

Stock Code: 000505, 200505

Stock Abbr.: *STZJ, *STZJB

Announcement No.

HaiNan Pearl River Holdings Co., Ltd.

Abstract of the 2013 Annual Report

1. Important reminders

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		
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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?

☐ Yes ☒ No

	2013	2012	Increase or decrease of this year over last year (%)	2011
Operating revenue (RMB Yuan)	225,308,239.00	204,015,077.79	10.44%	233,145,578.90
Net profit attributable to shareholders of the Company (RMB Yuan)	13,489,485.71	-126,873,614.96	110.63%	-49,478,157.24
Net profit attributable to shareholders of the Company after extraordinary gains and losses (RMB Yuan)	-175,455,431.84	-155,988,398.64	-12.48%	-82,077,765.00

Net cash flows from operating activities (RMB Yuan)	-45,736,703.09	-60,344,200.94	24.21%	-76,119,321.82
Basic EPS (RMB Yuan/share)	0.03	-0.3	110%	-0.12
Diluted EPS (RMB Yuan/share)	0.03	-0.3	110%	-0.12
Weighted average ROE (%)	7.61%	-41.55%	49.16%	-11.37%
	As at 31 Dec. 2013	As at 31 Dec. 2012	Increase or decrease of this year-end than last year-end (%)	As at 31 Dec. 2011
Total assets (RMB Yuan)	1,237,713,804.04	1,424,764,273.52	-13.13%	1,311,949,739.44
Net assets attributable to shareholders of the Company (RMB Yuan)	116,714,215.59	237,625,634.44	-50.88%	373,004,748.20

(2) Differences of net profit and net assets disclosed in financial reports prepared under overseas and Chinese accounting standards

Unit: RMB Yuan

	Net profit attributable to shareholders of the Company		Net assets attributable to shareholders of the Company	
	2013	2012	Closing amount	Opening amount
According to Chinese accounting standards	13,489,485.71	-126,873,614.96	116,714,215.59	237,625,634.44
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			-1,337,000.00	-1,337,000.00

(3) Items and amounts of extraordinary gains and losses

Unit: RMB Yuan

Item	2013	2012	2011	Note
Gains/losses on the disposal of non-current assets (including the offset part of the asset impairment provisions)	180,123.52	772,600.81	164,225.87	
Tax rebates, reductions or exemptions due to approval beyond authority or the lack of official approval documents	0.00			
Government grants recognized in the current period, except for those acquired in the ordinary course of business or granted at certain quotas or amounts according to the government's unified standards	0.00			
Capital occupation charges on non-financial enterprises that are recorded into current gains and losses	1,267,980.80	3,493,230.13	34,251,932.51	
Gains due to that the investment costs for the Company to obtain subsidiaries, associates and joint ventures are lower than the enjoyable fair value of the identifiable net assets of the investees when making the investments	0.00			
Gain/loss on non-monetary asset swap	0.00			
Gain/loss on entrusting others with investments or asset management	0.00			
Asset impairment provisions due to acts of God such as natural disasters	0.00			
Gain/loss on debt restructuring	7,411,437.43			Gains on the debt restructuring with the Bank of Communications
Expenses on business reorganization, such as expenses on staff arrangements, integration, etc.	0.00			
Gain/loss on the part over the fair value due to transactions with distinctly unfair prices	0.00			
Current net gains and losses of subsidiaries acquired in business	0.00			

combination under the same control from period-begin to combination date				
Gain/loss on contingent events irrelevant to the Company's normal business	0.00			
Gains and losses on change in fair value from tradable financial assets and tradable financial liabilities, as well as investment income from disposal of tradable financial assets and tradable financial liabilities and financial assets available for sales except for effective hedging related with normal businesses of the Company	178,442,549.26	24,881,387.14		Gain on transferring some shares of Southwest Securities
Impairment provision reversal of accounts receivable on which the impairment test is carried out separately	0.00			
Gain/loss on entrustment loans	0.00			
Gain/loss on change of the fair value of investing real estate of which the subsequent measurement is carried out adopting the fair value method	0.00			
Effect on current gains/losses when a one-off adjustment is made to current gains/losses according to requirements of taxation, accounting and other relevant laws and regulations	0.00			
Custody fee income when entrusted with operation	0.00			
Non-operating income and expense other than the above	1,632,437.75	2,952.80	-141,766.30	
Other gain and loss items that meet the definition of an extraordinary gain/loss	0.00			
Less: Income tax effects	-17,653.07	24,794.97	427,906.24	
Minority interests effects (after tax)	7,264.28	10,592.23	1,246,878.08	
Total	188,944,917.55	29,114,783.68	32,599,607.76	--

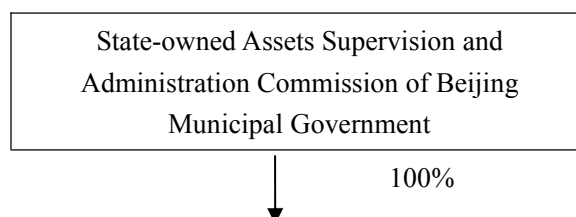
Explain the reasons if the Company classifies an item as an extraordinary gain/loss according to the definition in the Explanatory Announcement No. 1 on Information Disclosure for Companies Offering Their Securities to the Public—Extraordinary Gains and Losses, or classifies any extraordinary gain/loss item mentioned in the said explanatory announcement as a recurrent gain/loss item

□ Applicable √ Inapplicable

3. Shareholdings of the top 10 shareholders

Total number of shareholders at the end of the reporting period		37,262		Total number of shareholders at the end of the fifth trading day before the disclosure date of the annual report		37,260	
Shareholdings of the top 10 shareholders							
Name of shareholder	Nature of shareholder	Shareholding percentage (%)	Total number of shares held	Number of restricted shares held	Pledged or frozen shares		
					Status of shares	Number of shares	
Beijing Wanfa Real Estate Development	State-owned corporation	26.36%	112,479,478		Pledged	20,000,000	
Xu Zhen	Domestic	0.61%	2,590,200				
Zhang	Domestic	0.46%	1,949,250				
Hu Zhengxiu	Domestic	0.43%	1,845,500				
Chen	Domestic	0.43%	1,827,900				
Li Hong	Domestic	0.33%	1,400,500				
Song Jing	Domestic	0.32%	1,356,799				
Nanhua	Domestic	0.31%	1,299,500	1,299,500			
Ou Lei	Domestic	0.3%	1,289,465				
Liu Guosheng	Domestic	0.28%	1,175,616				
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 is related-party relationship among other shareholders and whether they are prescribed parties with concerted action.					

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





4. Discussion and analysis by the management

2013 witnessed a particularly harsh environment for the operation of the Company. Due to the continuous loss in 2012, the Company's stock was capped with “*ST” in 2013. Therefore, it became an important operating objective for the Company to stop the loss and maintain its listed position. Under the leadership of the Board of Directors, the whole staff of the Company worked as one man and tried to earn more income and cut down expense. While ensuring the steady progress of the existing projects, the Company paid close attention to changes of the policies and in the market so that it could adjust its operating strategies in time. It also ensured the operating funds of the Company and reduced the funds cost through expanding financing channels. As a result, all operating objectives set for the year were basically fulfilled. In particular, the funds support from the principal shareholder during the operating difficulty of the Company contributed to the Company's success in maintaining its listed position in 2013.

As at 31 Dec. 2013, the total assets of the Company stood at RMB 1,237,713,800 and the net assets attributable to shareholders of the Company at RMB 116,714,200. For 2013, the Company achieved operating revenue of RMB 225,308,200, total profit of RMB 11.63 million and net profit attributable to shareholders of the Company of RMB 13,489,400.

Details about the operation of the Company in 2013:

I. The Wuhan Meilin Qingcheng project was the first development project for controlled subsidiary Hubei Pearl River Real Estate Development Co., Ltd. (“Hubei Pearl River”) after it entered Wuhan, Hubei. Located within the inner ring of Wuhan, the project

belongs to the central area of Wuchang, with convenient surroundings and traffic. The project covers a total land area about 203,333 square meters with a floor space about 345,000 square meters. It is to be developed by three phases on a rolling basis, of which the Phase I and Phase II (a total floor space of 270,000 square meters) have been completed in 2006 and 2009 respectively. Upon market and target customer development in the Phase I and Phase II, the Meilin Qingcheng project has formed a mature community. Sales of the Phase I and Phase II is excellent and a good project image has been built. In 2013, the Company focused on development of the Phase III of the project. The planning scheme was determined according to the approved planning documents and relevant requirements. With a residential nature, a plot ratio of 4.06 and a total floor space of 73,400 square meters, the Phase III was positioned as a medium- and high-end project in the region as the Phase I and II. According to the plan, it would take 2 years to complete the Phase III from construction to the end of sale. The estimated total investment stood at about RMB 550 million, pre-tax total profit at about RMB 300 million and net profit at about RMB 240 million. In 2013, preparations were done for the Phase III. The reply approving to initiate the project was obtained. A detailed geological exploration, the relocation & clean-up, the trial of foundation piles and so on were completed. Initial funds of RMB 250 million for the Phase III was obtained through financing from a private real estate fund, which was used for land acquisition and the relevant matters. Currently, we are going through the formality to get the land use certificate. Meanwhile, we also start work regarding application planning and the builder's license. We will try to fully start construction in Jun.-Jul. 2014.

After development of the Phase I and II of the Meilin Qingcheng project, there was a land parcel about 13,560 square meters located at 20 Yangyuan Caimao Street, Hongshan District, Wuhan. We had the land use right certificate on it. Because the land parcel was adjacent to the "Urban Village Transformation" project of Xudong Village, according to the planning requirements of the municipal government, we transferred the land parcel to the undertaker of the "Urban Village Transformation" project of Xudong Village—Wuhan Zhongsenhua Century Real Estate Development Co., Ltd. On 9 Dec. 2013, Hubei Pearl River Real Estate Development Co., Ltd. (a controlled subsidiary of the Company), Wuhan Zhongsenhua Century Real Estate Development Co., Ltd. and the Villagers' Committee of Xudong Village, Heping Street of Wuhan Hongshan People's Government ("Xudong Villagers' Committee") signed an agreement. According to the agreement, Hubei Pearl River shall transfer the use right of the said land parcel to Zhongsenhua Century at the price of RMB 69 million. As agreed, the agreement shall take effect only when Zhongsenhua Century makes a payment of RMB 41 million to Hubei Pearl River within 30 working days since the day when the agreement was signed (inclusive), or the said transfer of land use right shall stop. On 7 Jan. 2014, the Company received a payment of RMB 15 million from Zhongsenhua Century, with RMB 26 million unpaid. Since the said land parcel was a leftover from

the Phase I and II of the Meilin Qingcheng project, the transfer of its use right would not affect the development of the Phase III. And a successful transfer could bring a handsome gain to the Company. In view of that, the Company signed a supplementary agreement with Zhongsenhua Century to postpone the payment expiration date to 15 Apr. 2014. Meanwhile, according to the original agreement and its attached documents, some state-owned land (about 6,700 square meters) of the said land parcel was placed in the custody of Zhongsenhua Century; when it pays the rest of the money, the formalities for the land use right transfer will be handled and the remaining 50% land will also be handed over to it.

II. The Shijiazhuang Luquan new countryside construction project encountered a serious difficulty. In 2009, the government of Hebei Shijiazhuang unveiled the “Implementation Plan for Building New Houses for Farmers of Shijiazhuang”, trying to provide a model for farmers’ houses and village construction transformation through building a demonstration village of new houses for farmers and transforming old villages, so as to thoroughly improve the farmers’ housing in the city. The Implementation Plan put forward higher requirements towards the planning, yard layout, architectural design, appearance and energy-saving of the new farmers’ houses, as well as towards transformation of the old farmers’ houses. Upon field researches and communications with the local government, the Company set up a project subsidiary in 2011 to work on the Shijiazhuang Luquan new countryside construction project. Upon efforts in 2012 and the first half of 2013, the conceptual planning for the project was formulated and won high recognition of the local government. The project subsidiary held quite a few talks with relevant parties and its proposals and work from the initial one village development to the final three-village joint development won support of the local government. The planning scheme and the design of new houses for existing residents of the Luoling Community were adjusted according to the leaders of Luquan. And a feasible plan for relocation and compensation was formulated for the South Luoling Village. However, in the second half of 2013, the project subsidiary encountered an unprecedented difficulty in relocation & compensation. Due to the weak economic basis and insufficient wealth accumulation in the local rural area, some villagers put forward impractical compensation requirements for relocation, which severely affected the enthusiasm of other villagers in the new residence project. The development project as a whole was postponed, causing more uncertainties in the subsequent development, which directly affected the original construction plan.

III. About the Mulin Town special railway and coal wholesale market construction project:

In 2011, the Company and Zhonghe Investment Co., Ltd. made a joint investment in the Daqin Railway Mulin Town special line and coal wholesale market construction project. According to the plan, after Zhonghe Investment secured the project land, the Company and it would cooperate in building a coal storage base, selling coal, expanding the

existing owned railway, building a demonstration production line of water coal mixture and biomass coal, etc. On 13 Feb. 2012, the Beijing Shunyi government officially granted the land certificate and property ownership certificate to Zhonghe Investment. Since the government was regulating the coal industry and shutting down some high-pollution enterprises, the coal operation license was unable to be obtained for the project as planned. The relevant project and production line construction thus could not proceed as scheduled. In Jun. 2013, the NPC Standing Committee came to a decision to revise the “Law of the People’s Republic of China on the Coal Industry”, canceling the coal production and operation licenses. Meanwhile, public opinion was solicited for the regulations of Beijing for the prevention and control of air pollution since 21 Jun. 2013, which was approved at the Beijing People’s Congress on 22 Jan. 2014. The government of the Beijing Municipality made it clear that it would strictly control coal consumption and emission through industry restructuring and clean energy promotion, and made an initial plan to reduce the coal consumption significantly from 27 million tons to 10 millions. At the same time, Hebei Province also put forward the goal of reducing the coal consumption of 260 million tons by 60 million tons. We believed that these policies would affect the future operating gains on the project to a great extent. Therefore, in order to answer to the government’s call and seek for future development, we decided to restructure the project, shifting the existing land resources to specialized storage bases to work with notable agricultural and logistics enterprises in the country. Starting from the first half of 2013, the Company withdrew some investments in the project to make preparations for the following operation adjustments.

IV. Progress of the Hubei Yunxi Iron Mine Project: The Company has invested a total of RMB 100 million to work on this project with Beijing Kangtai Xingye Investment Co., Ltd. since 2011. The cooperation counterpart finished the equity reorganization and acquisition of the local mine company through investment increase and equity expansion. Meanwhile, Northwest Hubei Province Geological Minerals Investigation Bureau was entrusted to carry out a detailed investigation into the Dujiawan Iron Mine and produce an investigation report. In 2013, the dressing process for the Dujiawan Iron Mine was proved feasible theoretically and practically. In 2012, the Zhaojiayuan Mine built and altered production lines and procured some production equipment. In 2013, the shift from a reconnaissance geological survey to a detailed one for the Zhaojiayuan Mine was reported to the Department of Land and Resources and the detailed geological survey started. Zhaojiayuan Iron Mine Dressing Factory built 4 dressing lines and the mining points rose to 2, representing a production capacity of 0.4 million tons of high-purity iron powder per year. However, the original power supply of the mine could not meet the current need from mining and production equipment, so the Company had to alter and expand the power supply system from the beginning of 2013. Meanwhile, relocation of over 80 households in the mine lagged behind the schedule for the reason of compensation. Therefore, the Zhaojiayuan Mine failed to reach the expected mining scale, and the mining and high-purity iron powder production could not proceed.

Because some residents could not reach agreement with the local government on relocation compensation, only about 40 households were successfully relocated by the end of 2013 and over 40 households were unwilling to move. Consequently, mining and high-purity iron powder production was forced to stop in 2013 and only some dressing tests were run, which severely affected the expected investment gains.

V. About the Longzhu Phase III Project: In 2010, in order to avoid the owned land of the Haikou Longzhu Phase III project from being taken by the government without compensation, the Company transferred the land use right for 48 years to Haikou Visun Real Estate Development Co., Ltd. (“Visun Real Estate”) so that Visun Real Estate could carry out a real estate project on it. After the Longzhu Phase III project invested in and built by Visun Real Estate was completed, accepted upon examination and filed with the authorities concerned as legal and qualified properties, the Company would obtain office properties with a floor space of 15,000 square meters from the completed project. According to the relevant agreement, up to 17 Jun. 2013, Visun Real Estate failed to develop this project on time, which caused some economic loss on the Company. As agreed, on 22 Aug. 2013, the Company, Haikou Visun Real Estate Development Co., Ltd., Haikou Visun Binhai Construction Co., Ltd. and Hainan Visun Real Estate Group Co., Ltd. signed the “Supplementary Agreement Regarding Executing the Former 6 Agreements Concerning the Haikou Visun Center Project”. According to the said agreement, Visun Real Estate would pay liquidated damages of RMB 3 million to the Company for late construction and it promised to try its best to push forward approval of the planning for the Visun Center project, resume construction upon satisfaction of construction requirements, and obtain the pre-sale license for the Visun Center project as soon as possible. According to the supplementary agreement, by 30 Jun. 2018, if Visun Real Estate is the direct reason for inability of the Haikou Visun Center project to start construction, the Company is entitled to ask Haikou Visun Binhai Construction Co., Ltd. and the related guarantee parties to compensate for the direct economic loss caused on it.

VI. The government’s macro-control over real estate directly resulted in a stop of bank loans to real estate enterprises. In 2013, the Company was in face of a severe financial strain, so it had to ease the capital pressure through trust financing, small-amount short-term loans, etc. to satisfy the capital needs in routine operation. In Mar. 2012, the Company secured a loan of RMB 210,000,000.00 from Chongqing Trust with the 33,250,000 shares of Southwest Securities as the pledge. The term of the loan was one year, which became due on 29 Mar. 2013. Since the Company was unable to return the principal and interest to Chongqing Trust on time, it borrowed RMB 230 million from its principal shareholder & actual controller—Beijing Xinxing Real Estate Development Corp. (“Xinxing Real Estate”)—to make the repayment and pledged 29,750,000 shares of Southwest Securities to Xinxing Real Estate. This eased the capital pressure on the Company in time and reduced the funds cost.

VII. Since the real estate, energy and tourism projects that the Company had invested in could not generate gains as planned, the Company could have suffered loss again in 2013. In view of that, the Board of Directors adjusted the operating strategies in time, selling 22,000,000 shares of Southwest Securities held by it at the end of 2013 and using the gains to repay some of the borrowing principal and interest to Xinxing Real Estate. The sale of shares of Southwest Securities generated an investment gain about RMB 180 million for the Company, which effectively ensure that the Company turned loss to profit in 2013 and maintained its listed position.

VIII. With real estate as its main business, land reserve is considered the basis for the development of the Company's main business. With decreasing land resources and increasing land prices, how to obtain land resources with expected high returns at low cost becomes an important focus of the Company's management. In Aug. 2013, the Company learned that a tubular pile plant in Sanya under China Great Land Holdings Ltd. (Singapore) was shut down due to mismanagement and that the land parcel (37,333 square meters) of the plant was located at 20 Hairun Road, Lizhigou Industrial Park, Sanya, Hainan Province, adjacent to the north of the Sanya High-speed Railway Station and within the railway station business circle in planning. The Company then talked to Great China to make an initial investment of RMB 30 million through equity acquisition to turn the land of the tubular pile factory to real estate for development through a series of formalities. Afterwards, it was planned to build high-class commodity houses on it when the relevant land formalities were completed. Up until now, the relevant government departments have replied to and helped solve the problem of inability to obtain the industrial land certificate in the preparation stage of the said project. And the Company is applying for the industrial land use certificate for the project land. After obtaining the certificate, the Company will start planning & adjustment, as well as land bidding.

IX. All controlled subsidiaries basically accomplished their annual operating objectives.

1. In 2013, HaiNan Pearl River Property & Hotel Management Co., Ltd. achieved operating revenue of RMB 148.5494 million, up by RMB 34.6336 million from last year, with operating cost being RMB 145.8433 million and net profit being RMB 0.3245 million, up by RMB 0.1769 million from last year. Labor cost soared; water, electricity, gas and other public service fees and the material cost also increased sharply; and the operating costs of the Company kept increasing every year. All these imposed a great cost pressure on the property operation of the Company.

2. Days Hotel & Suites Sanya Resort Management Co., Ltd. continued to enhance internal management and explored multiple marketing modes. In 2013, it achieved

operating revenue of RMB 38.395 million, with a direct operating cost of RMB 30.381 million, operating costs of RMB 55.6194 million (including depreciation) and net profit of RMB -17.2442 million. The loss was mainly caused by a great depreciation of assets.

3. As for the China Snow Village Tourist Site developed by Mudanjiang Pearl River Wanjia Travel Investment and Development Group Co., Ltd., it achieved operating revenue of RMB 17.3148 million in 2013. The subsidiary improved the infrastructure and tourism resources of the Snow Village. As a result, the number of visiting tourists doubled and redoubled, and it jumped to over 0.31 million during the winter season from 2013 to 2014. However, due to various reasons, the original unique operation plan of the subsidiary was unable to be effectively carried out, and chaos was caused when everyone was fighting over tourist resources. Consequently, not only the service quality could not be ensured, but also the prices dropped due to disordered competition. As a result, tourists staying in the subsidiary's hotels and operating entities had limited spending, and the income could not rise along with the increasing number of tourists. The subsidiary operated in an unfavorable environment, financing and administrative costs increased greatly, and the shift of construction in progress to fixed assets caused high depreciation costs. These were the main reasons for the loss of RMB 50 million of the subsidiary in 2013.

Operating plan for 2014

1. Construction of the Wuhan Meilin Qingcheng Phase III project is expected to start in the middle of 2014 after securing the financings from the private real estate fund, and the sale is expected to start in 2015. The project is expected to generate a sales income of RMB 1 billion in the coming three years.

The Shijiazhuang Luoling project cannot be carried out smoothly for now due to the problem regarding relocation compensations for local residents. The Company will proactively communicate with the local government and residents to try to solve the problem as soon as possible. Meanwhile, the Company is also looking for a good way to withdraw from the project to ensure investment safety.

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

In 2014, in terms of China Snow Village, the Company will, with a rational planning, summarize experience of operation over the recent two years, 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. Meanwhile, legal actions will be taken properly to protect the interests of the Company against the unfavorable changes in the local investment environment.

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. Concerning the Hubei Yunxi Iron Mine, the Company will finish various formalities for the Zhaojiayuan Iron Mine in 2014, solve existing problems, start mining and dressing generally, and try to complete the alteration and expansion of the power supply system by the middle of 2014 to satisfy power demand in the Zhaojiayuan Mine. It will also communicate with the local government to solve the relocation problem of residents around the Zhaojiayuan Mine. It will try to meet mining scale requirements and organize production in 2014. After finishing the argumentation of the dressing process, the Dujiawan Mine needs to handle site selection, determining the locations of the stopes, payment of the resource tax, etc.

4. In view of the government's environment protection requirements towards the coal industry, the Company plans to significantly restructure the Mulin Town coal project, trying to making use of the existing land resources to work with notable enterprises on projects in compliance with the government's policy direction to ensure investment security.

5. Concerning the real estate development project on a former tubular pile factory, the Company will try to obtain the land certificate for the industrial land in the initial development stage in 2014. When the relevant conditions are satisfied and a 80% stake in the tubular factory in Sanya has been transferred to the Company, the Company will start making preparations for the initial development of this project.

In 2013, under the correct leadership of the Company's leaders, as well as common efforts of the operating team and all the staff, all goals set were basically fulfilled. 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 ensure a stable and healthy development of the Company.

5. Matters in relation to financial reporting

(1) Explain any change of the accounting policies, accounting estimates or accounting methods as compared with the financial reporting of last year

N/A

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

N/A

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

1. In Jun. 2013, Mudanjiang Pearl River Wanjia Travel Investment and Development Group Co., Ltd. (a controlled subsidiary of the Company), Heilongjiang TV Station and Longshi Media Co., Ltd. jointly set up Heilongjiang Longshi Pearl River Media Co., Ltd. with a registered capital of RMB 7 million, of which the Company contributed RMB 4.9 million in cash for a stake of 70%. The Company is trying to make use of the cooperation counterparts' media resources and enter the artist training and media fields through setting up an artist training base, hoping to create a new business growth point.
2. On 6 Nov. 2013, Mudanjiang Pearl River Wanjia Travel Investment and Development Group Co., Ltd. (a controlled subsidiary of the Company) set up a wholly-funded subsidiary—Harbin Wanjia Travel Service Co., Ltd.—with a registered capital of RMB 300,000. The sub-subsidiary is planned to provide travel service in Harbin, as well as promotion, marketing and service support for the hotels and tourist sites operated by the Company in the Snow Village.

(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

Hainan Pearl River Holding Company Limited
Independent Auditors' Report
DHSZ[2014] NO.003263

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certificate of DaHua
Certified Public Accountants
(Special General Partnership)

In case of discrepancy between Chinese and English, the Chinese version shall prevail.

Independent Auditors' Report

DHSZ [2014] No.003263

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, 2013, 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 2013, and the results of its operations and its cash flows for year ended.

Chinese Certified Public Accountant:

Chinese Certified Public Accountant:

DaHua Certified Public Accountants

(Special General Partnership)

Beijing • China

March 25, 2014

Hainan Pearl River Holding Company Limited

Consolidated Balance Sheet

31 December 2013

Expressed in Renminbi

Items	Notes	31-Dec-13	1-Jan-13
Current assets:			
Monetary funds	V.1	62,362,242.69	65,762,871.33
Financial assets held for trading			
Notes receivable			
Accounts receivable	V.3	13,143,175.36	9,889,336.96
Prepayments	V.5	91,018,812.99	148,283,887.61
Interest receivable			
Dividend receivable	V.2	260,015.00	260,015.00
Other receivables	V.4	287,625,206.34	314,281,649.69
Inventories	V.6	118,546,684.93	109,749,172.81
Non-current asset due within 1 year			
Other current assets			
Total current assets		572,956,137.31	648,226,933.40
Non-current assets:			
Available-for-sale financial assets	V.7	76,957,500.00	273,616,360.90
Held-to-maturity securities			
Long-term receivables			
Long-term equity investments	V.9	48,179,838.13	50,758,716.34
Investment real estates	V.10	23,984,418.97	25,308,707.14
Fixed assets	V.11	452,747,443.22	334,321,547.26
Construction in progress	V.12	10,188,964.09	34,908,625.06
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	31,185,913.86	31,636,550.86
Expense on research and development			
Goodwill			
Long-term prepayments	V.15	20,907,381.86	25,380,625.96
Deferred income tax assets			
Other non-current asset			
Total non-current assets		664,757,666.73	776,537,340.12
Total assets		1,237,713,804.04	1,424,764,273.52

Corporate representative: Zheng Qing
Daoliang

Chief Accountant: Yang Daoliang

Accounting Supervisor: Yang

Hainan Pearl River Holding Company Limited

Consolidated Balance Sheet

31 December 2013

Expressed in Renminbi

Items	Notes	31-Dec-13	1-Jan-13
Current liabilities:			
Short-term loans	V.19		210,000,000.00
Financial liabilities held for trading			
Notes payable			
Accounts payable	V.20	34,758,922.28	20,503,123.52
Accounts received in advance	V.21	23,843,858.07	19,033,810.90
Accrued payroll	V.22	10,764,089.33	9,181,755.84
Taxes payable	V.23	8,600,877.07	2,205,732.91
Interest payable	V.24	101,140,724.11	112,552,231.11
Dividend payable	V.25	3,213,302.88	3,213,302.88
Other payables	V.26	555,911,820.21	379,871,030.04
Non-current liabilities due within 1 year	V.27	228,000,000.00	28,000,000.00

Other current liabilities			
Total current liabilities		966,233,593.95	784,560,987.20
Non-current liabilities:			
Long-term borrowings	V.28	129,000,000.00	341,000,000.00
Bonds payable			
Long-term payables			
Special payables			
Accrued liabilities			
Deferred income tax liabilities	V.16	14,512,240.76	47,601,189.35
Other non-current liabilities			
Total non-current liabilities		143,512,240.76	388,601,189.35
Total liabilities		1,109,745,834.71	1,173,162,176.55
Owner's equity:			
Share capital	V.29	426,745,404.00	426,745,404.00
Capital surplus	V.30	387,545,252.61	521,946,157.17
Less:treasury stock			
Surplus reserves	V.31	109,487,064.39	109,487,064.39
Undistributed profits	V.32	-807,063,505.41	-820,552,991.12
Foreign currency translation differences			
Total owner's equity attributable to parent company		116,714,215.59	237,625,634.44
Minority interests		11,253,753.74	13,976,462.53
Total owner's equity		127,967,969.33	251,602,096.97
Total liabilities and owner's equity		1,237,713,804.04	1,424,764,273.52

Corporate representative:Zheng Qing
Daoliang

Chief Accountant:Yang Daoliang

Accounting Supervisor: Yang

Hainan Pearl River Holding Company Limited

Balance Sheet

31 Dec 2013

Expressed in Renminbi

Items	Notes	31-Dec-13	1-Jan-13
Current assets:			
Monetary funds		1,650,620.37	2,641,297.45
Financial assets held for trading			
Notes receivable			
Accounts receivable	XI.1	2,437,957.05	2,341,351.09
Prepayments		50,000,000.00	50,196,666.00

Interest receivable			
Dividend receivable		260,015.00	260,015.00
Other receivables	XI.2	599,990,581.53	557,322,758.74
Inventories		4,824,035.45	4,824,035.45
Non-current asset due within 1 year			
Other current assets			
Total current assets		659,163,209.40	617,586,123.73
Non-current assets:			
Available-for-sale financial assets		76,957,500.00	273,616,360.90
Held-to-maturity securities			
Long-term receivables			
Long-term equity investments	XI.3	298,915,199.18	300,108,192.64
Investment real estates		7,290,977.33	7,593,413.93
Fixed assets		16,056,715.04	17,446,366.12
Construction in progress			
Engineering material			
Disposal of fixed assets			
Bearer biological assets			
Oil and gas assets			
Intangible assets		1,505,376.96	1,553,040.60
Expense on research and development			
Goodwill			
Long-term prepayments		9,127,521.96	16,324,363.64
Deferred income tax assets			
Other non-current asset			
Total non-current assets		409,853,290.47	616,641,737.83
Total assets		1,069,016,499.87	1,234,227,861.56

Corporate representative: Zheng Qing
Daoliang

Chief Accountant: Yang Daoliang

Accounting Supervisor: Yang

Hainan Pearl River Holding Company Limited

Balance Sheet

31 Dec 2013

Expressed in Renminbi

Items	Notes	31-Dec-13	1-Jan-13
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		61,875.00	59,400.00
Accrued payroll		781,412.78	546,010.23
Taxes payable		6,966,593.30	-1,615,110.81
Interest payable		61,988,940.20	81,573,212.53
Dividend payable		3,213,302.88	3,213,302.88
Other payables		403,455,124.29	295,396,790.14
Non-current liabilities due within 1 year		197,000,000.00	
Other current liabilities			
Total current liabilities		675,950,198.15	591,656,554.67
Non-current liabilities:			
Long-term borrowings			178,000,000.00
Bonds payable			
Long-term payables			
Special payables			
Accrued liabilities			
Deferred income tax liabilities		13,775,625.00	46,802,798.58
Other non-current liabilities			
Total non-current liabilities		13,775,625.00	224,802,798.58
Total liabilities		689,725,823.15	816,459,353.25
Owner's equity:			

Share capital		426,745,404.00	426,745,404.00
Capital surplus		390,561,592.15	524,962,496.71
Less:treasury stock			
Surplus reserves		109,487,064.39	109,487,064.39
Undistributed profits		-547,503,383.82	-643,426,456.79
Total owner's equity		379,290,676.72	417,768,508.31
Total liabilities and owner's equity		1,069,016,499.87	1,234,227,861.56

Corporate representative:Zheng Qing
Daoliang

Chief Accountant:Yang Daoliang

Accounting Supervisor: Yang

Hainan Pearl River Holding Company Limited

Consolidated Income Statement

Year ended 31 December 2013

Expressed in Renminbi

Items	Notes	2013	2012
I.Total operating income		225,308,239.00	204,015,077.79
Including: operating income	V.33	225,308,239.00	204,015,077.79
II.Total operating cost		400,347,446.05	353,778,344.81
Including: operating cost	V.33	166,021,542.25	148,466,568.80
Operating taxes and extras	V.34	14,057,037.34	14,526,326.37
Sales expenses	V.35	7,256,804.24	9,740,199.97
General and administrative expenses	V.36	109,201,497.32	112,934,701.50
Financial expenses	V.37	93,614,914.70	68,999,213.49
Loss of devaluation of assets	V.39	10,195,650.20	-888,665.32
Add: Changing income of fair value			
Investment income	V.38	177,445,214.64	23,778,536.27
Including: investment income on affiliated company and joint venture		-1,171,788.37	-1,102,850.87
III.Operating profit		2,406,007.59	-125,984,730.75
Add: Non-operating income	V.40	10,662,348.85	1,238,318.38
Less: Non-operating expenses	V.41	1,438,350.15	462,764.77
Including: disposal loss of		18,009.02	32,329.59

non-current asset			
IV.Total profit		11,630,006.29	-125,209,177.14
Less: income tax	V.42	2,963,229.37	1,762,601.45
V.Net profit		8,666,776.92	-126,971,778.59
Net profit attributable to parent company's owner		13,489,485.71	-126,873,614.96
Profit and loss of minority interests		-4,822,708.79	-98,163.63
VI.Earnings per share			
i.Basic earnings per share	V.43	0.03	-0.30
ii.Diluted earnings per share	V.43	0.03	-0.30
VII.Other comprehensive income	V.44	-134,400,904.56	-8,505,498.80
VIII.Total comprehensive income		-125,734,127.64	-135,477,277.39
Including: Total comprehensive income attributed to the owners of parent company		-120,911,418.85	-135,379,113.76
Total comprehensive income attributed to minority interests		-4,822,708.79	-98,163.63

Hainan Pearl River Holding Company Limited

Income Statement

Year ended 31 December 2013

Expressed in Renminbi

Items	Notes	2013	2012
I.Total operating income	XI.4	1,335,418.83	1,306,676.40
Less:Operating costs	XI.4	355,593.60	355,593.60
Operating taxes and extras		74,783.46	73,061.88
Sales expenses			2,968.00
General and administrative expenses		21,150,728.97	22,139,410.32
Financial expenses		71,860,389.01	49,219,727.27
Loss of devaluation of assets		-377,379.19	4,779,329.19

Add: Changing income of fair value			
Investment income	XI.5	177,249,555.80	116,225,960.88
Including: investment income on affiliated company and joint venture		-1,192,993.46	-1,055,426.26
II. Operating profit		85,520,858.78	40,962,547.02
Add: Non-operating income		10,411,437.80	0.37
Less: Non-operating expenses		9,223.61	8,612.88
Including: disposal loss of non-current asset			5,069.70
III. Total profit		95,923,072.97	40,953,934.51
Less: income tax			
IV. Net profit		95,923,072.97	40,953,934.51
V. Earnings per share			
i. Basic earnings per share			
ii. Diluted earnings per share			
VI. Other comprehensive income		-134,400,904.56	-8,505,498.80
VII. Total comprehensive income		-38,477,831.59	32,448,435.71

Corporate representative: Zheng Qing
Daoliang

Chief Accountant: Yang Daoliang

Accounting Supervisor: Yang

Hainan Pearl River Holding Company Limited

Consolidated Cash Flow Statement

Year ended 31 December 2013

Expressed in Renminbi

Items	Notes	2013	2012
I. Cash flows from operating activities:			
Cash received from sales of goods or rendering of services		216,684,103.91	184,516,407.26
Refunds of taxes			
Cash received relating to other	V.45(1)	64,985,965.71	127,333,218.71

operating activities			
Subtotal of cash inflows		281,670,069.62	311,849,625.97
Cash paid for goods and services		81,772,936.47	60,548,683.17
Cash paid to and on behalf of employees		121,229,824.66	103,547,500.28
Payments of all types of taxes		24,887,599.64	22,263,356.60
Cash paid relating to other operating activities	V.45(2)	99,516,411.94	185,834,286.86
Subtotal of cash outflows		327,406,772.71	372,193,826.91
Net cash flows from operating activities	V.46(1)	-45,736,703.09	-60,344,200.94
II.Cash flows from investing activities:			
Cash received from return of investments		257,860,540.56	70,332,823.05
Cash received from return on investments		2,382,247.88	846,807.61
Net cash received from the sale of fixed assets, intangible assets and other long-term assets		630,157.00	583,798.00
Net cash received from selling subsidiary company and joint venture			
Cash received relating to other investing activities	V.45(3)	647,661.11	8,718,575.65
Subtotal of cash inflows		261,520,606.55	80,482,004.31
Cash paid to acquire fixed assets, intangible assets and other long-term assets		40,931,550.93	104,065,692.61
Cash paid to acquire investments		33,000,000.00	77,000,000.00
Net cash paid to purchase subsidiary company and joint venture			
Cash paid relating to other investing activities			
Subtotal of cash outflows		73,931,550.93	181,065,692.61
Net cash flows from investing activities		187,589,055.62	-100,583,688.30
III.Cash flows from financing activities:			

Cash received from investments by others		2,100,000.00	
Cash received from borrowings		456,000,000.00	608,300,000.00
Cash received relating to other financing activities			15,100,000.00
Subtotal of cash inflows		458,100,000.00	623,400,000.00
Cash repayments of amounts borrowed		490,500,000.00	353,300,000.00
Cash paid for distribution of dividends or profits and for interest expenses		98,278,608.77	54,232,989.16
Cash paid relating to other financing activities	V.45(4)	14,574,372.40	41,684,094.00
Subtotal of cash outflows		603,352,981.17	449,217,083.16
Net cash flows from financing activities		-145,252,981.17	174,182,916.84
IV.Effect of foreign exchange rate changes on cash			
V.Net increase in cash and cash equivalents		-3,400,628.64	13,255,027.60
Add:balance of cash and cash equivalents at the beginning of the year		65,762,871.33	52,507,843.73
VI.Balance of cash and cash equivalents at the end of the year		62,362,242.69	65,762,871.33

Corporate representative:Zheng Qing
Daoliang

Chief Accountant:Yang Daoliang

Accounting Supervisor: Yang

Hainan Pearl River Holding Company Limited

Cash Flow Statement

Year ended 31 December 2013

Expressed in Renminbi

Items	Notes	2013	2012
I.Cash flows from operating activities:			
Cash received from sales of goods or rendering of services		2,410,071.58	1,176,199.50

Refunds of taxes			
Cash received relating to other operating activities		71,274,469.92	6,654,727.70
Subtotal of cash inflows		73,684,541.50	7,830,927.20
Cash paid for goods and services			
Cash paid to and on behalf of employees		5,818,377.14	5,112,386.75
Payments of all types of taxes		1,849,946.66	581,863.22
Cash paid relating to other operating activities		25,179,516.14	18,251,883.42
Subtotal of cash outflows		32,847,839.94	23,946,133.39
Net cash flows from operating activities	XI.6	40,836,701.56	-16,115,206.19
II.Cash flows from investing activities:			
Cash received from return of investments		254,860,540.56	102,632,823.05
Cash received from return on investments		2,300,704.29	846,807.61
Net cash received from the sale of fixed assets, intangible assets and other long-term assets			
Net cash received from selling subsidiary company and joint venture			
Cash received relating to other investing activities		647,661.11	8,718,575.65
Subtotal of cash inflows		257,808,905.96	112,198,206.31
Cash paid to acquire fixed assets, intangible assets and other long-term assets		277,002.00	193,089.00
Cash paid to acquire investments		126,205,500.00	232,700,000.00
Net cash paid to purchase subsidiary company and joint venture			
Cash paid relating to other investing activities			
Subtotal of cash outflows		126,482,502.00	232,893,089.00
Net cash flows from investing activities		131,326,403.96	-120,694,882.69
III.Cash flows from financing activities:			
Cash received from investments by			

others			
Cash received from borrowings		344,500,000.00	498,300,000.00
Cash received relating to other financing activities			
Subtotal of cash inflows		344,500,000.00	498,300,000.00
Cash repayments of amounts borrowed		424,000,000.00	296,300,000.00
Cash paid for distribution of dividends or profits and for interest expenses		83,379,410.20	34,580,475.26
Cash paid relating to other financing activities		10,274,372.40	28,484,094.00
Subtotal of cash outflows		517,653,782.60	359,364,569.26
Net cash flows from financing activities		-173,153,782.60	138,935,430.74
IV.Effect of foreign exchange rate changes on cash			
V.Net increase in cash and cash equivalents		-990,677.08	2,125,341.86
Add:balance of cash and cash equivalents at the beginning of the year		2,641,297.45	515,955.59
VI.Balance of cash and cash equivalents at the end of the year		1,650,620.37	2,641,297.45

Corporate representative:Zheng Qing
Daoliang

Chief Accountant:Yang Daoliang

Accounting Supervisor: Yang

Hainan Pearl River Holding Company Limited

Consolidated Statement of Changes in Equity

Year ended 31 December 2013

Expressed in Renminbi

Items	31 December 2013							
	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	521,946,157.17	0.00	109,487,064.39	-820,552,991.12		13,976,462.53	251,602,096.97
1.Amount because the change of accounting policy								0.00
2.Amount because correction of accounting error								0.00
II.Amount at the beginning of this year	426,745,404.00	521,946,157.17	0.00	109,487,064.39	-820,552,991.12	0.00	13,976,462.53	251,602,096.97
III.Increment and decrement of this year	0.00	-134,400,904.56	0.00	0.00	13,489,485.71	0.00	-2,722,708.79	-123,634,127.64
1.Net profit					13,489,485.71		-4,822,708.79	8,666,776.92
2.Profit and loss through owner's equity directly		-134,400,904.56						-134,400,904.56
(1) Net changing amount of fair value of available-for-sale financial assets		-134,400,904.56						-134,400,904.56
(2) Influence of other owner's equity change of invested enterprise								0.00

under equity method								
(3) Relating income tax effect through owner's equity items								0.00
(4) Other								0.00
Subtotal of above 1 and 2		-134,400,904.56			13,489,485.71		-4,822,708.79	-125,734,127.64
3. Owners invest or reduce capital	0.00	0.00	0.00	0.00	0.00	0.00	2,100,000.00	2,100,000.00
(1) Owners invest capital							2,100,000.00	2,100,000.00
(2) Share-based payment recorded into owner's equity								0.00
(3) Other								
4. Profit distribution							0.00	0.00
(1) Draw surplus reserves								0.00
(2) Draw common risk provision								0.00
(3) Distribute to owners (shareholders)								0.00
(4) Other								0.00
5. Inner rotation within owner's equity								0.00
(1) Capital reserves transfer to share capital								0.00
(2) Surplus reserves transfer to share capital								0.00
(3) Surplus reserves offset loss								0.00
(4) Other								0.00
IV.Amount at the end of this year	426,745,404.00	387,545,252.61	0.00	109,487,064.39	-807,063,505.41	0.00	11,253,753.74	127,967,969.33

Corporate representative: Zheng Qing
Accounting Supervisor: Yang Daoliang

Chief Accountant: Yang Daoliang

Hainan Pearl River Holding Company Limited

Consolidated Statement of Changes in Equity

Year ended 31 December 2013

Expressed in Renminbi

Items	2012							
	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	530,451,655.97	0.00	109,487,064.39	-693,679,376.16		26,674,626.16	399,679,374.36
1.Amount because the change of accounting policy								0.00
2.Amount because correction of accounting error								0.00
II.Amount at the beginning of this year	426,745,404.00	530,451,655.97	0.00	109,487,064.39	-693,679,376.16	0.00	26,674,626.16	399,679,374.36
III.Increment and decrement of this year	0.00	-8,505,498.80	0.00	0.00	-126,873,614.96	0.00	-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								0.00
(3) Relating income tax effect through owner's equity items								0.00
(4) Other								0.00

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	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
(1) Owners invest capital								0.00
(2) Share-based payment recorded into owner's equity								0.00
(3) Other								
4. Profit distribution							-12,600,000.00	-12,600,000.00
(1) Draw surplus reserves								0.00
(2) Draw common risk provision								0.00
(3) Distribute to owners (shareholders)							-12,600,000.00	-12,600,000.00
(4) Other								0.00
5. Inner rotation within owner's equity								0.00
(1) Capital reserves transfer to share capital								0.00
(2) Surplus reserves transfer to share capital								0.00
(3) Surplus reserves offset loss								0.00
(4) Other								0.00
IV.Amount at the end of this year	426,745,404.00	521,946,157.17	0.00	109,487,064.39	-820,552,991.12	0.00	13,976,462.53	251,602,096.97

Corporate representative: Zheng Qing
Accounting Supervisor: Yang Daoliang

Chief Accountant: Yang Daoliang

Hainan Pearl River Holding Company Limited

Statement of Changes in Equity

Year ended 31 December 2013

Expressed in Renminbi

Items	31 December 2013					
	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	524,962,496.71	0.00	109,487,064.39	-643,426,456.79	417,768,508.31
1.Amount because the change of accounting policy						0.00
2.Amount because correction of accounting error						0.00
II.Amount at the beginning of this year	426,745,404.00	524,962,496.71	0.00	109,487,064.39	-643,426,456.79	417,768,508.31
III.Increment and decrement of this year		-134,400,904.56	0.00	0.00	95,923,072.97	-38,477,831.59
1.Net profit					95,923,072.97	95,923,072.97
2.Profit and loss through owner's equity directly		-134,400,904.56				-134,400,904.56
(1) Net changing amount of fair value of available-for-sale financial assets		-134,400,904.56				-134,400,904.56
(2) Influence of other owner's equity change of invested enterprise under equity method						0.00

(3) Relating income tax effect through owner's equity items						0.00
(4) Other						0.00
Subtotal of above 1 and 2		-134,400,904.56			95,923,072.97	-38,477,831.59
3. Owners invest or reduce capital						0.00
(1) Owners invest capital						0.00
(2) Share-based payment recorded into owner's equity						0.00
(3) Other						0.00
4. Profit distribution						0.00
(1) Draw surplus reserves						0.00
(3) Distribute to owners (shareholders)						0.00
(4) Other						0.00
5. Inner rotation within owner's equity						0.00
(1) Capital reserves transfer to share capital						0.00
(2) Surplus reserves transfer to share capital						0.00
(3) Surplus reserves offset loss						0.00
(4) Other						0.00
6. Others						0.00

IV.Amount at the end of this year	426,745,404.00	390,561,592.15	0.00	109,487,064.39	-547,503,383.82	379,290,676.72
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Corporate representative: Zheng Qing

Chief Accountant: Yang Daoliang

Accounting Supervisor: Yang Daoliang

Hainan Pearl River Holding Company Limited

Statement of Changes in Equity

Year ended 31 December 2013

Expressed in Renminbi

Items	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	0.00	109,487,064.39	-684,380,391.30	385,320,072.60
1.Amount because the change of accounting policy						0.00
2.Amount because correction of accounting error						0.00
II.Amount at the beginning of this year	426,745,404.00	533,467,995.51	0.00	109,487,064.39	-684,380,391.30	385,320,072.60
III.Increment and decrement of this year		-8,505,498.80	0.00	0.00	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						0.00
(3) Relating income tax effect through owner's equity items						0.00
(4) Other						0.00
Subtotal of above 1 and 2		-8,505,498.80			40,953,934.51	32,448,435.71
3. Owners invest or reduce capital						0.00
(1) Owners invest capital						0.00
(2) Share-based payment recorded into owner's equity						0.00
(3) Other						0.00
4. Profit distribution						0.00
(1) Draw surplus reserves						0.00
(3) Distribute to owners (shareholders)						0.00
(4) Other						0.00
5. Inner rotation within owner's equity						0.00
(1) Capital reserves transfer to share capital						0.00
(2) Surplus reserves transfer to share						0.00

capital						
(3) Surplus reserves offset loss						0.00
(4) Other						0.00
6. Others						0.00
IV.Amount at the end of this year	426,745,404.00	524,962,496.71	0.00	109,487,064.39	-643,426,456.79	417,768,508.31

Corporate representative: Zheng Qing

Chief Accountant: Yang Daoliang

Accounting Supervisor: Yang Daoliang

Hainan Pearl River Holding Company Limited

Notes on the Financial Statements for the Year ended 31 December 2013

(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, 2013 to December 31, 2013.

4. Reporting currency

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

5. Consolidation Basis

(1) Merge of the enterprises under the uniform control

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

The pre-merger net profit incurred by the merged party, shall be attributed to consolidated income statement.

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

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

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

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

6. The standard for consolidation financial statement preparation

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

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

7. Cash and Cash equivalents

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

8. Foreign currency transactions

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

value are translated into reporting currency at spot exchange rates of fair value confirming date; the difference is recorded as the changes in the profit and loss of fair value.

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

9. Financial Instruments

(1) Classification of financial assets and financial liabilities

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

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

(2) Recognition and measurement of financial instruments

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

financial liabilities, the transaction expenses thereof shall be included into the initially recognized amount.

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

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

(3) Recognition and measurement of transfer of financial assets

Where an enterprise has transferred nearly all of the risks and rewards related to the ownership of the financial asset to the transferee, it shall stop recognizing the financial asset. If it retained nearly all of the risks and rewards related to the ownership of the financial asset, it shall not stop recognizing the

financial asset. Where an enterprise does not transfer or retain nearly all of the risks and rewards related to the ownership of a financial asset, it shall deal with it according to the circumstances as follows, respectively: a. If it gives up its control over the financial asset, it shall stop recognizing the financial asset; b. If it does not give up its control involvement in the transferred financial asset, recognize the related financial asset and recognize the relevant liability accordingly.

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

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

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

(5) Impairment of financial assets

An enterprise shall carry out an inspection, on the balance sheet day, on the carrying amount of the financial assets other than those measured at their fair values and of which the variation is recorded into

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

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

10. Accounts receivable and bad debts

(1) Measurement method and the percentage of bad debts

Measurement method of bad debts: accounted with allowance method.

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

For those individual accounts receivable without significant amounts at the end of the period, along with those accounts receivable that have been tested individually but not impaired, the Company classifies them in line with similar credit risk characteristics into several groups, and make a specific percentage of bad debts provision on the accounts receivable balances at balance sheet date. On the basis of the actual loss rate of receivable accounts, with same or similar credit risk characteristics of accounts receivable package in previous year, the Company also considers current situation and determine the percentage of bad debt provision.

Here is the Company' s bad debts provision policy:

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

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

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

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

11. Inventories

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

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

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

(2) For inventories at balance sheet date, the evaluation criteria should base on the lower value between costs and net values that can be converted into cash. When net values that can be converted into cash are lower than costs, provision for impairment loss of inventories shall be made and recorded into current profit and loss.

12. Long-term equity investment

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

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

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

(2) Subsequent measurement

The Company uses cost method for the following conditions: a long-term equity investment where the investing enterprise can exercise control over the investee, or the investing enterprise does not have joint control or significant influence over the investee, the investment is not quoted in an active market and its fair value can't be reliably measured. For a long-term equity investment where the investing enterprise can exercise control over the investee, the investing enterprise shall make an adjustment by employing the equity method when it works out consolidated financial statements. When adopting cost method, the dividends or profits declared to distribute by the invested entity shall be recognized as the

current investment income. The investment income recognized by the investing enterprise shall be limited to the amount received from the accumulative net profits that arise after the invested entity has accepted the investment. Where the amount of profits or cash dividends obtained by the investing entity exceeds the aforesaid amount, it shall be regarded as recovery of initial investment cost.

A long-term equity investment of the investing enterprise that does joint control or significant influences over the invested entity shall be measured by employing the equity method. If the initial cost of a long-term equity investment is more than the investing enterprise' attributable share of the fair value of the invested entity's identifiable net assets for the investment, the initial cost of the long-term equity investment may not be adjusted. If the initial cost of a long-term equity investment is less than the investing enterprise' attributable share of the fair value of the invested entity's identifiable net assets for the investment, the difference shall be included in the current profits and losses and the cost of the long-term equity investment shall be adjusted simultaneously. After an investing enterprise obtains a long-term equity investment, it shall, in accordance with the attributable share of the net profits or losses of the invested entity, recognize the investment profits or losses and adjust the book value of the long-term equity investment. Where any change is made to the owner's equity other than the net profits and losses of the invested entity, the book value of the long-term equity investment shall be adjusted and be included in the owner's equity.

The Company should have impairment test for any long-term equity investment on every balance sheet date. When the estimated value in use is less than its book value, it will be treated as impairment loss. And this loss should be transferred into current profit and loss account; meanwhile, the company should set up provision for the long-term equity investment impairment loss. To any long-term equity investments, which are measured by cost method, there is no price or its fair value cannot be measured reliably, the impairment loss of these investments should be the difference between the book value and the present value of the future cash flow calculated by using current market rate of similar financial asset.

For other long-term equity investment, where any evidence shows that there is possible assets impairment, the impairment provision is made according to relevant regulations and methods.

(3) Recognition basis of joint control and significant influences

The term "joint control" refers to the control over an economic activity in accordance with the contracts and agreements, which does not exist unless the investing parties of the economic activity with one an

assent on sharing the control power over the relevant important financial and operating decisions. The term "significant influences" refers to the power to participate in making decisions on the financial and operating policies of an enterprise, but not to control or do joint control together with other parties over the formulation of these policies.

(4) Disposal of long-term equity investment

When disposing of a long-term equity investment, the difference between its book value and the actual purchase price shall be included in the current profits and losses. If any change other than the net profits and losses of the invested entity occurs and is included in the owner's equity, the portion previously included in the owner's equity shall, when disposing of a long-term equity investment measured by employing the equity method, be transferred to the current profits and losses according to a certain proportion.

13. Investment property

The term "investment property" refers to the real estates held for generating rent and/or capital appreciation, including: the right to use any land which has already been rented; the right to use any land which is held and prepared for transfer after appreciation; and the right to use any building which has already been rented. The initial measurement of the investment property shall be made at its cost. An enterprise shall make a follow-up measurement to the investment real estate through the cost pattern. For buildings which have already been rented, the Company calculates depreciation as the same method of fixed assets. For the right to use any land, it is amortized with straight-line method according to the serviceable life. At the balance sheet date, where any evidence shows that there is possible assets impairment, the impairment provision is made.

14. Fixed assets

(1) Recognition of fixed assets

Fixed assets are tangible assets that are held for use in production or supply of goods or services, for rental to others, or for administrative purpose, and have useful lives more than one accounting year.

The expected discard expenses should be taken into consideration in the ascertainment of the cost of a fixed asset.

(2) The category and depreciation method of fixed assets

Fixed assets include buildings and structures, vehicles, general equipments, specific equipments and other equipments. Straight-line method is in used to calculate the depreciation of fixed assets. The estimated useful lives, expected residual value and annual depreciation rate of various types fixed assets are listed as follows:

Category	Estimated useful lives (years)	Expected residual value (%)	Annual depreciation rate (%)
Buildings and structures	25	5	3.8
Vehicles	5	5	19.0
General equipments	10	5	9.5
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%	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 2013, 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
Heilongjiang longshi Pearl River Culture Communication Co., Ltd	Harbin	700	Operation of Movie and TV base	70%	70%	490
Harbin Wanjia travel agency Co., Ltd.	Harbin	30	touring	100%	100%	30
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, 2013	Jan 1, 2013
Cash	1,846,467.14	1,343,203.42

Bank deposit	60,472,057.43	64,325,194.75
Other monetary funds	43,718.12	94,473.16
Total	62,362,242.69	65,762,871.33

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. Dividend receivable

Items	Beginning Balance	Increment	Decrement	Ending Balance	Reason	Impairment loss
Within 1 year						
Exceed 1 year	260,015.00			260,015.00		
Hainan Pearl River Guanzhuang Co., Ltd.	260,015.00			260,015.00	The investee confronts the problem of tight budget.	None
合 计	260,015.00			260,015.00		

3. Accounts receivable

(1) Accounts receivable listed by categories

Categories	December 31, 2013				January 1, 2013			
	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	32.68	7,761,707.60	100.00	7,761,707.60	38.01	7,761,707.60	100.00
2. Bad debt accounted by the combinations	13,992,481.70	58.91	855,886.34	6.12	10,663,566.80	52.23	775,879.84	7.28
3. Other unimportant receivables but bad debts accounted individually	1,997,260.02	8.41	1,990,680.02	99.67	1,992,330.02	9.76	1,990,680.02	99.92
Total	23,751,449.32	100.00	10,608,273.96	—	20,417,604.42	100.00	10,528,267.46	—

(2) Aging analysis

Ages	31 Dec 2013			1 Jan 2013		
	Balance	Proportion (%)	Bad debts	Balance	Proportion (%)	Bad debts
Within 1 year	9,883,909.62	70.63	197,678.20	8,041,123.18	75.42	160,822.45

1-2 years	1,999,315.02	14.29	99,965.75	1,322,599.05	12.40	66,129.96
2-3 years	1,109,412.49	7.93	110,941.25	104,737.15	0.98	10,473.72
3-4years	104,737.15	0.75	20,947.43	106,000.00	0.99	21,200.00
4-5years	106,000.00	0.76	31,800.00	136,500.00	1.28	40,950.00
Over 5 years	789,107.42	5.64	394,553.71	952,607.42	8.93	476,303.71
Total	13,992,481.70	100.00	855,886.34	10,663,566.80	100.00	775,879.84

(3) Other unimportant receivables but bad debts accounted individually

Name	Ending Balance	Bad Debt Provision	Proportion (%)	Reason
Hainan racing entertainment Co., LTD	2,406,158.00	2,406,158.00	100	Irrecoverable
Hainan Baoping company	2,218,494.43	2,218,494.43	100	Irrecoverable
Hainan centaline property agency	2,090,069.77	2,090,069.77	100	Irrecoverable
Hainan dragon film studio	1,046,985.40	1,046,985.40	100	Irrecoverable
Haikou Peijie clothing company	497,520.00	497,520.00	100	Irrecoverable
Hainan International silver city Real estate company	451,712.00	451,712.00	100	Irrecoverable
Haikou Jingye trading development company	250,000.00	250,000.00	100	Irrecoverable
Hainan Jinhe Real estate company	119,446.00	119,446.00	100	Irrecoverable
Hainan Qiongshan Tianxin Pawn Investment company	112,116.50	112,116.50	100	Irrecoverable
Amount less than one hundred thousand yuan (total of 19)	566,465.52	559,885.52	98.84	Irrecoverable
Total	9,758,967.62	9,752,387.62		

(4) 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, 2013- December 31, 2013) provided that those receivables have already been made bad debt provision in full or in large percentage previously in the past accounting period.

(5) No account receivables has been written off in the reporting period.

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

(7) The top five debtors' ending total balance. Details are as follows:

Name	Relationship with the company	Owned amount	Ages	Proportion of total accounts receivable (%)
Hunan Linkon Group Technology development company	Unrelated Client	3,583,236.00	Within 1 year	15.09
Hainan racing entertainment Co., LTD	Unrelated Client	2,406,158.00	over 5 years	10.13
Hainan Baoping company	Unrelated Client	2,218,494.43	over 5 years	9.34
Hainan centaline property agency	Unrelated Client	2,090,069.77	over 5 years	8.80
Hainan dragon film studio	Unrelated Client	1,046,985.40	over 5 years	4.41

4. Other receivables

(1) Other receivables listed by categories

Categories	Dec 31, 2013				Jan 1, 2013			
	Amounts		Bad Debt Provision		Amounts		Bad Debt Provision	
	Amounts	Ratio (%)	Amounts	Ratio (%)	Amounts	Ratio (%)	Amounts	Ratio (%)
1. Significant others receivable and bad debts accounted individually	25,978,479.90	7.55	25,978,479.90	100.00	28,278,479.90	7.84	25,978,479.90	91.87
2. Bad debt accounted by the combinations	306,993,480.14	89.23	25,980,046.96	8.46	325,199,118.19	90.18	15,993,873.77	4.91
3. Other unimportant receivables but bad debts accounted individually	11,091,693.24	3.22	4,479,920.08	40.39	7,126,854.84	1.98	4,350,449.57	69.26

y								
Total	344,063,653.28	100.00	56,438,446.94	—	360,604,452.93	100.00	46,322,803.24	—

(2) Aging analysis

Ages	31 Dec 2013			1 Jan 2013		
	Balance	Proportion (%)	Bad debts	Balance	Proportion (%)	Bad debts
Within 1 year	45,511,171.10	14.82	910,223.54	103,336,115.00	31.78	2,066,722.30
1-2 years	82,995,640.54	27.04	4,149,782.03	206,378,826.84	63.46	10,318,941.35
2-3 years	163,181,682.67	53.15	16,318,168.27	10,324,919.34	3.18	1,032,491.93
3-4years	10,167,939.34	3.31	2,033,587.87	2,531.21		506.24
4-5 years	1,190.00	0.01	357.00	15,754.78		4,726.44
Over 5 years	5,135,856.49	1.67	2,567,928.25	5,140,971.02	1.58	2,570,485.51
Total	306,993,480.14	100.00	25,980,046.96	325,199,118.19	100.00	15,993,873.77

(3) Other unimportant receivables but bad debts accounted individually

Name	Ending Balance	Bad Debt Provision	Proportion (%)	Reason
Shenzhen Yinxiang computer Co., LTD	6,482,625.00	6,482,625.00	100	Irrecoverable
Dingjia International Co., LTD	2,725,702.71	2,725,702.71	100	Irrecoverable
Hainan Enxin Industry Co., LTD	2,314,592.00	2,314,592.00	100	Irrecoverable
Hainan Zhongda Industrial Corporation	2,210,779.10	2,210,779.10	100	Irrecoverable
Dabao cement plant	1,901,383.56	1,901,383.56	100	Irrecoverable
Golden light industrial Corporation	1,752,100.00	1,752,100.00	100	Irrecoverable
Shenzhen city Zhuze Real estate company	1,550,278.23	1,550,278.23	100	Irrecoverable
Shenzhen State Development& Investment Corporation	1,409,934.28	1,409,934.28	100	Irrecoverable
Haikou city industrial development trading company	1,392,430.00	1,392,430.00	100	Irrecoverable
Xinhua dawn Airline decoration company	1,208,804.70	1,208,804.70	100	Irrecoverable
Hainan deepsea Real Estate	1,029,850.32	1,029,850.32	100	Irrecoverable

Co., LTD				
Sanya city land and property management Authority	1,000,000.00	1,000,000.00	100	Irrecoverable
HainanYangtz River travel industry	1,000,000.00	1,000,000.00	100	Irrecoverable
the other receivables which amount less than1,000 thousand yuan(total of 98)	11,091,693.24	4,479,920.08	40	Provision for bad debt is based on its recoverable amount
Total	37,070,173.14	30,458,399.98		

(4) 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, 2013- December 31, 2013) provided that those receivables have already been made bad debt provision in full or in large percentage previously in the past accounting period.

(5) No account receivables has been written off in the reporting period.

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

(7) 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	137,000,000.00	1-3years	39. 82
Beijing Kangtai Xingye Investment Co.,Ltd	Unrelated Party	102,500,000.00	1-3years	29. 79
Singapore Great land holdings Co.,Ltd	Unrelated Party	30,000,000.00	Within 1 year	8. 72
Hainan Pearl River Guanzhuang Co., Ltd	Unrelated Party	8,796,231.68	1-4years	2. 56
Shenzhen Yinxiang Computer Co., Ltd	Unrelated Party	6,482,625.00	Over 5 years	1. 88

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. 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. As the project is not carried out as planned, the Company withdraw the investment of RMB 40 million.

On 18th July 2011, the Company has signed a cooperation proposal together with Beijing Kangtai Xingye Investment Co., Ltd and the natural person, Lijun Gu. Under the proposal, a project company will be co-founded by the capital rejection of RMB70 million from the natural person and the capped capital contribution of RMB 64 million from the Company. That is, the natural person, Lijun Gu holds an equity stake of 60%, the Company occupied 40%. The project company is responsible for the development and sales of the iron and ore resources at Dujiawan magnetite iron ore and Zhaojiayuan iron ore located at Shiyan city, Hubei province. The company has already made a payment of RMB 60 million to the designated account of Beijing Kangtai Xingye Investment Company. Lijun Gu and the Beijing Kangtai Xingye Investment Company uses their respective 70% ownership holding rights in Yuxi Shengying mining industry limited liability company as the pledged collateral to the Company.

In May 2013, the Company has signed a cooperation proposal together with China Great Land Holdings Ltd. According with the proposal, the Company plan to development the land located in litchi ditch No. 20 Hairun Road Industrial Park Sanya. The land is belong to the Sanya pearl Co., Ltd. which is subsidiary of China Great Land Holdings Ltd.

5. Prepayment

(1) Aging analysis

Ages	31 Dec 2013		1 Jan 2013	
	Balance	Proportion (%)	Balance	Proportion (%)
Within 1 year	31,811,764.68	34.95	87,955,758.27	59.32
1-2 years	6,424,312.00	7.06	7,858,155.28	5.30
2-3 years	421,412.00	0.46	50,017,551.10	33.73
Over 3 years	52,361,324.31	57.53	2,452,422.96	1.65
Total	91,018,812.99	100.00	148,283,887.61	100.00

(2) Top five units of prepayments

Company' s Name	Relationship	Amounts	Ages	Unsettled reason
Haikou Hongzhou Real Estate Development Unrelated Client	Unrelated Client	50,000,000.00	3-4 years	Pre-paid property purchase payment
Mudanjiang in heilongjiang province	Unrelated Client	7, 003, 493.68	Within 1 year	The project is not complete yet.

forestry engineering company				
Hubei Tianxiang Geotechnical engineering Co., LTD	Unrelated Client	6, 066, 564.60	Within 1 year	The project is not complete yet.
Dahailin Forestry Bureau	Unrelated Client	4, 596, 469. 00	1-2 years	The project is not complete yet.
Hebei zhongshi investment Co., LTD	Unrelated Client	4, 000, 000. 00	1-2 years	Pre-paid compensation for demolition
Total		71,666,527.28		

Note: In August 22, 2013, the company and Haikou HongZhou Land Company Ltd. (referred to as HongZhou Land), Haikou HongZhou Coastal Construction Company Ltd. (referred to as the HongZhou Construction), Haikou HongZhou Real Estate Group Co.,Ltd. (referred to as HongZhou Group) signed the "supplementary agreement on the implementation of Haikou Hongzhou Center Project of the original six agreements". The HongZhou Land's original contract right and obligation is inherited by HongZhou Construction. The guarantee contract that signed by HongZhou Group keep effective. Based on this contract, HongZhou Group will use its own land and property as security.

6. Inventories

(1) Inventories category

Items	Dec 31, 2013			Jan 1, 2013		
	Ending Balance	Provision for Inventory	Book value	Ending Balance	Provision for Inventory	Book value
Raw materials	3,118,811.25		3,118,811.25	4,027,601.00		4,027,601.00
Low-value consumption goods:	659,503.83		659,503.83	778,636.32		778,636.32
Finished goods	647,642.85		647,642.85	481,055.90		481,055.90
Constructing development product	69,126,316.25		69,126,316.25	55,244,449.87		55,244,449.87
Development products	66,559,549.10	21,726,889.27	44,832,659.83	71,226,465.81	22,156,987.01	49,069,478.80
Consumptive biological assets	161,750.92		161,750.92	147,950.92		147,950.92
Total	140,273,574.20	21,726,889.27	118,546,684.93	131,906,159.82	22,156,987.01	109,749,172.81

(2) Inventories impairment provision

Items	1 Jan 2013	Increment	Decrement		31 Dec 2013
			Transfer back	Write off	
Development product	22,156,987.01			430, 097.74	21,726,889.27
Total	22,156,987.01			430, 097.74	21,726,889.27

Note: the yearend Inventories used as mortgage or collateral holds a book value of 29,805,826.29Yuan. 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 31,2013	Fair value at Jan 1,2013
Available for sales equity instrument	76,957,500.00	273,616,360.90
Total	76,957,500.00	273,616,360.90

Note: The Company holds 7,750,000 shares of stock of Southwest Securities. The yearend market price is RMB 9.93 per share.

Details about Available for sales financial assets used as mortgage or collateral refer to ‘Notes V18’ .

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	Real estate development	100,000,000.00	40	40
Beijing Found Vision Media Co., Ltd.	Limited liability	Beijing	Gao Feng	Entertainment Service	3,000,000.00	49	49

Name	Code of organization	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	79872736-3	89,500,855.25	1,241,132.06	88,259,723.19	28,333.34	-2,982,483.66
Beijing Found Vision Media Co., Ltd.	58585450-2	4,353,685.97	1,364,626.90	2,989,059.07	2,543,940.00	43,275.69

9. Long-term Equity Investment

Name	Accounting Method	Initial investment Cost	Beginning Balance	Increase or decrease	Ending Balance	Percentage of equity interest (%)	Percentage of vote right (%)	Impairment loss provision	Current impairment loss
Sanya Wanjia Enterprises Holding	Equity Method	40,000,000.00	36,496,882.74	-1,192,993.46	35,303,889.28	40	40		

Co., Ltd.									
Beijing Found Vision Media Co., Ltd.	Equity Method	1,470,000.00	1,443,433.86	21,205.09	1,464,638.95	49	49		
Beijing Sunshine Tiansheng Property Management Co., Ltd.	Equity Method	1,500,000.00	1,407,089.84	-1,407,089.84					
Subtotal for Equity Method		42,970,000.00	39,347,406.44	-2,578,878.21	36,768,528.23				
Hainan Pearl River Guanzhuang Co., Ltd	Cost Method	426,315.00	426,315.00		426,315.00	1.33	1.33		
Hainan MaCun Port 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	76,290,961.73	-2,578,878.21	73,712,083.52			25,532,245.39	

10. Investment real estates

Items	31 Dec 2013	Increment	Decrement	31 Dec 2013
I. Original value	34,136,579.92		214,708.52	33,921,871.40
Buildings and structures	34,136,579.92		214,708.52	33,921,871.40
II. Accumulated depreciation and amortization	5,394,945.18	1,161,639.54	52,059.89	6,504,524.83
Buildings and structures	5,394,945.18	1,161,639.54	52,059.89	6,504,524.83
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	25,308,707.14			23,984,418.97
Buildings and structures	25,308,707.14			23,984,418.97

Note: 1. The depreciation cost of this period was RMB 1,161,639.54Yuan.

2. the yearend Buildings and structures used as mortgage or collateral holds a book value of 17,840,718.65Yuan.Details about Assets with restricted ownership refer to ‘Notes V18’ .

11. Fixed assets

Items	1 Jan 2013	Increment	Decrement	31 Dec 2013
I. Original value	480,087,946.63	149,560,214.48	1,437,064.62	628,211,096.49
Buildings and structures	330,766,320.66	132,584,981.22		463,351,301.88
Vehicles	56,706,072.65	12,372,890.00		69,078,962.65
General equipments	40,084,486.63	2,378,757.66	853,411.00	41,609,833.29
Other equipments	52,531,066.69	2,223,585.60	583,653.62	54,170,998.67
II. Accumulated depreciation	138,267,103.45	30,943,978.01	1,246,724.11	167,964,357.35
Buildings and structures	56,767,161.14	15,919,532.77		72,686,693.91
Vehicles	30,058,111.90	3,821,140.98		33,879,252.88
General equipments	15,139,722.56	6,480,635.25	718,695.11	20,901,662.70
Other equipments	36,302,107.85	4,722,669.01	528,029.00	40,496,747.86
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	334,321,547.26	—	—	452,747,443.22
Buildings and structures	266,499,863.60	—	—	383,165,312.05
Vehicles	26,647,960.75	—	—	35,199,709.77
General equipments	24,944,764.07	—	—	20,708,170.59
Other equipments	16,228,958.84	—	—	13,674,250.81

Note: 1. The depreciation cost of this period was RMB 30,943,978.01 Yuan.

2. The construction in progress is transferred to fixed assets of 24,699,660.97 yuan for this period .

3. The yearend Buildings and structures used as mortgage or collateral holds a book value of 243,373,907.64 Yuan. Details about Assets with restricted ownership refer to ‘Notes V18’

12. Construction in progress

Project name	31 Dec 2013			1 Jan 2013		
	Ending Balance	Impairment loss provision	Book value	Ending Balance	Impairment loss provision	Book value
Central heating station of Snow				6,361,888.00		6,361,888.00

town						
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	4,180,000.00		4,180,000.00
Earlier stage of Snow town Project	360,000.00		360,000.00	2,194,595.49		2,194,595.49
Studio project of Er' long Mountain				955,000.00		955,000.00
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
National Forest Park Of Snow town				200,000.00		200,000.00
Expansion project of Snow town				96,000.00		96,000.00
Family hotel of Snow town				654,800.50		654,800.50
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	10,188,964.09		10,188,964.09	34,908,625.06		34,908,625.06

1. The changes of major construction in progress

Project name	The amount of budget	Beginning balance	Increment	Transferred to fixed assets	Other decrement
Central heating station of Snow town		6,361,888.00		6,361,888.00	
Total		6,361,888.00		6,361,888.00	

13. Engineering Materials

Items	1 Jan 2013	Increment	Decrement	31 Dec 2013
Special equipment	606,206.60			606,206.60
Total	606,206.60			606,206.60

14. Intangible assets

Items	1 Jan 2013	Increment	Decrement	31 Dec 2013
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I. Original value	38,768,063.93	745, 400. 00		39,513,463.93
Software	1,841,378.28	17,600.00		1,858,978.28
Land use right	35,535,285.65	727,800.00		36,263,085.65
Zhenghe membership of Sanya Hongzhou International Yacht Club	480,000.00			480,000.00
Golf membership of Nanli Lake	911,400.00			911,400.00
II.Accumulative amortization	6,220,113.07	1, 196, 037. 00		7,416,150.07
Software	753,330.60	226, 735.77		980,066.37
Land use right	5,401,871.27	948, 802.95		6,350,674.22
Zhenghe membership of Sanya Hongzhou International Yacht Club	64,911.20	20, 498.28		85,409.48
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	31,636,550.86			31,185,913.86
Software	1,088,047.68			878,911.91
Land use right	30,133,414.38			29,912,411.43
Zhenghe membership of Sanya Hongzhou International Yacht Club	415,088.80			394,590.52
Golf membership of Nanli Lake		—	—	

Note: 1. The amortization of this year is 1, 196, 037. 00Yuan.

2. The yearend land use right used as mortgage or collateral holds a book value of 27, 513, 623.10

Yuan. More details are explained at “Note V.18” .

15. Long-term prepayments

Items	1 Jan 2013	Increment	Amortization	Other decrements	31 Dec 2013
Decoration	3,546,102.26	3,536,628.00	1,349,680.08		5,733,050.18
Ski rental fee	3,900,000.00		900,000.00		3,000,000.00
Technical service fee	373,325.33		140,004.00		233,321.33
Financial consulting fee	15,750,000.00	2,282,332.06	10,033,737.42		7,998,594.64
Advertisement fee of Snow town	251,533.37		61,599.96		189,933.41
Rental fee of fishpond	599,833.33	797,129.92	281,426.02		1,115,537.23
Use fee of Ski Course	959,831.67	920,000.00	312,886.60		1,566,945.07
Facility of Yangcao		600,000.00	10,000.00		590,000.00

mountain					
Er' long Mountain Compensation fee of Movie city Entertainment Area		600,000.00	120,000.00		480,000.00
Total	25,380,625.96	8,736,089.98	13,209,334.08		20,907,381.86

16. Deferred income tax asset and deferred income tax liability

(1) Identified deferred income tax liability

Items	31 Dec 2013	1 Jan 2013
Deferred income tax liability:	14, 512, 240.76	47,601,189.35
Changes on the fair value of available for sales financial assets credited to capital reserves	13, 775, 625. 00	46,802,798.58
Difference between fair value and the book value of net assets of purchased unit as business combination	736, 615.76	798,390.77

(2) Unrecognized deferred income tax asset

Items	31 Dec 2013	1 Jan 2013
Deductible temporary differences	126, 149, 479.08	116,383,926.62
Deductible losses	291,718,256.59	200,433,437.16
Total	417,867,735.67	316,817,363.78

17. Assets impairment provision

Items	1 Jan 2013	Increment	Decrement			31 Dec 2013
			Transfer back	Write off	Other Decrement	
Bad debt provision	56,851,070.70	10, 535, 170.17	339, 519.97			67, 046, 720.90
Inventories impairment provision	22,156,987.01				430, 097.74	21, 726, 889.27
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	116,383,926.62	10,535,170.17	339,519.97		430,097.74	126,149,479.08
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18. Assets with restricted ownership

Assets by categories	Opening balance	Increment	Decrement	Ending balance
Inventory	4,824,035.45	24,981,790.84		29,805,826.29
Investment real estates	7,593,413.93	10,549,741.32	302,436.60	17,840,718.65
Fixed assets	250,624,140.54	4,600,000.00	11,850,232.90	243,373,907.64
Intangible assets	28,380,785.82		867,162.72	27,513,623.10
Available for sales financial assets	265,667,500.00		188,710,000.00	76,957,500.00
Total	557,089,875.74	40,131,532.16	201,729,832.22	395,491,575.68

Note: Assets with restricted ownership are mainly used for guarantee of loans, the details as follow:

Financing nature	Item	Amount	Ending balance					
			Inventory	Investment real estates	Fixed assets	Intangible assets	Available for sales financial assets	Total
Personal loans	Other payable	106,000,000.00	29,805,826.29	17,840,718.65	4,833,761.60			52,480,306.54
Related parties loans	Other payable	60,000,000.00					76,957,500.00	76,957,500.00
Bank loans	Long-term borrowing	357,000,000.00			238,540,146.04	27,513,623.10		266,053,769.14
Total	—	523,000,000.00	29,805,826.29	17,840,718.65	243,373,907.64	27,513,623.10	76,957,500.00	395,491,575.68

19. Short-term loan

Short-term loan disclosed by categories

Category	31 Dec 2013	1 Jan 2013
Guaranteed loans		
Pledge loans		210,000,000.00
Total		210,000,000.00

20. Accounts payable

Ages	Dec 31, 2013	Jan 1, 2013
Within 1 year	19,738,267.37	6,406,466.62
1 to 2 years	1,278,939.80	314,342.09
2 to 3 years	92,912.70	6,223,495.32
3 years and more	13,648,802.41	7,558,819.49

Total	34,758,922.28	20,503,123.52
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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, 2013	Jan 1, 2013
Within 1 year	15,729,154.21	18,175,760.12
Over 1 year	8,114,703.86	858,050.78
Total	23,843,858.07	19,033,810.90

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, 2013	Increment	Decrement	31 Dec 2013
I. Salary, bonus, allowance	2,721,294.54	103,893,781.10	102,641,038.65	3,974,036.99
II. Employee Welfare expenses		7,774,422.54	7,774,422.54	
III. Social insurance		12,559,761.98	12,559,761.98	
Where: 1) Medical insurance		3,659,381.42	3,659,381.42	
2) Endowment insurance		7,790,117.95	7,790,117.95	
3) Unemployment insurance		575,980.62	575,980.62	
4) Working accident insurance		257,590.16	257,590.16	
5) Maternity insurance		276,691.83	276,691.83	
IV. Housing accumulation fund		1,674,830.32	1,674,830.32	
V. Labor union fees& Employee education fees	6,460,461.30	2,775,391.20	2,446,717.64	6,789,134.86
VI. Compensation for dismissal		23,400.00	23,400.00	
VIII. Others		328,631.76	327,714.28	917.48
Total	9,181,755.84	129,030,218.90	127,447,885.41	10,764,089.33

23. Taxes payable

Items	31 Dec 2013	Jan 1, 2013
VAT	-1,050.00	-112,925.00
Individual income tax	106,398.68	68,706.10
City construction and maintenance tax	670,388.88	128,660.39
Corporate income tax	106,407.40	-383,007.76
Property tax	59,855.90	168,966.90
Business tax	9,174,503.29	1,571,990.12

Land use tax	104,086.03	79,762.62
Increment tax on land value	-2,179,863.60	528,297.19
Educational surtax	173,862.51	-48,416.93
Others	386,287.98	203,699.28
Total	8,600,877.07	2,205,732.91

24. Interest payable

Item	31 Dec 2013	Jan 1, 2013
Long-term loan		
Short-term loan		4,937,222.23
Company loan	90,514,702.62	96,988,987.39
Entrusted loan	10,449,888.49	10,449,888.49
Others	176,133.00	176,133.00
Total	101,140,724.11	112,552,231.11

25. Dividend payable

Investor	31 Dec 2013	Jan 1, 2013
Dividend payable of institutional shares	3,213,302.88	3,213,302.88
Total	3,213,302.88	3,213,302.88

26. Other payables

Age	31 Dec 2013	Jan 1, 2013
Within 1 year	268,313,547.37	80,528,554.60
1 to 2 years	6,490,744.36	25,022,359.12
2 to 3 years	22,260,721.81	28,933,307.77
3 years and more	258,846,806.67	245,386,808.55
Total	555,911,820.21	379,871,030.04

Note 1: The end of this reporting period contained debt owned by major shareholder who own more than 5% of the Company' s share capital. 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 2013	Jan 1, 2013
Long-term loans due within one year	228,000,000.00	28,000,000.00
Total	228,000,000.00	28,000,000.00

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

Category	31 Dec 2013	Jan 1, 2013
Pledge loans		
Mortgage loans	210,000,000.00	13,000,000.00
Guaranteed loans	18,000,000.00	15,000,000.00
Total	228,000,000.00	28,000,000.00

28. Long-term borrowings

(1). Long-term borrowings listed by categories

Category	31 Dec 2013	Jan 1, 2013
Pledge loans		
Mortgage loans	262,000,000.00	259,000,000.00
Guaranteed loans	95,000,000.00	110,000,000.00
Less: Long-term loans due within one year	228,000,000.00	28,000,000.00
Total	129,000,000.00	341,000,000.00

(2). Loan details

Lender	Loan starting date	Loan due date	Currency	Interest rate (%)	31 Dec 2013	Jan 1, 2013
Chongqing International Trust Co., Ltd	2012-9-27	2014-9-26	RMB	10.71%	197,000,000.00	178,000,000.00
Bank of China, Haikou Yeshumen Branch	2009-8-2	2019-8-2	RMB	10% upward-floating of benchmark interest rate	65,000,000.00	81,000,000.00
China construction bank Mudanjiang Branch	2012-1-12	2019-1-11	RMB	10% upward-floating of benchmark interest rate	95,000,000.00	110,000,000.00
Total					357,000,000.00	369,000,000.00

(3). Mortgage loan details

Lender	Loan amount	Mortgagor/mortgage
Bank of China, Haikou Yeshumen Branch	65,000,000.00	There properties owned by Sanya Wanjia Hotel Management Co., Ltd
Chongqing International Trust Co., Ltd	197,000,000.00	The same as above
Total	262,000,000.00	

(4). Guaranteed loan details

Lender	Loan amount	Mortgagor/mortgage
China construction bank Mudanjiang	95,000,000.00	Heilongjiang Xinzheng Guarantee

Branch		CO.,Ltd.
Total	95,000,000.00	

29. Share capital

Unit: share

Items	1 Jan 2013	Increment or decrement (+,-)					31 Dec 2013
		issued new shares	Bonus issue	Surplus converted	others	subtotal	
1. Unlisted shares	1,325,131.00						1,325,131.00
State owned shares							
Other domestic shares	1,325,131.00						1,325,131.00
Including: Domestic corporate shares	1,299,500.00						1,299,500.00
Domestic natural person shares	25,631.00						25,631.00
2.Listed shares	425,420,273.00						425,420,273.00
A shares	360,445,273.00						360,445,273.00
B shares	64,975,000.00						64,975,000.00
3. Total shares	426,745,404.00						426,745,404.00

30. Capital surplus

Items	1 Jan 2013	Increment	Decrement	31 Dec 2013
Capital reserve spill price	224,960,139.16			224,960,139.16
Others capital surplus	296,986,018.01	9,810,111.70	144,211,016.26	162, 585, 113. 45
-Including: Old capital surplus converted into	109,300,017.82			109,300,017.82
-Changes on fair value of available for sales financial assets	187,686,000.19	9,810,111.70	144,211,016.26	53,285,095.63
Total	521,946,157.17	9,810,111.70	144,211,016.26	387,545,252.61

31. Surplus reserves

Items	31 Dec 2013	1 Jan 2013
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
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Non-adjusted ending balance of the year 2012	-820,552,991.12	
Adjusted opening balance of the year 2013		
Add: Net profit attributed to the owners of the parent company	13,489,485.71	
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	-807,063,505.41	

33. Operating income and operating costs

(1) Operating income

Items	Year 2013	Year 2012
Main operating business income	221,087,738.55	200,360,161.06
Other operating business income	4, 220, 500. 45	3,654,916.73
Total	225,308,239. 00	204,015,077.79

(2) Operating costs

Items	Year 2013	Year 2012
Main operating business costs	164, 292, 800. 54	146,952,526.67
Other operating business costs	1, 728, 741. 71	1,514,042.13
Total	166, 021, 542.25	148,466,568.80

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

Items	Year 2013		Year 2012	
	Main operating business income	Main operating business costs	Main operating business income	Main operating business costs
Real estate sales	14,885,058.00	4,853,614.26	26,250,025.00	13,057,502.85
Property management services	150,895,030.25	132,509,072.38	116,413,101.44	99,746,274.72
Tourist hotel services	55, 307, 650. 30	26, 930, 113. 90	57,697,034.62	34,148,749.10
Total	221, 087, 738. 55	164, 292, 800. 54	200,360,161.06	146,952,526.67

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

Location	Year 2013		Year 2012	
	Main operating business income	Main operating business costs	Main operating business income	Main operating business costs

Hubei	12,425,058.00	4,329,275.06	26,250,025.00	13,057,502.85
Heilongjiang	17,026,312.10	8,208,931.18	19,257,210.09	14,553,278.09
Hainan	186,641,095.95	149,288,990.43	152,230,031.27	119,321,019.98
Shanghai	4,995,272.50	2,465,603.87	2,622,894.70	20,725.75
Total	221,087,738.55	164,292,800.54	200,360,161.06	146,952,526.67

34. Operating taxes and extras

Items	Year 2013	Year 2012
Business tax	11,428,445.35	10,658,418.38
City construction and maintenance tax	649,303.43	691,567.39
Education fee	525,026.12	458,595.78
Land value-added tax	1,252,894.73	2,560,325.50
Others	201,367.71	157,419.33
Total	14,057,037.34	14,526,326.37

35. Operating expenses

Items	Year 2013	Year 2012
Transportation fee	35,844.00	24,979.20
Insurance expenses	351,407.90	376,632.03
Advertising fees	637,569.00	654,495.70
service expenses	293,952.63	653,002.00
Payroll expense	3,929,171.85	3,531,748.24
operating expense	9,702.29	5,409.57
Maintenance expense	398,130.00	763,128.00
Loss of the products & sample	94,098.00	276,446.53
Other selling expenses	1,506,928.57	3,454,358.70
Total	7,256,804.24	9,740,199.97

36. General and administrative expenses

Items	Year 2013	Year 2012
Payroll expense	27,911,861.37	25,717,716.71
Insurance expenses	656,719.17	674,518.87
Depreciation cost	29,939,918.99	27,798,568.17
Maintenance expense	2,820,260.28	3,585,730.03

The amortization of intangible assets	1,182,122.36	1,156,686.88
Loss of inventories		353,833.40
Business entertainment	8,739,203.68	9,456,172.02
Travel expense	4,496,640.07	8,269,585.28
Administrative expense	2,839,752.88	12,923,219.52
Conference fee	974,088.46	1,897,029.65
Litigation fee	202,700.00	51,861.50
Intermediation service fee	1,316,532.50	1,566,795.00
Consulting fee	1,840,559.99	2,404,000.00
Technology transfer fee		28,128.00
Director' s expense	366,960.87	264,543.82
Pollution discharge fees		39,500.00
Taxation expenses	4,265,821.46	5,195,883.19
Other expenses	21,648,355.24	11,550,929.46
Total	109,201,497.32	112,934,701.50

37. Financial expenses

Items	Year 2013	Year 2012
Interest exchange	74,861,941.21	57,288,136.91
Less: interest revenue	1,333,307.97	3,201,809.22
Foreign exchange loss	285.55	6,885.97
Finance consult fees	11,033,737.42	8,550,000.00
Financing fees	8,549,515.34	4,989,600.00
Others	502,743.15	1,366,399.83
Total	93,614,914.70	68,999,213.49

38. Investment income

Items	Year 2013	Year 2012
Long-term equity investment income accounted by Equity Method	-1,171,788.37	-1,102,850.87
Investment income of disposal Long-term equity investment	92,910.16	
Investment income accounted by held for trading financial assets	93,040.00	
Investment income accounted by available for sale financial assets	3,064,013.00	
Investment income of disposal held for trading financial assets	-856,348.71	881,377.97

Investment income of disposal available for sale financial assets	176,141,844.97	24,000,009.17
Others	81,543.59	
Total	177,445,214.64	23,778,536.27

39. Impairment Loss of Assets

Items	Year 2013	Year 2012
Bad debts impairment loss	10,195,650.20	-888,665.32
Inventories impairment loss		
Total	10,195,650.20	-888,665.32

40. Non-operating income

Details of non-operating income

Items	Year 2013	Year 2012
Gain on disposal of non-current assets	198,132.54	804,930.40
Gains on debt restructure	7,411,437.43	
Default compensation income	3,015,368.46	
Others	37,410.42	433,387.98
Total	10,662,348.85	1,238,318.38

41. Non-operating expenses

Items	Year 2013	Year 2012
Loss on disposal of fixed assets	18,009.02	32,329.59
Donation	10,000.00	220,000.00
Indemnity for breaking a contract	15,422.64	
Others	1,394,918.49	210,435.18
Total	1,438,350.15	462,764.77

42. Income tax

Items	Year 2013	Year 2012
Income tax this year	3,025,004.38	2,016,224.48
Deferred income tax	-61,775.01	-253,623.03

Total	2,963,229.37	1,762,601.45
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43. Earnings per share and diluted earnings per share calculation procedure

Item	Code	Year 2013	Year 2012
Net profits that belong to the common shareholders during the reporting period	P0	13,489,485.71	-126,873,614.96
Extraordinary profits and losses that belong to the common shareholders during the reporting period	A	188,944,917.55	29,114,783.68
Net profits that belong to the common shareholders during the reporting period after taking off the effect of extraordinary profits and losses	$P1=P0-A$	-175,455,431.84	-155,988,398.64
Total number of shares of opening balance	S0	426,745,404.00	426,745,404.00
Incremental shares caused by the transfer of surplus to share capital or stock dividend distribution during the reporting period	S1		
Incremental shares caused by issuing new shares or debt-equity conversion	Si		
Number of shares increased from the next month until the end of the reporting period	Mi		
Number of shares reduced caused by repurchasing during the reporting period	Sj		
Number of shares reduced from the next month until the end of the reporting period	Mj		
Shrinking number of shares during the reporting period	Sk		
Total months during the reporting period	M0	12.00	12.00
The weighted average of the common stock issued	$S=S0+S1+Si*Mi/M0-Sj*Mj/M0-Sk$	426,745,404.00	426,745,404.00
Earnings per share before taking off extraordinary profits and losses	$Y1=P0/S$	0.03	-0.30
Earnings per share after taking off extraordinary profits and losses	$Y2=P1/S$	-0.41	-0.37
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	B2		

common shareholders after taking off the impacts of extraordinary profits and losses imposed by dilution issues			
Diluted earnings per share before taking off the effect of extraordinary profits and losses	$Y3=(P0+B1)/(S+C)$	0.03	-0.30
Diluted earnings per share after taking off the effect of extraordinary profits and losses	$Y4=(P1+B1+B2)/(S+C)$	-0.41	-0.37

44. Other comprehensive income

Items	Year 2013	Year 2012
Profits and losses generated by available for sale financial assets	9,810,111.70	9,722,119.40
Deduce: income tax impacts caused by available for sale financial assets	2,452,527.92	2,430,529.86
Net realized Comprehensive income that has been recorded in profit or loss in the current period	141,758,488.34	15,797,088.34
Total	-134,400,904.56	-8,505,498.80

45. Information of cash flow statement

(1) Cash received relating to other operating activities

Items	Year 2013
Funds received from Beijing Kangqiao Yangguang Asset Management Company	21,500,000.00
Funds received from Tanlu	10,000,000.00
Funds received from Beijing Found Vision Media Co., Ltd.	5,385,618.91
Funds received from Hebei Qinhuigui chemical fertilizer Co.,Ltd.	2,000,000.00
Funds received from Heilongjiang province jingpo Lake nature protection area management committee	1,937,500.00
Other monetary exchanges between enterprises	20,876,831.47
Non-operating income	3,022,867.11
Interest income	263,148.22
Total	64,985,965.71

(2) Cash paid relating to other operating activities

Items	Year 2013
Funds paid to Beijing Kangqiao Yangguang Asset Management Company	32,500,000.00
Funds paid to Beijing Found Vision Media Co., Ltd.	5,385,618.91
Funds paid to Tanlu	4,100,000.00

Funds paid to Kunzhida consulting service Co., Ltd.	3,200,000.00
Funds paid to Zhong Shi Investment CO., Ltd.	3,000,000.00
Funds paid to bank of communications for mortgage guarantees	2,500,000.00
Other expenses	6,398,882.66
Administrative expenses	33,160,204.39
Operating expenses	3,223,726.61
Non-operating expense	239,103.25
Fund paid to petty cash	5,367,257.57
Bank charge	441,618.55
Total	99,516,411.94

(3) Cash received relating to other investing activities

Items	Year 2013
Interest income	647,661.11
Total	647,661.11

(4) Cash paid relating to other financing activities

Items	Year 2013
Financing fees	14,574,372.40
Total	14,574,372.40

46. Supplementary information of cash flow statement

(1) Supplementary information

Items	Year 2013	Year 2012
1. Reconciliation of net profit to cash flows from operating activities:		
Net profit	8,666,776.92	-126,971,778.59
Add: Provision for assets impairment	10,195,650.20	-888,665.32
Depreciation of fixed assets, production biological assets, petroleum and natural gas	32,105,617.55	29,907,360.66
Amortization of intangible assets	1,196,037.00	1,178,620.11
Amortization of long-term prepayments	13,209,334.08	4,466,290.39
Losses on disposal of fixed assets, intangible assets and other long-term assets	-333,311.89	-1,007,710.80

Losses on scrapping of fixed assets	25,525.26	27,259.89
Losses on fair value change		
Financial expenses	93,733,610.14	67,742,724.35
Investment losses	-177,445,214.64	-23,778,536.27
Decrease in deferred income tax assets		
Increase in deferred income tax liabilities	-61,775.01	-253,623.03
Decrease in inventories	-8,797,512.12	8,338,548.70
Decrease in operating receivables	21,467,824.94	-62,742,763.44
Increase in operating payables	-39,699,265.52	43,638,072.41
Others		
Net cash flows from operating activities	-45,736,703.09	-60,344,200.94
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	62,362,242.69	65,762,871.33
Less: Cash at the beginning of the period	65,762,871.33	52,507,843.73
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	-3,400,628.64	13,255,027.60

(2) Cash and cash equivalents

Items	Year 2013	Year 2012
1. Cash	62,362,242.69	65,762,871.33
Including: Cash on hand	1,846,467.14	1,343,203.42
Bank deposit paid at any time	60,472,057.43	64,325,194.75
Other monetary funds paid at any time	43,718.12	94,473.16
2. cash equivalents		
3. Cash and cash equivalents at the end of year	62,362,242.69	65,762,871.33

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	Beijing	60003715-7	Real estate	The first	280	26.36%	26.36%

Real Estate Development Holdings Co., Ltd			development and operation	largest shareholder	million Yuan		
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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
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

On May 27, 2013, the Pearl River Holding has borrowed RMB 230,000,000.00 from Beijing Xinxing Real Estate Development general company approved by the board of directors as well as pledged 29.75 millions Shares of Southwest Security to the company. By end of the reporting period the company returned the loan principal of RMB 170,000,000 and RMB 8347,499.11 of interest, the balance of loans 60,000,000 is extended to June 30, 2014. The remaining 7,750,000 shares of Southwest Securities were pledged to Beijing Xinxing Real Estate Development general company.

By December 31, 2013, 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 RMB168,967,912.90 Yuan with RMB 18,755,277.69 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 58,825,000.00 Yuan with interest payable on balance of RMB23,740,742.89 Yuan.

By December 31, 2013, the total amount of loan principal that Beijing Xinxing Real Estate Development general company has been made to Sanya Wanjia Hotel Management Co., Ltd has a balance of RMB 32,030,000.00 Yuan with RMB32,279,939.96 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 RMB10, 773, 742.08Yuan.

For the loans listed between related parties, the total amount of interest expensed carried for this reporting period was RMB21, 925, 175.50Yuan with interest payable on balance of RMB85, 549, 702.62Yuan. 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, 2013	Jan 1, 2013
Other payables:	Total	281,602,332.09	225,336,180.92
	Beijing Xinxing Real Estate Development General company	200,997,912.90	140,997,912.90
	Beijing Wangfa Real Estate Development Holdings Co., Ltd	78,525,000.00	81,725,000.00
	Beijing Zhongjia Yangguang energy technology (group) Co., Ltd.	2, 079, 419.19	1,113,268.02
	Beijing Yulongjisheng Real Estate Development Holdings Co., Ltd		1,500,000.00
Interest payable:	Total	85,549,702.62	96,988,987.39
	Beijing Xinxing Real Estate Development General company	51,035,217.65	62,749,195.44
	Beijing Wangfa Real Estate Development Holdings Co., Ltd.	34,514,484.97	34,239,791.95

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

(1) The description of important events

- On January 7, 2014, the extraordinary shareholders' general meeting of Pearl River Holding passed a bill that providing financing guarantee for its subsidiary . In January 22, 2014, the subsidiary Hubei real estate has received the Beijing XuRi XinRan Investment Management Center (limited partnership) of financing funds totaling RMB140 million.
- No restructuring agreement has yet been reached between Tus-Holdings Co.,Ltd and Beijing Xinxing Real Estate Development general company and Pearl River Holding, the event are still ongoing.

(2) The description of profit distribution after the balance sheet date

According to the fifth board resolution of the seventh session of the company , the profit of 2013 will be used to make up for prior year' s loss and there was no profit distribution plan .

(3) Other 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

(1) Debt restructuring

The company assumed joint responsibility for security because of litigation matters of the the customers not to repay the purchase mortgage to Hainan Province branch of Bank of Communications. The company and the Bank had reached a loan restructuring agreement in January 8, 2004 . In June 19, 2012, two parties also signed the " repayment agreement" ,which is the company agreed to the compensatory amount of RMB 4,500,000 according to loan contract and the relevant protocols. By the end of this period compensatory payment has already been paid, the difference of RMB 7,411,437.43 between the payables and restructured debt was recognized as restructuring income.

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

1. Accounts receivable

(1) Detailed information

Items	31 Dec 2013				1 Jan 2013			
	Balance	Proportion (%)	Bad debts	Bad debt ratio (%)	Balance	Proportion (%)	Bad debts	Bad debt ratio (%)
1 Individual with significant amount	7,761,707.60	61.71	7,761,707.60	100.00	7,761,707.60	61.72	7,761,707.60	100.00
2 Bad debt accounted by the combinations	2,917,008.79	23.19	479,051.74	16.42	2,915,410.87	23.18	574,059.78	19.69
3 Other unimportant receivables	1,898,690.60	15.10	1,898,690.60	100.00	1,898,690.60	15.10	1,898,690.60	100.00
Total	12,577,406.99	100.00	10,139,449.94	—	12,575,809.07	100.00	10,234,457.98	—

(2) Age analysis

Age	Dec 31, 2013		January 1, 2013	
	Amounts	Bad Debts Provision	Amounts	Bad Debts Provision
Within 1 year	1,754,901.37	35,098.03	1,555,303.45	31,106.07
1 to 2 years	102,000.00	5,100.00	100,000.00	5,000.00
2 to 3 years	100,000.00	10,000.00	100,000.00	10,000.00
3 to 4 year	100,000.00	20,000.00	106,000.00	21,200.00

4 to 5 years	106,000.00	31,800.00	101,500.00	30,450.00
5 years and more	754,107.42	377,053.71	952,607.42	476,303.71
Total	2,917,008.79	479,051.74	2,915,410.87	574,059.78

2. Other receivables

(1) Detailed information

Items	31 Dec 2013				1 Jan 2013			
	Balance	Proportion (%)	Bad debts	Bad debt ratio (%)	Balance	Proportion (%)	Bad debts	Bad debt ratio (%)
1. Individual with significant amount	24,178,380.89	3.72	24,178,380.89	100.00	77,278,380.89	12.70	34,477,855.47	44.62
2. Bad debt accounted by the combinations								
Age Combinations	281,636,174.98	43.26	22,814,242.48	8.10	292,350,649.61	48.04	12,815,010.44	4.38
In scope of consolidated statements	339,619,797.96	52.17			233,952,547.64	38.44		
subtotal	621,255,972.94	95.43	22,814,242.48	3.67	526,303,197.25	86.48	12,815,010.44	2.43
3. Other unimportant receivables	5,543,560.75	0.85	3,994,709.68	72.06	5,010,884.80	0.82	3,976,838.29	79.36
Total	650,977,914.58	100.00	50,987,333.05	—	608,592,462.94	100.00	51,269,704.20	—

(2) Aging analysis

Age	Dec 31, 2013			January 1, 2013		
	Amounts		Bad Debt Provision	Amounts		Bad Debt Provision
	Amounts	Ratio (%)		Amounts	Ratio (%)	
Within 1 year	31,441,342.10	11.16	628,826.96	80,231,301.62	27.44	1,604,626.03
1 to 2 years	78,723,146.00	27.95	3,936,157.30	201,738,919.65	69.01	10,086,945.98
2 to 3 years	161,091,258.54	57.20	16,109,125.85	10,166,939.34	3.48	1,016,693.93
3 to 4 year	10,166,939.34	3.61	2,033,387.87			
4 to 5 years						
5 years and more	213,489.00	0.08	106,744.50	213,489.00	0.07	106,744.50
Total	281,636,174.98	100.00	22,814,242.48	292,350,649.61	100.00	12,815,010.44

3. Long-term equity investment

Name	Accounting Method	Initial investment Cost	Beginning Balance	Increase or decrease	Ending Balance	Percentage of equity interest (%)	Percentage of vote right (%)	Impairment loss provision
Hainan Pearl River Property & Hotel Management Co., Ltd.	Cost Method	4,900,000.00	4,900,000.00		4,900,000.00	98	98	

Hubei Pearl River Real Estate Development Co., Ltd.	Cost Method	57,200,000.00	57,200,000.00		57,200,000.00	88	88	
Sanya Wanjia Hotel Management Co., Ltd.	Cost Method	120,000,000.00	120,000,000.00		120,000,000.00	100	100	
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
Mudanjiang Pearl River Hotel Management Co., Ltd.	Cost Method	60,000,000.00	60,000,000.00		60,000,000.00	100	100	
Beijing Jiubo Culture Development Co., Ltd.	Cost Method	5,000,000.00	5,000,000.00		5,000,000.00	100	100	
Hebei zhengshiqinghui Real Estate Development Co., Ltd.	Cost Method	5,100,000.00	5,100,000.00		5,100,000.00	51	51	
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
Sanya Wanjia Enterprises Holding Co., Ltd.	Equity Method	40,000,000.00	36,496,882.74	-1,192,993.46	35,303,889.28	40	40	
Total		369,143,555.29	365,640,438.03	-1,192,993.46	364,447,444.57			65,532,245.39

4. Operating income and operating costs

(1) Operating income

Items	Year 2013	Year 2012
Main operating business income		
Other operating business income	1,335,418.83	1,306,676.40

Total	1,335,418.83	1,306,676.40
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(2) Operating costs

Items	Year 2013	Year 2012
Main operating business costs		
Other operating business costs	355,593.60	355,593.60
Total	355,593.60	355,593.60

5. Investment income

Items	Year 2013	Year 2012
Long-term equity investment income accounted by Cost Method		92,400,000.00
Long-term equity investment income accounted by Equity Method	-1,192,993.46	-1,055,426.26
Investment income accounted by held for trading financial assets	93,040.00	
Investment income accounted by available for sale financial assets	3,064,013.00	
Investment income of disposal held for trading financial assets	-856,348.71	881,377.97
Investment income of disposal available for sale financial assets	176,141,844.97	24,000,009.17
Total	177,249,555.80	116,225,960.88

6. Supplementary information of cash flow statement

Items	Year 2013	Year 2012
1. Reconciliation of net profit to cash flows from operating activities:		
Net profit	95,923,072.97	40,953,934.51
Add: Provision for assets impairment	-377,379.19	4,779,329.19
Depreciation of fixed assets, production biological assets, petroleum and natural gas	1,966,656.23	2,164,438.21
Amortization of intangible assets	47,663.64	47,663.64
Amortization of long-term prepayments	10,210,101.74	2,260,636.36
Losses on disposal of fixed assets, intangible assets and other long-term assets		5,069.70
Losses on scrapping of fixed assets	2,433.45	
Losses on fair value change		
Financial expenses	71,865,328.23	49,215,447.66
Investment losses	-177,249,555.80	-116,225,960.88
Decrease in deferred income tax assets		
Increase in deferred income tax liabilities		

Decrease in inventories		
Decrease in operating receivables	26,791,018.72	-6,087,050.57
Increase in operating payables	11,657,361.57	6,771,285.99
Others		
Net cash flows from operating activities	40,836,701.56	-16,115,206.19
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	1,650,620.37	2,641,297.45
Add: Cash equivalents at the end of the period	2,641,297.45	515,955.59
Less: Cash equivalents at the beginning of the period		
Net increase in cash and cash equivalents	-990,677.08	2,125,341.86

XII. Supplementary information

1. Extraordinary gains or losses for this period

Items	Year 2013
Profit and loss on disposal of non-current assets	180,123.52
Fund occupation fee from non-financial enterprises included in the current profit and loss	1,267,980.80
Revenue generated from obtaining subsidiaries, associates and joint venture investment as the investment cost less than the fair value of identifiable net assets	
Gains generated from debt restructuring	7,411,437.43
Investment income from disposal of available-for-sale financial assets	178,442,549.26
Others non-operating income and expenses excluded as above	1,632,437.75
Other non-operating income and costs	
Income tax impact	17,653.07
Equity impacts of minority interests	-7,264.28
Total	188,944,917.55

2. Earnings per share

	Weighted average net assets yield	Earnings per share	
		Basic earnings per	Diluted earnings per share

		share	
Net profit attributable to common shareholders	7.61%	0.03	0.03
Net profit excluding non-recurring Profit and Loss attributable to common shareholders	-99.03%	-0.41	-0.41

3. Abnormal issues and its related explanations for major accounting statements

(1) Balance sheet

Item	Year 2013	Year 2012	Rate of change	Explanations
Receivables	13,143,175.36	9,889,336.96	33%	Increased income from the project of high-speed-rail
Prepayments	91,018,812.99	148,283,887.61	-39%	prepayments transferred to fixed assets
Available for sale financial assets	76,957,500.00	273,616,360.90	-71.9%	Sell parts of equity investment
Fixed assets	452,747,443.22	334,321,547.26	35%	Construction in progress of the snow town project transferred to fixed assets
Construction in progress	10,188,964.09	34,908,625.06	-71%	Construction in progress of the snow town project transferred to fixed assets
Account payables	34,758,922.28	20,503,123.52	70%	Increased payables from the project payment
Short term loans		210,000,000.00	-100%	Repay the loans to financial institutions
Taxes payable	8,600,877.07	2,205,732.91	290%	Increased taxable income from disposal of available-for-sale financial assets
Other payables	555,911,820.21	379,871,030.04	46%	Increased borrowing from related parties
Non-current liabilities due within 1 year	228,000,000.00	28,000,000.00	714%	Long-term borrowings will be matured within one year
Long-term borrowings	129,000,000.00	341,000,000.00	-62%	Long-term borrowings will be matured within one year
Deferred income tax liabilities	14,512,240.76	47,601,189.35	-70%	Disposal of available-for sale financial assets lead to reduce the deferred income tax liabilities

(2) Income statement

Item	Year 2013	Year 2012	Rate of change	Explanations
Financial expenses	93,614,914.70	68,999,213.49	36%	Increased amount of financing costs and borrowing costs
Impairment Loss of	10,195,650.20	-888,665.32	1247%	Large amount of account

Assets				receivables
Investment income	177,445,214.64	23,778,536.27	646%	Income from disposal of available-for sale financial assets
Non-operating income	10,662,348.85	1,238,318.38	761%	Gains from Debt restructuring and default compensation income
Non-operating expenses	1,438,350.15	462,764.77	211%	Caused by subsidiary of Mudanjiang Jingbohu Wanjia Hotel terminated the lease contract
income tax	2,963,229.37	1,762,601.45	68%	increased income tax of subsidiary
Minority interests	-4,822,708.79	-98,163.63	-4813%	Subsidiaries of Hubei Pearl River Real Estate net profit decreased and Hebei zhengshiqinghui Real Estate growing losses
Other comprehensive income	-134,400,904.56	-8,505,498.80	-1480%	Disposal of available-for-sale financial assets, the comprehensive income realized
Net cash flows from investing activities	186,089,055.62	-100,583,688.30	285%	Increased from disposal of available-for-sale financial assets
Net cash flows from financing activities	-143,752,981.17	174,182,916.84	-183%	Financing size small and repaying borrowed money

XIII. Approval of the financial statements

The financial statements have been approved by the board of directors of the Company in March 25, 2014.

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

Hainan Pearl River Holding Company Limited

March 25, 2014

Legal representative:

Accounting Supervisor:

Chief Accountant:

Signature:

Signature:

Signature:

Date:

Date:

Date:

