

HAINAN PEARL RIVER HOLDINGS CO., LTD.

ABSTRACT OF THE SEMI-ANNUAL REPORT 2012

I. Important Notes

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

All directors were present at the board session for reviewing this report.

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

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

II. Company Profile

(I) Basic information

A-share abbreviation	STZJ	
A-share code	000505	
Stock exchange listed with	Shenzhen Stock Exchange	
	Company Secretary	Securities Affairs Representative
Name	Yu Cuihong	
Contact address	29/F, Royal Empire Building, Pearl River Plaza, Binhai Avenue, Haikou, Hainan	
Tel.	0898—68581888, 68581199 ext.	
Fax	0898—68581026	
E-mail	hnpearlriver@21cn.net	

(II) Financial highlights

1. Major accounting data and financial indexes

Any retrospective adjustment in previous financial statements?

? Yes v No

Unit: RMB Yuan

	30 Jun. 2012	31 Dec. 2011	Increase/decrease (%)	Notes

Total assets	1,419,110,691.00	1,311,949,739.44	8.17	
Owners' equity attributable to shareholders of the Company	387,301,911.35	373,004,748.20	3.83	Attributable to owners of the Company
Share capital	426,745,404.00	426,745,404.00	0.00	
Net assets per share attributable to shareholders of the Company (RMB Yuan/share)	0.9076	0.8741	3.83	4 digits after the decimal point
	Jan.-Jun. 2012	Jan.-Jun. 2011	Increase/decrease (%)	
Gross operating revenues	108,341,956.20	144,292,773.73	-24.92	
Operating profit	-35,251,504.31	-8,992,867.70	-291.99	
Total profit	-35,304,968.75	-8,630,152.22	-309.09	
Net profit attributable to shareholders of the Company	-37,734,798.44	-15,041,866.11	-150.87	Attributable to owners of the Company
Net profit attributable to shareholders of the Company after deducting non-recurring gains and losses	-59,037,643.78	-35,013,277.56	-68.62	
Basic EPS (RMB Yuan/share)	-0.0884	-0.0352	-151.14	4 digits after the decimal point
Diluted EPS (RMB Yuan/share)	-0.0884	-0.0352	-151.14	4 digits after the decimal point
Weighted average ROE (%)	-9.93%	-3.05%	-6.88%	-6.88%
Net cash flow from operating activities	-35,592,424.56	-27,380,569.51	-29.99	
Net cash flow per share from operating activities (RMB Yuan/share)	-0.0834	-0.0642	-29.91	

Notes to major accounting data and financial indexes before the end of the reporting period (Please give notes if there is any retrospective adjustment):

2. Items of non-recurring gains and losses

v Applicable ? Inapplicable

Items	Jan.-Jun. 2012 (RMB Yuan)	Notes
Gains and losses on disposal of non-current assets	60,773.50	
Tax rebate, reduction or exemption due to un-authorized approval or the lack of formal approval documents		
Government grants recognized in the current year, except for those acquired in the ordinary course of business or granted at certain quotas or amounts according to the country's unified standards		
Capital occupation fees received from non-financial enterprises that are included in current gains and losses	2,829,976.10	
Gains generated when the investment costs of the Company's acquiring subsidiaries, associates and joint ventures are less than the fair value of identifiable net assets in the investees attributable to the Company in the acquisition of the investments		
Exchange gains and losses of non-monetary assets		
Gains and losses through entrusting others to invest or manage assets		
Various asset impairment provisions due to acts of God such as natural disasters		
Gains and losses on debt restructuring		

Enterprise reorganization expenses, such as expenses on employee settlement and integration		
Gains and losses on the parts exceeding the fair value when prices of transactions become unfair		
Net current gains and losses from the period-begin to the combination date of subsidiaries due to business combinations under the same control		
Gains and losses on contingent matters which are irrelevant to the normal operation of the Company		
Gains and losses on fair value changes of transactional financial assets and liabilities, and investment gains on disposal of transactional financial assets and liabilities and available-for-sale financial assets, except for the effective hedging business related to the Company's normal operation	18,542,755.18	
Reversal of impairment provisions for accounts receivable which are separately tested for impairment signs		
Gains and losses on entrustment loans from external parties		
Gains and losses on fair value changes of investing properties for which the fair value method is adopted for subsequent measurement		
Current gain and loss effect due to a just-for-once adjustment to current gains and losses according to requirements of taxation and accounting laws and regulations		
Custodian fee income from entrusted operations with the Company		
Other non-operating incomes and expenses besides the items above	-114,237.94	
Other gain and loss items that meet the definition of non-recurring gains and losses		
Minority interests effects	-6,341.50	
Income tax effects	-10,080.06	
Total	21,302,845.34	--

3. Net profit and net asset differences between financial reports disclosed according to the international and Chinese accounting standards respectively

v Applicable ?Inapplicable

Unit: RMB Yuan

	Net profit attributable to shareholders of the Company		Owners' equity attributable to shareholders of the Company	
	Reporting period	Same period of last year	Closing amount	Opening amount
As per Chinese accounting standards	-37,734,798.44	-15,041,866.11	387,301,911.35	373,004,748.20
Items and amounts adjusted according to international accounting standards:				
-Adjustment to amortization of land use rights			-1,337,000.00	-1,337,000.00
As per international accounting standards	-37,734,798.00	-15,041,866.00	385,964,911.00	371,667,748.00

4. Net profit and net asset differences between financial reports disclosed according to the overseas and Chinese accounting standards respectively

?Applicable ?Inapplicable

Unit: RMB Yuan

	Net profit attributable to shareholders of the Company		Owners' equity attributable to shareholders of the Company	
	Reporting period	Same period of last year	Closing amount	Opening amount
As per Chinese accounting standards	-37,734,798.44	-15,041,866.11	387,301,911.35	373,004,748.20
Items and amounts adjusted according to overseas accounting standards:				
-Adjustment to amortization of land use rights			-1,337,000.00	-1,337,000.00
As per international accounting standards	-37,734,798.00	-15,041,866.00	385,964,911.00	371,667,748.00

III. Changes in Share Capital and Particulars about Shareholders

(I) Changes in share capital

?Applicable ?Inapplicable

(II) Shares held by the top ten holders of tradable shares/shares not subject to trading moratorium

Shares held by the top ten shareholders and the top ten shareholders holding tradable shares

Total number of shareholders						42,968
Particulars about shares held by the top ten shareholders						
Name of shareholder (full name)	Nature of shareholder	Shareholding percentage (%)	Total shares held at the period-end	Number of non-tradable shares held	Pledged or frozen shares	
Beijing Wanfa Real Estate Development Co., Ltd.	State-owned corporation	26.36%	112,479,478	0		
Xiao Gengning	Domestic natural person	0.74%	3,145,022	0		
Chen Yunxuan	Domestic natural person	0.67%	2,859,302	0		
Zhang Xiaoxia	Domestic natural person	0.46%	1,949,250	0		
Zhang Chuntian	Domestic natural person	0.36%	1,540,000	0		
Ou Lei	Domestic natural person	0.35%	1,500,000	0		
Zhang Huisheng	Domestic natural person	0.33%	1,400,000	0		
Nanhua Finance Co., Ltd.	Domestic non-state-owned corporation	0.3%	1,299,500	1,299,500		
Huang Yueling	Domestic natural person	0.28%	1,184,900	0		

Pearl River Enterprise Group	State-owned corporation	0.27%	1,150,000	0		
Particulars about shares held by the top ten shareholders holding tradable shares						
Name of shareholder	Number of tradable shares held	Type and number of shares		Type	Number	
		Type	Number			
Explanation on associated relationship or/and persons acting in concert among the above-mentioned shareholders						

(III) Change of the controlling shareholder and the actual controller

? Applicable Inapplicable

IV. Particulars about Directors, Supervisors and Senior Management

(I) Shareholding changes of directors, supervisors and senior management

Name	Office title	Number of shares held at period-begin	Number of shares increased in reporting period	Number of shares decreased in reporting period	Number of shares held at period-end	Of which: number of restricted shares held	Number of stock options held at period-end	Reason for change
Zheng Qing	Chairman, GM	34,175	0	0	34,175	34,175	34,175	N/A
Zhang Jian	Vice Chairman	0	0	0	0	0	0	N/A
Peng Shuyin	Director	0	0	0	0	0	0	N/A
Shi Yonghui	Director	0	0	0	0	0	0	N/A
Liu Wenjie	Director	0	0	0	0	0	0	N/A
Chen Wenbin	Director	0	0	0	0	0	0	N/A
Li Guangzhong	Independent Director	0	0	0	0	0	0	N/A
Wang Zhigang	Independent Director	0	0	0	0	0	0	N/A
Huang Weimin	Independent Director	0	0	0	0	0	0	N/A
Wu Xiaojing	Chairman of the Supervisory Committee	0	0	0	0	0	0	N/A
She Jianhui	Supervisor	0	0	0	0	0	0	N/A
Wang Geping	Supervisor	0	0	0	0	0	0	N/A
Chen Binglian	Executing Vice GM	0	0	0	0	0	0	N/A
Yu Cuihong	Vice GM, Company Secretary	0	0	0	0	0	0	N/A
Yang	Vice GM	0	0	0	0	0	0	N/A

Daoliang								
Wu Jianshe	Vice GM	0	0	0	0	0	0	N/A

V. Report of the Board of Directors

(I) Main business lines classified by industries and products

Main business lines classified by industries						
Industry	Operating revenue	Operating cost	Gross profit rate (%)	Increase/decrease of operating revenue compared with the same period last year (%)	Increase/decrease of operating cost compared with the same period last year (%)	Increase/decrease of gross profit rate compared with the same period last year (%)
Sale of real estate	22,880,211.00	11,265,104.81	50.76%	-66.4%	-64.7%	-2.38%
Property management and service	52,229,168.34	47,199,383.70	9.63%	9.6%	10.88%	-1.04%
Travel and hotel services	31,628,808.66	15,626,961.42	50.59%	15.35%	36.22%	-7.58%
Main business lines classified by products						
Product	Operating revenue	Operating cost	Gross profit rate (%)	Increase/decrease of operating revenue compared with the same period last year (%)	Increase/decrease of operating cost compared with the same period last year (%)	Increase/decrease of gross profit rate compared with the same period last year (%)

Explanation to the reasons for any significant year-on-year change of the gross profit rate:

N/A

(II) Main business lines classified by regions

Region	Operating revenue	Increase/decrease compared with the same period last year (%)
Hainan	71,616,099.00	4.71%
Hubei	23,204,485.00	-66.16%
Shanghai	1,262,255.00	100%
Heilongjiang	10,655,349.00	73.31%
Beijing	0.00	-100%

(III) Reasons for any significant change in main business and its structure

? Applicable v Inapplicable

(IV) Reasons of significant changes in profitability of main business (gross profit rate) compared with that in the last year

? Applicable v Inapplicable

(V) Analysis on reasons of significant changes in profit breakdown compared with the last year

vApplicable ?Inapplicable

The profit for the reporting period mainly came from the settlement income from the Hubei real estate project and the investment income from transferring 1.871 million shares of Southwest Securities, and the profit for the same period of last year mainly came from the settlement income from the Hubei real estate project and the capital occupation fee income.

(VI) Particulars about utilization of the raised funds

1. Utilization of the raised funds

? Applicable vInapplicable

2. Change of projects invested with raised funds

? Applicable vInapplicable

(VII) Revision of the Board of Directors' business plan for the second half of the year

? Applicable vInapplicable

(VIII) Business performance estimate for Jan.-Sept. 2012

Warnings of estimated possible losses or major changes of the accumulative net profit achieved during the period from the beginning of the year to the end of the next reporting period compared with the same period of last year, as well as the reasons

? Applicable vInapplicable

(IX) Explanation of the Board of Directors on “Non-standard Auditing Report” issued by the CPA firm for the reporting period

? Applicable vInapplicable

(X) Explanation of the Board of Directors on changes and solutions of the issues involved in the “Non-standard Auditing Report” issued by the CPA firm for last year

? Applicable vInapplicable

VI. Significant Events

(I) Purchase, sales and reorganization of assets

1. Purchase of assets

? Applicable vInapplicable

Notes to purchase of assets:

2. Sale of assets

? Applicable v Inapplicable

Notes to sale of assets:

3. Progress of these events after the publication of the assets reorganization report or public notices on the purchases or sales of assets, as well as the influences of these events on the operation results and financial status of the Company in this reporting period

? Applicable v Inapplicable

(II) Guarantee events

? Applicable v Inapplicable

(III) Non-operating credits and liabilities with related parties

Was there any non-operating credit or liability with any related party?

? Yes v No

(IV) Significant lawsuits and arbitrations

? Applicable v Inapplicable

(V) Other significant events as well as analysis and explanations on their impact and solutions

? Applicable v Inapplicable

1. Securities investment

v Applicable ? Inapplicable

Serial No.	Variety of securities	Code of securities	Abbr. of securities	Initial investment amount (RMB Yuan)	Number of shares held at the period-end	Closing carrying amount (RMB Yuan)	Proportion in the total closing securities investment amount (%)	Gain/loss in the reporting period (RMB Yuan)
1	Stock	600369	XNZQ	150,000,000.00	31,379,000	354,896,490.00	100%	52,031,961.59
Other securities investments held at the period-end				0.00	--	0.00	0%	0.00
Gain/loss on selling securities in the reporting period				--	--	--	--	18,542,755.18
Total				150,000,000.00	--	354,896,490.00	100%	

Notes to securities investment:

The Proposal on Authorizing the Chairman to Deal with Shares of Southwest Securities Held by the Company in Proper Timing was reviewed and approved unanimously at the 20th Session of the 6th Board of Directors on 13 Jun.

2012 and later approved upon voting at the 1st Special Shareholders' General Meeting for 2012. In order to increase the utilization efficiency of the Company's assets, the Board of Directors agreed its chairman to make decisions about the shares of Southwest Securities held by the Company (timing, number and method about dealing with the shares) according to the Company's development strategy, the securities market situation and the Company's operating and financial status.

On 28 Jun. 2012, the Company sold 919,400 such shares via the secondary stock market, with the average trading price being RMB 11.57 per share.

On 29 Jun. 2012, the Company sold 951,600 such shares via the secondary stock market, with the average trading price being RMB 11.34 per share.

2. Holding equity of other listed companies

? Applicable v Inapplicable

Notes to holding equity of other listed companies:

3. Capital occupation during the reporting period and debt-clearing progress

? Applicable v Inapplicable

The accountability plan put forward by the Board of Directors when the Company had not completed collecting the capital occupied for non-operating purposes by the end of the reporting period

? Applicable v Inapplicable

4. Fulfillment of commitments

Commitments made by the Company, its directors, supervisors, senior management, shareholders holding more than 5% shares of the Company, actual controller or any other relevant party in this reporting period, or such commitments carried down into this reporting period

? Applicable v Inapplicable

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

? Applicable v Inapplicable

6. Items of other comprehensive income

Items	Jan.-Jun. 2012	Jan.-Jun. 2011
1. Profits/(losses) from available-for-sale financial assets	83,946,040.00	7,980,000.00
Less: Effects on income tax generating from available-for-sale financial assets	20,986,510.00	1,995,000.00
Net amount transferred into profit and loss in the current period that recognized into other comprehensive income in prior period	10,927,568.41	
Subtotal	52,031,961.59	5,985,000.00
2. Interests in the investee entities' other comprehensive income as per equity method		
Less: Effects on income tax generating from the interests in the investee entities' other comprehensive income as per equity method		
Net amount transferred into profit and loss in the current period that recognized into other comprehensive income in prior period		
Subtotal		
3. Profits/(losses) from cash flow hedging instrument		
Less: Effects on income tax generating from cash flow hedging instrument		

Net amount transferred into profit and loss in the current period that recognized into other comprehensive income in prior period		
The adjustment value that is the converted initial recognition amount of arbitrage project		
Subtotal		
4. Converted amount of foreign currency financial statements		
Less: Net value of disposal of oversea operations that recognized into current profit and loss		
Subtotal		
5. Other		
Less: Effects on income tax generating from the others that included into other comprehensive income		
Net amount transferred into profit and loss in the current period that recognized into other comprehensive income in prior period		
Subtotal		
Total	52,031,961.59	5,985,000.00

(VI) Particulars about researches, visits and interviews received in this reporting period

Time of reception	Place of reception	Way of reception	Visitor type	Visitor	Main discussion and materials provided by the Company

VII. Financial Report

(I) Audit opinion

Has this interim report been audited?

? Yes v No

(II) Financial statements

Consolidated statements or not?

v Yes ? No

1. Consolidated balance sheet

Prepared by HaiNan Pearl River Holdings Co., Ltd.

Unit: RMB Yuan

Item	Note	30 Jun. 2012	31 Dec. 2011
Current Assets:			
Monetary funds		64,075,389.48	52,507,843.73
Settlement reserves			
Intra-group lendings			
Transactional financial assets		0.00	0.00
Notes receivable		0.00	0.00
Accounts receivable		10,524,260.83	7,047,354.39
Accounts paid in advance		152,107,124.73	76,803,784.89
Premiums receivable			

Reinsurance premiums receivable			
Receivable reinsurance contract reserves			
Interest receivable		0.00	0.00
Dividend receivable		260,015.00	260,015.00
Other accounts receivable		252,922,380.41	305,101,592.12
Financial assets purchased under agreements to resell			
Inventories		107,822,162.83	118,087,721.51
Non-current assets due within 1 year			
Other current assets			
Total current assets		587,711,333.28	559,808,311.64
Non-current assets:			
Loans by mandate and advances granted			
Available-for-sale financial assets		354,896,490.00	286,947,500.00
Held-to-maturity investments			
Long-term accounts receivable			
Long-term equity investment		51,432,102.93	51,861,567.21
Investing property		25,892,076.58	26,736,246.75
Fixed assets		333,624,430.69	325,412,316.44
Construction in progress		20,799,397.88	17,949,172.88
Engineering materials		606,206.60	606,206.60
Disposal of fixed assets			
Production biological assets			
Oil-gas assets			
Intangible assets		32,144,089.10	32,558,549.97
R&D expense			
Goodwill			
Long-term deferred expenses		12,004,563.94	10,069,867.95
Deferred income tax assets			
Other non-current assets			
Total of non-current assets		831,399,357.72	752,141,427.80
Total assets		1,419,110,691.00	1,311,949,739.44
Current liabilities:			
Short-term borrowings		235,000,000.00	45,000,000.00
Borrowings from Central Bank			
Customer bank deposits and due to banks and other financial institutions			
Intra-group borrowings			
Transactional financial liabilities			
Notes payable			
Accounts payable		22,954,059.56	22,624,982.35
Accounts received in advance		8,979,806.60	19,556,674.90
Financial assets sold for repurchase			
Handling charges and			

commissions payable			
Employee's compensation payable		6,561,503.66	6,909,929.01
Tax payable		3,421,620.76	3,581,099.43
Interest payable		106,368,747.73	99,701,134.38
Dividend payable		3,213,302.88	3,213,302.88
Other accounts payable		359,928,370.27	349,335,603.33
Reinsurance premiums payable			
Insurance contract reserves			
Payables for acting trading of securities			
Payables for acting underwriting of securities			
Non-current liabilities due within 1 year		12,000,000.00	232,000,000.00
Other current liabilities			
Total current liabilities		758,427,411.46	781,922,726.28
Non-current liabilities:			
Long-term borrowings		191,000,000.00	81,000,000.00
Bonds payable			
Long-term payables			
Specific payables			
Projected liabilities			
Deferred income tax liabilities		67,653,941.30	49,347,638.80
Other non-current liabilities			
Total non-current liabilities		258,653,941.30	130,347,638.80
Total liabilities		1,017,081,352.76	912,270,365.08
Owners' equity (or shareholders' equity)			
Paid-up capital (or share capital)		426,745,404.00	426,745,404.00
Capital reserves		582,483,617.56	530,451,655.97
Less: Treasury stock			
Specific reserves			
Surplus reserves		109,487,064.39	109,487,064.39
Provisions for general risks			
Retained profits		-731,414,174.60	-693,679,376.16
Foreign exchange difference			
Total equity attributable to owners of the Company		387,301,911.35	373,004,748.20
Minority interests		14,727,426.89	26,674,626.16
Total owners' (or shareholders') equity		402,029,338.24	399,679,374.36
Total liabilities and owners' (or shareholders') equity		1,419,110,691.00	1,311,949,739.44

Legal representative: Zheng Qing

Person-in-charge of the accounting work: Chen Binglian

Chief of the accounting division: Yang Daoliang

2. Balance sheet of the Company

Unit: RMB Yuan

Item	Note	30 Jun. 2012	31 Dec. 2011
Current Assets:			
Monetary funds		12,257,715.18	515,955.59
Transactional financial assets			
Notes receivable			
Accounts receivable		1,788,612.34	1,233,403.30
Accounts paid in advance		50,000,000.00	50,000,000.00
Interest receivable			
Dividend receivable		260,015.00	260,015.00
Other accounts receivable		413,736,272.15	401,353,832.36
Inventories		4,824,035.45	4,824,035.45
Non-current assets due within 1 year			
Other current assets			
Total current assets		482,866,650.12	458,187,241.70
Non-current assets:			
Available-for-sale financial assets		354,896,490.00	286,947,500.00
Held-to-maturity investments			
Long-term accounts receivable			
Long-term equity investment		300,734,154.62	301,163,618.90
Investing property		7,744,632.23	7,895,850.53
Fixed assets		18,259,612.67	19,120,348.43
Construction in progress			
Engineering materials			
Disposal of fixed assets			
Production biological assets			
Oil-gas assets			
Intangible assets		1,576,872.42	1,600,704.24
R&D expense			
Goodwill			
Long-term deferred expenses			
Deferred income tax assets			
Other non-current assets			
Total of non-current assets		683,211,761.94	616,728,022.10
Total assets		1,166,078,412.06	1,074,915,263.80
Current liabilities:			
Short-term borrowings		235,000,000.00	
Transactional financial liabilities			
Notes payable			
Accounts payable		2,482,949.70	2,482,949.70
Accounts received in advance		178,200.00	59,400.00
Employee's compensation payable		391,029.53	537,236.72
Tax payable		-2,063,466.44	-2,478,194.48

Interest payable		74,942,477.24	69,588,108.07
Dividend payable		3,213,302.88	3,213,302.88
Other accounts payable		260,621,830.62	347,896,763.31
Non-current liabilities due within 1 year			220,000,000.00
Other current liabilities			
Total current liabilities		574,766,323.53	641,299,566.20
Non-current liabilities:			
Long-term borrowings			
Bonds payable			
Long-term payables			
Specific payables			
Projected liabilities			
Deferred income tax liabilities		66,601,927.50	48,295,625.00
Other non-current liabilities			
Total non-current liabilities		66,601,927.50	48,295,625.00
Total liabilities		641,368,251.03	689,595,191.20
Owners' equity (or shareholders' equity)			
Paid-up capital (or share capital)		426,745,404.00	426,745,404.00
Capital reserves		585,499,957.10	533,467,995.51
Less: Treasury stock			
Specific reserves			
Surplus reserves		109,487,064.39	109,487,064.39
Retained profits		-597,022,264.46	-684,380,391.30
Foreign exchange difference			
Total owners' (or shareholders') equity		524,710,161.03	385,320,072.60
Total liabilities and owners' (or shareholders') equity		1,166,078,412.06	1,074,915,263.80

3. Consolidated income statement

Item	Note	Jan.-Jun. 2012	Jan.-Jun. 2011
I. Total operating revenues		108,341,956.20	144,292,773.73
Including: Sales income		108,341,956.20	144,292,773.73
Interest income			
Premium income			
Handling charge and commission income			
II. Total operating cost		161,706,751.41	152,880,825.51
Including: Cost of sales		74,969,155.92	86,517,326.29
Interest expenses			
Handling charge and commission expenses			
Surrenders			
Net claims paid			
Net amount withdrawn for			

the insurance contract reserve			
Expenditure on policy dividends			
Reinsurance premium			
Taxes and associate charges		8,907,927.55	17,123,298.21
Selling and distribution expenses		4,879,658.11	3,593,594.12
Administrative expenses		53,000,592.30	39,721,435.23
Financial expenses		29,066,735.26	5,755,839.36
Asset impairment loss		-9,117,317.73	169,332.30
Add: Gain/(loss) from change in fair value ("-" means loss)			
Gain/(loss) from investment ("-" means loss)		18,113,290.90	-404,815.92
Including: share of profits in associates and joint ventures		-429,464.28	-404,815.92
Foreign exchange gains ("-" means loss)			
III. Business profit ("-" means loss)		-35,251,504.31	-8,992,867.70
Add: non-operating income		72,889.50	430,386.00
Less: non-operating expense		126,353.94	67,670.52
Including: loss from non-current asset disposal			15,200.25
IV. Total profit ("-" means loss)		-35,304,968.75	-8,630,152.22
Less: Income tax expense		1,777,028.96	5,433,288.59
V. Net profit ("-" means loss)		-37,081,997.71	-14,063,440.81
Including: Net profit achieved by combined parties before the combinations			
Attributable to owners of the Company		-37,734,798.44	-15,041,866.11
Minority shareholders' income		652,800.73	978,425.30
VI. Earnings per share		--	--
(I) Basic earnings per share		-0.09	-0.04
(II) Diluted earnings per share		-0.09	-0.04
. Other comprehensive incomes		52,031,961.59	5,985,000.00
. Total comprehensive incomes		14,949,963.88	-8,078,440.81
Attributable to owners of the Company		14,297,163.15	-9,056,866.11
Attributable to minority shareholders		652,800.73	978,425.30

Where business mergers under the same control occurred in this report period, the net profit achieved by the merged parties before the business mergers was RMB 0.

Legal representative: Zheng Qing

Person-in-charge of the accounting work: Chen Binglian

Chief of the accounting division: Yang Daoliang

4. Income statement of the Company

Unit: RMB Yuan

Item	Note	Jan.-Jun. 2012	Jan.-Jun. 2011
I. Total sales		579,338.20	193,340.00
Less: cost of sales		177,796.80	26,578.50
Business taxes and surcharges		32,330.94	46,550.85
Distribution expenses		1,267.00	15,000.00
Administrative expenses		10,762,024.79	8,780,814.70
Financial costs		16,037,614.63	3,766,085.05
Impairment loss		-3,276,546.96	-460,057.00
Add: gain/(loss) from change in fair value (“-” means loss)			
Gain/(loss) from investment (“-” means loss)		110,513,290.90	-404,815.92
Including: income from investment on associates and joint ventures		-429,464.28	-404,815.92
II. Business profit (“-” means loss)		87,358,141.90	-12,386,448.02
Add: non-business income			
Less: non-business expense		15.06	22,579.22
Including: loss from non-current asset disposal			12,915.00
III. Total profit (“-” means loss)		87,358,126.84	-12,409,027.24
Less: income tax expense			
IV. Net profit (“-” means loss)		87,358,126.84	-12,409,027.24
V. Earnings per share		--	--
(I) Basic earnings per share			
(II) Diluted earnings per share			
VI. Other comprehensive income		52,031,961.59	5,985,000.00
VII. Total comprehensive income		139,390,088.43	-6,424,027.24

5. Consolidated cash flow statement

Unit: RMB Yuan

Item	Jan.-Jun. 2012	Jan.-Jun. 2011
I. Cash flows from operating activities:		
Cash received from sale of commodities and rendering of service	90,839,597.75	121,695,433.47
Net increase of deposits from customers and dues from banks		
Net increase of loans from the central bank		
Net increase of funds borrowed from other financial institutions		
Cash received from premium of original insurance contracts		
Net cash received from reinsurance business		
Net increase of deposits of policy holders and investment fund		
Net increase of disposal of tradable financial assets		
Cash received from interest, handling charges and commissions		

Net increase of intra-group borrowings		
Net increase of funds in repurchase business		
Tax refunds received		
Other cash received relating to operating activities	11,113,568.62	17,137,414.67
Subtotal of cash inflows from operating activities	101,953,166.37	138,832,848.14
Cash paid for goods and services	31,480,717.55	37,708,925.23
Net increase of customer lendings and advances		
Net increase of funds deposited in the central bank and amount due from banks		
Cash for paying claims of the original insurance contracts		
Cash for paying interest, handling charges and commissions		
Cash for paying policy dividends		
Cash paid to and for employees	52,599,524.79	41,532,522.52
Various taxes paid	12,674,520.81	46,765,196.25
Other cash payment relating to operating activities	40,790,827.78	40,206,773.65
Subtotal of cash outflows from operating activities	137,545,590.93	166,213,417.65
Net cash flows from operating activities	-35,592,424.56	-27,380,569.51
II. Cash flows from investing activities:		
Cash received from withdrawal of investments	43,000,000.00	188,500,000.00
Cash received from return on investments		
Net cash received from disposal of fixed assets, intangible assets and other long-term assets	21,469,320.27	164,708.50
Net cash received from disposal of subsidiaries or other business units		
Other cash received relating to investing activities	5,200,000.00	22,360,895.82
Subtotal of cash inflows from investing activities	69,669,320.27	211,025,604.32
Cash paid to acquire fixed assets, intangible assets and other long-term assets	79,987,813.71	8,462,406.09
Cash paid for investment	3,000,000.00	243,500,000.00
Net increase of pledged loans		
Net cash paid to acquire subsidiaries and other business units		
Other cash payments relating to investing activities		
Subtotal of cash outflows from investing activities	82,987,813.71	251,962,406.09
Net cash flows from investing activities	-13,318,493.44	-40,936,801.77

III. Cash Flows from Financing Activities:		
Cash received from capital contributions		4,900,000.00
Including: Cash received from minority shareholder investments by subsidiaries		4,900,000.00
Cash received from borrowings	357,600,000.00	27,216,000.00
Cash received from issuance of bonds		
Other cash received relating to financing activities		
Subtotal of cash inflows from financing activities	357,600,000.00	32,116,000.00
Repayment of borrowings	268,000,000.00	10,500,000.00
Cash paid for interest expenses and distribution of dividends or profit	24,762,536.25	17,988,685.00
Including: dividends or profit paid by subsidiaries to minority shareholders		
Other cash payments relating to financing activities	4,359,000.00	
Sub-total of cash outflows from financing activities	297,121,536.25	28,488,685.00
Net cash flows from financing activities	60,478,463.75	3,627,315.00
IV. Effect of foreign exchange rate changes on cash and cash equivalents		
V. Net increase in cash and cash equivalents	11,567,545.75	-64,690,056.28
Add: Opening balance of cash and cash equivalents	52,507,843.73	136,376,851.19
VI. Closing balance of cash and cash equivalents	64,075,389.48	71,686,794.91

6. Cash flow statement of the Company

Unit: RMB Yuan

Item	Jan.-Jun. 2012	Jan.-Jun. 2011
I. Cash flows from operating activities:		
Cash received from sale of commodities and rendering of service		707,165.00
Tax refunds received		
Other cash received relating to operating activities	6,150,211.50	14,337,432.68
Subtotal of cash inflows from operating activities	6,150,211.50	15,044,597.68
Cash paid for goods and services		
Cash paid to and for employees	2,432,405.76	2,195,035.52
Various taxes paid	291,624.04	1,234,830.23
Other cash payment relating to operating activities	7,370,972.46	8,550,914.15
Subtotal of cash outflows from operating activities	10,095,002.26	11,980,779.90
Net cash flows from operating activities	-3,944,790.76	3,063,817.78

II. Cash flows from investing activities:		
Cash received from retraction of investments	43,000,000.00	118,500,000.00
Cash received from return on investments		
Net cash received from disposal of fixed assets, intangible assets and other long-term assets	20,932,029.27	6,000.00
Net cash received from disposal of subsidiaries or other business units		
Other cash received relating to investing activities	5,200,000.00	20,034,243.32
Subtotal of cash inflows from investing activities	69,132,029.27	138,540,243.32
Cash paid to acquire fixed assets, intangible assets and other long-term assets	83,157.00	1,334,900.00
Cash paid for investment	57,250,000.00	216,600,000.00
Net cash paid to acquire subsidiaries and other business units		
Other cash payments relating to investing activities		
Subtotal of cash outflows from investing activities	57,333,157.00	217,934,900.00
Net cash flows from investing activities	11,798,872.27	-79,394,656.68
III. Cash Flows from Financing Activities:		
Cash received from capital contributions		
Cash received from borrowings	241,000,000.00	70,000,000.00
Cash received from issuance of bonds		
Other cash received relating to financing activities		
Subtotal of cash inflows from financing activities	241,000,000.00	70,000,000.00
Repayment of borrowings	220,000,000.00	
Cash paid for interest expenses and distribution of dividends or profit	16,253,321.92	14,300,000.00
Other cash payments relating to financing activities	859,000.00	
Sub-total of cash outflows from financing activities	237,112,321.92	14,300,000.00
Net cash flows from financing activities	3,887,678.08	55,700,000.00
IV. Effect of foreign exchange rate changes on cash and cash equivalents		
V. Net increase in cash and cash equivalents	11,741,759.59	-20,630,838.90
Add: Opening balance of cash and cash equivalents	515,955.59	47,697,821.48
VI. Closing balance of cash and cash equivalents	12,257,715.18	27,066,982.58

7. Consolidated statement of changes in owners' equity

Reporting period

Unit: RMB Yuan

Item	Reporting period								Minority interests	Total owners' equity		
	Equity attributable to owners of the Company											
	Paid-up capital (or share capital)	Capital reserve	Less: treasury stock	Specific reserve	Surplus reserve	General risk reserve	Retained profit	Others				
I. Balance at the end of the previous year	426,745,404.00	530,451,655.97			109,487,064.39		-693,679,376.16		26,674,626.16	399,679,374.36		
Add: change of accounting policy												
Correction of errors in previous periods												
Other												
II. Balance at the beginning of the year	426,745,404.00	530,451,655.97			109,487,064.39		-693,679,376.16		26,674,626.16	399,679,374.36		
III. Increase/ decrease of amount in the year ("-" means decrease)		52,031,961.59					-37,734,798.44		-11,947,199.27	2,349,963.88		
(I) Net profit							-37,734,798.44		652,800.73	-37,081,997.71		
(II) Other comprehensive incomes		52,031,961.59								52,031,961.59		
Subtotal of (I) and (II)		52,031,961.59					-37,734,798.44		652,800.73	14,949,963.88		
(III) Capital paid in and reduced by owners	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00		
1. Capital paid in by owners												
2. Amounts of share-based payments recognized in owners' equity												
3. Others												
(IV) Profit distribution	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	12,600,000.00	12,600,000.00		
1. Appropriations to surplus reserves												
2. Appropriations to general risk provisions												
3. Appropriations to owners (or shareholders)									12,600,000.00	12,600,000.00		
4. Other												
(V) Internal carry-forward of owners' equity	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00		
1. New increase of capital (or share capital) from capital public reserves												
2. New increase of capital (or share capital) from surplus reserves												
3. Surplus reserves for												

making up losses										
4. Other										
() Specific reserve										
1. Withdrawn for the period										
2. Used in the period										
() Other										
IV. Closing balance	426,745 ,404.00	582,483, 617.56			109,487 ,064.39		-731,41 4,174.60		14,727,42 6.89	402,029,33 8.24

Last year

Unit: RMB Yuan

Item	Last year								Minority interests	Total owners' equity
	Paid-up capital (or share capital)	Capital reserve	Less: treasury stock	Specific reserve	Surplus reserve	General risk reserve	Retained profit	Others		
I. Balance at the end of the previous year	426,745 ,404.00	605,264, 155.97			114,177, 485.88		-648,89 1,640.41		21,220,56 7.19	518,515,97 2.63
Add: retrospective adjustments due to business combinations under the same control										
Add: change of accounting policy										
Correction of errors in previous periods										
Other										
II. Balance at the beginning of the year	426,745 ,404.00	605,264, 155.97			114,177, 485.88		-648,89 1,640.41		21,220,56 7.19	518,515,97 2.63
III. Increase/ decrease of amount in the year ("-" means decrease)		5,985,00 0.00					-15,041, 866.11		5,878,425 .30	-3,178,440. 81
(I) Net profit							-15,041, 866.11		978,425.3 0	-14,063,44 0.81
(II) Other comprehensive incomes		5,985,00 0.00								5,985,000. 00
Subtotal of (I) and (II)		5,985,00 0.00					-15,041, 866.11		978,425.3 0	-8,078,440. 81
(III) Capital paid in and reduced by owners	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	4,900,000. .00	4,900,000. 00
1. Capital paid in by owners									4,900,000. .00	4,900,000. 00
2. Amounts of share-based payments recognized in owners' equity										
3. Others										
(IV) Profit distribution	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
1. Appropriations to surplus reserves										
2. Appropriations to general risk provisions										
3. Appropriations to										

owners (or shareholders)										
4. Other										
(V) Internal carry-forward of owners' equity	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	
1. New increase of capital (or share capital) from capital public reserves										
2. New increase of capital (or share capital) from surplus reserves										
3. Surplus reserves for making up losses										
4. Other										
() Specific reserve										
1. Withdrawn for the period										
2. Used in the period										
() Other										
IV. Closing balance	426,745 ,404.00	611,249, 155.97			114,177, 485.88		-663,93 3,506.52		27,098,99 2.49	515,337,53 1.82

8. Statement of changes in owners' equity of the Company

Reporting period

Unit: RMB Yuan

Item	Reporting period							
	Paid-up capital (or share capital)	Capital reserve	Less: treasury stock	Specific reserve	Surplus reserve	General risk reserve	Retained profit	Total owners' equity
I. Balance at the end of the previous year	426,745,40 4.00	533,467,99 5.51			109,487,06 4.39		-684,380,3 91.30	385,320,07 2.60
Add: change of accounting policy								
Correction of errors in previous periods								
Other								
II. Balance at the beginning of the year	426,745,40 4.00	533,467,99 5.51			109,487,06 4.39		-684,380,3 91.30	385,320,07 2.60
III. Increase/ decrease of amount in the year ("-" means decrease)		52,031,961 .59					87,358,126 .84	139,390,08 8.43
(I) Net profit							87,358,126 .84	87,358,126 .84
(II) Other comprehensive incomes		52,031,961 .59						52,031,961 .59
Subtotal of (I) and (II)		52,031,961 .59					87,358,126 .84	139,390,08 8.43
(III) Capital paid in and reduced by owners	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
1. Capital paid in by owners								
2. Amounts of share-based payments recognized in owners' equity								
3. Others								

(IV) Profit distribution	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
1. Appropriations to surplus reserves								
2. Appropriations to general risk provisions								
3. Appropriations to owners (or shareholders)								
4. Other								
(V) Internal carry-forward of owners' equity	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
1. New increase of capital (or share capital) from capital public reserves								
2. New increase of capital (or share capital) from surplus reserves								
3. Surplus reserves for making up losses								
4. Other								
() Specific reserve								
1. Withdrawn for the period								
2. Used in the period								
() Other								
IV. Closing balance	426,745.40 4.00	585,499.95 7.10			109,487.06 4.39		-597,022.2 64.46	524,710.16 1.03

Last year

Unit: RMB Yuan

Item	Last year							
	Paid-up capital (or share capital)	Capital reserve	Less: treasury stock	Specific reserve	Surplus reserve	General risk reserve	Retained profit	Total owners' equity
I. Balance at the end of the previous year	426,745.40 4.00	608,280.49 5.51			109,487.06 4.39		-653,036.6 53.99	491,476.30 9.91
Add: change of accounting policy								
Correction of errors in previous periods								
Other								
II. Balance at the beginning of the year	426,745.40 4.00	608,280.49 5.51			109,487.06 4.39		-653,036.6 53.99	491,476.30 9.91
III. Increase/ decrease of amount in the year ("-" means decrease)		5,985,000.00					-12,409.02 7.24	-6,424,027.24
(I) Net profit							-12,409.02 7.24	-12,409.02 7.24
(II) Other comprehensive incomes		5,985,000.00						5,985,000.00
Subtotal of (I) and (II)		5,985,000.00					-12,409.02 7.24	-6,424,027.24
(III) Capital paid in and reduced by owners	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
1. Capital paid in by owners								
2. Amounts of share-based payments recognized in owners'								

equity								
3. Others								
(IV) Profit distribution	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
1. Appropriations to surplus reserves								
2. Appropriations to general risk provisions								
3. Appropriations to owners (or shareholders)								
4. Other								
(V) Internal carry-forward of owners' equity	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
1. New increase of capital (or share capital) from capital public reserves								
2. New increase of capital (or share capital) from surplus reserves								
3. Surplus reserves for making up losses								
4. Other								
() Specific reserve								
1. Withdrawn for the period								
2. Used in the period								
() Other								
IV. Closing balance	426,745,40 4.00	614,265,49 5.51			109,487,06 4.39		-665,445,6 81.23	485,052,28 2.67

(III) Notes to the financial statements

1. Changes in main accounting policies or estimates, correction of any significant accounting error and the influenced amounts

(1) Change of accounting policies

Were the main accounting policies changed during the reporting period?

? Yes v No

(2) Change of accounting estimates

Were the main accounting estimates changed during the reporting period?

? Yes v No

(3) Correction of accounting errors

Was any accounting error made in previous periods discovered in the reporting period?

? Yes v No

2. Reasons for any change of the consolidation scope

The consolidation scope for the reporting period remained unchanged.

3. If a non-standard audit report is issued, the Company should make relevant notes.

N/A

Hainan Pearl River Holding Company Limited

Notes on the Financial Statements for the Six Months ended 30 June 2012
(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 25th 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., Company were transferred to

Beijing Wanfa Real Estate Development 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 10th 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 2007 and 2009, non-circulation stock shareholders paid back consideration for reform of the shareholder structure; the corresponding value was respectively 3,289,780 and 1,196,000 shares of stock. Beijing Wanfa Real Estate Development Company held an amount of 112,479,478 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. By the end of June, this dominant shareholder held an amount of 112,479,478 shares, equivalent to an ownership percentage of 26.36%.

Registered capital: RMB 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, and 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 very 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 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 & Houses	25	5	3.8
Motor Vehicle	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:

- 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 cannot be estimated reliably at the balance sheet date: when the costs incurred are expected to be recoverable, revenue shall be recognized to the extent of costs incurred and an

equivalent amount shall be charged to profit or loss as service costs; when the costs incurred are not expected to be recoverable, the costs incurred shall be recognized in profit or loss for the current period and no service revenue shall be recognized.

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

(3) Use by others of enterprise assets

Revenue arising from the use by others of enterprise assets shall be recognized only when both of the following conditions are satisfied: it is probable that the associated economic benefits will flow to the enterprise; the amount of the revenue can be measured reliably. The amount of interest shall be determined according to the length of time for which the enterprise's currency fund is used by others and the effective interest rate. The amount of royalties shall be determined according to the period and method of charging as stipulated in the relevant contract or agreement.

21. Government grants

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

22. Recognition of deferred income tax assets and liabilities

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

- (i) This transaction is not business combination; and
- (ii) At the time of transaction, the accounting profits will not be affected, nor will the taxable amount (or the deductible loss) be affected.

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

- (i) The temporary differences are likely to be reversed in the expected future; and
- (ii) It is likely to acquire any amount of taxable income tax that may be used for making up the deductible temporary differences.
- (iii) As for any deductible loss or tax deduction that can be carried forward to the next year, the corresponding deferred income tax assets shall be determined to the extent that the amount of future taxable income to be offset by the deductible loss or tax deduction to be likely obtained.

(3) Recognition of deferred income tax liabilities

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

- (i) The initial recognition of business reputation;
- (ii) The initial recognition of assets or liabilities arising from the following transactions which are simultaneously featured by the following:
 - (a) The transaction is not business combination;
 - (b) At the time of transaction, the accounting profits will not be affected, nor will the taxable amount (or the deductible loss) be affected.

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

- (i) The business combination; and
- (ii) The transactions or events directly recognized as the owner's rights and interests.

(5) Impairment on the deferred income tax assets

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

23. Maintenance fund

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

24. Quality assurance reserve funds

Construction party should remain quality assurance reserve funds according to the amount in the construction contract, and

list in "accounts payable". The funds should be paid according to the actual conditions and contract after guarantee period.

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

(1) Changes of accounting policies

Not applicable

(2) Notes for accounting estimates of previous period

Not applicable.

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

Not applicable.

III. Taxation

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

Category	Rate	Taxable base
Business tax	5%	Revenue of house property sale and lease, property management income and etc.
City construction and maintenance tax	5%, 7%	Business tax and value-added tax
Education fee	3%	Business tax and value-added tax
Income tax	25%	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 '000)	Principal activities	Holding proportion	Voting rights proportion	Amount invested by the Company (RMB '000)	Consolidated (Yes or No) (RMB '000)	Minority interest
Hainan Pearl River Properties and Hotels Management Co., Ltd.	Hainan Haikou	500	Properties and Hotels Management	98%	98%	490	Yes	10.95
Hainan Pearl River Environmental Projects Co.,	Hainan	100	Gardens	100%	100%	100	Yes	

Subsidiary's name	Registered address	Registered capital (RMB '000)	Principal activities	Holding proportion	Voting rights proportion	Amount invested by the Company (RMB '000)	Consolidated (Yes or No) (RMB '000)	Minority interest
Ltd.	Haikou		engineering construction					
Hainan Pearl River Estate Cleaning Company	Hainan Haikou	50	Cleaning projects	100%	100%	50	Yes	
Hainan Pearl River Estate Machine Engineering Company	Hainan Haikou	150	Mechanical and electrical products sales	100%	100%	150	Yes	
Hainan Pearl River Estate Marketing Co., Ltd.	Hainan Haikou	100	Real Estate Marketing Planning	100%	100%	100	Yes	
Sanya Wanjia Hotel Management Co., Ltd.	Hainan Sanya	12,000	Hotel service	100%	100%	12,000	Yes	
Hubei Pearl River Real Estate Development Co., Ltd.	Hubei Wuhan	6,500	Real estate development and management	88%	88%	5,720	Yes	1,225.73
Wuhan Pearl River Meilin Hotels Management Co., Ltd.	Hubei Wuhan	50	Service	100%	100%	50	Yes	
Hainan Pearl River Enterprises Holding Co., Ltd. Shanghai Real Estate Co.	Shanghai	4,000	Real estate development and management	100%	100%	4,000	Yes	
Beijing Jiubo Culture Development Co., Ltd.	Beijing	500	Cultural and sports services	100%	100%	500	Yes	
Mudanjiang Pearl River Tourism Investment and Development Group Limited	Mudanjiang	6,000	Hotel management	100%	100%	6,000	Yes	
Mudanjiang Wanjia Star Hotel Co., Ltd.	Mudanjiang	50	Hotel service	100%	100%	50	Yes	
Mudanjiang Jingbohu Wanjia Hotel Co., Ltd.	Mudanjiang	50	Hotel service	100%	100%	50	Yes	
Shanghai Sea Pearl Property Management Co., Ltd.	Shanghai	US \$ 20	Property management	50%	50%	83	Yes	27.35

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)	Consolidated (Yes or No) (RMB '0' 000)	Minority interest
Hebei zhengshiqinghui Real Estate Development Co., Ltd.	Hebei Shijiazhuang	1,000	Real estate development and property services	51%	51%	510	Yes	208.71

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	Jun 30, 2012	Jan 1, 2012
Cash	535,337.21	2,174,511.88
Bank deposit	52,745,777.68	50,327,357.51
Other monetary funds	10,794,274.59	5,974.34
Total	64,075,389.48	52,507,843.73

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

(2) Details of 'Other Monetary funds'

Items	Jun 30, 2012	Jan 1, 2012
Credit card	11,946.74	5,974.34
Securities accounts	10,782,327.85	
Total	10,794,274.59	5,974.34

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	June 30, 2012				January 1, 2012			
	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	36.99	7,761,707.60	100.00	7,761,707.60	42.98	7,761,707.60	100.00
2.Bad debt accounted by the combinations								
Age Combinations	11,176,334.42	53.26	708,096.29	6.34	7,596,153.44	42.06	645,638.32	8.50
Combined Subtotal	11,176,334.42	53.26	708,096.29	6.34	7,596,153.44	42.06	645,638.32	8.50
3.Other unimportant receivables but bad debts accounted individually	2,046,702.72	9.75	1,990,680.02	97.26	2,702,706.37	14.96	2,605,867.10	96.42
Total	20,984,744.74	100.00	10,460,483.91	—	18,060,567.41	—	11,013,213.02	100.00

(2) Aging analysis

Ages	30 Jun 2012			1 Jan 2012		
	Balance	Proportion (%)	Bad debts	Balance	Proportion (%)	Bad debts
Within 1 year	9,451,951.67	84.57	189,039.03	6,285,843.87	82.74	125,674.50
1-2 years	583,298.03	5.22	29,164.90	115,202.15	1.52	5,760.11
2-3 years	108,000.00	0.97	10,800.00	106,000.00	1.40	10,600.00
3-4 years	101,500.00	0.91	20,300.00	136,500.00	1.80	27,300.00
4-5 years	35,000.00	0.31	10,500.00	0.00	0.00	0.00
Over 5 years	896,584.72	8.02	448,292.36	952,607.42	12.54	476,303.71
Total	11,176,334.42	100.00	708,096.29	7,596,153.44	100.00	645,638.32

(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	11.47
Hainan Baoping company	Unrelated Client	2,218,494.43	over 5 years	10.57
Hainan centaline property agency	Unrelated Client	2,090,069.77	over 5 years	9.96
Hainan dragon film studio	Unrelated Client	1,046,985.40	over 5 years	4.99
Xinhe company	Unrelated Client	1,591,137.00	Within 1 year	7.58
total		9,352,844.60		44.57

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

3. Prepayments

(1) Aging analysis

Ages	30 Jun 2012		1 Jan 2012	
	Balance	Proportion (%)	Balance	Proportion (%)
Within 1 year	99,204,539.63	65.22	23,848,719.79	31.05
1-2 years	50,311,663.59	33.08	50,367,143.59	65.58
2-3 years	670,741.57	0.44	667,741.57	0.87
Over 3 years	1,920,179.94	1.26	1,920,179.94	2.50
Total	152,107,124.73	100.00	76,803,784.89	100.00

(2) Top five units of prepayments

Company's Name	Relationship	Amounts	Ages	Unsettled reason
Heilongjiang Province Mudanjiang Forestry Engineering Company	Unrelated Client	64,012,914.67	Within 1 year	The project is not complete yet.
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	5,076,469.00	Within 1 year	The project is not complete yet.
Longshi Artist Management Co., Ltd	Unrelated Client	4,500,000.00	Within 1 year	The project is not complete yet.
China Construction Bank Corporation Mudanjiang branch	Unrelated Client	2,000,000.00	Within 1 year	Consulting service is not reach the deadline
Total		125,589,383.67		

Note: The 50 million Yuan 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 3rd phase of Longzhu project'. Under this contract, the company is obliged to make the payment of RMB 50 million Yuan after the completion of the 150,000 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, 2012	Increment	Decrement	Jun 30, 2012
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

Invested company	Age	Ending balance	Reason	Impairment loss
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	9.99	25,978,479.90	100.00	25,978,479.90	7.38	25,978,479.90	100.00
2. Bad debt accounted by the combinations								
Age Combinations	259,916,039.86	88.23	8,220,657.02	3.16	319,808,779.78	90.90	16,072,774.33	5.03
Combined Subtotal	259,916,039.86	88.23	8,220,657.02	3.16	319,808,779.78	90.90	16,072,774.33	5.03
3. Other unimportant receivables but bad debts accounted individually	5,190,360.03	1.78	3,963,362.46	76.36	6,041,420.44	1.72	4,675,833.77	77.40
Total	291,084,879.79		38,162,499.38		351,828,680.12		46,727,088.00	

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

(2) Aging analysis

Ages	30 Jun 2012			1 Jan 2012		
	Balance	Proportion (%)	Bad debts	Balance	Proportion (%)	Bad debts
Within 1 year	218,038,384.87	83.90	4,360,767.70	261,835,652.15	81.87	5,236,713.04
1-2 years	37,682,403.52	14.50	1,884,120.18	40,231,432.94	12.58	2,011,571.65
2-3 years	3,274.13	0.00	327.41	5,838.21	0.00	583.82
3-5 years	345,407.22	0.13	69,081.44	212,234.27	0.07	62,094.70
4-5 years	84,623.86	0.03	25,387.16	0.00	0.00	0.00
Over 5 years	3,761,946.26	1.44	1,880,973.13	17,523,622.21	5.48	8,761,811.12
Total	259,916,039.86	100.00	8,220,657.02	319,808,779.78	100.00	16,072,774.33

(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	143,000,000.00	1-2 year	49.13
Beijing Kangtai Xingye Investment Co.,Ltd	Unrelated Party	60,000,000.00	Within 1 year	20.61
Hainan Pearl River Guanzhuang Co., Ltd.	Unrelated Party	7,535,831.68	Within 1 year: 1,091,553.34 yuan 1-2 years: 6,444,278.34 yuan	2.59
Shenzhen Yinxian Computer Co., Ltd	Unrelated Party	6,482,625.00	Over 5 years	2.23

Yuehai Railway Co., Ltd	Unrelated Party	6,000,000.00	Within 1 year	2.06
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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 28th 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 RMB140 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 RMB 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 28th June 2012, the company has signed the additional proposal that add investment of RMB 15 million.

On 18th 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 RMB70 million from the natural person and the capped capital contribution of RMB 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 RMB 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.

6. Inventories

(1) Inventories category

Items	Jun 30, 2012			Jan 1, 2012		
	Ending Balance	Provision for Inventory	Book value	Ending Balance	Provision for Inventory	Book value
Raw materials	1,922,566.34		1,922,566.34	4,232,624.93		4,232,624.93
Low-value consumption goods:	2,328,187.70		2,328,187.70	880,919.41		880,919.41

Items	Jun 30, 2012			Jan 1, 2012		
	Ending Balance	Provision for Inventory	Book value	Ending Balance	Provision for Inventory	Book value
Finished goods	213,277.66		213,277.66	309,086.29		309,086.29
Constructing development product	53,094,072.07		53,094,072.07	51,135,927.01		51,135,927.01
Development products	72,421,046.07	22,156,987.01	50,264,059.06	83,686,150.88	22,156,987.01	61,529,163.87
Total	129,979,149.84	22,156,987.01	107,822,162.83	140,244,708.52	22,156,987.01	118,087,721.51

(2) Inventories impairment provision

Items	1 Jan 2012	Increment	Decrement		30 Jun 2012
			Transfer back	Write off	
Development product	22,156,987.01				22,156,987.01
Total	22,156,987.01				22,156,987.01

Note: For this reporting period, the 5th 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 Jun 30,2012	Fair value at Jan 1,2012
Available for sales equity instrument	354,896,490.00	286,947,500.00
Total	354,896,490.00	286,947,500.00

Note: The Company holds 31,379,000 shares of stock of Southwest Securities. The yearend book value is RMB 40,071,101.92 while the market price is RMB 11.31 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 Wanja 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	93,928,624.52	1,121,512.74	92,807,111.78		-1,073,660.71
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		

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	37,552,309.00	-429,464.28	37,122,844.72	40	40		
Beijing Found Vision Media Co., Ltd.	Equity Method	1,470,000.00	1,470,000.00		1,470,000.00	49	49		
Beijing Sunshine Tiansheng Property Management Co., Ltd.	Equity Method	1,500,000.00	1,427,948.31		1,427,948.31	30	30		
<i>Subtotal for Equity Method</i>		<i>42,970,000.00</i>	<i>40,450,257.31</i>	<i>-429,464.28</i>	<i>40,020,793.03</i>				
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	
<i>Subtotal for Cost Method</i>		<i>36,943,555.29</i>	<i>36,943,555.29</i>	<i>0.00</i>	<i>36,943,555.29</i>			<i>25,532,245.39</i>	
<i>Total</i>		<i>79,913,555.29</i>	<i>77,393,812.60</i>	<i>-429,464.28</i>	<i>76,964,348.32</i>			<i>25,532,245.39</i>	

10. Investment real estates

Items	1 Jan 2012	Increment	Decrement	30 Jun 2012
I. Original value	34,458,642.70		322,062.78	34,136,579.92
Buildings and structures	34,458,642.70		322,062.78	34,136,579.92
II. Accumulated depreciation and amortization	4,289,468.35	584,729.27	62,621.88	4,811,575.74
Buildings and structures	4,289,468.35	584,729.27	62,621.88	4,811,575.74
III. Impairment provision	3,432,927.60			3,432,927.60
Buildings and structures	3,432,927.60			3,432,927.60
IV. Book value	26,736,246.75			25,892,076.58
Buildings and structures	26,736,246.75			25,892,076.58

Note: The corresponding depreciation costs for this reporting period was RMB 584,729.27 Yuan.

11. Fixed assets

Items	1 Jan 2012	Increment	Decrement	30 Jun 2012
I. Original value	444,369,015.01	22,216,547.65	184,530.00	466,401,032.66
Buildings & Houses	313,703,207.36	12,208,000.00		325,911,207.36
Motor Vehicle	27,968,677.63	6,552,418.00	184,530.00	34,336,565.63
General equipment	52,208,111.09	10,700.00		52,218,811.09
Other equipments	50,489,018.93	3,445,429.65		53,934,448.58
II. Accumulated depreciation	111,457,402.65	13,997,510.66	177,607.26	125,277,306.05
Buildings & Houses	44,613,906.30	5,950,603.19		50,564,509.49
Motor Vehicle	11,238,685.63	2,166,750.27	175,303.50	13,230,132.40
General equipment	26,380,113.59	1,643,167.47		28,023,281.06
Other equipments	29,224,697.13	4,236,989.73	2,303.76	33,459,383.10
III. Impairment provision	7,499,295.92			7,499,295.92
Buildings & Houses	7,499,295.92			7,499,295.92
Motor Vehicle				
General equipment				
Other equipments				
IV. Book value	325,412,316.44	22,216,547.65	14,004,433.40	333,624,430.69
Buildings & Houses	261,590,005.14	12,208,000.00	5,950,603.19	267,847,401.95
Motor Vehicle	16,729,992.00	6,552,418.00	2,175,976.77	21,106,433.23
General equipment	25,827,997.50	10,700.00	1,643,167.47	24,195,530.03
Other equipments	21,264,321.80	3,445,429.65	4,234,685.97	20,475,065.48

Note: The depreciation cost of this period was RMB13,997,510.66 Yuan.

12. Construction in progress

Project name	30 Jun 2012			1 Jan 2012		
	Ending Balance	Impairment loss provision	Book value	Ending Balance	Impairment loss provision	Book value
Lake Hotel				4,742,000.00		4,742,000.00
Expansion project of Xuxiang	96,000.00		96,000.00	96,000.00		96,000.00
River side Staff Residence	5,530,613.30		5,530,613.30	788,613.30		788,613.30
Little Train 550	5,648,964.09		5,648,964.09	5,648,964.09		5,648,964.09
Earlier stage of Xuxiang Project	2,194,595.49		2,194,595.49	2,194,595.49		2,194,595.49
Little Train 400	4,000,000.00		4,000,000.00	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	909,000.00		909,000.00	149,000.00		149,000.00
Forest Park area projects	450,000.00		450,000.00	250,000.00		250,000.00
Diesel generator sets	755,425.00		755,425.00			

Project name	30 Jun 2012			1 Jan 2012		
	Ending Balance	Impairment loss provision	Book value	Ending Balance	Impairment loss provision	Book value
Ski slope	360,000.00		360,000.00			
Fire facilities of staff residence	20,000.00		20,000.00			
Dapengshan house	680,000.00		680,000.00			
Snow Village centralized heating stations	154,800.00		154,800.00			
Total	20,799,397.88		20,799,397.88	17,949,172.88	0.00	17,949,172.88

13. Engineering Materials

Items	1 Jan 2012	Increment	Decrement	30 Jun 2012
Special equipment	606,206.60			606,206.60
Total	606,206.60			606,206.60

14. Intangible assets

Items	1 Jan 2012	Increment	Decrement	30 Jun 2012
I. Original value	38,511,442.93	169,921.00		38,681,363.93
Software	1,584,757.28	169,921.00		1,754,678.28
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	5,041,492.96	584,381.87		5,625,874.83
Software	494,796.17	123,281.73		618,077.90
Land use right	4,502,283.87	450,851.00		4,953,134.87
Zhenghe membership of Sanya Hongzhou International Yacht Club	44,412.92	10,249.14		54,662.06
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	32,558,549.97	—	—	32,144,089.10
Software	1,089,961.11	—	—	1,136,600.38
Land use right	31,033,001.78	—	—	30,582,150.78
Zhenghe membership of Sanya Hongzhou International Yacht Club	435,587.08	—	—	425,337.94
Golf membership of Nanli Lake		—	—	

Note: 1. The amortization of this year is 584,381.87 Yuan.

2. The yearend land use right used as mortgage or collateral holds a book value of 28,812,252.58Yuan. More details are

explained at “ Note V.18”.

15. Long-term prepayments

Items	1 Jan 2012	Increment	Amortization	Other decrements	30 Jun 2012
Decoration	4,756,538.62	548,000.00	476,230.57		4,828,308.05
Ski rental fee	4,800,000.00		450,000.00		4,350,000.00
Technical service fee	513,329.33		70,002.00		443,327.33
Guarantee fee and other		2,634,500.00	251,571.44		2,382,928.56
Total	10,069,867.95	3,182,500.00	1,247,804.01		12,004,563.94

16. Deferred income tax asset and deferred income tax liability

(1) Identified deferred income tax liability

Items	30 Jun 2012	1 Jan 2012
Deferred income tax liability :	67,653,941.30	49,347,638.80
Changes on the fair value of available for sales financial assets credited to capital reserves	66,601,927.50	48,295,625.00
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	30 Jun 2012	1 Jan 2012
Deductible temporary differences	108,155,839.21	117,273,156.94
Deductible losses	60,308,135.29	48,796,714.62
Total	168,463,974.50	166,069,871.56

17. Assets impairment provision

Items	1 Jan 2012	Increment	Decrement			30 Jun 2012
			Transfer back	Write off	Other Decrement	
Bad debt provision	57,740,301.02		9,117,317.73			48,622,983.29
Inventories impairment provision	22,156,987.01					22,156,987.01
long-term equity investment impairment provision	25,532,245.39					25,532,245.39
Investment property impairment provision	3,432,927.60					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	117,273,156.94		9,117,317.73			108,155,839.21

18. Assets with restricted ownership

Items	Assets name	Amount	Remark

Items	Assets name	Amount	Remark
1.Fixed assets			
Buildings & Houses	Main Building of Days Hotel & Suites Sanya Resort	180,679,361.31	It has been mortgaged to the Bank of China Hainan Yeshumeng branch for loan 110 million Yuan (Contract No.G004-1).
Buildings & Houses	Hotel Villa A, B & C	8,494,100.79	It has been mortgaged to the Bank of China Hainan Yeshumeng branch for loan 110 million Yuan (Contract No.G004-1).
Buildings & Houses	Building of Longzhu ,22nd floor	594,831.29	It has been mortgaged to Haikou Haikong Micrio-credit Loans Co., Ltd. for loan 25 million loan.
Buildings & Houses	Building of Longzhu , third floor of the northeast side	548,300.23	It has been mortgaged to Haikou Haikong Micrio-credit Loans Co., Ltd. for loan 25 million loan.
Buildings & Houses	Building of Dihao ,29 th floor	4,249,050.74	It has been mortgaged to Haikou Haikong Micrio-credit Loans Co., Ltd. for loan 25 million loan.
Buildings & Houses	the 5 th floor of the west side of skirt building in Pearl River Square	7,744,632.23	It has been mortgaged to Haikou Haikong Micrio-credit Loans Co., Ltd. for loan 25 million loan.
Development products	Building of Longzhu ,21st floor	1,048,080.60	It has been mortgaged to Haikou Haikong Micrio-credit Loans Co., Ltd. for loan 25 million loan.
Buildings & Houses	Main Building of Hailin wanjia snow village vacation hotel	46,599,757.60	It has been mortgaged to the Construction Bank of China Mudanjiang branch for loan 110 million Yuan.
Development products	Zhujiang square F3;Building of Dijing, 6th floor	3,775,954.85	It has been mortgaged to Wang xiaodong for loan 6 million Yuan.
2.Intangible assets			
Land use rights	Main Building of Days Hotel & Suites Sanya Resort	26,084,548.64	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	1,576,872.42	It has been mortgaged to the Bank of China Hainan Yeshumeng branch for loan 110 million Yuan (Contract No.G004-2).
Land use rights	Main Building of Hailin wanjia snow village vacation hotel and Staff quarters	1,150,831.52	It has been mortgaged to the Construction Bank of China Mudanjiang branch for loan 110 million Yuan.
3. Pledged assets			
Available for sales financial assets	3.325 millions Shares of Southwest Security	336,472,500.00	It has been mortgaged to chongqing Province Trust Co., Ltd. for the loan of 220 million Yuan (Contract No. JLXT2009A018).
Total		619,018,822.22	

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	30Jun2012	1 Jan 2012
Guaranteed loans		45,000,000.00
Pledge loans	210,000,000.00	
Mortgage loans	25,000,000.00	
Total	235,000,000.00	45,000,000.00

20. Accounts payable

Ages	Jun 30, 2012		Jan 1, 2012	
	Ending Balance	Percentage (%)	Opening Balance	Percentage (%)
Within 1 year	6,384,333.17	27.81	6,366,825.29	28.14
1 to 2 years	8,055,630.24	35.09	8,478,035.44	37.47
2 to 3 years	54,184.80	0.24	52,270.02	0.23
3 years and more	8,459,911.35	36.86	7,727,851.60	34.16
Total	22,954,059.56	100.00	22,624,982.35	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	Jun 30, 2012		Jan 1, 2012	
	Ending Balance	Percentage (%)	Opening Balance	Percentage (%)
Within 1 year	7,855,312.49	87.48	18,272,805.52	93.44
Over 1 year	1,124,494.11	12.52	1,283,869.38	6.56
Total	8,979,806.60	100.00	19,556,674.90	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, 2012	Increment	Decrement	Jun 30, 2012
I. Salary, bonus, allowance	1,935,954.85	43,500,306.58	44,203,687.28	1,232,574.15
II. Employee Welfare expenses		5,193,379.61	5,496,707.55	-303,327.94
III. Social insurance		5,373,291.53	5,373,291.53	
Where: 1) Medical insurance		1,414,814.87	1,414,814.87	
2) Supplementary medical insurance				
3) Endowment insurance		3,410,130.42	3,410,130.42	
4) annuity				
5) Unemployment insurance		351,537.48	351,537.48	
6) Working accident insurance		102,444.80	102,444.80	
7) Maternity insurance		94,363.96	94,363.96	
IV. Housing accumulation fund		591,834.71	591,834.71	
V. Labor union fees & Employee education fees	4,973,974.16	1,098,644.91	440,361.62	5,632,257.45
VI. Non-monetary welfares				
VII. Compensation for dismissal				
VIII. Others				
Total	6,909,929.01	55,757,457.34	56,105,882.69	6,561,503.66

23. Taxes payable

Items	Jun 30, 2012	Jan 1, 2012
VAT	-226,077.82	
Individual income tax	44,513.66	93,214.78
City construction and maintenance tax	88,405.22	78,133.99
Corporate income tax	1,134,149.14	3,257,663.34
Property tax	776,172.99	159,789.20
Business tax	712,392.97	800,387.80
Land use tax	79,762.62	10,507.33
Increment tax on land value	725,576.41	-823,648.69
Educational surtax	-94,127.14	-64,539.01
Others	180,852.71	69,590.69
Total	3,421,620.76	3,581,099.43

24. Interest payable

Item	Jun 30, 2012	Jan 1, 2012
Long-term loan		6,991,111.11
Short-term loan	4,962,055.57	
Company loan	90,780,670.67	82,084,001.78
Entrusted loan	10,449,888.49	10,449,888.49
Others	176,133.00	176,133.00
Total	106,368,747.73	99,701,134.38

Note: Details refer to Note VI.4.

25. Dividend payable

Investor	Jun 30, 2012	Jan 1, 2012
Dividend payable of institutional shares	3,213,302.88	3,213,302.88
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	Jun 30, 2012		Jan 1, 2012	
	Ending Balance	Percentage (%)	Opening Balance	Percentage (%)
Within 1 year	96,717,517.52	26.87	80,879,156.75	23.15
1 to 2 years	13,448,724.72	3.74	13,909,907.32	3.98
2 to 3 years	112,223,963.27	31.18	115,919,765.06	33.18
3 years and more	137,538,164.76	38.21	138,626,774.20	39.69

Age	Jun 30, 2012		Jan 1, 2012	
	Ending Balance	Percentage (%)	Opening Balance	Percentage (%)
Total	359,928,370.27	100.00	349,335,603.33	100.00

Note 1: Among the balance of the period end, there are 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	Jun 30, 2012	Jan 1, 2012
Long-term loans due within one year	12,000,000.00	232,000,000.00
Total	12,000,000.00	232,000,000.00

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

Category	Jun 30, 2012	Jan 1, 2012
Pledge loans		220,000,000.00
Mortgage loans	12,000,000.00	12,000,000.00
Total	12,000,000.00	232,000,000.00

28. Long-term borrowings

1. Long-term borrowings listed by categories

Category	Jun 30, 2012	Jan 1, 2012
Pledge loans		220,000,000.00
Mortgage loans	203,000,000.00	93,000,000.00
Less: Long-term loans due within one year	12,000,000.00	232,000,000.00
Total	191,000,000.00	81,000,000.00

2. Loan details

Lender	Loan starting date	Loan due date	Currency	Interest rate (%)	Jun 30, 2012	Jan 1, 2012
Chongqing International Trust Co., Ltd	2010-9-29	2012-3-28	RMB	13%		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	93,000,000.00
Construction Bank of China Mudanjiang Branch	2012-1-12	2019-1-11	RMB	10% upward-floating of benchmark interest rate	110,000,000.00	
Total					203,000,000.00	313,000,000.00

3. Mortgage loan details

Lender	Loan amount	Mortgagor/mortgage
Bank of China, Haikou Yeshumen Branch	93,000,000.00	There properties owned by Sanya Wanjia Hotel Management Co., Ltd
Construction Bank of China Mudanjiang Branch	110,000,000.00	There properties owned by ailin Wanjia Snowtown Holiday Hotel Management Co., Ltd.
Total	203,000,000.00	

29. Share capital

Unit: share

Items	Jan 1, 2012	Increment or decrement (+,-)					Jun 30, 2012
		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	Jan 1, 2012	Increment	Decrement	Jun 30, 2012
Capital reserve spill price	224,960,139.16			224,960,139.16
Others capital surplus	305,491,516.81	87,271,040.00	35,239,078.41	357,523,478.40
-Including: Old capital surplus converted into	109,300,017.82			109,300,017.82
-Changes on fair value of available for sales financial assets	196,191,498.99	87,271,040.00	35,239,078.41	248,223,460.58
Total	530,451,655.97	87,271,040.00	35,239,078.41	582,483,617.56

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	Jun 30, 2012	Jan 1, 2012
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	-693,679,376.16	
Adjusted opening balance of the year 2011		
Add: Net profit attributed to the owners of the parent company	-37,734,798.44	
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	-731,414,174.60	

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

33. Operating income and operating costs

(1) Operating income

Items	Jan.-Jun, 2012	Jan.-Jun, 2011
Main operating business income	106,738,188.00	143,171,323.23
Other operating business income	1,603,768.20	1,121,450.50
Total	108,341,956.20	144,292,773.73

(2) Operating costs

Items	Jan.-Jun, 2012	Jan.-Jun, 2011
Main operating business costs	74,091,449.93	85,952,467.39
Other operating business costs	877,705.99	564,858.90
Total	74,969,155.92	86,517,326.29

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

Items	Jan.-Jun, 2012		Jan.-Jun, 2011	
	Main operating business income	Main operating business costs	Main operating business income	Main operating business costs
Real estate sales	22,880,211.00	11,265,104.81	68,096,461.00	31,912,697.53

Items	Jan.-Jun, 2012		Jan.-Jun, 2011	
	Main operating business income	Main operating business costs	Main operating business income	Main operating business costs
Property management services	52,229,168.34	47,199,383.70	47,653,910.37	42,568,319.24
Tourist hotel services	31,628,808.66	15,626,961.42	27,420,951.86	11,471,450.62

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

Location	Jan.-Jun, 2012		Jan.-Jun, 2011	
	Main operating business income	Main operating business costs	Main operating business income	Main operating business costs
Hubei	23,204,485.40	11,545,548.88	68,574,907.40	32,218,287.12
Heilongjiang	10,655,348.89	5,768,063.03	6,148,280.45	1,962,735.76
Hainan	71,616,099.07	56,766,608.22	68,392,893.88	51,771,444.51
Shanghai	1,262,254.64	11,229.80	0	
Beijing			55,241.50	
Total	106,738,188.00	74,091,449.93	143,171,323.23	85,952,467.39

The income attributable to top five clients amounted to 8,945,296 and accounted for 8.26% of total operating income.

34. Operating taxes and extras

Items	Jan.-Jun, 2012	Jan.-Jun, 2011
City construction and maintenance tax	379,196.85	505,024.71
Education fee	162,512.93	216,439.16
Business tax	5,417,097.82	7,214,638.69
Land value-added tax	2,557,474.78	7,987,739.47
Others	391,645.17	1,199,456.18
Total	8,907,927.55	17,123,298.21

35. Operating expenses

Items	Jan.-Jun, 2012	Jan.-Jun, 2011
Payroll expense	1,807,759.95	240,853.40
Hotel operating expense	710,022.24	48,131.28
Consignment commission charge	322,782.00	1,538,959.00
Advertising fees	414,620.00	1,076,986.47
other selling expenses	1,624,473.92	688,663.97
合计	4,879,658.11	3,593,594.12

36. General and administrative expenses

Items	Jan.-Jun, 2012	Jan.-Jun, 2011
Payroll expense	11,394,069.64	7,984,473.37

Items	Jan.-Jun, 2012	Jan.-Jun, 2011
Depreciation expense	13,526,583.63	12,828,475.31
Business entertainment	5,618,596.22	4,066,233.01
Taxation expenses	1,382,836.82	1,146,025.24
Other expenses	21,078,505.99	13,696,228.3
Total	53,000,592.30	39,721,435.23

37. Financial expenses

Items	Jan.-Jun, 2012	Jan.-Jun, 2011
Interest exchange	30,404,530.84	30,895,882.28
Less: interest revenue	3,116,505.15	25,366,137.33
Foreign exchange loss		
Less: exchange gain		
Others	1,778,709.57	226,094.41
Total	29,066,735.26	5,755,839.36

38. Investment income

Items	Jan.-Jun, 2012	Jan.-Jun, 2011
Long-term equity investment income accounted by Costs Method		
Long-term equity investment income accounted by Equity Method	-429,464.28	-404,815.92
Investment income of disposal Long-term equity investment	18,542,755.18	
Others		
Total	18,113,290.90	-404,815.92

39. Impairment Loss of Assets

Items	Jan.-Jun, 2012	Jan.-Jun, 2011
Bad debts impairment loss	-9,117,317.73	169,332.30
Inventories impairment loss		
Total	-9,117,317.73	169,332.30

40. Non-operating income

Items	Jan.-Jun, 2012	Jan.-Jun, 2011
Gain on disposal of non-current assets	60,773.50	790.00
Gains on debt restructure		
Others	12,116.00	429,596.00
Total	72,889.50	430,386.00

41. Non-operating expenses

Items	Jan.-Jun, 2012	Jan.-Jun, 2011
Loss on disposal of fixed assets		15,200.25
Donation	110,000.00	
Fine expenditures		22,327.09
Others	16,353.94	30,143.18
Total	126,353.94	67,670.52

42. Income tax

Items	Jan.-Jun, 2012	Jan.-Jun, 2011
Income tax this year	1,777,028.96	5,433,288.59
Deferred income tax		
Total	1,777,028.96	5,433,288.59

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

Item	Code	Jan.-Jun, 2012	Jan.-Jun, 2011
Net profits that belong to the common shareholders during the reporting period	P0	-37,734,798.44	-15,041,866.11
Extraordinary profits and losses that belong to the common shareholders during the reporting period	A	21,302,845.34	19,971,411.45
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	-59,037,643.78	-35,013,277.56
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	6.00	12.00
The weighted average of the common stock issued	$S=S0+S1+Si*Mi/M0 - Sj*Mj/M0-Sk$	426,745,404.00	426,745,404.00
Earnings per share before taking off extraordinary profits and losses	Y1=P0/S	-0.09	-0.04

Item	Code	Jan.-Jun, 2012	Jan.-Jun, 2011
Earnings per share after taking off extraordinary profits and losses	Y2=P1/S	-0.14	-0.08
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)	-0.09	-0.04
Diluted earnings per share after taking off the effect of extraordinary profits and losses	Y4=(P1+B1+B2)/(S+C)	-0.14	-0.08

44. Other consolidated income

Items	Jan.-Jun, 2012	Jan.-Jun, 2011
Profits and losses generated by available for sale financial assets	83,946,040.00	7,980,000.00
Deduce: income tax impacts caused by available for sale financial assets	20,986,510.00	1,995,000.00
Pre-recorded in other comprehensive income into net profit or loss	10,927,568.41	
Total	52,031,961.59	5,985,000.00

45. Information of cash flow statement

(1) Cash received relating to other operating activities

Items	Jan.-Jun, 2012	Jan.-Jun, 2011
Reserve fund returned from staffs	2,180,088.38	
Utility Bills	3,972,486.91	8,127,655.00
Other monetary exchanges between enterprises	2,032,070.92	6,052,453.87
Interest income	48,380.88	
Others	2,880,541.53	2,957,305.80
Total	11,113,568.62	17,137,414.67

(2) Cash paid relating to other operating activities

Items	Jan.-Jun, 2012	Jan.-Jun, 2011
Other monetary exchanges between enterprises	3,688,582.67	17,326,696.00
Business entertainment fees	3,278,424.16	
Business travel expenses	1,951,009.89	
Advertising expenses	535,637.11	1,076,986.47
Sales agent fee	744,909.50	1,744,959.00
Management fees	259,401.90	
Services fees	747,425.96	
Conference fees	367,481.00	
Mortgage payment	499,708.63	
Audit consultation expenses	1,053,295.00	809,000.00
Rent expenses	742,695.18	
Vehicle expenses	1,245,168.63	
Water and electricity decoration revolving funds	7,664,976.04	9,355,414.42
Other management fees	12,577,270.67	9,893,717.76
Staff reserve fund	5,434,841.44	
Total	40,790,827.78	40,206,773.65

(3) Cash received relating to other investing activities

Items	Jan.-Jun, 2012	Jan.-Jun, 2011
Interest income	5,200,000.00	22,360,895.82
The opening cash balance of Shanghai Sea Pearl Property Management Company		
Total	5,200,000.00	22,360,895.82

(4) Cash paid relating to other financing activities

Items	Jan.-Jun, 2011	Jan.-Jun, 2011
Mudanjiang Pearl River Tourism Investment and Development Group Limited paid for financing collateral charge	1,500,000.00	
Mudanjiang Pearl River Tourism Investment and Development Group Limited paid for financing consultant charge	2,000,000.00	
Other finance charges	859,000.00	
Total	4,359,000.00	

46. Supplementary information of cash flow statement**(1) Supplementary information**

Items	Jan.-Jun, 2012	Jan.-Jun, 2011
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Items	Jan.-Jun, 2012	Jan.-Jun, 2011
1 . Reconciliation of net profit to cash flows from operating activities:		
Net profit	-37,081,997.71	-14,063,440.81
Add: Provision for assets impairment	-9,117,317.73	169,332.60
Depreciation of fixed assets, production biological assets, petroleum and natural gas	14,579,936.17	13,279,022.62
Amortization of intangible assets	584,381.87	564,908.92
Amortization of long-term prepayments	1,247,804.01	821,065.92
Losses on disposal of fixed assets, intangible assets and other long-term assets	-268,623.60	-35,675.03
Losses on scrapping of fixed assets		
Losses on fair value change		
Financial expenses	28,834,593.64	9,531,455.61
Investment losses	-18,113,290.90	404,815.92
Decrease in deferred income tax assets		
Increase in deferred income tax liabilities		
Decrease in inventories	10,265,558.68	31,768,792.78
Decrease in operating receivables	-23,659,153.37	-14,399,498.17
Increase in operating payables	-2,864,315.62	-55,421,349.87
Others		
Net cash flows from operating activities	-35,592,424.56	-27,380,569.51
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	64,075,389.48	71,686,794.91
Less: Cash at the beginning of the period	52,507,843.73	136,376,851.19
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	11,567,545.75	-64,690,056.28

(2) Cash and cash equivalents

Items	Jan.-Jun, 2012	Jan.-Jun, 2011
1. Cash	64,075,389.48	71,686,794.91
Including: Cash on hand	535,337.21	889,579.96
Bank deposit paid at any time	52,745,777.68	70,779,219.00
Other monetary funds paid at any time	10,794,274.59	17,995.95
2. cash equivalents		
3. Cash and cash equivalents at the end of year	64,075,389.48	71,686,794.91

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 ZhongjiaYangguang energy technology (group) Co., Ltd.	With same controller	722611348
BeijingYulongJisheng 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 June 30, 2012, 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 RMB 120.51 million with RMB 28.72 million 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 RMB 62,025,000.00 Yuan with interest payable on balance of RMB 22.86 million.

By June 30, 2012, the total amount of loan principal that Beijing Xinxing Real Estate Development corporation has been made to SanyaWanjia Hotel Management Co., Ltd has a balance of RMB 32,030,000.00 Yuan with RMB 29.28 million of interest payable on balance. The total amount of loan principal that Beijing Wanfa Real Estate Development corporation has been made to SanyaWanjia Hotel Management Co., Ltd has a balance of RMB 19,700,000.00 Yuan with interest payable on balance of RMB 8.97 million.

For the loans listed between related parties, the total amount of interest expensed carried for this reporting period was RMB 7.74 million with interest payable on balance of RMB 89,827,892.88 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	Jun 30, 2012	Jan 1, 2012
Other payables:	Beijing ZhongjiaYangguang energy technology (group) Co., Ltd.	648,467.46	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
	SanyaWanjia Enterprises Holding Co., Ltd.	1,344,997.47	1,344,997.47
	Beijing YulongJisheng Real Estate Development Co., Ltd.	1,500,000.00	1,500,000.00
Interest payable:	Beijing Wangfa Real Estate Development Holdings Co., Ltd.	31,834,636.63	29,223,178.68
	Beijing Xinxing Real Estate Development Company	57,993,256.25	52,860,823.10
Total		327,586,804.81	318,043,675.68

VII. Contingent events

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

VIII. Commitments

Nothing need to disclose.

IX. Non-adjusting events after the balance sheet date

Nothing need to disclose.

X. Other important events

Nothing need to disclose.

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

1. Accounts receivable

(1) Detailed information

Items	Jun 30, 2012				Jan 1, 2012			
	Balance	Proportion (%)	Bad debts	Bad debt ratio (%)	Balance	Proportion (%)	Bad debts	Bad debt ratio (%)
1 Individual with significant amount	7,761,707.60	64.77	7,761,707.60	100.00	7,761,707.60	67.99	7,761,707.60	100.00
2 Bad debt accounted by the combinations								
Age Combinations	2,322,218.27	19.38	533,605.93	22.98	1,755,515.17	15.38	522,111.87	29.74
Combined Subtotal	2,322,218.27	19.38	533,605.93	22.98	1,755,515.17	15.38	522,111.87	29.74
3 Other unimportant receivables	1,898,690.60	15.85	1,898,690.60	100.00	1,898,690.60	16.63	1,898,690.60	100.00

Total	11,982,616.47		10,194,004.13		11,415,913.37		10,182,510.07
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(2) Age analysis

Age	Jun 30, 2012		Jan 1, 2012	
	Amounts	Bad Debts Provision	Amounts	Bad Debts Provision
Within 1 year	1,060,110.85	21,202.22	495,407.75	9,908.16
1 to 2 years	100,000.00	5,000.00	100,000.00	5,000.00
2 to 3 years	108,000.00	10,800.00	106,000.00	10,600.00
3 to 4 year	101,500.00	20,300.00	101,500.00	20,300.00
4 to 5 years				
5 years and more	952,607.42	476,303.71	952,607.42	476,303.71
Total	2,322,218.27	533,605.93	1,755,515.17	522,111.87

2. Other receivables

(1) Detailed information

Items	Jun 30, 2012				Jan 1, 2012			
	Balance	Proportion (%)	Bad debts	Bad debt ratio (%)	Balance	Proportion (%)	Bad debts	Bad debt ratio (%)
1. Individual with significant amount	74,978,380.89	16.41	34,477,855.47	45.98	74,978,380.89	16.74	34,477,855.47	45.98
2. Bad debt accounted by the combinations								
Age Combinations	222,362,158.41	48.65	4,813,063.97	2.16	264,520,830.81	59.06	8,087,659.72	3.06
In scope of consolidated statements	155,686,652.29				103,761,317.93	23.17		
subtotal	378,048,810.70	48.65	4,813,063.97	1.27	368,282,148.74	82.22	8,087,659.72	2.20
3. Other unimportant receivables	3,963,362.46	0.87	3,963,362.46	100.00	4,635,625.65	1.03	3,976,807.73	85.79
Total	456,990,554.05	100.00	43,254,281.90		447,896,155.28		46,542,322.92	

(2) Aging analysis

Age	Jun 30, 2012			Jan 1, 2012		
	Amounts		Bad Debt Provision	Amounts		Bad Debt Provision
	Amounts	Ratio (%)		Amounts	Ratio (%)	
Within 1 year	211,981,730.07	95.33	4,198,102.30	219,477,402.47	82.98	4,389,548.05
1 to 2 years	10,166,939.34	4.57	508,346.97	41,829,939.34	15.81	2,091,496.97
2 to 3 years						
3 to 4 year						
4 to 5 years	649.00	0.00	194.70	649.00	0.00	194.70
5 years and more	212,840.00	0.10	106,420.00	3,212,840.00	1.21	1,606,420.00
Total	222,362,158.41	100.00	4,813,063.97	264,520,830.81	100.00	8,087,659.72

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	37,552,309.00	-429,464.28	37,122,844.72	40	40	
Hubei Pearl River Real Estate Development Co., Ltd.	Cost Method	57,200,000.00	57,200,000.00		57,200,000.00	88	88	
Hainan Pearl River Enterprises Holding Co., 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
Hebei zhengshiqinghui Real Estate Development Co., Ltd.	Cost Method	5,100,000.00	5,100,000.00		5,100,000.00	51	51	
Total		369,143,555.29	366,695,864.29	-429,464.28	366,266,400.01			65,532,245.39

4. Operating income and operating costs

(1) Operating income

Items	Jan.-Jun, 2012	Jan.-Jun, 2011
Main operating business income		
Other operating business income	579,338.20	193,340.00
Total	579,338.20	193,340.00

(2) Operating costs

Items	Jan.-Jun, 2012	Jan.-Jun, 2011
Main operating business costs		
Other operating business costs	177,796.80	26,578.50
Total	177,796.80	26,578.50

5. Investment income

Items	Jan.-Jun, 2012	Jan.-Jun, 2011
Income from cost accounting method investment	92,400,000.00	
Income from equity accounting method investment	-429,464.28	-404,815.92
Income from disposal sellable financial assets	18,542,755.18	
Total	110,513,290.90	-404,815.92

6. Supplementary information of cash flow statement

Items	Jan.-Jun, 2012	Jan.-Jun, 2011
1 . Reconciliation of net profit to cash flows from operating activities:		
Net profit	87,358,126.84	-12,409,027.24
Add: Provision for assets impairment	-3,276,546.96	-460,057.00
Depreciation of fixed assets, production biological assets, petroleum and natural gas	1,095,111.06	1,178,325.85
Amortization of intangible assets	23,831.82	23,831.82
Amortization of long-term prepayments		
Losses on disposal of fixed assets, intangible assets and other long-term assets		12,915.00
Losses on scrapping of fixed assets		
Losses on fair value change		
Financial expenses	16,000,625.80	3,766,307.21
Investment losses	-110,513,290.90	404,815.92
Decrease in deferred income tax assets		
Increase in deferred income tax liabilities		
Decrease in inventories		
Decrease in operating receivables	5,854,963.42	-1,301,214.46
Increase in operating payables	-487,611.84	11,847,920.68
Others		
Net cash flows from operating activities	-3,944,790.76	3,063,817.78
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	Jan.-Jun, 2012	Jan.-Jun, 2011
Fixed assets under finance lease		—
3 . Net increase in cash and cash equivalents		
Cash at the end of the period	12,257,715.18	27,066,982.58
Less: Cash at the beginning of the period	515,955.59	47,697,821.48
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	11,741,759.59	-20,630,838.90

XII. Supplementary information

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

Items	Jan.-Jun, 2012
Profit and loss on disposal of non-current assets	60,773.50
Fund occupation fee from non-financial enterprises included in the current profit and loss	2,829,976.16
Revenue generated from obtaining subsidiaries, associates and joint venture investment as the investment cost less than the fair value of identifiable net assets	
Gains from disposal of available for sale financial assets excluded effective hedging with operating	18,542,755.18
Others non-operating income and expenses excluded as above	-114,237.94
Other non-operating income and costs	
Income tax impact	-10080.06
Equity impacts of minority interests	-6,341.50
Total	21,302,845.34

2. Earnings per share

Profit of this year	Earnings per share			
	Basic earnings per share		Diluted earnings per share	
	Jan.-Jun, 2012	Jan.-Jun, 2011	Jan.-Jun, 2012	Jan.-Jun, 2011
Net profit attributable to common shareholders	-0.09	-0.04	-0.09	-0.04
Net profit excluding non-recurring Profit and Loss attributable to common shareholders	-0.14	-0.08	-0.14	-0.08

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

Item	Code	Jan.-Jun, 2012	Jan.-Jun, 2011
Net profits that belong to the common shareholders during the reporting period	P0	-37,734,798.44	-15,041,866.11
Extraordinary profits and losses that belong to the common shareholders during the reporting period	A	21,302,845.34	19,971,411.45

Item	Code	Jan.-Jun, 2012	Jan.-Jun, 2011
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	-59,037,643.78	-35,013,277.56
The opening balance of net assets that belong to the common shareholders	E0	373,004,748.20	497,295,405.44
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		
Changes of other net assets from the next month until the end of the reporting period	Mk		
Total months of the reporting period	M0	6	6
The closing balance of net assets that belong to common shareholders	E1	387,301,911.35	488,238,539.33
The weighted average net assets that belong to common shareholders	E2=E0+P0/2+Ei*Mi/M0-Ej*Mj/M0+Ek*Mk/M0	380,153,329.78	492,766,972.39
The weighted average net assets yield rate before taking off the effect of extraordinary profits and losses	X1=P0/E2	-9.93%	-3.05%
The weighted average net assets yield rate after taking off the effect of extraordinary profits and losses	X1=P1/E2	-15.53%	-7.11%

4 Abnormal issues and its related explanations for major accounting statements

(1) Balance sheet

Item	Jun 30, 2012	Jan 1, 2012	Rate of change	Explanations
Receivables	10,524,260.83	7,047,354.39	49.34	Increased Property services and hotel revenue from subsidiaries
Prepayments	152,107,124.73	76,803,784.89	98.05	Prepayments for the project of snow town development
Short-term loans	235,000,000.00	45,000,000.00	422.22	Obtain loans from Chongqing International Trust Company
Accounts received in advance	8,979,806.60	19,556,674.90	-54.08	Property accounts received in advance carried forward into revenue
Non-current liabilities due within 1 year	12,000,000.00	232,000,000.00	-94.83	The return of the loans to Chongqing International Trust Company
Long-term loans	191,000,000.00	81,000,000.00	135.80	Subsidiary obtain the loans
Deferred income tax liability	67,653,941.30	49,347,638.80	37.10	Increase fair value of available for sale financial assets
Minority interests	14,727,426.89	26,674,626.16	-44.79	Subsidiary distribute profit to owners

(2) Income statement

Item	Jan.-Jun, 2012	Jan.-Jun, 2011	Rate of change	Explanations
Operating taxes and	8,907,927.55	17,123,298.21	-47.98	Reduced income from property sales

Item	Jan.-Jun, 2012	Jan.-Jun, 2011	Rate of change	Explanations
extras				
Sales expenses	4,879,658.11	3,593,594.12	35.79	Increased number of staffs and salary level
General and administrative expenses	53,000,592.30	39,721,435.23	33.43	Increased number of subsidiaries
Financial expenses	29,066,735.26	5,755,839.36	405.00	Decreased amount of interest of debt loans
Loss of devaluation of assets	-9,117,317.73	169,332.30	-5484.28	Decreased the accounts receivable
Investment income	18,113,290.90	-404,815.92	4574.45	Disposal of available for sale financial assets
Income tax	1,777,028.96	5,433,288.59	-67.29	Decreased profit of subsidiary
Other comprehensive income	52,031,961.59	5,985,000.00	769.37	Increase fair value of available for sale financial assets
Net cash flows from operating activities	-35,592,424.56	-27,380,569.51	-29.99	Reduced income from property sales
Net cash flows from investing activities	-13,318,493.44	-40,936,801.77	67.47	Decreased cash payment of investment
Net cash flows from financing activities	60,478,463.75	3,627,315.00	1567.31	Obtain the loans

XIII. Approval of the financial statements

The financial statements have been approved by the board of directors of the Company in August 24, 2012.

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

Hainan Pearl River Holding Company Limited
August 24, 2012

Legal representative: Accounting Supervisor: Chief Accountant:

Signature: Signature: Signature: Date:

Date: Date: