

Abstract of the 2012 Annual Report of HaiNan Pearl River Holdings Co., Ltd.

1. Important notes

This abstract is based on the full text of the annual report. For more details, investors are suggested to read the full text disclosed at the same time with this abstract on the website of Shenzhen Stock Exchange or any other website designated by CSRC.

Company profile:

Stock abbreviation	STZJ, STZJB	Stock code	000505, 200505
Stock exchange listed with	Shenzhen Stock Exchange		
For contact	Company Secretary	Securities Affairs Representative	
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2. Financial highlights and change of shareholders

(1) Financial highlights

Does the Company adjust retrospectively or restate accounting data of previous years due to change of the accounting policy or correction of any accounting error?

	2012	2011	Increase or decrease of this year over last year (%)	2010
Operating revenues (RMB Yuan)	204,015,077.79	233,145,578.90	-12.49%	686,065,924.45
Net profit attributable to shareholders of the Company (RMB Yuan)	-126,873,614.96	-49,478,157.24	-156.42%	27,730,981.17
Net profit attributable to shareholders of the Company after extraordinary gains and losses (RMB Yuan)	-155,988,398.64	-82,077,765.00	-90.05%	-14,783,336.29
Net cash flows from operating activities (RMB Yuan)	-60,344,200.94	-76,119,321.82	20.72%	141,567,532.95
Basic EPS (RMB Yuan/share)	-0.30	-0.12	-150%	0.06
Diluted EPS (RMB Yuan/share)	-0.30	-0.12	-150%	0.06
Weighted average ROE (%)	-41.55%	-11.37%	-30.18%	4.82%
	As at 31 Dec. 2012	As at 31 Dec. 2011	Increase or decrease of this	As at 31 Dec. 2010

			year-end than last year-end (%)	
Total assets (RMB Yuan)	1,424,764,273.52	1,311,949,739.44	8.6%	1,448,885,550.24
Net assets attributable to shareholders of the Company (RMB Yuan)	237,625,634.44	373,004,748.20	-36.29%	497,295,405.44

Differences between domestic and overseas accounting standards

Unit: RMB Yuan

	Net profit attributable to shareholders of the Company		Owners' equity attributable to shareholders of the Company	
	2012	2011	31 Dec. 2012	31 Dec. 2011
According to overseas accounting standards	-126,873,614.96	-49,478,157.24	236,288,634.44	371,667,748.02
According to domestic accounting standards	-126,873,614.96	-49,478,157.24	237,625,634.44	373,004,748.02
Items and amounts adjusted according to overseas accounting standards				
-Adjustment to the amortization of land use rights			-1,337,000.00	-1,337,000.00
Total differences between domestic and overseas accounting standards	0	0	-1,337,000.00	-1,337,000.00
Explain differences between domestic and overseas accounting standards	Amortization of the land use right of the former construction in process according to the international financial reporting standards before the execution of the Accounting Standards for Business Enterprises 2006			

Items and amounts of non-recurring gains and losses

Items	2012	2011	2010
Gains and losses from disposal of non-current assets	772,600.81	164,225.87	1,675,363.51
Other non-operating gains and losses-net	2,952.80	-141,766.30	-240,637.36
Capital occupation fees received from non-financial enterprises which are recorded in the profits and losses for the current period	3,493,230.13	34,251,932.51	19,945,435.72
Investment gain on disposal of available-for-sale financial assets	24,881,387.14	0.00	
Gains arising from the balance between the investment costs on the Company's obtaining subsidiaries, associates and joint ventures and	0.00	0.00	151,565.71

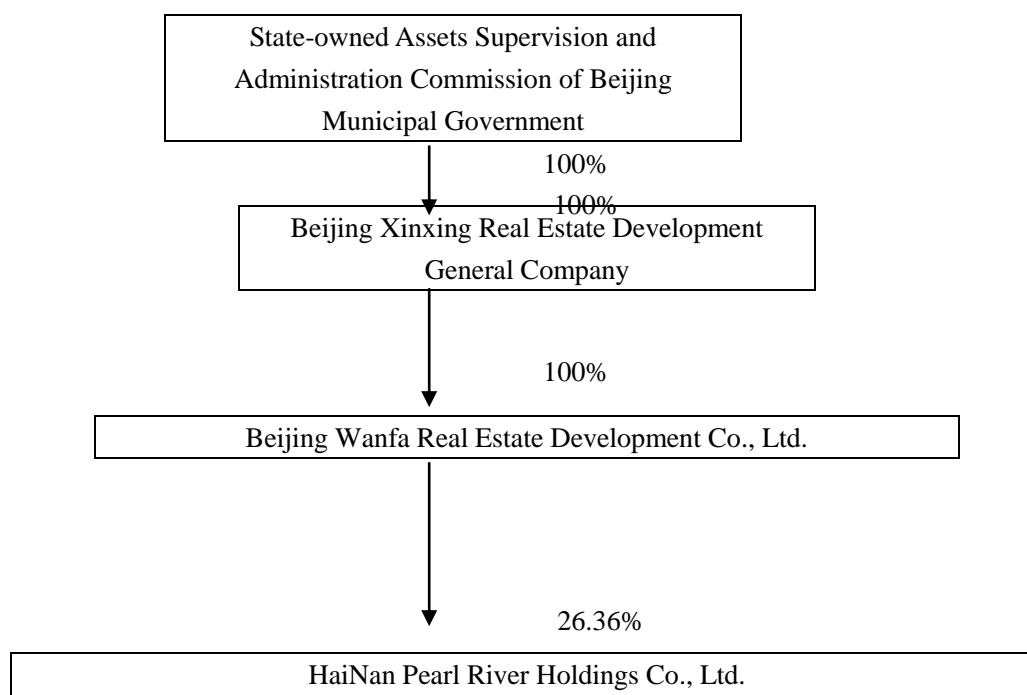
the attributable share of fair value of the invested parties' identifiable net assets when those investments are obtained			
Other gain and loss items that satisfy the definition for non-recurring gains and losses	0.00	0.00	21,180,402.43
Income tax effects	-24,794.97	-1,246,878.08	-142,206.68
Minority interests effects	-10,592.23	-427,906.24	-55,605.87
Total	29,114,783.68	32,599,607.76	42,514,317.46

(2) Shareholdings of the top 10 shareholders

Total number of shareholders at the end of the reporting period		42,242		Total number of shareholders at the end of the fifth trading day before the disclosure date of the annual report		
Shareholdings of the top 10 shareholders						
Name of shareholder	Nature of shareholder	Shareholding percentage (%)	Total shares held at the period-end	Number of restricted shares held	Pledged or frozen shares	
					Status of shares	Number of shares
Beijing Wanfa Real Estate Development Co., Ltd.	State-owned corporation	26.36%	112,479,478	0		
Chen Qingtao	Domestic natural person	0.73%	3,103,899	0		
Fu Biao	Domestic natural person	0.5%	2,151,751	0		
Zhang Xiaoxia	Domestic natural person	0.46%	1,949,250	0		
Ou Lei	Domestic natural person	0.35%	1,500,000	0		
Chen Yunxuan	Domestic natural person	0.31%	1,303,122	0		
Nanhua Finance Co., Ltd.	Other	0.3%	1,299,500	1,299,500		

Zhang Huisheng	Domestic natural person	0.3%	1,291,500	0		
Li Jianhua	Domestic natural person	0.29%	1,242,356	0		
Huang Yueling	Domestic natural person	0.27%	1,169,900	0		
Explanation on associated relationship or persons acting in concert among the above-mentioned shareholders		Among shareholders above, there exists no related-party relationship between the principal shareholder and other shareholders of the Company. Nor they are parties with concerted action as prescribed in the Information Disclosure Administrative Methods for Changes in Shareholding of Shareholders of Listed Companies. And it is unknown whether there exists related-party relationship among other shareholders and whether they are prescribed parties with concerted action.				

(3) Relation between the Company and its actual controller in the form of diagram



3. Discussion and analysis by the management

In 2012, all investment projects of the Company proceeded in a steady manner. The preparations for the Wuhan Meilin Phase III project were basically finished; the resource research and production line construction of the Yunxi iron mine project went on smoothly; and as for the Mulin Town coal project, the Company was beefing up its application for a license for coal operation while proactively carrying out some coal transactions to obtain some investment earnings. More investments were input for construction

of the Snow Village of China, greatly improving the tourist facilities and the environment, as well as laying a good foundation for the subsequent operation. However, due to the decreased sales income from the remaining houses of the Meilin Qingcheng Phase II Project; the Meilin Qingcheng Phase III Project and the Shijiazhuang New Residence Project still in the initial stage of construction; the labor cost, asset depreciation and amortization and other expenses caused by the Snow Village project in the both processes of investment and operation; no earnings from other investment projects for now; the increased financing expenses; etc., a great loss was caused in 2012 and thus the Company would get a delisting risk warning (*ST) in 2013.

Management overview:

1. Real estate projects were carried out steadily.

(1) Although the real estate macro-control policy was imposing more effects on the market, the remaining houses of the Hubei Meilin Qingcheng Phase II Project were still sold without reducing the prices and only a few residential and commercial houses remain unsold now. For 2012, operating revenue of RMB 25.826 million was achieved, with net profit being RMB 12.21 million. As for the Phase III project, the Company has obtained the approval of Wuhan Land Resources and Planning Bureau on the planning scheme and land conditions of the project. According the planning requirement (WGDZ (2003) No. 271), the Company needs to use about 13-mu land of Wuhan Changyou Real Estate Co., Ltd. for the development of the Phase III project. The revised land development planning indicators have been approved, with a plot ratio of 4.06 and a construction area within 73,800 square meters. The Phase III project is expected to be constructed for 3 years with a total investment of RMB 540 million. It is expected to be able to generate a net profit of RMB 240 million for the Company.

(2) Progress of the Shijiazhuang Luquan new countryside construction project

Relocation preparations for the first phase (the Nanluoling project) of the three-village joint development project have fully started, producing phasic results. The conditions for relocation and construction have been basically satisfied and a complete and feasible plan for relocation compensation for the Nanluoling Village has been worked out, with the detailed relocation arrangements for the first phase made. The planning scheme of the Luoling Community and the house design for moving-back residents have been adjusted according to requirements of the administration of Luquan City, ready for being submitted for approval. The Company has finished the research on the surrounding municipal infrastructure of the Luoling project, discussed for quite a few times with relevant government departments and units, and worked out the public works implementation plan for the Luoling Community, laying a solid foundation for the project development in 2013.

(3) For 2012, HaiNan Pearl River Property & Hotel Management Co., Ltd. achieved operating revenue of RMB 114.33 million, with operating cost being RMB 99.65 million and net profit being RMB 0.5676 million. The profit decreased considerably from last year mainly because labor cost soared; water, electricity, gas and other public service fees and the material cost also increased sharply; the operating costs of the Company kept increasing every year; there was a lack of the mechanism to adjust the property service charges according to the rising costs; the government guidance prices remained at low levels generally for a long time; and it was hard for the property service charges on residential communities to rise according to the rising costs. Property management is a labor-intensive business and the labor cost increased significantly by over RMB 8.40 million over last year. The subsidiary is facing a choice between cost and talent in the property management business. Meanwhile, the subsidiary has been providing a lot of loans. The Wenchang and Qionghai branches have a difficulty in collecting charges because of a low sales ratio of the houses, a low expected house hand-over ratio and many short-term owners. And the subsidiary has thus been providing loans for these branches for their operation.

In face of rising costs, we slow down market expansion. With the title of “Top 100 Property Service Enterprises in China”, we put the core of market expansion on the one-ticket property service project, which has been carried out in all communities. And the project management business of the Ningbo and Beijing branches has been aborted.

2. The tourism business was taking shape.

Days Hotel & Suites Sanya Resort Management Co., Ltd. continued to enhance internal management, increase its reputation and open up new marketing channels. As a result, for 2012, it achieved operating revenue of RMB 38.30 million, with a direct operating cost of RMB 30.15 million, operating costs of RMB 63.09 million (including depreciation) and a loss of RMB 24.79 million on the net profit. The loss was mainly caused by a great depreciation of assets. Besides, due to the sharp increase in commodity prices and labor cost, the operating cost and management expenses went up considerably for the year.

As for the China Snow Village Tourist Site developed by Mudanjiang Pearl River Wanjia Travel Investment and Development Group Co., Ltd., the first phase was completely finished. The renewed home inns and expanded movie base were open for tourists, generating operating revenue of RMB 19.79 million. 2012 marked a peak of investment of the Snow Village. The reception and operating size expanded fast in a short period, forming a capacity to provide 314 hotel rooms every day and night and for the ski resort, move base and Yangcao Mountain to receive 3,000 people at the same time. This was a huge investment in a short period, causing a big growth of the financing and administrative expense. However, the publicity for the Snow Village was insufficient, resulting in a slow growth of visiting tourists. The numbers of hotel

guests and people taking part in the operating projects saw no big growth, causing a slow income growth and a phasic loss of RMB 53 million. This was the mainly reason for the loss of the Company in the year.

3. In the energy section, the Company worked on solidifying the basis.

(1) Concerning the Mulin Town special railway and coal wholesale market construction project, the formalities for house transfer, use right transfer of state-owned land and other matters for the Shunyi District Clean Coal Logistics Demonstration Park Project have been completed. The project feasibility research has also been done. And preparations to obtain the coal operation license and handle relevant approval formalities have finished, too. The government is regulating the coal industry and shutting down some high-pollution enterprises. And the Company has been waiting for the governmental department to grant a coal operation license. The relevant project and production line construction thus cannot proceed as scheduled. The land where the project is located is temporarily put aside. The Company is proactively communicating with the relevant governmental departments, trying to obtain the coal operation license as soon as possible. Meanwhile, the Company entrusts the cooperation party to carry out coal transactions with some major customers, accumulating experience and expanding marketing channels for the subsequent independent production and operation, as well as guaranteeing some investment earnings in this initial stage.

Meanwhile, we realize that due to a slower economic growth of China, the electricity consumption decreases sharply, causing an overstock of coals at ports, which may produce some adverse effects on the project and extend the time needed for the project to reach the expected economic results.

(2) Progress of the Hubei Yunxi Iron Mine Project: So far, the cooperation counterpart has finished the equity reorganization and acquisition of the mine company through investment increase and equity expansion. Meanwhile, Northwest Hubei Province Geological Minerals Investigation Bureau has been entrusted to carry out a detailed investigation into the Dujiawan Iron Mine. At present, the investigation report has been produced and the investigation file-keeping is going on. The project to alter the production line and build up several production lines in the Zhaojiayuan Mine Zone has started and some production equipment has been purchased. Two mineral separation lines of Zhaojiayuan Iron Mine Mineral Separation Factory have been debugged. And two crushing lines for the mining zone have also been debugged, creating a production capacity of 0.4 million tons of high-purity iron ore per year. The shift from a reconnaissance geological survey to a detailed one for the Zhaojiayuan Mine Zone has been reported to the Department of Land and Resources and the detailed geological survey has started. RMB 100 million has been accumulatively input for the project in 2012.

4. The Company proactively urged Haikou Visun Real Estate Development Co., Ltd. (hereinafter referred

as Visun Company) to try to fully start the construction of the Longzhu Phase III Project as soon as possible.

In Dec. 2009, the Department of Land Environment & Resources of Haikou City issued a document, planning to call back, with no compensation, the land where the Company's Longzhu Phase III Project was located. Considering the high-standard positioning of the government towards the project and the construction difficulties, the Company decided to build housing properties on the land and Visun Company was responsible for the development. According to the relevant agreement, Visun Company should have fully started the construction before the end of Nov. 2010. But it has been over two years and the preparations of Visun Company for the project is still in slow progress. The government's positioning of the project greatly disagrees with the construction cost and profit, so the design scheme by Visun Company cannot be approved by the government's experts. Visun Company has encountered the same difficulties and risks just as the Company did. Besides, the real estate market of Hainan Province has been up and down in the recent three years, causing a lot of unfavorable factors for the construction. At present, upon many efforts and amendments to the design scheme, the project design of Visun Company has initially passed the joint examination and the construction is expected to fully start in Jun. 2014. Concerning the possible loss on the Company caused by the delayed construction, the Company has reminded Visun Company for quite a few times the adverse results of violating the contract. And now the Company is proactively discussing with Visun Company about changing the relevant contractual contents to effectively safeguard the legal rights and interests of the Company.

5. The Company proactively pushed forward the preparations for the "Wanjia Resort" project, i.e. the Nantian project.

In 2009, upon its outlook for the prospects of Hainan and Sanya, the Company incorporated Sanya Wanjia Industrial Co., Ltd. to carry out research on the Nantian Project. In order to satisfy the capital needs of the project, the Company brought in in Dec. 2009 a strategic co-investor to achieve mutually complementary effects on this project. In Sept. 2010, the project passed the joint examination by Haitangwan Planning Commission, officially becoming a part of the overall urban and rural planning of Sanya City as the "Wanjia Resort" project. The target land for the Nantian project was about 3,000 mu, with the ownership belonging to Haitangwan Town, Water Resources Bureau of Sanya City, Nantian Farm and some other units. The ownership was complicated and the nature of the involved land often conflicted with the construction land for the project. Upon two years of effort, Sanya Wanjia Industrial Co., Ltd. has overcome a lot of difficulties, done a lot of research and coordination and finally solved the water source protected land issue of the Land Parcel 1#. Meanwhile, seizing opportunities arising from Sanya's adjustment of

land nature, the Company successfully shifted the basic protected farm land nature of some land within the Land Parcel 2#, 3# and 4#, as well as determining the strategy of “combine leasing and requisition, develop step by step”. In 2012, the Company successfully made the project part of the overall urban and rural construction planning of Sanya City and finished land reservation, as well as control and compensation for above-ground properties of 1,230-mu land. Currently, the Company is waiting for the government to determine the control planning and will carry forward subsequent construction according to the control planning.

6. The Company expanded financing channels and enhanced capital stability.

Real estate is a capital-intensive business. And the financing ability becomes the key to increase the core competitiveness of a real estate company. In 2012, capital needs were very urgent for all projects of the Company. Although the financing environment of the industry improved over 2011, the improvement was not fundamental. In the reporting period, as always, the Company demonstrated its unique advantage in integrating financial resources and controlling capital risks. The Company proactively opened up diversified financing channels and made full use of various tools in the capital market. At the same time, based on the traditional financing ways, the Company innovated the cooperation mode, expanded the capital sources and deepened the contact and cooperation with various financial institutions. While ensuring sufficient operation funds, the Company ensured the satisfaction of the capital needs for development through optimizing the terms and structure of the borrowings.

Core competitiveness analysis:

1. Upon years of development, the Company has accumulated some competitiveness in the real estate development sector. The Meilin Qingcheng Project developed by the Company’s wholly-funded subsidiary Hubei Pearl River Real Estate Development Co., Ltd. has become a mature community upon cultivation of markets and target customers in the first and second phases, with complete living and educational facilities and a convenient traffic network. The Phase I and II both have an excellent sales performance in the market, building up a great image and reputation. As for the Phase II in particular, over 60% customers were introduced by old owners, accumulating precious experience for construction and marketing of the Phase III. The Phase III is also expected to generate great profit for the Company.

The Company has been in Wuhan City for nearly ten years. As the city develops, the Company develops steadily, too. Developing real estate with all our heart, we hold our position in the market relying on our honesty and product quality.

2. The majority shareholder and the actual controller of the Company have given the Company strong support in terms of capital, etc., greatly supporting the smooth proceeding of the Company’s projects in

process. The Company has a sound governance structure and internal management mechanism for decision-making & deliberation and operates in compliance with laws and regulations, providing strong support for the orderly proceeding of the Company's operating activities.

3. The Company's controlled subsidiary HaiNan Pearl River Property & Hotel Management Co., Ltd. ("Pearl River Property Management") is one of the earliest property management providers in Hainan Province, or even China. It is a famous brand in Hainan, an enterprise with the State Level 1 Qualifications for property management, a standing director unit of China Property Management Institute and a standing vice president unit of the Property Management Institute of Hainan Province. It has accumulated rich experience in property management and set up a whole set of scientific, advanced and standardized property management rules. Its quality management system took the lead in the sector to pass the ISO9001 international certification in 1998. The 《Theory and Practice of Property Management》written in 1994 by the Company's GM Mr. Wu Jianshe, the first book in China specializing in property management is seen as an enlightenment for China's property management industry, as well as a mainstream book for property management personnel to read in the 1990s. Today, Pearl River Property Management has become an enterprise with a bigger size, a higher reputation and a leading influence in the domestic property management sector.

Pearl River Property Management is good at management of comprehensive high-class property projects. 20 years of successful experience in property service reliably guarantee a win-win cooperation between the real estate developers, owners and us. Years of sound development has enabled Pearl River Property Management to become a professional leading force in China's property management sector, with a mature and experienced staff and management team. The company is mainly engaged in house management, shopping mall management, office building management, hotel management, property management consulting service, real estate marketing agent service, property leasing agent service, etc., with the managed properties located in Hainan, Guangxi, Hunan, Hubei, Henan, Zhejiang, Hebei and some other regions.

Outlook for the Company's future development:

In 2013, it is unlikely for the government to let loose the real estate limited purchase and credit policies and other real estate macro-control policies. The government's determination to "stick to real estate macro-control" will not change in a long time. It is expected that the central government's major policy direction to restrain irrational housing demand will not change and that the real estate macro-control policy will maintain a tight-in-stability status. Real estate enterprises should carry out market research in a serious manner, target the market accurately, rationally arrange the investment size and proactively make

innovations to cope with the real estate macro-control in a rational way.

2013 is a key year for the operation of the Company. Due to consecutive loss for the recent two years, the Company's stock will be capped with *ST in 2013. Therefore, the Company must maintain a stable development in 2013, with keeping the listed position as the most important task. We believe that upon solidifying the basis in 2011 and 2012, 2013 will see a great performance of the Company's three business segments as in its development strategies.

1. Construction of two major projects will kick off to give an excellent performance in the future.

The Wuhan Meilin Qingcheng Phase III Project is expected to start construction in the middle of 2013 and start selling in 2014. The initial stage of development will need an input of RMB 200 million. And it is expected to generate a sales income of RMB 1 billion for the coming three years.

The Shijiazhuang Luoling Phase I covers about 0.7 million square meters (including the settlement houses for the moving-back residents). The construction is expected to kick off in the middle of 2013 and the sale also in the year. The total sales income is expected to reach RMB 2.5 billion, with an expected sales income of RMB 1 billion for the coming two years.

2. The Company will further improve the functions of the tourist site and enhance the publicity for it.

In 2013, in terms of China Snow Village, the Company will, with a rational planning, summarize experience of operation over the recent two years, continue to construction the Phase II, further improve the functions of the tourist site and make it attractive for tourists in winter, summer and autumn. Meanwhile, the Company will enhance publicity, cooperate with more professional tourist service agencies in a better way, raise the reputation and attract as many as tourists to increase the income and generate better benefits.

The Company will continue to operate the Days Hotel & Suites Sanya Resort in a steady way, give play to the mutual promotion effects of projects in North and South China, reduce costs and tap its potentials so as to increase the earnings.

3. The Company will input great effort in carrying forward energy projects to obtain the first earnings from these projects.

Concerning the Hubei Yunxi Iron Mine, the Company will finish various formalities for the Zhaojiayuan Iron Mine at the beginning of 2013, solve existing problems and start mining and dressing generally, trying to fulfill the goal of producing and selling 0.4 million tons of high-purity iron ore to achieve income of RMB 280 million for the year. Implementing the local government's support policy, the Company will beef up reorganization and integration of the other two mines, work out development and work plans, try to start the basic construction and equipment installation of mines so as to lay a good foundation for the

Company to reorganize and take over other mines and exploring new mines as the next step.

As for the Mulin Town project, the Company shall coordinate better with the government to get the coal operation license and start the self-operated coal trading business, trying to achieve development goals at the end of 2013.

4. The Company will work out an excellent capital planning to ensure the funds needed by the projects in construction and to be constructed. In 2013, despite an expectation that the government will enhance the financial macro-control, in order to speed up development of new projects, the Company will still enhance financing, expand financing channels in the capital market and promote capital inflows through the projects in construction. It will also dispose non-main-business assets to increase the capital utilization efficiency, reduce the capital costs, create a safe and stable capital chain and work on capital planning and financing to ensure the funds needed by the projects in construction and to be constructed.

5. Competition over talent is increasingly fierce in the sector. To attract and maintain more valuable talents will be the key for the Company to keep its advantage in the future. Therefore, the Company will continue to enhance development of the talent “ladder”, improve the training mechanism and build up a capable and efficient team to improve the staff performance. Through developing existing talents and introducing new talents at the same time, the Company will introduce and promote managerial talents who will help it stand out in the competition. Meanwhile, in order to explore new business lines of tourism real estate, energy, etc., the Company will also bring in the relevant professionals to provide talent support for development of the new business lines.

6. Possible risks and countermeasures

(1) Land reserve risk: The land reserve of the Company is insufficient. Therefore, it must increase its land reserve properly so that it can achieve the overall goal of a fast development.

Countermeasures: On the basis of doing a good job with the existing development projects, the Company will work on research on the market and project expansion and proactively look for new projects.

(2) Policy risk: It is expected that the real estate macro-control policy will not ease in a relatively long period and development of the real estate market is very uncertain.

Countermeasures: The Company will carry out market research in a serious manner, target the market accurately, rationally arrange the investment size and proactively make innovations to cope with the real estate macro-control in a rational way.

(3) Competition risk: Rising competition in the real estate sector is bringing down the gross profit rate. The Company’s existing asset scale, operating scale and project development scale are still relatively small, causing an insufficient ability in risk resistance.

Countermeasures: The Company will adopt flexible marketing and payment strategies to promote sales and ensure the smooth proceeding of the existing projects. Meanwhile, it will try to expand the operating scale and enhance its ability of risk resistance.

In 2012, under the correct leadership of the Company's leaders, as well as common efforts of the operating team and all the staff, quite great progress was made in all aspects. Looking forward into the new year, we have the determination and confidence to rise to new challenges and seize development opportunities. With the pragmatic and hard-working spirit, as well as the flexible operating tactics, we will keep improving the capital operation quality and adopt a diversified development strategy to create opportunities for the growth of the Company.

4. Matters related to financial reporting

(1) Explain change of the accounting policy, accounting estimate and measurement methods as compared with the financial reporting of last year

N/A

(2) Explain retrospective restatement due to correction of significant accounting errors in the reporting period

N/A

(3) Explain change of the consolidation scope as compared with the financial reporting of last year

N/A

(4) Explanation of the Board of Directors and the Supervisory Committee concerning the “non-standard audit report” issued by the CPAs firm for the reporting period

N/A

Ltd.

HaiNan Pearl River Holdings Co.,

Chairman: Mr. Zheng Qing

28 March 2013

Independent Auditors' Report

DHSZ [2013] No.003763

To the Shareholders of Hainan Pearl River Holding Company Limited:

We have audited the accompanying financial statements of Hainan Pearl River Holding Company Limited (“the Company”), including balance sheet and consolidated balance sheet as of December 31, 2012, income statement and consolidated income statement, cash flow statement and consolidated cash flow statement, statement of changes in equity and consolidated statement of changes in equity, and notes to the financial statements for the year then ended.

I. Management's responsibility for the financial statements

The management of the Company is responsible for the preparation and fair presentation of these financial statements in accordance with Accounting Standards for Business Enterprises. This includes the design, implementation and maintenance of internal control relevant to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

II. Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audits in accordance with the Chinese Auditing Standards. Those standards require that we comply with professional ethics, plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. An audit includes examining, on test basis, evidence supporting the amounts and disclosures in the financial statements. The testing methods and procedures are based on auditor's judgment, including the evaluation of the risk of material misstatement due to frauds or errors. When evaluating risk, we consider the internal control system in relating to financial statements in order to design auditing procedures, but not for the purpose of expressing an opinion on the system's effectiveness. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation.

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

III. Auditing opinion

In our opinion, the Company's financial statements have been prepared in accordance with the Accounting Standards for Business Enterprises, and they fairly present, in all material respects, the financial position of the Company as of 31

December 2012, and the results of its operations and its cash flows for year ended.

Chinese Certified Public Accountant: Ma Ning

Chinese Certified Public Accountant: Chen Wanjun

DaHua Certified Public Accountants
(Special General Partnership)

Beijing ·China
March 26, 2013

Hainan Pearl River Holding Company Limited
Consolidated Balance Sheet

31 December 2012

Expressed in Renminbi

Items	Notes	31-Dec-12	1-Jan-12
Current assets:			
Monetary funds	V.1	65,762,871.33	52,507,843.73
Financial assets held for trading			
Notes receivable			
Accounts receivable	V.2	9,889,336.96	7,047,354.39
Prepayments	V.3	148,283,887.61	76,803,784.89
Interest receivable			
Dividend receivable	V.4	260,015.00	260,015.00
Other receivables	V.5	314,281,649.69	305,101,592.12
Inventories	V.6	109,749,172.81	118,087,721.51
Non-current asset due within 1 year			
Other current assets			
Total current assets		648,226,933.40	559,808,311.64
Non-current assets:			
Available-for-sale financial assets	V.7	273,616,360.90	286,947,500.00
Held-to-maturity securities			
Long-term receivables			
Long-term equity investments	V.9	50,758,716.34	51,861,567.21
Investment real estates	V.10	25,308,707.14	26,736,246.75
Fixed assets	V.11	334,321,547.26	325,412,316.44
Construction in progress	V.12	34,908,625.06	17,949,172.88
Engineering material	V.13	606,206.60	606,206.60
Disposal of fixed assets			
Bearer biological assets			
Oil and gas assets			
Intangible assets	V.14	31,636,550.86	32,558,549.97
Expense on research and development			
Goodwill			
Long-term prepayments	V.15	25,380,625.96	10,069,867.95
Deferred income tax assets			
Other non-current asset			
Total non-current assets		776,537,340.12	752,141,427.80
Total assets		1,424,764,273.52	1,311,949,739.44

Corporate representative: Zheng Qing

Chief Accountant: Chen Binglian

Accounting Supervisor: Yang Daoliang

Hainan Pearl River Holding Company Limited

Consolidated Balance Sheet

31 December 2012

Expressed in Renminbi

Items	Notes	31-Dec-12	1-Jan-12
Current liabilities:			
Short-term loans	V.19	210,000,000.00	45,000,000.00
Financial liabilities held for trading			
Notes payable			
Accounts payable	V.20	20,503,123.52	22,624,982.35
Accounts received in advance	V.21	19,033,810.90	19,556,674.90
Accrued payroll	V.22	9,181,755.84	6,909,929.01
Taxes payable	V.23	2,205,732.91	3,581,099.43
Interest payable	V.24	112,552,231.11	99,701,134.38
Dividend payable	V.25	3,213,302.88	3,213,302.88
Other payables	V.26	379,871,030.04	349,335,603.33
Non-current liabilities due within 1 year	V.27	28,000,000.00	232,000,000.00
Other current liabilities			
Total current liabilities		784,560,987.20	781,922,726.28
Non-current liabilities:			
Long-term borrowings	V.28	341,000,000.00	81,000,000.00
Bonds payable			
Long-term payables			
Special payables			
Accrued liabilities			
Deferred income tax liabilities	V. 16	47,601,189.35	49,347,638.80
Other non-current liabilities			
Total non-current liabilities		388,601,189.35	130,347,638.80
Total liabilities		1,173,162,176.55	912,270,365.08
Owner's equity:			
Share capital	V.29	426,745,404.00	426,745,404.00
Capital surplus	V.30	521,946,157.17	530,451,655.97
Less:treasury stock			
Surplus reserves	V.31	109,487,064.39	109,487,064.39
Undistributed profits	V.32	-820,552,991.12	-693,679,376.16
Foreign currency translation differences			
Total owner's equity attributable to parent company		237,625,634.44	373,004,748.20
Minority interests		13,976,462.53	26,674,626.16
Total owner's equity		251,602,096.97	399,679,374.36
Total liabilities and owner's equity		1,424,764,273.52	1,311,949,739.44

Corporate representative:Zheng Qing

Chief Accountant:Chen Binglian

Accounting Supervisor: Yang Daoliang

Hainan Pearl River Holding Company Limited

Balance Sheet

31 Dec 2012

Expressed in Renminbi

Items	Notes	31-Dec-12	1-Jan-12
Current assets:			
Monetary funds		2, 641, 297. 45	515, 955. 59
Financial assets held for trading			
Notes receivable			
Accounts receivable	XI.1	2, 341, 351. 09	1, 233, 403. 30
Prepayments		50, 196, 666. 00	50, 000, 000. 00
Interest receivable			
Dividend receivable		260, 015. 00	260, 015. 00
Other receivables	XI.2	557, 322, 758. 74	401, 353, 832. 36
Inventories		4, 824, 035. 45	4, 824, 035. 45
Non-current asset due within 1 year			
Other current assets			
Total current assets		617, 586, 123. 73	458, 187, 241. 70
Non-current assets:			
Available-for-sale financial assets		273, 616, 360. 90	286, 947, 500. 00
Held-to-maturity securities			
Long-term receivables			
Long-term equity investments	XI.3	300, 108, 192. 64	301, 163, 618. 90
Investment real estates		7, 593, 413. 93	7, 895, 850. 53
Fixed assets		17, 446, 366. 12	19, 120, 348. 43
Construction in progress			
Engineering material			
Disposal of fixed assets			
Bearer biological assets			
Oil and gas assets			
Intangible assets		1, 553, 040. 60	1, 600, 704. 24
Expense on research and development			
Goodwill			
Long-term prepayments		16, 324, 363. 64	
Deferred income tax assets			
Other non-current asset			
Total non-current assets		616, 641, 737. 83	616, 728, 022. 10
Total assets		1, 234, 227, 861. 56	1, 074, 915, 263. 80

Corporate representative:Zheng Qing

Chief Accountant:Chen Binglian

Accounting Supervisor: Yang Daoliang

Hainan Pearl River Holding Company Limited

Balance Sheet

31 Dec 2012

Expressed in Renminbi

Items	Notes	31-Dec-12	1-Jan-12
Current liabilities:			
Short-term loans		210,000,000.00	
Financial liabilities held for trading			
Notes payable			
Accounts payable		2,482,949.70	2,482,949.70
Accounts received in advance		59,400.00	59,400.00
Accrued payroll		546,010.23	537,236.72
Taxes payable		-1,615,110.81	-2,478,194.48
Interest payable		81,573,212.53	69,588,108.07
Dividend payable		3,213,302.88	3,213,302.88
Other payables		295,396,790.14	347,896,763.31
Non-current liabilities due within 1 year			220,000,000.00
Other current liabilities			
Total current liabilities		591,656,554.67	641,299,566.20
Non-current liabilities:			
Long-term borrowings		178,000,000.00	
Bonds payable			
Long-term payables			
Special payables			
Accrued liabilities			
Deferred income tax liabilities		46,802,798.58	48,295,625.00
Other non-current liabilities			
Total non-current liabilities		224,802,798.58	48,295,625.00
Total liabilities		816,459,353.25	689,595,191.20
Owner's equity:			
Share capital		426,745,404.00	426,745,404.00
Capital surplus		524,962,496.71	533,467,995.51
Less:treasury stock			
Surplus reserves		109,487,064.39	109,487,064.39
Undistributed profits		-643,426,456.79	-684,380,391.30
Total owner's equity		417,768,508.31	385,320,072.60
Total liabilities and owner's equity		1,234,227,861.56	1,074,915,263.80

Corporate representative:Zheng Qing

Chief Accountant:Chen Binglian

Accounting Supervisor: Yang Daoliang

Hainan Pearl River Holding Company Limited

Consolidated Income Statement

Year ended 31 December 2012

Expressed in Renminbi

Items	Notes	2012	2011
I.Total operating income		204,015,077.79	233,145,578.90
Including: operating income	V.33	204,015,077.79	233,145,578.90
II.Total operating cost		353,778,344.81	274,162,006.16
Including: operating cost	V.33	148,466,568.80	147,356,459.09
Operating taxes and extras	V.34	14,526,326.37	21,722,074.58
Sales expenses	V.35	9,740,199.97	6,097,882.73
General and administrative expenses	V.36	112,934,701.50	78,495,572.48
Financial expenses	V.37	68,999,213.49	18,453,629.84
Loss of devaluation of assets	V.39	-888,665.32	2,036,387.44
Add: Changing income of fair value			
Investment income	V.38	23,778,536.27	-989,818.18
Including: investment income on affiliated company and joint venture		-1,102,850.87	-1,108,588.05
III.Operating profit		-125,984,730.75	-42,006,245.44
Add: Non-operating income	V.40	1,238,318.38	891,399.47
Less: Non-operating expenses	V.41	462,764.77	868,939.90
Including: disposal loss of non-current asset		32,329.59	174,148.32
IV.Total profit		-125,209,177.14	-41,983,785.87
Less: income tax	V.42	1,762,601.45	7,234,566.58
V.Net profit		-126,971,778.59	-49,218,352.45
Net profit attributable to parent company's owner		-126,873,614.96	-49,478,157.24
Profit and loss of minority interests		-98,163.63	259,804.79
VI.Earnings per share			
i.Basic earnings per share	V.43	-0.30	-0.12
ii.Diluted earnings per share	V.43	-0.30	-0.12
VII.Other integrated income	V.44	-8,505,498.80	-74,812,500.00
VIII.Total integrated income		-135,477,277.39	-124,030,852.45
Including: Total integrated income attributed to the owners of parent company		-135,379,113.76	-124,290,657.24
Total integrated income attributed to minority interests		-98,163.63	259,804.79

Corporate representative: Zheng Qing

Chief Accountant: Chen Binglian

Accounting Supervisor: Yang Daoliang

Hainan Pearl River Holding Company Limited

Income Statement

Year ended 31 December 2

Expressed in Renminbi

Items	Notes	2012	2011
I.Total operating income	XI.4	1,306,676.40	739,580.50
Less:Operating costs	XI.4	355,593.60	116,164.63
Operating taxes and extras		73,061.88	77,140.34
Sales expenses		2,968.00	15,000.00
General and administrative expenses		22,139,410.32	18,006,740.13
Financial expenses		49,219,727.27	13,293,779.01
Loss of devaluation of assets		4,779,329.19	-861,724.50
Add:Changing income of fair value			
Investment income	XI.5	116,225,960.88	-910,390.40
Including: investment income on affiliated company and joint venture		-1,055,426.26	-910,390.40
II.Operating profit		40,962,547.02	-30,817,909.51
Add: Non-operating income		0.37	
Less: Non-operating expenses		8,612.88	525,827.80
Including: disposal loss of non-current asset		5,069.70	16,112.15
III.Total profit		40,953,934.51	-31,343,737.31
Less: income tax			
IV.Net profit		40,953,934.51	-31,343,737.31
V.Earnings per share			
i.Basic earnings per share			
ii.Diluted earnings per share			
VI.Other integrated income		-8,505,498.80	-74,812,500.00
VII.Total integrated income		32,448,435.71	-106,156,237.31

Corporate representative:Zheng Qing

Chief Accountant:Chen Binglian

Accounting Supervisor: Yang Daoliang

Hainan Pearl River Holding Company Limited

Consolidated Cash Flow Statement

Year ended 31 December 2012

Expressed in Renminbi

Items	Notes	2012	2011
I.Cash flows from operating activities:			
Cash received from sales of goods or rendering of services		184,516,407.26	195,657,505.14
Refunds of taxes			
Cash received relating to other operating activities	V.45(1)	127,333,218.71	80,780,902.16
Subtotal of cash inflows		311,849,625.97	276,438,407.30
Cash paid for goods and services		60,548,683.17	65,207,561.49
Cash paid to and on behalf of employees		103,547,500.28	83,062,241.99
Payments of all types of taxes		22,263,356.60	61,622,263.26
Cash paid relating to other operating activities	V.45(2)	185,834,286.86	142,665,662.38
Subtotal of cash outflows		372,193,826.91	352,557,729.12
Net cash flows from operating activities	V.46(1)	-60,344,200.94	-76,119,321.82
II.Cash flows from investing activities:			
Cash received from return of investments		70,332,823.05	215,500,000.00
Cash received from return on investments		846,807.61	
Net cash received from the sale of fixed assets, intangible assets and other long-term assets		583,798.00	804,903.50
Net cash received from selling subsidiary company and joint venture			
Cash received relating to other investing activities	V.45(3)	8,718,575.65	35,026,093.04
Subtotal of cash inflows		80,482,004.31	251,330,996.54
Cash paid to acquire fixed assets, intangible assets and other long-term assets		104,065,692.61	47,572,150.93
Cash paid to acquire investments		77,000,000.00	287,970,000.00
Net cash paid to purchase subsidiary company and joint venture			
Cash paid relating to other investing activities	V.45(4)		
Subtotal of cash outflows		181,065,692.61	335,542,150.93
Net cash flows from investing activities		-100,583,688.30	-84,211,154.39
III.Cash flows from financing activities:			
Cash received from investments by others			4,900,000.00
Cash received from borrowings		608,300,000.00	124,000,000.00
Cash received relating to other financing activities		15,100,000.00	
Subtotal of cash inflows		623,400,000.00	128,900,000.00
Cash repayments of amounts borrowed		353,300,000.00	12,790,930.00
Cash paid for distribution of dividends or profits and for interest expenses		54,232,989.16	37,522,601.25
Cash paid relating to other financing activities	V.45(5)	41,684,094.00	2,125,000.00
Subtotal of cash outflows		449,217,083.16	52,438,531.25
Net cash flows from financing activities		174,182,916.84	76,461,468.75
IV.Effect of foreign exchange rate changes on cash			
V.Net increase in cash and cash equivalents		13,255,027.60	-83,869,007.46
Add:balance of cash and cash equivalents at the beginning of the year		52,507,843.73	136,376,851.19
VI.Balance of cash and cash equivalents at the end of the year		65,762,871.33	52,507,843.73

Corporate representative:Zheng Qing

Chief Accountant:Chen Binglian

Accounting Supervisor: Yang Daoliang



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Hainan Pearl River Holding Company Limited

Cash Flow Statement

Year ended 31 December 2012

Expressed in Renminbi

Items	Notes	2012	2011
I.Cash flows from operating activities:			
Cash received from sales of goods or rendering of services		1, 176, 199. 50	819, 245. 00
Refunds of taxes			
Cash received relating to other operating activities		6, 654, 727. 70	4, 166, 262. 33
Subtotal of cash inflows		7, 830, 927. 20	4, 985, 507. 33
Cash paid for goods and services			
Cash paid to and on behalf of employees		5, 112, 386. 75	4, 495, 003. 19
Payments of all types of taxes		581, 863. 22	2, 097, 282. 22
Cash paid relating to other operating activities		18, 251, 883. 42	13, 919, 448. 24
Subtotal of cash outflows		23, 946, 133. 39	20, 511, 733. 65
Net cash flows from operating activities	XI.6	-16, 115, 206. 19	-15, 526, 226. 32
II.Cash flows from investing activities:			
Cash received from return of investments		102, 632, 823. 05	217, 500, 000. 00
Cash received from return on investments		846, 807. 61	
Net cash received from the sale of fixed assets, intangible assets and other long-term assets			6, 000. 00
Net cash received from selling subsidiary company and joint venture			
Cash received relating to other investing activities		8, 718, 575. 65	30, 721, 904. 43
Subtotal of cash inflows		112, 198, 206. 31	248, 227, 904. 43
Cash paid to acquire fixed assets, intangible assets and other long-term assets		193, 089. 00	1, 383, 544. 00
Cash paid to acquire investments		232, 700, 000. 00	327, 700, 000. 00
Net cash paid to purchase subsidiary company and joint venture			
Cash paid relating to other investing activities			
Subtotal of cash outflows		232, 893, 089. 00	329, 083, 544. 00
Net cash flows from investing activities		-120, 694, 882. 69	-80, 855, 639. 57
III.Cash flows from financing activities:			
Cash received from investments by others			
Cash received from borrowings		498, 300, 000. 00	79, 000, 000. 00
Cash received relating to other financing activities			
Subtotal of cash inflows		498, 300, 000. 00	79, 000, 000. 00
Cash repayments of amounts borrowed		296, 300, 000. 00	790, 930. 00
Cash paid for distribution of dividends or profits and for interest expenses		34, 580, 475. 26	29, 009, 070. 00
Cash paid relating to other financing activities		28, 484, 094. 00	
Subtotal of cash outflows		359, 364, 569. 26	29, 800, 000. 00
Net cash flows from financing activities		138, 935, 430. 74	49, 200, 000. 00
IV.Effect of foreign exchange rate changes on cash			
V.Net increase in cash and cash equivalents		2, 125, 341. 86	-47, 181, 865. 89
Add:balance of cash and cash equivalents at the beginning of the year		515, 955. 59	47, 697, 821. 48
VI.Balance of cash and cash equivalents at the end of the year		2, 641, 297. 45	515, 955. 59

Corporate representative:Zheng Qing

Chief Accountant:Chen Binglian

Accounting Supervisor: Yang Daoliang



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Hainan Pearl River Holding Company Limited
Consolidated Statement of Changes in Equity

Year ended 31 December 2012

Expressed in Renminbi

Items	31 December 2012							Total owner's equity
	Total owner's equity attributable to parent company						Minority interests	
	Share capital	Capital reserves	Less:treasury stock	Surplus reserves	Undistributed profits	Others		
I.Amount at the end of last 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
1.Amount because the change of accounting policy								
2.Amount because correction of accounting error								
II.Amount at the beginning of this 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.Increment and decrement of this year		-8,505,498.80			-126,873,614.96		-12,698,163.63	-148,077,277.39
1.Net profit					-126,873,614.96		-98,163.63	-126,971,778.59
2.Profit and loss through owner's equity directly		-8,505,498.80						-8,505,498.80
(1) Net changing amount of fair value of available-for-sale financial assets		-8,505,498.80						-8,505,498.80
(2) Influence of other owner's equity change of invested enterprise under equity method								
(3) Relating income tax effect through owner's equity items								
(4) Other								
Subtotal of above 1 and 2		-8,505,498.80			-126,873,614.96		-98,163.63	-135,477,277.39
3.Owners invest or reduce capital								
(1) Owners invest capital								
(2) Share-based payment recorded into owner's equity								
(3) Other								
4. Profit distribution							-12,600,000.00	-12,600,000.00
(1) Draw surplus reserves								
(2) Draw common risk provision								
(3) Distribute to owners (shareholders)							-12,600,000.00	-12,600,000.00
(4) Other								
5. Inner rotation within owner's equity								
(1) Capital reserves transfer to share capital								
(2) Surplus reserves transfer to share capital								
(3) Surplus reserves offset loss								
(4) Other								
IV.Amount at the end of this year	426,745,404.00	521,946,157.17		109,487,064.39	-820,552,991.12		13,976,462.53	251,602,096.97

Corporate representative: Zheng Qing

Chief Accountant: Chen Binglian

Accounting Supervisor: Yang Daoliang

Consolidated Statement of Changes in Equity

Year ended 31 December 2012

Expressed in Renminbi

Items	2011							
	Total owner's equity attributable to parent company						Minority interests	Total owner's equity
	Share capital	Capital reserves	Less:treasury stock	Surplus reserves	Undistributed profits	Others		
I.Amount at the end of last year	426,745,404.00	605,264,155.97		109,487,064.39	-644,201,218.92		21,220,567.19	518,515,972.63
1.Amount because the change of accounting policy								
2.Amount because correction of accounting error								
II.Amount at the beginning of this year	426,745,404.00	605,264,155.97		109,487,064.39	-644,201,218.92		21,220,567.19	518,515,972.63
III.Increment and decrement of this year		-74,812,500.00			-49,478,157.24		5,454,058.97	-118,836,598.27
1.Net profit					-49,478,157.24		259,804.79	-49,218,352.45
2.Profit and loss through owner's equity directly		-74,812,500.00						-74,812,500.00
(1) Net changing amount of fair value of available-for-sale financial assets		-74,812,500.00						-74,812,500.00
(2) Influence of other owner's equity change of invested enterprise under equity method								
(3) Relating income tax effect through owner's equity items								
(4) Other								
Subtotal of above 1 and 2		-74,812,500.00			-49,478,157.24		259,804.79	-124,030,852.45
3.Owners invest or reduce capital							5,194,254.18	5,194,254.18
(1) Owners invest capital							4,900,000.00	4,900,000.00
(2) Share-based payment recorded into owner's equity								
(3) Other							294,254.18	294,254.18
4. Profit distribution								
(1) Draw surplus reserves								
(2) Draw common risk provision								
(3) Distribute to owners (shareholders)								
(4) Other								
5. Inner rotation within owner's equity								
(1) Capital reserves transfer to share capital								
(2) Surplus reserves transfer to share capital								
(3) Surplus reserves offset loss								
(4) Other								
IV.Amount at the end of this 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

Corporate representative: Zheng Qing

Chief Accountant: Chen Binglian

Accounting Supervisor: Yang Daoliang

Hainan Pearl River Holding Company Limited

Statement of Changes in Equity

Year ended 31 December 2012

Expressed in Renminbi

Items	31 December 2012					
	Share capital	Capital reserves	Less:treasury stock	Surplus reserves	Undistributed profits	Total owner's equity
I.Amount at the end of last year	426,745,404.00	533,467,995.51		109,487,064.39	-684,380,391.30	385,320,072.60
1.Amount because the change of accounting policy						
2.Amount because correction of accounting error						
II.Amount at the beginning of this year	426,745,404.00	533,467,995.51		109,487,064.39	-684,380,391.30	385,320,072.60
III.Increment and decrement of this year		-8,505,498.80			40,953,934.51	32,448,435.71
1.Net profit					40,953,934.51	40,953,934.51
2.Profit and loss through owner's equity directly		-8,505,498.80				-8,505,498.80
(1) Net changing amount of fair value of available-for-sale financial assets		-8,505,498.80				-8,505,498.80
(2) Influence of other owner's equity change of invested enterprise under equity method						
(3) Relating income tax effect through owner's equity items						
(4) Other						
Subtotal of above 1 and 2		-8,505,498.80			40,953,934.51	32,448,435.71
3.Owners invest or reduce capital						
(1) Owners invest capital						
(2) Share-based payment recorded into owner's equity						
(3) Other						
4. Profit distribution						
(1) Draw surplus reserves						
(3) Distribute to owners (shareholders)						
(4) Other						
5. Inner rotation within owner's equity						
(1) Capital reserves transfer to share capital						
(2) Surplus reserves transfer to share capital						
(3) Surplus reserves offset loss						
(4) Other						
6. Others						
IV.Amount at the end of this year	426,745,404.00	524,962,496.71		109,487,064.39	-643,426,456.79	417,768,508.31

Corporate representative: Zheng Qing

Chief Accountant: Chen Binglian

Accounting Supervisor: Yang Daoliang

Hainan Pearl River Holding Company Limited

Statement of Changes in Equity

Year ended 31 December 2012

Expressed in Renminbi

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

Corporate representative: Zheng Qing

Chief Accountant: Chen Binglian

Accounting Supervisor: Yang Daoliang

Hainan Pearl River Holding Company Limited

Notes on the Financial Statements for the Year ended 31 December 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. At the end of 2011, 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, 2012 to December 31, 2012.

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 in used to calculate the depreciation of fixed assets. The estimated useful lives, expected residual value and annual depreciation rate of various types fixed assets are listed as follows:

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

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

The company shall, at least at the end of each year, have a check on the useful life, expected residual value and the depreciation method of the fixed assets, and adjust them when necessary.

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

(3) Idle fixed assets

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

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

(4) Fixed assets under financing lease

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

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

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

15. Construction in progress

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

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

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

16. Borrowing Costs

Borrowing costs are interest and other related costs incurred by the Company in connection

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

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

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

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

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

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

(2) Where funds are borrowed under general-purpose borrowings, the Company shall determine the amount of interest to be capitalized by applying a capitalization rate to the weighted average of the excess amounts of cumulative expenditures on the asset over and above the amounts of specific-purpose borrowings. The capitalization rate shall be the weighted average of the interest rates applicable to the general-purpose borrowings.

17. Intangible assets

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

18. Long-term prepaid expenses

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

19. Contingencies liabilities

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

20. Revenue recognition

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

- a. the enterprise has transferred to the buyer the significant risks and rewards of ownership of the goods;
- b. the enterprise retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- c. the amount of revenue can be measured reliably;
- d. it is probable that the associated economic benefits will flow to the enterprise;
- e. the associated costs incurred or to be incurred can be measured reliably.

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

(2) Rendering of services

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

When the outcome of a transaction involving the rendering of services 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

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

(2) Notes for accounting estimates of previous period

Not applicable.

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

Not applicable.

III. Taxation

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

Category	Rate	Taxable base
Value-added tax	17%	Sales of goods or rendering of taxable services
Business tax	5%, 3%	Revenue of house property sale and lease, property management income and etc.
Business tax	3%	Revenue of culture and sports
Business tax	20%	Revenue of entertainment
City construction and maintenance tax	5%, 7%	Business tax and value-added tax
Education fee	3%	Business tax and value-added tax
Income tax	10%, 25%	Taxable income

Note: For the year 2012, except that income tax of companies in Mudanjiang Jingbohu Wanjia Hotel Co., Ltd is levied at

10% of taxable income, the income tax of other companies is levied at 25% of taxable income.

IV. Business combinations and consolidation financial statements

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

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

1. Subsidiaries established by the Company

Subsidiary's name	Registered address	Registered capital (RMB 0'000)	Principal activities	Holding proportion	Voting rights proportion	Amount invested by the Company (RMB 0'000)
Hainan Pearl River Properties and Hotels Management Co., Ltd.	Hainan Haikou	500	Properties and Hotels Management	98%	98%	490
Hainan Pearl River Environmental Projects Co., Ltd.	Hainan Haikou	100	Gardens engineering construction	100%	100%	100
Hainan Pearl River Estate Cleaning Company	Hainan Haikou	50	Cleaning projects	100%	100%	50
Hainan Pearl River Estate Machine Engineering Company	Hainan Haikou	150	Mechanical and electrical products sales	100%	100%	150
Hainan Pearl River Estate Marketing Co., Ltd.	Hainan Haikou	100	Real Estate Marketing Planning	100%	100%	100
Sanya Wanjia Hotel Management Co., Ltd.	Hainan Sanya	12,000	Hotel service	100%	100%	12,000
Hubei Pearl River Real Estate Development Co., Ltd.	Hubei Wuhan	6,500	Real estate development and management	88%	88%	5,720
Wuhan Pearl River Meilin Hotels Management Co., Ltd.	Hubei Wuhan	50	Service	100%	100%	50
Hainan Pearl River Enterprises Holding Co., Ltd. Shanghai Real Estate Co.	Shanghai	4,000	Real estate development and management	100%	100%	4,000
Beijing Jiubo Culture Development Co., Ltd.	Beijing	500	Cultural and sports services	100%	100%	500
Mudanjiang Pearl River Hotel Management Co., Ltd.	Mudanjiang	6,000	Hotel management	100%	100%	6,000
Mudanjiang Wanjia Star Hotel Co., Ltd.	Mudanjiang	50	Hotel service	100%	100%	50
Mudanjiang Jingbohu Wanjia Hotel Co., Ltd.	Mudanjiang	50	Hotel service	100%	100%	50
Shanghai Sea Pearl Property Management Co., Ltd.	Shanghai	US \$ 20	Property management	50%	50%	83
Hebei zhengshiqinghui Real Estate Development Co., Ltd.	Hebei Shijiazhuang	1,000	Real estate development and property services	51%	51%	510

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

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

V. Notes to significant items of the consolidated financial statements

1. Monetary funds

(1) Monetary funds disclosed by categories

Items	Dec 31, 2012	Jan 1, 2012
Cash	1,343,203.42	2,174,511.88
Bank deposit	64,325,194.75	50,327,357.51
Other monetary funds	94,473.16	5,974.34
Total	65,762,871.33	52,507,843.73

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

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

2. Accounts receivable

(1) Accounts receivable listed by categories

Categories	December 31, 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	38.01	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	10,663,566.80	52.23	775,879.84	7.28	7,596,153.44	42.06	645,638.32	8.50
Combined Subtotal	10,663,566.80	52.23	775,879.84	7.28	7,596,153.44	42.06	645,638.32	8.50
3.Other unimportant receivables but bad debts accounted individually	1,992,330.02	9.76	1,990,680.02	99.92	2,702,706.37	14.96	2,605,867.10	96.42
Total	20,417,604.42	100.00	10,528,267.46		18,060,567.41		11,013,213.02	

(2) Aging analysis

Ages	31 Dec 2012			1 Jan 2012		
	Balance	Proportion (%)	Bad debts	Balance	Proportion (%)	Bad debts
Within 1 year	8,041,123.18	75.42	160,822.45	6,285,843.87	82.74	125,674.50
1-2 years	1,322,599.05	12.40	66,129.96	115,202.15	1.52	5,760.11
2-3 years	104,737.15	0.98	10,473.72	106,000.00	1.40	10,600.00
3-4years	106,000.00	0.99	21,200.00	136,500.00	1.80	27,300.00

Ages	31 Dec 2012			1 Jan 2012		
4-5years	136,500.00	1.28	40,950.00			
Over 5 years	952,607.42	8.93	476,303.71	952,607.42	12.54	476,303.71
Total	10,663,566.80	100.00	775,879.84	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	11.78
Hainan Baoping company	Unrelated Client	2,218,494.43	over 5 years	10.87
Hainan centaline property agency	Unrelated Client	2,090,069.77	over 5 years	10.24
Haikou Shengde elegant house decoration engineering Co., LTD	Unrelated Client	1,365,166.45	Within 1 year	6.69
Hainan dragon film studio	Unrelated Client	1,046,985.40	over 5 years	5.13

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

(5) There exists no situation in which there are receivables that are transferred back or paid back in full or in large percentage during the current accounting period (January 1, 2012- December 31, 2012) provided that those receivables have already been made bad debt provision in full or in large percentage previously in the past accounting period.

(6) The account receivables has been written off in the reporting period.

Name	nature of account receivables	amount	Written off reason	Whether belongs to related transaction
The bohai sea travel agency	consumption	5.00	Irrecoverable	No
Harbin kangtai CITS	consumption	560.00	Irrecoverable	No
Total		565.00		

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

3. Prepayments

(1) Aging analysis

Ages	31 Dec 2012		1 Jan 2012	
	Balance	Proportion (%)	Balance	Proportion (%)
Within 1 year	87,955,758.27	59.32	23,848,719.79	31.05
1-2 years	7,858,155.28	5.30	50,367,143.59	65.58
2-3 years	50,017,551.10	33.73	667,741.57	0.87

Ages	31 Dec 2012		1 Jan 2012	
Over 3 years	2,452,422.96	1.65	1,920,179.94	2.50
Total	148,283,887.61	100.00	76,803,784.89	100.00

(2) Top five units of prepayments

Company's Name	Relationship	Amounts	Ages	Unsettled reason
Mudanjiang in heilongjiang province forestry engineering company	Unrelated Client	53,094,831.34	Within 1 year	The project is not complete yet.
Haikou Hongzhou Real Estate Development Co., Ltd	Unrelated Client	50,000,000.00	2-3 years	Pre-paid property purchase payment
Dahailin Forestry Bureau	Unrelated Client	5,396,469.00	1-2 years	The project is not complete yet.
South luoling village council	Unrelated Client	3,000,000.00	Within 2 years	Pre-paid compensation for demolition
Heilongjiang Juncheng timber structure Co., Ltd	Unrelated Client	2,130,308.35	1-2 years	The project is not complete yet.
Total		113,621,608.69		

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	Dec 31, 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.	Over 3 years	260,015.00	The investee confronts the problem of tight budget.	None
Total		260,015.00		

5. Other receivables

(1) Others receivable listed by categories

Categories	Dec 31, 2012	Jan 1, 2012
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	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	28,278,479.90	7.84	25,978,479.90	7.84	25,978,479.90	7.38	25,978,479.90	100.00
2. Bad debt accounted by the combinations								
Age Combinations	325,199,118.19	90.18	15,993,873.77	90.18	319,808,779.78	90.09	16,072,774.33	5.03
Combined Subtotal	325,199,118.19	90.18	15,993,873.77	90.18	319,808,779.78	90.09	16,072,774.33	5.03
—、Other unimportant receivables but bad debts accounted individually	7,126,854.84	1.98	4,350,449.57	1.98	6,041,420.44	1.72	4,675,833.77	77.40
Total	360,604,452.93		46,322,803.24		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	31 Dec 2012			1 Jan 2012		
	Balance	Proportion (%)	Bad debts	Balance	Proportion (%)	Bad debts
Within 1 year	103,336,115.00	31.78	2,066,722.30	261,835,652.15	81.87	5,236,713.04
1-2 years	206,378,826.84	63.46	10,318,941.35	40,231,432.94	12.58	2,011,571.65
2-3 years	10,324,919.34	3.18	1,032,491.93	5,838.21		583.82
3-4years	2,531.21		506.24	15,754.78		3,150.90
4-5 years	15,754.78		4,726.44	196,479.49	0.07	58,943.80
Over 5 years	5,140,971.02	1.58	2,570,485.51	17,523,622.21	5.48	8,761,811.12
Total	325,199,118.19	100.00	15,993,873.77	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	177,000,000.00	1-2 years	49.08
Beijing Kangtai Xingye Investment Co.,Ltd	Unrelated Party	100,000,000.00	1-2 years	27.73
Hainan Pearl River Guanzhuang Co., Ltd.	Unrelated Party	7,956,731.68	1-3years	2.21
Hunan Railway Linkon group Technology Development Center	Unrelated Party	7,020,000.00	Within 1 year	1.95
Shenzhen Yinxia Computer Co., Ltd	Unrelated Party	6,482,625.00	Over 5 years	1.80

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 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.

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

6. Inventories

(1) Inventories category

Items	Dec 31, 2012			Jan 1, 2012		
	Ending Balance	Provision for Inventory	Book value	Ending Balance	Provision for Inventory	Book value
Raw materials	4,027,601.00		4,027,601.00	4,232,624.93		4,232,624.93
Low-value consumption goods:	778,636.32		778,636.32	880,919.41		880,919.41
Finished goods	481,055.90		481,055.90	309,086.29		309,086.29
Constructing development product	55,244,449.87		55,244,449.87	51,135,927.01		51,135,927.01

Items	Dec 31, 2012			Jan 1, 2012		
	Ending Balance	Provision for Inventory	Book value	Ending Balance	Provision for Inventory	Book value
Development products	71,226,465.81	22,156,987.01	49,069,478.80	83,686,150.88	22,156,987.01	61,529,163.87
Consumptive biological assets	147,950.92		147,950.92			
Total	131,906,159.82	22,156,987.01	109,749,172.81	140,244,708.52	22,156,987.01	118,087,721.51

(2) Inventories impairment provision

Items	1 Jan 2012	Increment	Decrement		31 Dec 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: the yearend Inventories used as mortgage or collateral holds a book value of 4,824,035.45 Yuan. Details about Assets with restricted ownership refer to 'Notes V18'.

7. Available for sales financial assets

Available for sales financial assets listed by categories

Items	Fair value at Dec 31, 2012	Fair value at Jan 1, 2012
Available for sales equity instrument	273,616,360.90	286,947,500.00
Total	273,616,360.90	286,947,500.00

Note: The Company holds 33,250,000 shares of stock of Southwest Securities. The yearend book value is RMB 39,127,562.13, while the market price is RMB 8.93 per share.

8. Joint investment and joint venture investment

Joint venture investment

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

Name	Ending Balance of Total Assets	Ending Balance of Total Liabilities	Ending Balance of Net Assets	Operating Income	Net profit
Sanya Wanjia Enterprises Holding Co., Ltd	92,424,342.13	1,182,135.28	91,242,206.85		-2,638,565.64
Beijing Found Vision Media Co., Ltd.	2,945,789.38	6.00	2,945,783.38		-54,216.62
Beijing Sunshine Tiansheng Property Management Co., Ltd.	10,434,498.45	5,922,943.80	4,511,554.65	9,006,359.72	-69,528.23

9. Long-term Equity Investment

Name	Accounting Method	Initial investment Cost	Beginning Balance	Increase or decrease	Ending Balance	Percentage of equity interest (%)	Percentage of right vote (%)	Impairment loss provision	Current impairment loss
Sanya Wanjia Enterprises Holding Co., Ltd.	Equity Method	40,000,000.00	37,552,309.00	-1,055,426.26	36,496,882.74	40	40		
Beijing Found Vision Media Co., Ltd.	Equity Method	1,470,000.00	1,470,000.00	-26,566.14	1,443,433.86	49	49		
Beijing Sunshine Tiansheng Property Management Co., Ltd.	Equity Method	1,500,000.00	1,427,948.31	-20,858.47	1,407,089.84	30	30		
Subtotal for Equity Method		42,970,000.00	40,450,257.31	-1,102,850.87	39,347,406.44				
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	
Subtotal for Cost Method		36,943,555.29	36,943,555.29		36,943,555.29			25,532,245.39	
Total		79,913,555.29	77,393,812.60	-1,102,850.87	76,290,961.73			25,532,245.39	

10. Investment real estates

Items	1 Jan 2012	Increment	Decrement	31 Dec 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	1,168,098.71	62,621.88	5,394,945.18

Items	1 Jan 2012	Increment	Decrement	31 Dec 2012
Buildings and structures	4,289,468.35	1,168,098.71	62,621.88	5,394,945.18
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			25,308,707.14
Buildings and structures	26,736,246.75			25,308,707.14

Note: 1.The depreciation cost of this period was RMB 1,168,098.71 Yuan.

2. the yearend Buildings and structures used as mortgage or collateral holds a book value of 7,593,413.93

Yuan.Details about Assets with restricted ownership refer to ‘Notes V18’.

11. Fixed assets

Items	1 Jan 2012	Increment	Decrement	31 Dec 2012
I. Original value	444,369,015.01	40,300,478.35	4,581,546.73	480,087,946.63
Buildings and structures	313,703,207.36	17,063,113.30		330,766,320.66
Vehicles	27,968,677.63	13,063,559.00	947,750.00	40,084,486.63
General equipments	52,208,111.09	4,497,961.56		56,706,072.65
Other equipments	50,489,018.93	5,675,844.49	3,633,796.73	52,531,066.69
II. Accumulated depreciation	111,457,402.65	28,739,261.95	1,929,561.15	138,267,103.45
Buildings and structures	44,613,906.30	12,153,254.84		56,767,161.14
Vehicles	11,238,685.63	4,561,170.05	660,133.12	15,139,722.56
General equipments	26,380,113.59	3,677,998.31		30,058,111.90
Other equipments	29,224,697.13	8,346,838.75	1,269,428.03	36,302,107.85
III. Impairment provision	7,499,295.92	—	—	7,499,295.92
Buildings and structures	7,499,295.92	—	—	7,499,295.92
Vehicles		—	—	
General equipments		—	—	
Other equipments		—	—	
IV. Book value	325,412,316.44	—	—	334,321,547.26
Buildings and structures	261,590,005.14	—	—	266,499,863.60
Vehicles	16,729,992.00	—	—	24,944,764.07
General equipments	25,827,997.50	—	—	26,647,960.75
Other equipments	21,264,321.80	—	—	16,228,958.84

Note: 1.The depreciation cost of this period was RMB 28,739,261.95 Yuan.

2. the yearend Buildings and structures used as mortgage or collateral holds a book value of 250,624,140.54

Yuan.Details about Assets with restricted ownership refer to ‘Notes V18’.

12. Construction in progress

Project name	31 Dec 2012			1 Jan 2012		
	Ending Balance	Impairment loss provision	Book value	Ending Balance	Impairment loss provision	Book value

Project name	31 Dec 2012			1 Jan 2012		
	Ending Balance	Impairment loss provision	Book value	Ending Balance	Impairment loss provision	Book value
Central heating station of Snow town	6,361,888.00		6,361,888.00			
Little Train 550	5,648,964.09		5,648,964.09	5,648,964.09		5,648,964.09
Little Train 400	4,180,000.00		4,180,000.00	4,000,000.00		4,000,000.00
Earlier stage of Snow town Project	2,194,595.49		2,194,595.49	2,194,595.49		2,194,595.49
Studio project of Er'long Mountain	955,000.00		955,000.00	149,000.00		149,000.00
Snow town impression	680,000.00		680,000.00			
Ski Equipment building project of yangcao Mountain	286,100.00		286,100.00			
Forest Park area projects	250,000.00		250,000.00	250,000.00		250,000.00
National Forest Park Of Snow town	200,000.00		200,000.00			
Expansion project of Snow town	96,000.00		96,000.00	96,000.00		96,000.00
River side Staff Residence				788,613.30		788,613.30
Family hotel of Snow town	654,800.50		654,800.50			
Electronic project of acting tent				80,000.00		80,000.00
Lake Hotel				4,742,000.00		4,742,000.00
Indirect cost	13,339,824.98		13,339,824.98			
Ski Equipment building project of double peak	41,452.00		41,452.00			
Fire-fighting equipment of Staff Residence	20,000.00		20,000.00			
Total	34,908,625.06		34,908,625.06	17,949,172.88		17,949,172.88

Note: Indirect cost includes indirect financing cost 12,629,824.98 Yuan.

13. Engineering Materials

Items	1 Jan 2012	Increment	Decrement	31 Dec 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	31 Dec 2012
I. Original value	38,511,442.93	256,621.00		38,768,063.93
Software	1,584,757.28	256,621.00		1,841,378.28
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

Items	1 Jan 2012	Increment	Decrement	31 Dec 2012
II.Accumulative amortization	5,041,492.96	1,178,620.11		6,220,113.07
Software	494,796.17	258,534.43		753,330.60
Land use right	4,502,283.87	899,587.40		5,401,871.27
Zhenghe membership of Sanya Hongzhou International Yacht Club	44,412.92	20,498.28		64,911.20
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	—	—	31,636,550.86
Software	1,089,961.11	—	—	1,088,047.68
Land use right	31,033,001.78	—	—	30,133,414.38
Zhenghe membership of Sanya Hongzhou International Yacht Club	435,587.08	—	—	415,088.80
Golf membership of Nanli Lake		—	—	

Note: 1. The amortization of this year is 1,178,620.11 Yuan.

2. The yearend land use right used as mortgage or collateral holds a book value of 28,380,785.82 Yuan. More details are explained at “Note V.18”.

15. Long-term prepayments

Items	1 Jan 2012	Increment	Amortization	Other decrements	31 Dec 2012
Decoration	4,756,538.62	1,266,115.00	1,093,384.76	1,383,166.60	3,546,102.26
Ski rental fee	4,800,000.00		900,000.00		3,900,000.00
Technical service fee	513,329.33		140,004.00		373,325.33
Financial consulting fee		18,000,000.00	2,250,000.00		15,750,000.00
Advertisement fee of Snow town		308,000.00	56,466.63		251,533.37
Rental fee of fishpond		610,000.00	10,166.67		599,833.33
Use fee of Ski Course		976,100.00	16,268.33		959,831.67
Total	10,069,867.95	21,160,215.00	4,466,290.39	1,383,166.60	25,380,625.96

16. Deferred income tax asset and deferred income tax liability

(1) Identified deferred income tax liability

Items	31 Dec 2012	1 Jan 2012
Deferred income tax liability:	47,601,189.35	49,347,638.80
Changes on the fair value of available for sales financial assets credited to capital reserves	46,802,798.58	48,295,625.00
Difference between fair value and the book value of net assets of purchased unit as business combination	798,390.77	1,052,013.80

(2) Unrecognized deferred income tax asset

Items	31 Dec 2012	1 Jan 2012
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Items	31 Dec 2012	1 Jan 2012
Deductible temporary differences	116,383,926.62	117,273,156.94
Deductible losses	167,540,800.45	57,872,511.92
Total	283,924,727.07	175,145,668.86

17. Assets impairment provision

Items	1 Jan 2012	Increment	Decrement			31 Dec 2012
			Transfer back	Write off	Other Decrement	
Bad debt provision	57,740,301.02	6,316,653.02	7,205,318.34	565.00		56,851,070.70
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	6,316,653.02	7,205,318.34	565.00		116,383,926.62

18. Assets with restricted ownership

Items	Assets name	Amount	Remark
Current assets:			
Development product	21/F, Longzhu Building	1,048,080.60	It has been mortgaged to the Mortgagee for loan 12 million Yuan (Haikou Property right certificate No. 17606).
Development product	6/F,Dijing Building	3,775,954.85	It has been mortgaged to the Mortgagee for loan 12 million Yuan (Property right certificate No. 21126).
Investment real estates:			
Buildings and structures	West of fifth floor, Podium Building Of Pearl River Square	7,593,413.93	It has been mortgaged to the Mortgagee for loan 12 million Yuan (Haikou Property right certificate No. 17815).
Fixed assets:			
Buildings and structures	Main Building of Days Hotel & Suites Sanya Resort	176,538,064.29	It has been mortgaged to the Bank of China Hainan Yeshumeng branch for loan 110 million Yuan (Contract No.G004-1).
Buildings and structures	Hotel Villa A, B & C	8,299,856.28	It has been mortgaged to the Bank of China Hainan Yeshumeng branch for loan 110 million Yuan (Contract No.G004-1).
Buildings and structures	Hailin Wanjia Snowtown Holiday Hotel& Staff Residence	60,580,177.93	It has been mortgaged to Heilongjiang Xinzheng Investment Guarantee Group Co., Ltd for loan 110 million Yuan (Property right certificate No as follow No:23141202100002, 23141202100003, 23141202100006, 23141202100007).
Buildings and structures	29/F, Imperial Mansion of Pearl River Square	4,113,988.04	it has been mortgaged to the Mortgagee for loan 12 million Yuan (Property right certificate No. 21093).

Items	Assets name	Amount	Remark
Buildings and structures	22/F, Longzhu Mansion & Northeast of the third floor	1,092,054.00	it has been mortgaged to the Mortgagee for loan 12 million Yuan (Property right certificate No. 17606).
Intangible assets:			
Land use rights	Main Building of Days Hotel & Suites Sanya Resort	25,690,323.68	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	1,553,040.60	It has been mortgaged to the Bank of China Hainan Yeshumeng branch for loan 110 million Yuan (Contract No.G004-2).
Land use rights	Hailin Wanjia Snowtown Holiday Hotel& Staff Residence	1,137,421.54	It has been mortgaged to Heilongjiang Xinzheng Investment Guarantee Group Co., Ltd for loan 110 million Yuan (Property right certificate NO as follow: No. 25100044, 25100058, 25100322,25100323).
3. Pledged assets			
Available for sales financial assets	29.75 millions Shares of Southwest Security	273,616,360.90	It has been mortgaged to Chongqing Trust Co., Ltd. for the loan of 220 million Yuan (Contract No. JLXT2009A018).
Total		565,038,736.64	

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

19. Short-term loan

1. Short-term loan disclosed by categories

Category	31 Dec 2012	1 Jan 2012
Guaranteed loans		45,000,000.00
Pledge loans	210,000,000.00	
Total	210,000,000.00	

2. Pledge related issues

Lender	Loan amount	Pledge
Chongqing International Trust Co., Ltd	210,000,000.00	29.75 million shares of unrestricted stock of Southwest Securities held by the Company
Total	210,000,000.00	

20. Accounts payable

Ages	Dec 31, 2012		Jan 1, 2012	
	Ending Balance	Percentage (%)	Opening Balance	Percentage (%)
Within 1 year	6,406,466.62	31.25	6,366,825.29	28.14
1 to 2 years	314,342.09	1.53	8,478,035.44	37.47
2 to 3 years	6,223,495.32	30.35	52,270.02	0.23
3 years and more	7,558,819.49	36.87	7,727,851.60	34.16
Total	20,503,123.52	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	Dec 31, 2012	Jan 1, 2012
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	Ending Balance	Percentage (%)	Opening Balance	Percentage (%)
Within 1 year	18,175,760.12	95.49	18,272,805.52	93.44
Over 1 year	858,050.78	4.51	1,283,869.38	6.56
Total	19,033,810.90	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	31 Dec 2012
I. Salary, bonus, allowance	1,935,954.85	87,582,887.68	86,797,547.99	2,721,294.54
II. Employee Welfare expenses		10,140,479.26	10,140,479.26	
III. Social insurance		11,186,615.40	11,186,615.40	
Where: 1) Medical insurance		3,111,644.82	3,111,644.82	
2) Endowment insurance		6,865,446.15	6,865,446.15	
3) Unemployment insurance		770,040.55	770,040.55	
4) Working accident insurance		220,471.29	220,471.29	
5) Maternity insurance		219,012.59	219,012.59	
IV. Housing accumulation fund		1,211,355.38	1,211,355.38	
V. Labor union fees& Employee education fees	4,973,974.16	2,287,251.49	800,764.35	6,460,461.30
VI. Non-monetary welfares				
VII. Compensation for dismissal		28,600.00	28,600.00	
VIII. Others		5,897.10	5,897.10	
Total	6,909,929.01	112,443,086.31	110,171,259.48	9,181,755.84

23. Taxes payable

Items	31 Dec 2012	Jan 1, 2012
VAT	-112,925.00	
Individual income tax	68,706.10	93,214.78
City construction and maintenance tax	128,660.39	78,133.99
Corporate income tax	-383,007.76	3,257,663.34
Property tax	168,966.90	159,789.20
Business tax	1,571,990.12	800,387.80
Land use tax	79,762.62	10,507.33
Increment tax on land value	528,297.19	-823,648.69
Educational surtax	-48,416.93	-64,539.01
Others	203,699.28	69,590.69
Total	2,205,732.91	3,581,099.43

24. Interest payable

Item	31 Dec 2012	Jan 1, 2012
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Long-term loan		6,991,111.11
Short-term loan	4,937,222.23	
Company loan	96,988,987.39	82,084,001.78
Entrusted loan	10,449,888.49	10,449,888.49
Others	176,133.00	176,133.00
Total	112,552,231.11	99,701,134.38

Note: Details refer to Note VI.4.

25. Dividend payable

Investor	31 Dec 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	31 Dec 2012		Jan 1, 2012	
	Ending Balance	Percentage (%)	Opening Balance	Percentage (%)
Within 1 year	91,185,835.59	24.00	80,879,156.75	23.15
1 to 2 years	14,463,245.93	3.81	13,909,907.32	3.98
2 to 3 years	28,936,036.85	7.62	115,919,765.06	33.18
3 years and more	245,285,911.67	64.57	138,626,774.20	39.69
Total	379,871,030.04	100.00	349,335,603.33	100.00

Note 1: Among the balance of the period end, there are no loans of shareholders holding over 5% of the Company's equity (including 5%). Details refer to "Notes VI. Related party relationship and transactions".

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

27. Non-current liabilities due within one year

1. Disclose by category

Category	31 Dec 2012	Jan 1, 2012
Long-term loans due within one year	28,000,000.00	232,000,000.00
Total	28,000,000.00	232,000,000.00

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

Category	31 Dec 2012	Jan 1, 2012
Pledge loans		220,000,000.00
Mortgage loans	13,000,000.00	12,000,000.00
Guaranteed loans	15,000,000.00	
Total	28,000,000.00	232,000,000.00

28. Long-term borrowings

(1). Long-term borrowings listed by categories

Category	31 Dec 2012	Jan 1, 2012
Pledge loans		220,000,000.00
Mortgage loans	259,000,000.00	93,000,000.00
Guaranteed loans	110,000,000.00	
Less: Long-term loans due within one year	28,000,000.00	232,000,000.00
Total	341,000,000.00	81,000,000.00

(2). Loan details

Lender	Loan starting date	Loan due date	Currency	Interest rate (%)	31 Dec 2012	Jan 1, 2012
Chongqing International Trust Co., Ltd	2012-9-27	2014-9-26	RMB	10.71%	178,000,000.00	
Bank of China, Haikou Yeshumen Branch	2009-8-2	2019-8-2	RMB	10% upward-floating of benchmark interest rate	81,000,000.00	93,000,000.00
China construction bank Mudanjiang Branch	2012-1-12	2019-1-11	RMB	10% upward-floating of benchmark interest rate	110,000,000.00	
Total					369,000,000.00	93,000,000.00

(3). Mortgage loan details

Lender	Loan amount	Mortgagor/mortgage
Bank of China, Haikou Yeshumen Branch	81,000,000.00	There properties owned by Sanya Wanjia Hotel Management Co., Ltd
Chongqing International Trust Co., Ltd	178,000,000.00	The same as above
Total	259,000,000.00	

(4). Guaranteed loan details

Lender	Loan amount	Mortgagor/mortgage
China construction bank Mudanjiang Branch	110,000,000.00	Heilongjiang Xinzheng Guarantee CO.,Ltd.
Total	110,000,000.00	

29. Share capital

Items	1 Jan 2012	Increment or decrement (+,-)					31 Dec 2012
		issued new shares	Bonus issue	Surplus converted	others	subtotal	
1. Unlisted shares	1,325,131.00						1,325,131.00

Unit: share

Items	1 Jan 2012	Increment or decrement (+,-)					31 Dec 2012
		issued new shares	Bonus issue	Surplus converted	others	subtotal	
State owned shares							
Other domestic shares	1,325,131.00						1,325,131.00
Including: Domestic corporate shares	1,299,500.00						1,299,500.00
Domestic natural person shares	25,631.00						25,631.00
2. Listed shares	425,420,273.00						425,420,273.00
A shares	360,445,273.00						360,445,273.00
B shares	64,975,000.00						64,975,000.00
3. Total shares	426,745,404.00						426,745,404.00

30. Capital surplus

Items	1 Jan 2012	Increment	Decrement	31 Dec 2012
Capital reserve spill price	224,960,139.16			224,960,139.16
Others capital surplus	305,491,516.81		8,505,498.80	296,986,018.01
-Including: Old capital surplus converted into	109,300,017.82		8,505,498.80	109,300,017.82
-Changes on fair value of available for sales financial assets	196,191,498.99			187,686,000.19
Total	530,451,655.97		8,505,498.80	521,946,157.17

31. Surplus reserves

Items	31 Dec 2012	1 Jan 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	-126,873,614.96	
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	-820,552,991.12	

33. Operating income and operating costs

(1) Operating income

Items	Year 2012	Year 2011
Main operating business income	200,360,161.06	230,786,621.10
Other operating business income	3,654,916.73	2,358,957.80
Total	204,015,077.79	233,145,578.90

(2) Operating costs

Items	Year 2012	Year 2011
Main operating business costs	146,952,526.67	146,167,113.12
Other operating business costs	1,514,042.13	1,189,345.97
Total	148,466,568.80	147,356,459.09

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

Items	Year 2012		Year 2011	
	Main operating business income	Main operating business costs	Main operating business income	Main operating business costs
Real estate sales	26,250,025.00	13,057,502.85	77,589,652.00	36,335,855.57
Property management services	116,413,101.44	99,746,274.72	98,919,006.92	85,497,388.16
Tourist hotel services	57,697,034.62	34,148,749.10	54,277,962.18	24,333,869.39
Total	200,360,161.06	146,952,526.67	230,786,621.10	146,167,113.12

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

Location	Year 2012		Year 2011	
	Main operating business income	Main operating business costs	Main operating business income	Main operating business costs
Hubei	26,250,025.00	13,057,502.85	77,990,402.00	36,715,006.61
Heilongjiang	19,257,210.09	14,553,278.09	15,726,520.14	4,847,247.37
Hainan	152,230,031.27	119,321,019.98	134,764,630.56	104,565,146.74
Shanghai	2,622,894.70	20,725.75	2,261,693.40	17,112.40
Total	200,360,161.06	146,952,526.67	230,786,621.10	146,167,113.12

34. Operating taxes and extras

Items	Year 2012	Year 2011
City construction and maintenance tax	691,567.39	805,789.97
Education fee	183,014.75	549,517.94
Business tax	10,658,418.3	12,639,715.94
Land value-added tax	2,560,325.50	7,430,257.74
Others	433,000.35	296,792.99
Total	14,526,326.29	21,722,074.58

35. Operating expenses

Items	Year 2012	Year 2011
Payroll expense	3,531,748.24	582,641.22
Hotel operating expense	276,446.53	294,277.09
Consignment commission charge	669,002.00	1,705,963.00
Advertising fees	1,206,511.36	2,366,897.68
other selling expenses	4,056,491.84	1,148,103.74
Total	9,740,199.97	6,097,882.73

36. General and administrative expenses

Items	Year 2012	Year 2011
Payroll expense	25,095,743.55	17,425,196.36
Depreciation expense	27,798,568.17	24,477,971.19
Business entertainment	9,630,351.22	8,448,952.82
Taxation expenses	2,715,429.35	2,536,322.91
Other expenses	47,694,609.21	25,607,129.20
Total	112,934,701.50	78,495,572.48

37. Financial expenses

Items	Year 2012	Year 2011
Interest exchange	57,288,136.91	52,859,217.64
Less: interest revenue	3,201,809.22	34,970,532.86
Foreign exchange loss	6,885.97	845.77
Less: exchange gain		
Finance consult fees	8,550,000.00	
Financing fees	4,989,600.00	
Others	1,366,399.83	564,099.29
Total	68,999,213.49	18,453,629.84

38. Investment income

Items	Year 2012	Year 2011
Long-term equity investment income accounted by Costs Method		118,769.87
Long-term equity investment income accounted by Equity Method	-1,102,850.87	-1,108,588.05
Investment income of disposal available for sale financial assets	24,000,009.17	
Others	881,377.97	
Total	23,778,536.27	-989,818.18

39. Impairment Loss of Assets

Items	Year 2012	Year 2011
Bad debts impairment loss	-888,665.32	2,036,387.44
Inventories impairment loss		
Total	-888,665.32	2,036,387.44

40. Non-operating income

Details of non-operating income

Items	Year 2012	Year 2011
Gain on disposal of non-current assets	804,930.40	338,374.19
Gains on debt restructure		
Others	433,387.98	553,025.28
Total	1,238,318.38	891,399.47

41. Non-operating expenses

Items	Year 2012	Year 2011
Loss on disposal of fixed assets	32,329.59	174,148.32
Donation	220,000.00	520,000.00
Indemnity for breaking a contract		
Others	210,435.18	174,791.58
Total	462,764.77	868,939.90

42. Income tax

Items	Year 2012	Year 2011
Income tax this year	2,016,224.48	7,234,566.58
Deferred income tax	-253,623.03	
Total	1,762,601.45	7,234,566.58

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

Item	Code	Year 2012	Year 2011
Net profits that belong to the common shareholders during the reporting period	P0	-126,873,614.96	-49,478,157.24
Extraordinary profits and losses that belong to the common shareholders during the reporting period	A	29,114,783.68	32,599,607.76
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	-155,988,398.64	-82,077,765.00
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		

Item	Code	Year 2012	Year 2011
Incremental shares caused by issuing new shares or debt-equity conversion	Si		
Number of shares increased from the next month until the end of the reporting period	Mi		
Number of shares reduced caused by repurchasing during the reporting period	Sj		
Number of shares reduced from the next month until the end of the reporting period	Mj		
Shrinking number of shares during the reporting period	Sk		
Total months during the reporting period	M0	12.00	12.00
The weighted average of the common stock issued	$S=S0+S1+Si*Mi/M0-Sj*Mj/M0-Sk$	426,745,404.00	426,745,404.00
Earnings per share before taking off extraordinary profits and losses	$Y1=P0/S$	-0.30	-0.12
Earnings per share after taking off extraordinary profits and losses	$Y2=P1/S$	-0.37	-0.19
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	$Y3=(P0+B1)/(S+C)$	-0.30	-0.12
Diluted earnings per share after taking off the effect of extraordinary profits and losses	$Y4=(P1+B1+B2)/(S+C)$	-0.37	-0.19

44. Other comprehensive income

Items	Year 2012	Year 2011
Profits and losses generated by available for sale financial assets	9,722,119.40	-99,750,000.00
Deduce: income tax impacts caused by available for sale financial assets	2,430,529.86	-24,937,500.00
Net realized Comprehensive income that has been recorded in profit or loss in the current period	-15,797,088.34	
Total	-8,505,498.80	-74,812,500.00

45. Information of cash flow statement

(1) Cash received relating to other operating activities

Items	Year 2012	Year 2011
Funds received from Beijing Kangqiao Yangguang Asset Management Company	93,500,000.00	57,757,700.00

Funds received from Zhong Shi Investment CO.,Ltd.	1,900,000.00	
Funds received from Hebei Qinhuigui chemical fertilizer Co.,Ltd.	7,000,000.00	
Funds received from Beijing Guan Tang Rui Zi Property Management Company		8,000,000.00
Funds received from Mudanjiang Construction Group		7,000,000.00
Utility Bills		5,600,984.29
Other monetary exchanges between enterprises	24,679,809.76	1,846,594.17
Interest income	253,408.95	575,623.70
Total	127,333,218.71	80,780,902.16

(2) Cash paid relating to other operating activities

Items	Year 2012	Year 2011
Funds paid to Beijing Kangqiao Yangguang Asset Management Company	102,000,000.00	74,429,173.00
Funds paid to Zhong Shi Investment CO.,Ltd.	2,900,000.00	
Funds paid to Hebei Qinhuigui chemical fertilizer Co.,Ltd.	9,000,000.00	
Compensation paid to South Luolin Village	3,000,000.00	
Other monetary exchanges between enterprises	22,137,150.93	25,084,951.06
Monetary exchanges paid for subsidiaries		20,158,307.81
Sales agent fee	6,318,030.98	6,013,519.76
Management fees	32,364,360.49	15,273,747.75
Other expenses	8,114,744.46	1,705,963.00
Total	185,834,286.86	142,665,662.38

(3)Cash received relating to other investing activities

Items	Year 2012	Year 2011
Interest income	8,718,575.65	33,056,393.93
The opening cash balance of Shanghai Sea Pearl Property Management Company		1,969,699.11
Total	8,718,575.65	35,026,093.04

(4) Cash received relating to other financing activities

Items	Year 2012	Year 2011
Loans from others	15,100,000.00	
Total	15,100,000.00	

(5) Cash paid relating to other financing activities

Items	Year 2012	Year 2011
Financing fees	28,484,094.00	2,125,000.00
Refund Loans received from others	13,200,000.00	
Total	41,684,094.00	2,125,000.00

46. Supplementary information of cash flow statement

(1) Supplementary information

Items	Year 2012	Year 2011
1. Reconciliation of net profit to cash flows from operating activities:		
Net profit	-126,971,778.59	-49,218,352.45
Add: Provision for assets impairment	-888,665.32	2,036,387.44
Depreciation of fixed assets, production biological assets, petroleum and natural gas	29,907,360.66	26,321,324.49
Amortization of intangible assets	1,178,620.11	1,132,834.37
Amortization of long-term prepayments	4,466,290.39	2,213,185.05
Losses on disposal of fixed assets, intangible assets and other long-term assets	-1,007,710.80	-164,225.87
Losses on scrapping of fixed assets	27,259.89	
Losses on fair value change		
Financial expenses	67,742,724.35	64,029,334.10
Investment losses	-23,778,536.27	-989,818.18
Decrease in deferred income tax assets		
Increase in deferred income tax liabilities	-253,623.03	
Decrease in inventories	8,338,548.70	36,778,289.57
Decrease in operating receivables	-62,742,763.44	-73,161,072.05
Increase in operating payables	43,638,072.41	-85,097,208.29
Others		
Net cash flows from operating activities	-60,344,200.94	-76,119,321.82
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	65,762,871.33	52,507,843.73
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	13,255,027.60	-83,869,007.46

(2) Cash and cash equivalents

Items	Year 2012	Year 2011
1. Cash	65,762,871.33	52,507,843.73
Including: Cash on hand	1,343,203.42	2,174,511.88
Bank deposit paid at any time	64,325,194.75	50,327,357.51
Other monetary funds paid at any time	94,473.16	5,974.34

2. cash equivalents		
3. Cash and cash equivalents at the end of year	65,762,871.33	52,507,843.73

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

4. Other related parties

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

5. Transactions of related parties

(1) Internal transactions have already been offset.

(2) Fund calling between related parties

By December 31, 2011, the total amount of loan principal that Beijing Xinxing Real Estate Development corporation has been made to the Pearl River Holding has a balance of RMB108,967,912.90 Yuan with RMB 32,478,604.15 Yuan of interest payable on balance. The total amount of loan principal that the controlling shareholder Beijing Wanfa Real Estate Development Corporation has been made to the Pearl River Holding has a balance of RMB 62,025,000.00 Yuan with interest payable on balance of RMB30,270,591.29 Yuan.

By December 31, 2012, the total amount of loan principal that Beijing Xinxing Real Estate Development corporation has been made to Sanya Wanjia Hotel Management Co., Ltd has a balance of RMB 32,030,000.00 Yuan with RMB30,270,591.29 Yuan of interest payable on balance. The total amount of loan principal that Beijing Wanfa Real Estate Development corporation has been made to Sanya Wanjia Hotel Management Co., Ltd has a balance of RMB 19,700,000.00 Yuan with interest payable on balance of RMB9,575,325.42 Yuan.

For the loans listed between related parties, the total amount of interest expensed carried for this reporting period was RMB14,904,985.61 Yuan with interest payable on balance of RMB 96,988,987.39 Yuan. The

interest rate for the loans listed above is based on the People's Bank of China's benchmark interest rate for one-year loan with currency stated in RMB.

(3) Balances of related party receivable and payable

Items	Company Name	Dec 31, 2012	Jan 1, 2012
Other payables:	Beijing Zhongjia Yangguang energy technology (group) Co., Ltd.	1,113,268.02	194,226.90
	Beijing Xinxing Real Estate Development Company	140,997,912.90	152,540,447.00
	Beijing Wangfa Real Estate Development Holdings Co., Ltd	81,725,000.00	81,725,000.00
	Beijing Yulongjisheng Real Estate Development Holdings Co., Ltd	1,500,000.00	1,500,000.00
Interest payable:	Beijing Wangfa Real Estate Development Holdings Co., Ltd.	34,239,791.95	29,223,178.68
	Beijing Xinxing Real Estate Development Company	62,749,195.44	52,860,823.10

VII. Contingent events

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

VIII. Commitments

The company has no commitment to disclose.

IX. Non-adjusting events after the balance sheet date

The company has no Non-adjusting events after the balance sheet date to disclose.

X. Other important events

The company has no Other important events to disclose.

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

1. Accounts receivable

(1) Detailed information

Items	31 Dec 2012				1 Jan 2012			
	Balance	Proportion (%)	Bad debts	Bad debt ratio (%)	Balance	Proportion (%)	Bad debts	Bad debt ratio (%)
1 Individual with significant amount	7,761,707.60	61.72	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	2,915,410.87	23.18	574,059.78	19.69	1,755,515.17	15.38	522,111.87	29.74
Combined Subtotal	2,915,410.87	23.18	574,059.78	19.69	1,755,515.17	15.38	522,111.87	29.74
3 Other unimportant receivables	1,898,690.60	15.10	1,898,690.60	100.00	1,898,690.60	16.63	1,898,690.60	100.00
Total	12,575,809.07		10,234,457.98		11,415,913.37		10,182,510.07	

(2) Age analysis

Age	Dec 31, 2012		January 1, 2012	
	Amounts	Bad Debts Provision	Amounts	Bad Debts Provision
Within 1 year	1,555,303.45	31,106.07	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	100,000.00	10,000.00	106,000.00	10,600.00
3 to 4 year	106,000.00	21,200.00	101,500.00	20,300.00
4 to 5 years	101,500.00	30,450.00		
5 years and more	952,607.42	476,303.71	952,607.42	476,303.71
Total	2,915,410.87	574,059.78	1,755,515.17	522,111.87

2. Other receivables

(1) Detailed information

Items	31 Dec 2012				1 Jan 2012			
	Balance	Proportion (%)	Bad debts	Bad debt ratio (%)	Balance	Proportion (%)	Bad debts	Bad debt ratio (%)
1. Individual with significant amount	77,278,380.89	12.70	34,477,855.47	44.62	74,978,380.89	16.74	34,477,855.47	45.98
2. Bad debt accounted by the combinations								
Age Combinations	292,350,649.61	48.04	12,815,010.44	4.38	264,520,830.81	59.06	8,087,659.72	3.06
In scope of consolidated statements	233,952,547.64	38.44			103,761,317.93	23.17		
subtotal	526,303,197.25	86.48	12,815,010.44	2.43	368,282,148.74	82.22	8,087,659.72	2.20
3. Other unimportant receivables	5,010,884.80	0.82	3,976,838.29	79.36	4,635,625.65	1.03	3,976,807.73	85.79
Total	608,592,462.94		51,269,704.20		447,896,155.28		46,542,322.92	

(2) Aging analysis

Age	Dec 31, 2012			January 1, 2012		
	Amounts		Bad Debt Provision	Amounts		Bad Debt Provision
	Amounts	Ratio (%)		Amounts	Ratio (%)	
Within 1 year	80,231,301.62	27.44	1,604,626.03	219,477,402.47	82.98	4,389,548.05
1 to 2 years	201,738,919.65	69.01	10,086,945.98	41,829,939.34	15.81	2,091,496.97
2 to 3 years	10,166,939.34	3.48	1,016,693.93			
3 to 4 year						
4 to 5 years				649.00		194.70
5 years and more	213,489.00	0.07	106,744.50	3,212,840.00	1.21	1,606,420.00
Total	292,350,649.61	100.00	12,815,010.44	264,520,830.81		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	Cost Method	4,900,000.00	4,900,000.00		4,900,000.00	98	98	

Name	Accounting Method	Initial investment Cost	Beginning Balance	Increase or decrease	Ending Balance	Percentage of equity interest (%)	Percentage of vote right (%)	Impairment loss provision
Co., Ltd.								
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	-1,055,426.26	36,496,882.74	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 MacunPorts 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	367,606,254.69	-1,055,426.26	365,640,438.03			65,532,245.39

4. Operating income and operating costs

(1) Operating income

Items	Year 2012	Year 2011
Main operating business income		
Other operating business income	1,306,676.40	739,580.50
Total	1,306,676.40	739,580.50

(2) Operating costs

Items	Year 2012	Year 2011
Main operating business costs		
Other operating business costs	355,593.60	116,164.63
Total	355,593.60	116,164.63

5. Investment income

Items	Year 2012	Year 2011
Income from Cost accounting of long-term equity investment	92,400,000.00	
Income from transferring equity investment	-1,055,426.26	-910,390.40
Investment income of disposal available for sale financial assets	24,000,009.17	
Others	881,377.97	
Total	116,225,960.88	-910,390.40

6. Supplementary information of cash flow statement

Items	Year 2012	Year 2011
1. Reconciliation of net profit to cash flows from operating activities:		
Net profit	40,953,934.51	-31,343,737.31
Add: Provision for assets impairment	4,779,329.19	-861,724.50
Depreciation of fixed assets, production biological assets, petroleum and natural gas	2,164,438.21	2,382,277.15
Amortization of intangible assets	47,663.64	47,663.64
Amortization of long-term prepayments	2,260,636.36	
Losses on disposal of fixed assets, intangible assets and other long-term assets	5,069.70	16,112.15
Losses on scrapping of fixed assets		
Losses on fair value change		
Financial expenses	49,215,447.66	13,296,247.12
Investment losses	-116,225,960.88	910,390.40
Decrease in deferred income tax assets		
Increase in deferred income tax liabilities		
Decrease in inventories		
Decrease in operating receivables	-6,087,050.57	-6,172,604.29
Increase in operating payables	6,771,285.99	6,199,149.32
Others		
Net cash flows from operating activities	-16,115,206.19	-15,526,226.32

Items	Year 2012	Year 2011
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		
Less: Cash at the beginning of the period	2,641,297.45	515,955.59
Add: Cash equivalents at the end of the period	515,955.59	47,697,821.48
Less: Cash equivalents at the beginning of the period		
Net increase in cash and cash equivalents		

XII. Supplementary information

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

Items	Year 2012
Profit and loss on disposal of non-current assets	772,600.81
Fund occupation fee from non-financial enterprises included in the current profit and loss	3,493,230.13
Revenue generated from obtaining subsidiaries, associates and joint venture investment as the investment cost less than the fair value of identifiable net assets	
Investment income from disposal of available-for-sale financial assets	24,881,387.14
Others non-operating income and expenses excluded as above	2,952.80
Other non-operating income and costs	
Income tax impact	-24,794.97
Equity impacts of minority interests	-10,592.23
Total	29,114,783.68

2. Earnings per share

Profit of this year	Earnings per share			
	Basic earnings per share		Diluted earnings per share	
	2012	2011	2012	2011
Net profit attributable to common shareholders	-0.30	-0.12	-0.30	-0.12
Net profit excluding non-recurring Profit and Loss attributable to common shareholders	-0.37	-0.19	-0.37	-0.19

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

Item	Code	Year 2012	Year 2011
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Item	Code	Year 2012	Year 2011
Net profits that belong to the common shareholders during the reporting period	P0	-126,873,614.96	-49,478,157.24
Extraordinary profits and losses that belong to the common shareholders during the reporting period	A	29,114,783.68	32,599,607.76
Net profits that belong to the common shareholders during the reporting period after taking off the effect of extraordinary profits and losses	$P1=P0-A$	-155,988,398.64	-82,077,765.00
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	-8,505,498.80	-74,812,500.00
Changes of other net assets from the next month until the end of the reporting period	Mk	6.00	6.00
Total months of the reporting period	M0	12.00	12.00
The closing balance of net assets that belong to common shareholders	E1	237,276,190.67	373,004,748.20
The weighted average net assets that belong to common shareholders	$E2=E0+P0/2+Ei*Mi/M0-Ej*Mj/M0+Ek*Mk/M0$	305,315,191.32	435,150,076.82
The weighted average net assets yield rate before taking off the effect of extraordinary profits and losses	$X1=P0/E2$	-41.55%	-11.37%
The weighted average net assets yield rate after taking off the effect of extraordinary profits and losses	$X1=P1/E2$	-51.09%	-18.86%

4 Abnormal issues and its related explanations for major accounting statements

(1) Balance sheet

Item	Year 2012	Year 2011	Rate of change	Explanations
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Receivables	9,889,336.96	7,047,354.39	40.33%	Increased income from property and hotel business
Prepayments	148,283,887.61	76,803,784.89	93.07%	Prepayments for the project of snow town development
Long-term prepaid expenses	25,380,625.96	10,069,867.95	152.05%	Increased financing costs
Construction in progress	34,908,625.06	17,949,172.88	94.49%	Investment in the project of snow town in Hailin
Short term loans	210,000,000.00	45,000,000.00	366.67%	Obtain loans from Chongqing Trust CO., Ltd.
Non-current liabilities due within 1 year	28,000,000.00	232,000,000.00	-87.93%	Refund loans to Chongqing Trust CO., Ltd.
Long-term borrowings	341,000,000.00	81,000,000.00	320.99%	Obtain loans
Minority interests	13,976,462.53	26,674,626.16	-47.60%	The subsidiary pay dividend to minority interests

(2) Income statement

Item	Year 2012	Year 2011	Rate of change	Explanations
Operating taxes and extras	14,526,326.37	21,722,074.58	-33.13%	Reduced income from property sales
Operating expenses	9,740,199.97	6,097,882.73	59.73%	Increased the labor cost of sales department
General and administrative expenses	112,934,701.50	78,495,572.48	43.87%	Increased depreciation , amortization of assets and labor costs
Loss of devaluation of assets	-888,665.32	2,036,387.44	-143.64%	Withdraw the receivable with provisions that recorded in prior period
Financial expenses	68,999,213.49	18,453,629.84	273.91%	Increased amount of financing costs and decreased amount interest income
Investment income	23,778,536.27	-989,818.18	2502.31%	Income from disposal of available-for sale financial assets
income tax	1,762,601.45	7,234,566.58	-75.64%	Decreased profit of subsidiary
Other comprehensive income	-8,505,498.80	-74,812,500.00	88.63%	Disposal of available-for sale financial assets, the comprehensive income realized
Net cash flows from financing activities	174,182,916.84	76,461,468.75	127.80%	Obtain cash of loans

XIII. Approval of the financial statements

The financial statements have been approved by the board of directors of the Company in March 26, 2013.

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

Hainan Pearl River Holding Company Limited
March 26, 2013

Legal representative:

Signature:

Date:

Accounting Supervisor:

Signature:

Date:

Chief Accountant:

Signature:

Date: