I. Salary, bonus, allowance	1,887,388.77	67,519,454.76	67,470,888.68	1,935,954.85
II. Employee Welfare expenses		6,861,907.66	6,861,907.66	
III. Social insurance		9,214,218.05	9,214,218.05	
Where:1)Medical insurance		2,301,457.66	2,301,457.66	
2)Supplementary medical insurance		3,717.00	3,717.00	
3) Endowment insurance		5,911,903.36	5,911,903.36	
4) annuity				
5) Unemployment insurance		643,080.20	643,080.20	
6) Working accident insurance		187,645.73	187,645.73	
7) Maternity insurance		166,414.10	166,414.10	
IV. Housing accumulation fund		991,516.39	991,516.39	
V. Labor union fees& Employee education fees	3,744,361.27	1,917,645.26	688,032.37	4,973,974.16
VI. Non-monetary welfares				
VII. Compensation for dismissal		50,200.00	50,200.00	
VIII.Others		102,674.46	102,674.46	
Total	5,631,750.04	86,657,616.58	85,379,437.61	6,909,929.01

### 23. Taxes payable

Items	31 Dec 2011	Jan 1, 2011
VAT		-65,250.17
Individual income tax	93,214.78	74,437.72
City construction and maintenance tax	78,133.99	306,150.47
Corporate income tax	3,257,663.34	9,629,357.45
Property tax	159,789.20	541,569.17
Business tax	800,387.80	3,914,681.53
Land use tax	10,507.33	79,762.62
Increment tax on land value	-823,648.69	16,157,890.06
Educational surtax	-64,539.01	8,332.07
Others	69,590.69	163,041.74
Total	3,581,099.43	30,809,972.66

### 24. Interest payable

Item	31 Dec 2011	Jan 1, 2011
Loan interest	99,701,134.38	85,390,223.02
Total	99,701,134.38	85,390,223.02

Note: Details refer to Note VI.4.

### 25. Dividend payable

Investor	31 Dec 2011	Jan 1, 2011
Dividend payable of institutional shares	3,213,302.88	3,213,302.88

Investor	31 Dec 2011	Jan 1, 2011
Total	3,213,302.88	3,213,302.88

Note: The listed dividend payable was generated from previous years but has been unable to reach the relevant creditors whose details have not been retained.

## 26. Other payables

Age	Dec 31, 2011		Jan 1, 2011	
	Ending Balance	Percentage (%)	Opening Balance	Percentage (%)
Within 1 year	80,879,156.75	23.15	15,960,065.53	4.85
1 to 2 years	13,909,907.32	3.98	149,010,835.29	45.25
2 to 3 years	115,919,765.06	33.18	43,223,267.11	13.13
3 years and more	138,626,774.20	39.69	121,122,058.96	36.77
Total	349,335,603.33	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" .

## 27. Non-current liabilities due within one year

### 1. Disclose by category

Category	31 Dec 2011	1 Jan 2011
Long-term loans due within one year	232,000,000.00	
Total	232,000,000.00	

### 2. Details related to long-term loans due within one year

Category	31 Dec 2011	1 Jan 2011
Pledge loans	220,000,000.00	
Mortgage loans	12,000,000.00	
Total	232,000,000.00	

## 28. Long-term borrowings

### 1. Long-term borrowings listed by categories

Category	31 Dec 2011	1 Jan 2011
Pledge loans	220,000,000.00	220,000,000.00
Mortgage loans	93,000,000.00	105,000,000.00
Deduce: Long-term loans due within one year	232,000,000.00	
Total	81,000,000.00	325,000,000.00

### 2. Loan details

Lender	Loan starting date	Loan due date	Currency	Interest rate (%)	31 Dec 2011	1 Jan 2011
Chongqing International Trust Co., Ltd	2010-9-29	2012-3-28	RMB	13%	220,000,000.00	220,000,000.00



Bank of China, Haikou Yeshumen Branch	2009-8-2	2009-8-2	RMB	10% upward-floating of benchmark interest rate	93,000,000.00	105,000,000.00
Total					313,000,000.00	325,000,000.00

### 3. Mortgage loan details

Lender	Loan amount	Mortgagor/mortgage
Bank of China, Haikou Yeshumen Branch	81,000,000.00	There properties owned by Sanya Wanjia Hotel Management Co., Ltd
Total	81,000,000.00	

### 4. Pledge loan details

Lender	Loan amount	Mortgagor/mortgage
Chongqing International Trust Co., Ltd	220,000,000.00	33.25 million shares of unrestricted stock of Southwest Securities held by the Company
Total	220,000,000.00	

## 29. Share capital

Unit: share

Items	1 Jan 2011	Increment or decrement (+,-)					31 Dec 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

## 30. Capital surplus

Items	1 Jan 2011	Increment	Decrement	31 Dec 2011
Capital reserve spill price	224,960,139.16			224,960,139.16
Others capital surplus	380,304,016.81		74,812,500.00	305,491,516.81
-Including: Old capital surplus converted into	109,300,017.82			109,300,017.82
-Changes on fair value of available for sales financial assets	271,003,998.99		74,812,500.00	196,191,498.99
Total	605,264,155.97		74,812,500.00	530,451,655.97

Note: The closing balance is lower than the opening balance was caused by the fall of fair value of the Southwest Securities (600369) holding by the company.

## 31. Surplus reserves

Items	31 Dec 2011	1 Jan 2011
statutory surplus reserve	71,852,236.46	71,852,236.46
General surplus reserve	37,634,827.93	37,634,827.93
Total	109,487,064.39	109,487,064.39

### 32. 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	4,690,421.49	
Add: Net profit attributed to the owners of the parent company	-49,478,157.24	
Less : Statutory surplus reserve		
Random surplus reserve		
Common risk provision		
Dividend payable of Ordinary shares		
Share capital converted from dividend of ordinary shares		
Undistributed profit at the end of period	-693,679,376.16	

Note: Details of opening balance adjustment refer to 'Notes II '

### 33. Operating income and operating costs

#### (1) Operating income

Items	Year 2011	Year 2010
Main operating business income	230,786,621.10	684,683,291.05
Other operating business income	2,358,957.80	1,382,633.40
Total	233,145,578.90	686,065,924.45

#### (2) Operating costs

Items	Year 2011	Year 2010
Main operating business costs	146,167,113.12	454,365,771.06
Other operating business costs	1,189,345.97	989,811.40
Total	147,356,459.09	455,355,582.46

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

Items	Year 2011		Year 2010	
	Main operating business income	Main operating business costs	Main operating business income	Main operating business costs
Real estate sales	77,589,652.00	36,335,855.57	572,912,265.25	369,833,452.67
Property management services	98,919,006.92	85,497,388.16	75,847,640.73	66,732,060.39
Tourist hotel services	54,277,962.18	24,333,869.39	35,923,385.07	17,800,258.00

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

Location	Year 2011		Year 2010	
	Main operating business income	Main operating business costs	Main operating business income	Main operating business costs

Hubei	77,990,402.00	36,715,006.61	491,039,157.80	327,673,969.33
Heilongjiang	15,726,520.14	4,847,247.37	2,314,846.93	1,000,226.18
Hainan	134,764,630.56	104,565,146.74	191,329,286.32	125,691,575.55
Shanghai	2,261,693.40	17,112.40		
Total	230,786,621.10	146,167,113.12	684,683,291.05	454,365,771.06

#### 34. Operating taxes and extras

Items	Year 2011	Year 2010
City construction and maintenance tax	805,789.97	2,380,250.86
Education fee	549,517.94	1,048,514.50
Business tax	12,639,715.94	34,748,377.75
Land value-added tax	7,430,257.74	40,742,881.12
Others	296,792.99	1,395,935.72
Total	21,722,074.58	80,315,959.95

#### 35. Operating expenses

Items	Year 2011	Year 2010
Payroll expense	582,641.22	580,978.22
Hotel operating expense	294,277.09	289,185.04
Consignment commission charge	1,705,963.00	3,156,595.00
Advertising fees	2,366,897.68	4,701,833.53
other selling expenses	1,148,103.74	1,996,891.13
合 计	6,097,882.73	10,724,982.92

#### 36. General and administrative expenses

Items	Year 2011	Year 2010
Payroll expense	17,425,196.36	11,257,102.30
Depreciation expense	24,477,971.19	20,947,957.72
Business entertainment	8,448,952.82	5,738,720.64
Taxation expenses	2,536,322.91	1,997,033.92
Other expenses	25,607,129.20	22,288,398.55
Total	78,495,572.48	62,229,213.13

#### 37. Financial expenses

Items	Year 2011	Year 2010
Interest exchange	52,859,217.64	43,519,174.15
Less: interest revenue	34,970,532.86	20,873,692.07
Foreign exchange loss	845.77	-3,442.78
Less: exchange gain		
Others	564,099.29	810,981.20

Total	18,453,629.84	23,453,020.50
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### 38. Investment income

Items	Year 2011	Year 2010
Long-term equity investment income accounted by Costs Method	118,769.87	
Long-term equity investment income accounted by Equity Method	-1,108,588.05	-377,245.26
Investment income of disposal Long-term equity investment		
Others		1,644,809.33
Total	-989,818.18	1,267,564.07

### 39. Impairment Loss of Assets

Items	Year 2011	Year 2010
Bad debts impairment loss	2,036,387.44	4,891,424.44
Inventories impairment loss		-7,200,000.00
Total	2,036,387.44	-2,308,575.56

### 40. Non-operating income

#### Details of non-operating income

Items	Year 2011	Year 2010
Gain on disposal of non-current assets	338,374.19	1,723,418.72
Gains on debt restructure		
Others	553,025.28	165,654.62
Total	891,399.47	1,889,073.34

### 41. Non-operating expenses

Items	Year 2011	Year 2010
Loss on disposal of fixed assets	174,148.32	48,055.21
Donation	520,000.00	20,000.00
Indemnity for breaking a contract		
Others	174,791.58	234,726.27
Total	868,939.90	302,781.48

### 42. Income tax

Items	Year 2011	Year 2010
Income tax this year	7,234,566.58	22,993,192.99
Deferred income tax		-23,814.14
Total	7,234,566.58	22,969,378.85

### 43. Earnings per share and diluted earnings per share calculation procedure

Item	Code	Year 2011	Year 2010
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Item	Code	Year 2011	Year 2010
Net profits that belong to the common shareholders during the reporting period	P0	-49,478,157.24	27,730,981.17
Extraordinary profits and losses that belong to the common shareholders during the reporting period	A	32,599,607.76	42,514,317.46
Net profits that belong to the common shareholders during the reporting period after taking off the effect of extraordinary profits and losses	$P1=P0-A$	-82,077,765.00	-14,783,336.29
Total number of shares of opening balance	S0	426,745,404.00	426,745,404.00
Incremental shares caused by the transfer of surplus to share capital or stock dividend distribution during the reporting period	S1		
Incremental shares caused by issuing new shares or debt-equity conversion	Si		
Number of shares increased from the next month until the end of the reporting period	Mi		
Number of shares reduced caused by repurchasing during the reporting period	Sj		
Number of shares reduced from the next month until the end of the reporting period	Mj		
Shrinking number of shares during the reporting period	Sk		
Total months during the reporting period	M0	12.00	12.00
The weighted average of the common stock issued	$S=S0+S1+Si*Mi/M0Sj*Mj/M0Sk$	426,745,404.00	426,745,404.00
Earnings per share before taking off extraordinary profits and losses	$Y1=P0/S$	-0.12	0.06
Earnings per share after taking off extraordinary profits and losses	$Y2=P1/S$	-0.19	-0.03
The weighted average of the incremental common stocks caused by warrants, stock options, and convertible bonds	C		
The effects on the net profits that belong to the common shareholders imposed by dilution issues	B1		
The effects on the net profits that belong to the common shareholders after taking off the impacts of extraordinary profits and losses imposed by dilution issues	B2		
Diluted earnings per share before taking off the effect of extraordinary profits and losses	$Y3=(P0+B1)/(S+C)$	-0.12	0.06
Diluted earnings per share after taking off the effect of extraordinary profits and losses	$Y4=(P1+B1+B2)/(S+C)$	-0.19	-0.03

#### 44. Other consolidated income

Items	Year 2011	Year 2010
Profits and losses generated by available for sale financial assets	-99,750,000.00	-244,720,000.00
Deduce: income tax impacts caused by available for sale financial assets	-24,937,500.00	-61,180,000.00
sumtotal		
	-74,812,500.00	-183,540,000.00
Total	-74,812,500.00	-183,540,000.00

#### 45. Information of cash flow statement

##### (1) Cash received relating to other operating activities

Items	Year 2011	Year 2010
Funds received from Beijing Kangqiao Yangguang Asset Management Company	57,757,700.00	
Funds returned from the project of Yanjiang Yilu		36,000,000.00
Exchange of land expenses of Xudong village, Wuhan		28,000,000.00
Funds received from Beijing Guan Tang Rui Zi Property Management Company	8,000,000.00	
Funds received from Mudanjiang Construction Group	7,000,000.00	
Utility Bills	5,600,984.29	1,977,180.94
Other monetary exchanges between enterprises	1,846,594.17	
Interest income	575,623.70	
Total	80,780,902.16	65,977,180.94

(2) Cash paid relating to other operating activities

Items	Year 2011	Year 2010
Funds paid to Beijing Kangqiao Yangguang Asset Management Company	74,429,173.00	
Other monetary exchanges between enterprises	25,084,951.06	23,460,467.14
Monetary exchanges paid for subsidiaries	20,158,307.81	
Deposit, Margin	6,013,519.76	
Business entertainment fees	3,390,844.77	5,738,720.64
Business travel expenses	1,916,307.53	2,568,151.76
Advertising expenses	2,181,887.68	4,701,833.53
Sales agent fee	1,705,963.00	3,156,595.00
Management fees	1,884,822.56	
Office expenses	806,792.61	
Audit consultation expenses	435,000.00	2,690,592.00
Rent expenses	431,034.00	
Vehicle expenses	311,390.63	1,240,505.34
Water and electricity decoration revolving funds	122,000.00	
Other management fees	3,793,667.97	8,789,020.72
Total	142,665,662.38	52,345,886.13

(3)Cash received relating to other investing activities

Items	Year 2011	Year 2010
Interest income	33,056,393.93	10,340,756.08
The opening cash balance of Shanghai Sea Pearl Property Management Company	1,969,699.11	
Total	35,026,093.04	10,340,756.08

(4) Cash paid relating to other investing activities

Items	Year 2011	Year 2010
Closing balance in 2009 of Sanya Wanjia Industrial Co., Ltd		15,401,893.30
Total		15,401,893.30

(5) Cash paid relating to other financing activities

Items	Year 2011	Year 2010
Financing collateral charge for Mudanjiang Pearl River Wanjia Tourism Investment Development Company	2,125,000.00	
Total	2,125,000.00	

46. Supplementary information of cash flow statement

(1) Supplementary information

Items	Year 2011	Year 2010
1 . Reconciliation of net profit to cash flows from operating activities:		
Net profit	-49,218,352.45	36,180,218.13
Add: Provision for assets impairment	2,036,387.44	-2,308,575.56
Depreciation of fixed assets, production biological assets, petroleum and natural gas	26,321,324.49	21,905,714.48
Amortization of intangible assets	1,132,834.37	1,042,371.97
Amortization of long-term prepayments	2,213,185.05	549,896.60
Losses on disposal of fixed assets, intangible assets and other long-term assets	-164,225.87	-1,686,369.61
Losses on scrapping of fixed assets		11,006.10
Losses on fair value change		
Financial expenses	64,029,334.10	23,367,871.85
Investment losses	-989,818.18	-1,267,564.07
Decrease in deferred income tax assets		
Increase in deferred income tax liabilities		-23,814.14
Decrease in inventories	36,778,289.57	385,056,753.10
Decrease in operating receivables	-73,161,072.05	-44,906,187.27
Increase in operating payables	-85,097,208.29	-276,202,222.92
Others		-151,565.71
Net cash flows from operating activities	-76,119,321.82	141,567,532.95
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	52,507,843.73	136,376,851.19
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	-83,869,007.46	-155,410,281.59

(2) Cash and cash equivalents

Items	Year 2011	Year 2010
1. Cash	52,507,843.73	136,376,851.19
Including: Cash on hand	2,174,511.88	489,550.91
Bank deposit paid at any time	50,327,357.51	135,877,954.53
Other monetary funds paid at any time	5,974.34	9,345.75
2. cash equivalents		
3. Cash and cash equivalents at the end of year	52,507,843.73	136,376,851.19

## 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%

### 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

Details refer to ‘Note V.9.Long-term equity investment’.

### 4. Other related parties

Name	Relationship with the Company	Organization code
Mudanjiang Wanjia Hotel Management Co., Ltd.	With same controller	692634425
Beijing Zhongjia Yangguang energy technology (group) Co., Ltd.	With same controller	722611348
Beijing Yulong Jisheng Real Estate Development Co., Ltd.	With same controller	72266773-9

### 5. Transactions of related parties

(1) Internal transactions have already been offset.

(2) Fund calling between related parties

By December 31, 2011, the total amount of loan principal that Beijing Xinxing Real Estate Development corporation has been made to the Pearl River Holding has a balance of ¥120,510,447.00 Yuan with ¥24,662,617.29 Yuan of interest payable on balance. The total amount of loan principal that the controlling shareholder Beijing Wanfa Real Estate Development corporation has been made to the Pearl River Holding has a balance of ¥62,025,000.00 Yuan with interest payable on balance of ¥20,906,398.72 Yuan.

By December 31, 2011, the total amount of loan principal that Beijing Xinxing Real Estate Development corporation has been made to Sanya Wanjia Hotel Management Co., Ltd has a



balance of ¥32,030,000.00 Yuan with ¥28,198,205.81 Yuan of interest payable on balance. The total amount of loan principal that Beijing Wanfa Real Estate Development corporation has been made to Sanya Wanjia Hotel Management Co., Ltd has a balance of ¥19,700,000.00 Yuan with interest payable on balance of ¥8,316,779.96 Yuan.

For the loans listed between related parties, the total amount of interest expensed carried for this reporting period was ¥14,891,869.70 Yuan with interest payable on balance of ¥82,084,001.78 Yuan. The interest rate for the loans listed above is based on the People ' s Bank of China ' s benchmark interest rate for one-year loan with currency stated in RMB.

### (3) Balances of related party receivable and payable

Items	Company Name	Dec 31, 2011	Jan 1, 2011
Other payables:	Beijing Zhongjia Yangguang energy technology (group) Co., Ltd.	194,226.90	
	Beijing Xinxing Real Estate Development Company	152,540,447.00	152,540,447.00
	Beijing Wangfa Real Estate Development Holdings Co., Ltd	81,725,000.00	81,725,000.00
	Sanya Wanjia Enterprises Holding Co., Ltd.		1,656,997.47
	Beijing Yulong Jisheng Real Estate Development Co., Ltd.	1,500,000.00	1,500,000.00
	Mudanjiang Wanjia Hotel Management Co., Ltd.		173,045.00
Interest payable:	Beijing Wangfa Real Estate Development Holdings Co., Ltd.	29,223,178.68	24,196,160.88
	Beijing Xinxing Real Estate Development Company	52,860,823.10	42,995,971.20
Total		318,043,675.68	304,787,621.55

## VII. Contingent events

Other guarantee issues please refer to Note.V.18; Note.V.28.

## VIII. Commitments

Mudanjiang Pearl River Wanjia Tourism Investment Development Company (referred to as ' Pearl River Tourism Investment Group ', which is a wholly owned subsidiary of Pearl River Holding, submitted a loan application to China Construction Bank Mudanjiang Branch (referred to as Construction Bank) for a ¥110 million loan which has a duration of seven years for fixed assets investments in November 2011. Being entrusted by the Pearl River Tourism Investment Group, Heilongjiang Xin Zheng Guarantee Corporation provides guarantee for the loan. At the same time, Pearl River Holding provides credit counter-guarantee deposit to Xin Zheng Guarantee Corporation with a ceiling principal amount of ¥45 million together with the corresponding interest,

liquidated damages, etc. In addition to that, another subsidiary, Hailin Wanjia Snow town Resort Hotel also provides counter-guarantee to Heilongjiang Xin Zheng Guarantee Corporation via property mortgage. The mortgaged property refers to the property located at Twin Peak Resort, 10<sup>th</sup> zone of the mountain of Dahailin Forestry Bureau as well as its corresponding land use right, equivalent to a guarantee amount of ¥65 million as well as the related interest, liquidated damages, realizing the right to mortgage related expenses, etc. The Pearl River Tourism Investment Group has received a loan of ¥90 million and ¥20 million on January 12, 2012 and January 17, 2012 respectively.

## IX. Non-adjusting events after the balance sheet date

### (1) Financing activity

The Company has already paid back the trust loan issued by Chongqing Trust on September 29, 2010, on March 28, 2012. Simultaneously, the pledged 33.25 million shares of Southwest Securities were released.

The Company has signed a contract of ‘ Transfer of Stock Return Agreement ’ and ‘ Stock Ownership Pledge Agreement for Public Listed Company ’ with Chongqing Trust on 29<sup>th</sup> March 2012. According to the agreement, Chongqing Trust is supposed to: first, pass the usufruct of 33.25 million shares of Southwest Securities together with the derivatives which derive from stock delivery distribution, surplus accumulation or stock split regime conducted by the Southwest Securities within the agreed contractual period to the Company; second, pass the cash dividend with its right to yields granted by China Security Depository and Clearing Co., Ltd Shanghai Branch within the agreed contractual period to the Company within 12 months since the contract was signed. Furthermore, Chongqing Trust should pay for the transferred earning right of stock return at a price of ¥210 million. The Company will pledge 33.25 million shares of Southwest Securities unrestricted in terms of sales as a guarantee to Chongqing Trust. The Company will pay ¥210 million principal plus 10% yearly investment return to Chongqing International Trust Co., Ltd in one year when the contract period expires. The usufruct of the shares as well as share derivatives will then be passed back to the Pearl River Holding.

### (2) Issues related to restricted stocks

The controlling shareholder Beijing Wanfa holds the number of 112,479,478 shares unrestricted in sales, which accounts for 26.36% of the total share capital. On November

1, 2011, Beijing Wanfa pledged 55,000,000 of those shares to Zhongcheng Trust Limited Liability Company. By 31<sup>st</sup> December 2011, Beijing Wanfa's total amount of shares unrestricted in sales that have been registered in China Security Depository and Clearing Co., Ltd Shenzhen Branch was 55,000,000 shares, accounting for 12.89% of the total equity capital of the Company. On 13<sup>th</sup> February 2012, the Company has received the notification of the remove of pledged securities issued by China Security Depository and Clearing Co., Ltd Shenzhen Branch from Beijing Wanfa, confirming that the pledged unlimited 55,000,000 A shares have been released on 9<sup>th</sup> February 2012.

#### X. Other important events

By December 31, 2011, the total amount of equity that belongs to the shareholders of the parent company has reached the amount of ¥373,004,748.20, among which the undistributed profit taking up ¥-693,679,376.16 and the company operating funds occupying ¥-222,114,414.64. The Company has a loss for three consecutive years after taking off the consideration for extraordinary factors. The Company is now actively engaged in adjusting its business structure, including promoting property sales of Hubei Meilin Qingcheng; constructing and operating key projects related to snow town resort and facilitating new rural property development project at Shijiazhuang province, to change its current financial situation and to achieve the ultimate strategic goal of enhancing the ability of long-term sustainable development.

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

##### 1. Accounts receivable

##### (1) Detailed information

Items	31 Dec 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	67.99	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	1,755,515.17	15.38	522,111.87	29.74	1,540,067.42	13.75	500,151.31	32.48
Combined Subtotal	1,755,515.17	15.38	522,111.87	29.74	1,540,067.42	13.75	500,151.31	32.48
3 Other unimportant receivables	1,898,690.60	16.63	1,898,690.60	100.00	1,898,690.60	16.95	1,898,690.60	100.00
Total	11,415,913.37		10,182,510.07		11,200,465.62		10,187,100.42	

##### (2) Age analysis

Age	Dec 31, 2011		January 1, 2011	
	Amounts	Bad Debts Provision	Amounts	Bad Debts Provision

Age	Dec 31, 2011		January 1, 2011	
	Amounts	Bad Debts Provision	Amounts	Bad Debts Provision
Within 1 year	495,407.75	9,908.16	267,880.00	5,357.60
1 to 2 years	100,000.00	5,000.00	106,000.00	5,300.00
2 to 3 years	106,000.00	10,600.00	101,500.00	10,150.00
3 to 4 year	101,500.00	20,300.00		
4 to 5 years			265,000.00	79,500.00
5 years and more	952,607.42	476,303.71	799,687.42	399,843.71
Total	1,755,515.17	522,111.87	1,540,067.42	500,151.31

## 2. Other receivables

### (1) Detailed information

Items	31 Dec 2011				1 Jan 2011			
	Balance	Proportion (%)	Bad debts	Bad debt ratio (%)	Balance	Proportion (%)	Bad debts	Bad debt ratio (%)
1. Individual with significant amount	74,978,380.89	16.74	34,477,855.47	45.98	55,482,525.99	16.47	14,982,000.57	27.00
2. Bad debt accounted by the combinations								
Age Combinations	264,520,830.81	59.06	8,087,659.72	3.06	257,909,916.40	76.55	8,940,478.35	3.47
In scope of consolidated statements	103,761,317.93	23.17						
subtotal	368,282,148.74	82.22	8,087,659.72	2.20	257,909,916.40	76.55	8,940,478.35	3.47
3. Other unimportant receivables	4,635,625.65	1.03	3,976,807.73	85.79	23,503,529.06	6.98	23,503,529.06	100.00
Total	447,896,155.28		46,542,322.92		336,895,971.45		47,426,007.98	

### (2) Aging analysis

Age	Dec 31, 2011			January 1, 2011		
	Amounts		Bad Debt Provision	Amounts		Bad Debt Provision
	Amounts	Ratio (%)		Amounts	Ratio (%)	
Within 1 year	219,477,402.47	82.98	4,389,548.05	178,696,427.40	69.28	3,573,928.55
1 to 2 years	41,829,939.34	15.81	2,091,496.97	76,000,000.00	29.47	3,800,000.00
2 to 3 years						
3 to 4 year				649.00	0.00	129.80
4 to 5 years	649.00	0.00	194.70	200,000.00	0.08	60,000.00
5 years and more	3,212,840.00	1.21	1,606,420.00	3,012,840.00	1.17	1,506,420.00
Total	264,520,830.81		8,087,659.72	257,909,916.40		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	40,000,000.00	38,462,699.40	-910,390.40	37,552,309.00	40	40	

Name	Accounting Method	Initial investment Cost	Beginning Balance	Increase or decrease	Ending Balance	Percentage of equity interest (%)	Percentage of vote right (%)	Impairment loss provision
Hubei Pearl River Real Estate Development Co., Ltd.	Cost Method	57,200,000.00	57,200,000.00		57,200,000.00	88	88	
Hainan Pearl River Enterprises Holding Co., Ltd. Shanghai Real Estate Co.	Cost Method	40,000,000.00	40,000,000.00		40,000,000.00	100	100	40,000,000.00
Beijing 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	60,000,000.00	60,000,000.00		60,000,000.00	100	100	
Hainan Pearl River Guanzhuang Co., Ltd.	Cost Method	426,315.00	426,315.00		426,315.00	1.33	1.33	
Hainan Tongsheng Ports Co., Ltd.	Cost Method	6,000,000.00	6,000,000.00		6,000,000.00	15	15	6,000,000.00
Hainan Chamber of Commerce	Cost Method	500,000.00	500,000.00		500,000.00	6.67	6.67	500,000.00
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
Hainan Huadi Pearl River Foundation Engineering Co., Ltd.	Cost Method	160,000.00	160,000.00		160,000.00	2	2	
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
Hainan Nanyang Shipping Industrial Company Limited	Cost Method	1,680,000.00	1,680,000.00		1,680,000.00			1,680,000.00
China (Hainan) Reform and Development Institute	Cost Method	8,640,000.00	8,640,000.00	-8,640,000.00				
Hebei zhengshiqinghui Real Estate Development Co., Ltd.	Cost Method	10,000,000.00		5,100,000.00	5,100,000.00	51	51	
Total		377,783,555.29	371,146,254.69	-4,450,390.40	366,695,864.29			65,532,245.39

#### 4. Operating income and operating costs

##### (1) Operating income

Items	Year 2011	Year 2010
Main operating business income		81,780,389.00
Other operating business income	739,580.50	435,420.90
Total	739,580.50	82,215,809.90

##### (2) Operating costs

Items	Year 2011	Year 2010
Main operating business costs		42,124,483.34
Other operating business costs	116,164.63	73,057.24
Total	116,164.63	42,197,540.58

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

Items	Year 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
Total			81,780,389.00	42,124,483.34

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

Location	Year 2011		Year 2010	
	Main operating business income	Main operating business costs	Main operating business income	Main operating business costs
Hainan Province			81,780,389.00	42,124,483.34

#### 5. Investment income

Items	Year 2011	Year 2010
Income from transferring equity investment	-910,390.40	-440,761.04
Income from disposal sellable financial assets		
Total	-910,390.40	-440,761.04

#### 6. Supplementary information of cash flow statement

Items	Year 2011	Year 2010
1 . Reconciliation of net profit to cash flows from operating activities:		
Net profit	-31,343,737.31	-3,799,455.43
Add: Provision for assets impairment	-861,724.50	-3,456,417.44
Depreciation of fixed assets, production biological assets, petroleum and natural gas	2,382,277.15	2,062,738.31
Amortization of intangible assets	47,663.64	47,663.64
Amortization of long-term prepayments		
Losses on disposal of fixed assets, intangible assets and other long-term assets	16,112.15	-1,692,742.14
Losses on scrapping of fixed assets		
Losses on fair value change		
Financial expenses	59,999,178.68	13,380,481.21
Investment losses	-45,792,541.16	440,761.04
Decrease in deferred income tax assets		
Increase in deferred income tax liabilities		
Decrease in inventories		71,609,553.25
Decrease in operating receivables	-6,172,604.29	-39,493,876.16
Increase in operating payables	6,199,149.32	-20,237,753.65
Others		
Net cash flows from operating activities	-15,526,226.32	18,860,952.63
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		

Items	Year 2011	Year 2010
Fixed assets under finance lease	—	—
3 . Net increase in cash and cash equivalents		
Cash at the end of the period	515,955.59	47,697,821.48
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	-47,181,865.89	-114,063,148.99

## XII. Supplementary information

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

Items	Year 2011
Profit and loss on disposal of non-current assets	164,225.87
Fund occupation fee from non-financial enterprises included in the current profit and loss	34,251,932.51
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	-141,766.30
Other non-operating income and costs	
Income tax impact	-1,246,878.08
Equity impacts of minority interests	-427,906.24
Total	32,599,607.76

## 2. Earnings per share

Profit of this year	Earnings per share			
	Basic earnings per share		Diluted earnings per share	
	2011	2010	2011	2010
Net profit attributable to common shareholders	-0.12	0.06	-0.12	0.06
Net profit excluding non-recurring Profit and Loss attributable to common shareholders	-0.19	-0.03	-0.19	-0.03

The calculation process of asset yield rate via weighted average manner is as follows:

Item	Code	Year 2011	Year 2010
Net profits that belong to the common shareholders during the reporting period	P0	-49,478,157.24	27,730,981.17
Extraordinary profits and losses that belong to the common shareholders during the reporting period	A	32,599,607.76	42,514,317.46
Net profits that belong to the common shareholders during the reporting	P1=P0-A	-82,077,765.00	-14,783,336.29

Item	Code	Year 2011	Year 2010
period after taking off the effect of extraordinary profits and losses			
The opening balance of net assets that belong to the common shareholders	E0	497,295,405.44	653,104,424.27
Increased net assets belonging to common shareholders that caused by issuing new shares or debt-equity conversion during the reporting period	Ei		
Increased net assets from the next month until the end of the reporting period	Mi		
Decreased net assets belonging to common shareholders that caused by repurchasing or cash dividend distribution during the reporting period	Ej		
Decreased net assets from the next month until the end of the reporting period	Mj		
Changes of net assets caused by other issues	Ek	-74,812,500.00	-183,540,000.00
Changes of other net assets from the next month until the end of the reporting period	Mk	6.00	6.00
Total months of the reporting period	M0	12.00	12.00
The closing balance of net assets that belong to common shareholders	E1	373,004,748.20	497,295,405.44
The weighted average net assets that belong to common shareholders	$E2=E0+P0/2+Ei*Mi/M0-Ej*Mj/M0+Ek*Mk/M0$	435,150,076.82	575,199,914.86
The weighted average net assets yield rate before taking off the effect of extraordinary profits and losses	$X1=P0/E2$	-11.37%	4.82%
The weighted average net assets yield rate after taking off the effect of extraordinary profits and losses	$X1=P1/E2$	-18.86%	-2.57%

#### 4 Abnormal issues and its related explanations for major accounting statements

##### (1) Balance sheet

Item	Year 2011	Year 2010	Rate of change	Explanations
Monetary funds	52,507,843.73	136,376,851.19	-61.50%	Increased investment spending
Receivables	7,047,354.39	3,627,245.66	94.29%	Increased income from subsidiaries
Prepayments	76,803,784.89	53,898,082.24	42.50%	Prepayments for the project of snow town development
Investment real estate	26,736,246.75	19,898,962.92	34.36%	Rent out of the 5th floor of the skirt building in Pearl River Square
Construction in progress	17,949,172.88	4,732,000.00	279.31%	Investment in the project of snow town in Hailin
Payables	22,624,982.35	37,588,815.47	-39.81%	Business clearing
Accounts received in advance	19,556,674.90	39,134,147.85	-50.03%	Property accounts received in advance carried forward into revenue
Taxes payable	3,581,099.43	30,809,972.66	-88.38%	Land value added tax liquidation of the project of 'Mei Lin Qing Cheng'
Deferred income tax liability	49,347,638.80	74,285,138.80	-33.57%	The change of fair value of available for sale financial assets

##### (2) Income statement

Item	Year 2011	Year 2010	Rate of change	Explanations
Operating income	233,145,578.90	686,065,924.45	-66.02%	Reduced income from property sales



Item	Year 2011	Year 2010	Rate of change	Explanations
Operating income	233,145,578.90	686,065,924.45	-66.02%	Reduced income from property sales
Operating costs	147,356,459.09	455,355,582.46	-67.64%	Reduced income from property sales
Operating taxes and extras	21,722,074.58	80,315,959.95	-72.95%	Reduced income from property sales
Operating expenses	6,097,882.73	10,724,982.92	-43.14%	Reduced income from property sales
General and administrative expenses	78,495,572.48	62,229,213.13	26.14%	Increased number of subsidiaries
Financial expenses	18,453,629.84	23,453,020.50	-21.32%	Increased amount of expenses of possession of funds
Investment income	-989,818.18	1,267,564.07	-178.09%	Effects on investees imposed by using equity -method
Non-operating income	891,399.47	1,889,073.34	-52.81%	Disposal of fixed assets during the former reporting period
Non-operating expenses	868,939.90	302,781.48	186.99%	Increased donation expenses

### XIII. Approval of the financial statements

The financial statements have been approved by the board of directors of the Company in April 18, 2012.

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

**Hainan Pearl River Holding Company Limited**  
**April 18, 2012**

Legal representative:

Accounting Supervisor:

Chief Accountant:

Signature: Zheng Qing

Signature: Chen Binglian

Signature: Yang Daoliang

Date: April 18th

Date: April 18th

Date: April 18th