

Hainan Pearl River Holding Company Limited

Consolidated Balance Sheet

30 Jun 2014

Expressed in Renminbi

Items	Notes	30-Jun-14	31-Dec-13
Current assets:			
Monetary funds	V.1	78,992,211.94	62,362,242.69
Financial assets held for trading			
Notes receivable			
Accounts receivable	V.2	13,383,521.91	13,143,175.36
Prepayments	V.3	165,823,877.97	91,018,812.99
Interest receivable			
Dividend receivable	V.4	1,190,015.00	260,015.00
Other receivables	V.5	274,024,371.58	287,625,206.34
Inventories	V.6	274,697,883.46	118,546,684.93
Non-current asset due within 1 year			
Other current assets			
Total current assets		808,111,881.86	572,956,137.31
Non-current assets:			
Available-for-sale financial assets	V.7	66,262,500.00	76,957,500.00
Held-to-maturity securities			
Long-term receivables			
Long-term equity investments	V.9	47,591,677.97	48,179,838.13
Investment real estates	V.10	23,174,924.24	23,984,418.97
Fixed assets	V.11	438,434,579.09	452,747,443.22
Construction in progress	V.12	10,231,354.09	10,188,964.09
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	31,227,779.35	31,185,913.86
Expense on research and development			
Goodwill			
Long-term prepayments	V.15	20,976,897.31	20,907,381.86
Deferred income tax assets			
Other non-current asset			
Total non-current assets		638,505,918.65	664,757,666.73
Total assets		1,446,617,800.51	1,237,713,804.04

Corporate representative:Zheng Qing

Chief Accountant:Yang Daoliang

Accounting Supervisor: Yang Daoliang

Hainan Pearl River Holding Company Limited
Consolidated Balance Sheet

30 Jun 2014

Expressed in Renminbi

Items	Notes	30-Jun-14	31-Dec-13
Current liabilities:			
Short-term loans			
Financial liabilities held for trading			
Notes payable			
Accounts payable	V.19	35,451,717.99	34,758,922.28
Accounts received in advance	V.20	21,932,963.59	23,843,858.07
Accrued payroll	V.21	9,200,366.70	10,764,089.33
Taxes payable	V.22	7,186,740.99	8,600,877.07
Interest payable	V.23	120,217,697.90	101,140,724.11
Dividend payable	V.24	3,213,302.88	3,213,302.88
Other payables	V.25	747,852,961.77	555,911,820.21
Non-current liabilities due within 1 year	V.26	242,471,973.56	228,000,000.00
Other current liabilities			
Total current liabilities		1,187,527,725.38	966,233,593.95
Non-current liabilities:			
Long-term borrowings	V.27	197,333,333.36	129,000,000.00
Bonds payable			
Long-term payables			
Special payables			
Accrued liabilities			
Deferred income tax liabilities	V.16	11,838,490.76	14,512,240.76
Other non-current liabilities			
Total non-current liabilities		209,171,824.12	143,512,240.76
Total liabilities		1,396,699,549.50	1,109,745,834.71
Owner's equity:			
Share capital	V.28	426,745,404.00	426,745,404.00
Capital surplus	V.29	379,524,002.61	387,545,252.61
Less:treasury stock			
Surplus reserves	V.30	109,487,064.39	109,487,064.39
Undistributed profits	V.31	-884,872,463.42	-807,063,505.41
Foreign currency translation differences			
Total owner's equity attributable to parent company		30,884,007.58	116,714,215.59
Minority interests		19,034,243.43	11,253,753.74
Total owner's equity		49,918,251.01	127,967,969.33
Total liabilities and owner's equity		1,446,617,800.51	1,237,713,804.04

Corporate representative:Zheng Qing

Chief Accountant:Yang Daoliang

Accounting Supervisor: Yang Daoliang

Hainan Pearl River Holding Company Limited

Balance Sheet

30 Jun 2014

Expressed in Renminbi

Items	Notes	30-Jun-14	31-Dec-13
Current assets:			
Monetary funds		293,288.99	1,650,620.37
Financial assets held for trading			
Notes receivable			
Accounts receivable	XI.1	2,932,074.77	2,437,957.05
Prepayments		50,000,000.00	50,000,000.00
Interest receivable			
Dividend receivable		1,190,015.00	260,015.00
Other receivables	XI.2	598,199,158.84	599,990,581.53
Inventories		4,824,035.45	4,824,035.45
Non-current asset due within 1 year			
Other current assets			
Total current assets		657,438,573.05	659,163,209.40
Non-current assets:			
Available-for-sale financial assets		66,262,500.00	76,957,500.00
Held-to-maturity securities			
Long-term receivables			
Long-term equity investments	XI.3	298,568,556.70	298,915,199.18
Investment real estates		7,139,759.03	7,290,977.33
Fixed assets		15,339,931.66	16,056,715.04
Construction in progress			
Engineering material			
Disposal of fixed assets			
Bearer biological assets			
Oil and gas assets			
Intangible assets		1,481,545.14	1,505,376.96
Expense on research and development			
Goodwill			
Long-term prepayments		3,658,215.30	9,127,521.96
Deferred income tax assets			
Other non-current asset			
Total non-current assets		392,450,507.83	409,853,290.47
Total assets		1,049,889,080.88	1,069,016,499.87

Corporate representative: Zheng Qing Chief Accountant: Yang Daoliang Accounting Supervisor: Yang Daoliang

Hainan Pearl River Holding Company Limited

Balance Sheet

30 Jun 2014

Expressed in Renminbi

Items	Notes	30-Jun-14	31-Dec-13
Current liabilities:			
Short-term loans			
Financial liabilities held for trading			
Notes payable			
Accounts payable		2,482,949.70	2,482,949.70
Accounts received in advance		199,138.50	61,875.00
Accrued payroll		478,708.53	781,412.78
Taxes payable		7,003,780.80	6,966,593.30
Interest payable		74,618,597.92	61,988,940.20
Dividend payable		3,213,302.88	3,213,302.88
Other payables		416,430,783.07	403,455,124.29
Non-current liabilities due within 1 year		196,805,306.92	197,000,000.00
Other current liabilities			
Total current liabilities		701,232,568.32	675,950,198.15
Non-current liabilities:			
Long-term borrowings			
Bonds payable			
Long-term payables			
Special payables			
Accrued liabilities			
Deferred income tax liabilities		11,101,875.00	13,775,625.00
Other non-current liabilities			
Total non-current liabilities		11,101,875.00	13,775,625.00
Total liabilities		712,334,443.32	689,725,823.15
Owner's equity:			
Share capital		426,745,404.00	426,745,404.00
Capital surplus		382,540,342.15	390,561,592.15
Less:treasury stock			
Surplus reserves		109,487,064.39	109,487,064.39
Undistributed profits		-581,218,172.98	-547,503,383.82
Total owner's equity		337,554,637.56	379,290,676.72
Total liabilities and owner's equity		1,049,889,080.88	1,069,016,499.87

Corporate representative:Zheng Qing

Chief Accountant:Yang Daoliang

Accounting Supervisor: Yang Daoliang

Hainan Pearl River Holding Company Limited

Consolidated Income Statement

Year ended 30 June 2014

Expressed in Renminbi

Items	Notes	Jan.-Jun. 2014	Jan.-Jun. 2013
I.Total operating income		124,684,500.79	107,223,021.13
Including: operating income	V.32	124,684,500.79	107,223,021.13
II.Total operating cost		204,537,920.01	175,386,515.27
Including: operating cost	V.32	91,756,158.00	77,839,912.45
Operating taxes and extras	V.33	7,305,149.15	6,360,287.19
Sales expenses	V.34	2,422,952.48	4,606,945.20
General and administrative expenses	V.35	54,558,020.91	46,741,079.54
Financial expenses	V.36	50,842,648.58	40,873,236.02
Loss of devaluation of assets	V.38	-2,347,009.11	-1,034,945.13
Add: Changing income of fair value			
Investment income	V.37	393,349.34	2,556,516.93
Including: investment income on affiliated company and joint venture		-588,160.16	-507,496.07
III.Operating profit		-79,460,069.88	-65,606,977.21
Add: Non-operating income	V.39	71,348.21	73,275.60
Less: Non-operating expenses	V.40	503,810.93	71,307.30
Including: disposal loss of non-current asset		453.21	15,533.81
IV.Total profit		-79,892,532.60	-65,605,008.91
Less: income tax	V.41	135,935.72	175,477.77
V.Net profit		-80,028,468.32	-65,780,486.68
Net profit attributable to parent company's owner		-76,849,759.83	-64,455,008.65
Profit and loss of minority interests		-3,178,708.49	-1,325,478.03
VI.Earnings per share			
i.Basic earnings per share	V.42	-0.18	-0.15
ii.Diluted earnings per share	V.42	-0.18	-0.15
VII.Other comprehensive income	V.43	-8,021,250.00	-28,954,922.85
VIII.Total comprehensive income		-88,049,718.32	-94,735,409.53
Including: Total comprehensive income attributed to the owners of parent company		-84,871,009.83	-93,409,931.50
Total comprehensive income attributed to minority interests		-3,178,708.49	-1,325,478.03

Corporate representative: Zheng Qing

Chief Accountant: Yang Daoliang

Accounting Supervisor: Yang Daoliang

Hainan Pearl River Holding Company Limited

Income Statement

Year ended 30 June 2014

Expressed in Renminbi

Items	Notes	Jan.-Jun. 2014	Jan.-Jun. 2013
I.Total operating income	XI.4	508,457.76	581,744.40
Less:Operating costs	XI.4	177,796.80	177,796.80
Operating taxes and extras		21,753.66	32,577.68
Sales expenses			
General and administrative expenses		9,340,894.41	11,022,129.41
Financial expenses		31,069,436.77	29,584,045.68
Loss of devaluation of assets		-5,803,950.68	-10,228,962.52
Add:Changing income of fair value			
Investment income	XI.5	583,357.52	2,563,495.93
Including: investment income on affiliated company and joint venture		-346,642.48	-500,517.07
II.Operating profit		-33,714,115.68	-27,442,346.72
Add: Non-operating income			0.19
Less: Non-operating expenses		673.48	6,266.23
Including: disposal loss of non-current asset			
III.Total profit		-33,714,789.16	-27,448,612.76
Less: income tax			
IV.Net profit		-33,714,789.16	-27,448,612.76
V.Earnings per share			
i.Basic earnings per share			
ii.Diluted earnings per share			
VI.Other comprehensive income		-8,021,250.00	-28,954,922.85
VII.Totalcomprehensive income		-41,736,039.16	-56,403,535.61

Corporate representative:Zheng Qing

Chief Accountant:Yang Daoliang

Accounting Supervisor: Yang Daoliang

Hainan Pearl River Holding Company Limited

Consolidated Cash Flow Statement

Year ended 30 June 2014

Expressed in Renminbi

Items	Notes	Jan.-Jun. 2014	Jan.-Jun. 2013
I.Cash flows from operating activities:			
Cash received from sales of goods or rendering of services		129,259,671.62	101,651,207.81
Refunds of taxes			
Cash received relating to other operating activities	V.44(1)	17,928,270.73	12,470,630.71
Subtotal of cash inflows		147,187,942.35	114,121,838.52
Cash paid for goods and services		181,406,361.68	39,030,611.99
Cash paid to and on behalf of employees		77,094,698.25	60,918,149.26
Payments of all types of taxes		11,079,690.36	12,428,181.55
Cash paid relating to other operating activities	V.44(2)	34,355,746.87	45,606,004.91
Subtotal of cash outflows		303,936,497.16	157,982,947.71
Net cash flows from operating activities	V.45(1)	-156,748,554.81	-43,861,109.19
II.Cash flows from investing activities:			
Cash received from return of investments		36,060,000.00	26,000,000.00
Cash received from return on investments		37,638.27	89,013.00
Net cash received from the sale of fixed assets, intangible assets and other long-term assets		1,301,297.50	412,838.50
Net cash received from selling subsidiary company and joint venture			
Cash received relating to other investing activities	V.44(3)	13,871.23	5,647,661.11
Subtotal of cash inflows		37,412,807.00	32,149,512.61
Cash paid to acquire fixed assets, intangible assets and other long-term assets		72,778,177.60	12,850,561.55
Cash paid to acquire investments		24,700,000.00	33,000,000.00
Net cash paid to purchase subsidiary company and joint venture			
Cash paid relating to other investing activities			
Subtotal of cash outflows		97,478,177.60	45,850,561.55
Net cash flows from investing activities		-60,065,370.60	-13,701,048.94
III.Cash flows from financing activities:			
Cash received from investments by others		10,000,000.00	2,100,000.00
Cash received from borrowings		301,650,000.00	338,000,000.00
Cash received relating to other financing activities			1,000,000.00
Subtotal of cash inflows		311,650,000.00	341,100,000.00
Cash repayments of amounts borrowed		43,394,693.08	250,000,000.00
Cash paid for distribution of dividends or profits and for interest expenses		18,338,912.26	30,280,968.25
Cash paid relating to other financing activities	V.44(4)	16,472,500.00	13,207,475.62
Subtotal of cash outflows		78,206,105.34	293,488,443.87
Net cash flows from financing activities		233,443,894.66	47,611,556.13
IV.Effect of foreign exchange rate changes on cash			
V.Net increase in cash and cash equivalents		16,629,969.25	-9,950,602.00
Add:balance of cash and cash equivalents at the beginning of the year		62,362,242.69	65,762,871.33
VI.Balance of cash and cash equivalents at the end of the year		78,992,211.94	55,812,269.33

Corporate representative:Zheng Qing

Chief Accountant:Yang Daoliang

Accounting Supervisor: Yang Daoliang

Cash Flow Statement

Year ended 30 June 2014

Expressed in Renminbi

Items	Notes	Jan.-Jun. 2014	Jan.-Jun. 2013
I.Cash flows from operating activities:			
Cash received from sales of goods or rendering of services		787,456.75	552,850.00
Refunds of taxes			
Cash received relating to other operating activities		4,830,485.21	54,149,190.80
Subtotal of cash inflows		5,617,941.96	54,702,040.80
Cash paid for goods and services			
Cash paid to and on behalf of employees		3,061,780.17	2,897,272.40
Payments of all types of taxes		444,798.05	728,405.54
Cash paid relating to other operating activities		8,511,195.12	9,026,338.42
Subtotal of cash outflows		12,017,773.34	12,652,016.36
Net cash flows from operating activities	XI.6	-6,399,831.38	42,050,024.44
II.Cash flows from investing activities:			
Cash received from return of investments		36,060,000.00	26,000,000.00
Cash received from return on investments			89,013.00
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			5,647,661.11
Subtotal of cash inflows		36,060,000.00	31,736,674.11
Cash paid to acquire fixed assets, intangible assets and other long-term assets			34,007.00
Cash paid to acquire investments		28,200,000.00	90,499,500.00
Net cash paid to purchase subsidiary company and joint venture			
Cash paid relating to other investing activities			
Subtotal of cash outflows		28,200,000.00	90,533,507.00
Net cash flows from investing activities		7,860,000.00	-58,796,832.89
III.Cash flows from financing activities:			
Cash received from investments by others			
Cash received from borrowings		21,300,000.00	286,000,000.00
Cash received relating to other financing activities			
Subtotal of cash inflows		21,300,000.00	286,000,000.00
Cash repayments of amounts borrowed		9,394,693.08	238,000,000.00
Cash paid for distribution of dividends or profits and for interest expenses		9,970,306.92	23,427,265.49
Cash paid relating to other financing activities		4,752,500.00	9,507,475.62
Subtotal of cash outflows		24,117,500.00	270,934,741.11
Net cash flows from financing activities		-2,817,500.00	15,065,258.89
IV.Effect of foreign exchange rate changes on cash			
V.Net increase in cash and cash equivalents		-1,357,331.38	-1,681,549.56
Add:balance of cash and cash equivalents at the beginning of the year		1,650,620.37	2,641,297.45
VI.Balance of cash and cash equivalents at the end of the year		293,288.99	959,747.89

Corporate representative:Zheng Qing

Chief Accountant:Yang Daoliang

Accounting Supervisor: Yang Daoliang

Hainan Pearl River Holding Company Limited

Consolidated Statement of Changes in Equity

Year ended 30 June 2014

Expressed in Renminbi

Items	30 June 2014							
	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	387,545,252.61		109,487,064.39	-807,063,505.41		11,253,753.74	127,967,969.33
1.Amount because the change of accounting policy								
2.Amount because correction of accounting error								
II.Amount at the beginning of this year	426,745,404.00	387,545,252.61		109,487,064.39	-807,063,505.41		11,253,753.74	127,967,969.33
III.Increment and decrement of this year		-8,021,250.00			-77,808,958.01		7,780,489.69	-78,049,718.32
1.Net profit					-76,849,759.83		-3,178,708.49	-80,028,468.32
2.Profit and loss through owner's equity directly		-8,021,250.00						-8,021,250.00
(1) Net changing amount of fair value of available-for-sale financial assets		-8,021,250.00						-8,021,250.00
(2) Influence of other owner's equity change of invested enterprise under equity method								
(3) Relating income tax effect through owner's equity items								
(4) Other								
Subtotal of above 1 and 2		-8,021,250.00			-76,849,759.83		-3,178,708.49	-88,049,718.32
3.Owners invest or reduce capital							10,000,000.00	10,000,000.00
(1) Owners invest capital							10,000,000.00	10,000,000.00
(2) Share-based payment recorded into owner's equity								
(3) Other								
4. Profit distribution								
(1) Draw surplus reserves								
(2) Draw common risk provision								
(3) Distribute to owners (shareholders)								
(4) Other								
5. Inner rotation within owner's equity					-959,198.18		959,198.18	
(1) Capital reserves transfer to share capital								
(2) Surplus reserves transfer to share capital								
(3) Surplus reserves offset loss								
(4) Other					-959,198.18			-959,198.18
IV.Amount at the end of this year	426,745,404.00	379,524,002.61		109,487,064.39	-884,872,463.42		19,034,243.43	49,918,251.01

Corporate representative: Zheng Qing

Chief Accountant: Yang Daoliang

Accounting Supervisor: Yang Daoliang

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

Year ended 30 June 2014
Expressed in Renminbi

Items	30 June 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		109,487,064.39	-820,552,991.12		13,976,462.53	251,602,096.97
1.Amount because the change of accounting policy								
2.Amount because correction of accounting error								
II.Amount at the beginning of this year	426,745,404.00	521,946,157.17		109,487,064.39	-820,552,991.12		13,976,462.53	251,602,096.97
III.Increment and decrement of this year		-28,954,922.85			-64,455,008.65		774,521.97	-92,635,409.53
1.Net profit					-64,455,008.65		-1,325,478.03	-65,780,486.68
2.Profit and loss through owner's equity directly		-28,954,922.85						-28,954,922.85
(1) Net changing amount of fair value of available-for-sale financial assets		-28,954,922.85						-28,954,922.85
(2) Influence of other owner's equity change of invested enterprise under equity method								
(3) Relating income tax effect through owner's equity items								
(4) Other								
Subtotal of above 1 and 2		-28,954,922.85			-64,455,008.65		-1,325,478.03	-94,735,409.53
3.Owners invest or reduce capital							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								
(3) Other								
4. Profit distribution								
(1) Draw surplus reserves								
(2) Draw common risk provision								
(3) Distribute to owners (shareholders)								
(4) Other								
5. Inner rotation within owner's equity								
(1) Capital reserves transfer to share capital								
(2) Surplus reserves transfer to share capital								
(3) Surplus reserves offset loss								
(4) Other								
IV.Amount at the end of this year	426,745,404.00	492,991,234.32		109,487,064.39	-885,007,999.77		14,750,984.50	158,966,687.44

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 30 June 2014
Expressed in Renminbi

Items	30 June 2014					
	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	390,561,592.15		109,487,064.39	-547,503,383.82	379,290,676.72
1.Amount because the change of accounting policy						
2.Amount because correction of accounting error						
II.Amount at the beginning of this year	426,745,404.00	390,561,592.15		109,487,064.39	-547,503,383.82	379,290,676.72
III.Increment and decrement of this year		-8,021,250.00			-33,714,789.16	-41,736,039.16
1.Net profit					-33,714,789.16	-33,714,789.16
2.Profit and loss through owner's equity directly		-8,021,250.00				-8,021,250.00
(1) Net changing amount of fair value of available-for-sale financial assets		-8,021,250.00				-8,021,250.00
(2) Influence of other owner's equity change of invested enterprise under equity method						
(3) Relating income tax effect through owner's equity items						
(4) Other						
Subtotal of above 1 and 2		-8,021,250.00			-33,714,789.16	-41,736,039.16
3.Owners invest or reduce capital						
(1) Owners invest capital						
(2) Share-based payment recorded into owner's equity						
(3) Other						
4. Profit distribution						
(1) Draw surplus reserves						
(3) Distribute to owners (shareholders)						
(4) Other						
5. Inner rotation within owner's equity						
(1) Capital reserves transfer to share capital						
(2) Surplus reserves transfer to share capital						
(3) Surplus reserves offset loss						
(4) Other						
6. Others						
IV.Amount at the end of this year	426,745,404.00	382,540,342.15		109,487,064.39	-581,218,172.98	337,554,637.56

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 30 June 2014
Expressed in Renminbi

Items	30 June 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		109,487,064.39	-643,426,456.79	417,768,508.31
1.Amount because the change of accounting policy						
2.Amount because correction of accounting error						
II.Amount at the beginning of this year	426,745,404.00	524,962,496.71		109,487,064.39	-643,426,456.79	417,768,508.31
III.Increment and decrement of this year		-28,954,922.85			-27,448,612.76	-56,403,535.61
1.Net profit					-27,448,612.76	-27,448,612.76
2.Profit and loss through owner's equity directly		-28,954,922.85				-28,954,922.85
(1) Net changing amount of fair value of available-for-sale financial assets		-28,954,922.85				-28,954,922.85
(2) Influence of other owner's equity change of invested enterprise under equity method						
(3) Relating income tax effect through owner's equity items						
(4) Other						
Subtotal of above 1 and 2		-28,954,922.85			-27,448,612.76	-56,403,535.61
3.Owners invest or reduce capital						
(1) Owners invest capital						
(2) Share-based payment recorded into owner's equity						
(3) Other						
4. Profit distribution						
(1) Draw surplus reserves						
(3) Distribute to owners (shareholders)						
(4) Other						
5. Inner rotation within owner's equity						
(1) Capital reserves transfer to share capital						
(2) Surplus reserves transfer to share capital						
(3) Surplus reserves offset loss						
(4) Other						
6. Others						
IV.Amount at the end of this year	426,745,404.00	496,007,573.86		109,487,064.39	-670,875,069.55	361,364,972.70

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 Six Months ended 30 June 2014
(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, whichf

accounts for 29.82% of the total outstanding shares of the company.

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

August 17, 2006, with the implementation of equity division reform, an incremental of share capital to the total amount of 49.094604 million shares took place since additional shares were delivered to all shareholders based on a 10: 1.3 (1.3 free new shares for every 10 held) distribution regime. The total amount of shares outstanding was thus increased to 426,745,404 shares with the Wanfa Real Estate Development Company occupying 107,993,698 shares, taking up the ownership percentage of 25.31%. In 2007 and 2009, non-circulation stock shareholders paid back consideration for reform of the shareholder structure; the corresponding value was respectively 3,289,780 and 1,196,000 shares of stock. Beijing Wanfa Real Estate Development Company held an amount of 112,479,478 shares at the end of 2009, which was equivalent to an equity stake of 26.36%. In 2010, the controlling shareholder Beijing Wanfa Real Estate Development Stock Limited Company changed its name to Beijing Wanfa Real Estate Development Limited Liability Company. By the end of June, this dominant shareholder held an amount of 112,479,478 shares, equivalent to an ownership percentage of 26.36%.

Registered capital: RMB 426,745,400 Yuan

The business license number: 4600001006830

Office address: 29/F., Dihao Building, Pearl River Plaza, Binhai Avenue, Haikou, Hainan, the PRC.

Corporate representative: Zheng Qing

The operation scope: Industrial investment, tropical farming, aquaculture, real estate development and management, hotel investment and management, material supply, construction equipment purchasing, leasing, hardware, chemical, trade of household items, decoration, vehicle parking, and high-tech investment projects, investment in environmental protection projects, investment advice. The company mainly engaged in real estate development and property management, which belong to real estate aspect.

The Company's basic organizational structure: General meeting of shareholders is the highest organ of power. Board of directors is the executing agency. Supervisory board is the Company's internal auditing agency. General Manager is responsible for the Company's daily operational management.

There are General Manager Office, Securities Department, and Tourism Real Estate Department, Financial Department, Management Department, Auditing Department and others in the Company.

II. Accounting policies, accounting estimates and error correction of previous years

1. Preparation basis of financial statement

Preparation of the financial statements is based on going concern postulate. Recognition and measurement comply

with actual transactions or events, and the Company prepares financial statements on these bases.

2. Announcement about compliance with Accounting Standards for Business Enterprises

The Company's financial statements are prepared in accordance with the requirements of the Accounting Standards for Business Enterprises, and they fairly and completely present the financial position, operation results, cash flow and other relevant information of the Company.

3. Accounting year

Accounting year of the Group is the calendar year from January 1 to December 31. This report covers the period from January 1, 2014 to June 30, 2014.

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

Ages	Percentage of Accounts Receivable (%)	Percentage of Others Receivable (%)
1 year to 2 years	5	5
2 years to 3 years	10	10
3 years to 4 years	20	20
4 years to 5 years	30	30
Over 5 years	50	50

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

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

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

11. Inventories

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

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

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

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

12. Long-term equity investment

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

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

Besides the long-term equity investments formed by the business combination, the initial cost of a long-term

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

(2) Subsequent measurement

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

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

The Company should have impairment test for any long-term equity investment on very balance sheet date. When the estimated value in use is less than its book value, it will be treated as impairment loss. And this loss should be transferred into current profit and loss account; meanwhile, the company should set up provision for the long-term equity investment impairment loss. To any long-term equity investments, which are measured by

cost method, there is no price or its fair value cannot be measured reliably, the impairment loss of these investments should be the difference between the book value and the present value of the future cash flow calculated by using current market rate of similar financial asset.

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

(3) Recognition basis of joint control and significant influences

The term "joint control" refers to the control over an economic activity in accordance with the contracts and agreements, which does not exist unless the investing parties of the economic activity with one an assent on sharing the control power over the relevant important financial and operating decisions. The term "significant influences" refers to the power to participate in making decisions on the financial and operating policies of an enterprise, but not to control or do joint control together with other parties over the formulation of these policies.

(4) Disposal of long-term equity investment

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

13. Investment property

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

14. Fixed assets

(1) Recognition of fixed assets

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

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

(2) The category and depreciation method of fixed assets

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

Category	Estimated useful lives (years)	Expected residual value (%)	Annual depreciation rate (%)
Buildings & Houses	25	5	3.8
Motor Vehicle	5	5	19.0
General equipments	10	5	9.5
Specific equipments	5	5	19.0
Other equipments	5	5	19.0

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

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

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

(3) Idle fixed assets

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

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

(4) Fixed assets under financing lease

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

- the lease transfers ownership of the leased asset to the lessee by the end of the lease term;
- 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;
- the lease term is for the major part of the useful life of the leased asset even if title is not transferred;
- 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;
- 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
Business tax	5%	Revenue of house property sale and lease, property management income and etc.
City construction and maintenance tax	5%, 7%	Business tax and value-added tax
Education fee	3%	Business tax and value-added tax
Income tax	24%, 25%	Taxable income

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)	Consolidated (Yes or No) (RMB 0'000)	Minority interest
Hainan Pearl River Properties and Hotels Management Co., Ltd.	Hainan Haikou	500	Properties and Hotels Management	98%	98%	490	Yes	18.12
Hainan Pearl River Environmental Projects Co., Ltd.	Hainan Haikou	100	Gardens engineering construction	100%	100%	100	Yes	
Hainan Pearl River Estate Cleaning Company	Hainan Haikou	50	Cleaning projects	100%	100%	50	Yes	
Hainan Pearl River Estate Machine Engineering Company	Hainan Haikou	150	Mechanical and electrical products sales	100%	100%	150	Yes	
Hainan Pearl River Estate Marketing Co., Ltd.	Hainan Haikou	100	Real Estate Marketing Planning	100%	100%	100	Yes	
Sanya Wanjia Hotel Management Co., Ltd.	Hainan Sanya	12,000	Hotel service	100%	100%	12,000	Yes	
Hubei Pearl River Real Estate Development Co., Ltd.	Hubei Wuhan	6,500	Real estate development and management	79.2%	79.2%	7,222	Yes	2,230.53
Wuhan Pearl River Meilin Hotels Management Co., Ltd.	Hubei Wuhan	50	Service	100%	100%	50	Yes	
Hainan Pearl River Enterprises Holding Co., Ltd. Shanghai Real Estate Co.	Shanghai	4,000	Real estate development and management	100%	100%	4,000	Yes	
Beijing Jiubo Culture Development Co., Ltd.	Beijing	500	Cultural and sports services	100%	100%	500	Yes	
Mudanjiang Pearl River Tourism Investment and Development Group Limited	Mudanjiang	6,000	Hotel management	100%	100%	6,000	Yes	
Mudanjiang Wanjia Star Hotel Co., Ltd.	Mudanjiang	50	Hotel service	100%	100%	50	Yes	
Mudanjiang Jingbohu Wanjia Hotel Co., Ltd.	Mudanjiang	50	Hotel service	100%	100%	50	Yes	
Shanghai Sea Pearl Property Management Co., Ltd.	Shanghai	US \$ 20	Property management	50%	50%	83	Yes	13.41
Hebei zhengshiqinghui Real Estate Development Co., Ltd.	Hebei Shijiazhuang	1,000	Real estate development and property services	51%	51%	510	Yes	-346.99
Heilongjiang Longshi Pear Culture Communication Co., Ltd.	Haerbin	700	Film base and Cultural training	70%	70%	490	Yes	-11.65

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

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

V. Notes to significant items of the consolidated financial statements

1. Monetary funds

(1) Monetary funds disclosed by categories

Items	Jun 30, 2014	Jan 1, 2014
Cash	398,779.35	1,846,467.14
Bank deposit	78,572,320.59	60,472,057.43
Other monetary funds	21,112.00	43,718.12
Total	78,992,211.94	62,362,242.69

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

2. Accounts receivable

(1) Accounts receivable listed by categories

Categories	June 30, 2014				January 1, 2014			
	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	32.38	7,761,707.60	100.00	7,761,707.60	32.68	7,761,707.60	100.00
2.Bad debt accounted by the combinations								
Age Combinations	14,218,465.21	59.32	849,783.18	5.98	13,992,481.70	58.91	855,886.34	6.12
Combined Subtotal	14,218,465.21	59.32	849,783.18	5.98	13,992,481.70	58.91	855,886.34	6.12
3.Other unimportant receivables but bad debts accounted individually	1,990,680.02	8.30	1,975,840.14	99.25	1,997,260.02	8.41	1,990,680.02	99.67
Total	23,970,852.83	100.00	10,587,330.92	—	23,751,449.32	100.00	10,608,273.96	—

(2) Aging analysis

Ages	June 30, 2014			January 1, 2014		
	Balance	Proportion (%)	Bad debts	Balance	Proportion (%)	Bad debts
Within 1 year	9,886,618.35	69.54	197,732.37	9,883,909.62	70.63	197,678.20
1-2 years	2,460,264.89	17.30	123,013.24	1,999,315.02	14.29	99,965.75
2-3 years	867,831.40	6.10	86,783.14	1,109,412.49	7.93	110,941.25
3-4 years	104,737.15	0.74	20,947.43	104,737.15	0.75	20,947.43
4-5 years	141,000.00	0.99	42,300.00	106,000.00	0.76	31,800.00
Over 5 years	758,013.42	5.33	379,007.00	789,107.42	5.64	394,553.71
Total	14,218,465.21	100.00	849,783.18	13,992,481.70	100.00	855,886.34

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

Name	Relationship with the company	Owned amount	Ages	Proportion of total accounts receivable (%)
Hunan Railway Lianchuang Technology Development Co., LTD	Unrelated Client	3,416,614.08	Within 1 year	14.25
Hainan racing entertainment Co., LTD	Unrelated Client	2,406,158.00	over 5 years	10.04
Hainan Baoping company	Unrelated Client	2,218,494.43	over 5 years	9.25
Hainan centaline property agency	Unrelated Client	2,090,069.77	over 5 years	8.72
Hainan dragon film studio	Unrelated Client	1,433,425.11	Within 1 year	5.98

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

3. Prepayments

(1) Aging analysis

Ages	June 30, 2014		January 1, 2014	
	Balance	Proportion (%)	Balance	Proportion (%)
Within 1 year	105,557,969.66	63.65	31,811,764.68	34.95
1-2 years	3,709,643.00	2.24	6,424,312.00	7.06
2-3 years	5,056,081.00	3.05	421,412.00	0.46
Over 3 years	51,500,184.31	31.06	52,361,324.31	57.53
Total	165,823,877.97	100	91,018,812.99	100

(2) Top five units of prepayments

Company's Name	Relationship	Amounts	Ages	Unsettled reason
Heilongjiang Mudanjiang forestry engineering company	Unrelated Client	77,593,493.68	Within 1 year	The project is not complete yet.
Haikou Hongzhou Real Estate Development Co., Ltd	Unrelated Client	50,000,000.00	2-3 years	Pre-paid property purchase payment
Hubei Tianxiang Geotechnical engineering Co., LTD	Unrelated Client	12,093,042.07	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.
Hubei Changyou Property Co.,Ltd.	Unrelated Client	4,000,000.00	Within 1 year	Pre-paid land purchase payment

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.

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

4. Dividends receivable

(1) Details of dividends receivable

Items	Jan 1, 2014	Increment	Decrement	Jun 30, 2014
Hainan Pearl River Guanzhuang Co., Ltd.	260,015.00			260,015.00

Items	Jan 1, 2014	Increment	Decrement	Jun 30, 2014
Southwest securities Co., Ltd.		930,000.00		930,000.00
Total	260,015.00	930,000.00		1,190,015.00

(2) Dividends receivable exceed one year

Invested company	Age	Ending balance	Reason	Impairment loss
Hainan Pearl River Guanzhuang Co., Ltd.	4-5years	260,015.00	The investee confronts the problem of tight budget.	None
Total		260,015.00		

5. Other receivables

(1) Others receivable listed by categories

Categories	Jun 30, 2014				Jan 1, 2014			
	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	7.92	25,978,479.90	100.00	25,978,479.90	7.55	25,978,479.90	100.00
2. Bad debt accounted by the combinations								
Age Combinations	289,545,766.09	88.24	23,747,652.71	8.20	306,993,480.14	89.23	25,980,046.96	8.46
Combined Subtotal	289,545,766.09	88.24	23,747,652.71	8.20	306,993,480.14	89.23	25,980,046.96	8.46
3. Other unimportant receivables but bad debts accounted individually	12,612,506.46	3.84	4,386,248.26	34.78	11,091,693.24	3.22	4,479,920.08	40.39
Total	328,136,752.45	100.00	54,112,380.87	—	344,063,653.28	100.00	56,438,446.94	—

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

(2) Aging analysis

Ages	Jun 30, 2014			Jan 1, 2014		
	Balance	Proportion (%)	Bad debts	Balance	Proportion (%)	Bad debts
Within 1 year	50,465,466.42	17.41	1,009,309.33	45,511,171.10	14.82	910,223.54
1-2 years	88,023,931.50	30.40	4,401,196.58	82,995,640.54	27.04	4,149,782.03
2-3 years	135,232,653.71	46.71	13,523,265.37	163,181,682.67	53.15	16,318,168.27
3-5 years	10,325,919.34	3.57	2,065,183.87	10,167,939.34	3.31	2033587.87
4-5 years	1,000.00	0.01	300.00	1,190.00	0.01	357.00
Over 5 years	5,496,795.12	1.90	2,748,397.56	5,135,856.49	1.67	2,567,928.25
Total	289,545,766.09	100.00	23,747,652.71	306,993,480.14	100.00	25,980,046.96

(3) Top five units of others receivable

Name	Relationship with the company	Owned amount	Ages	Proportion of total Other receivable (%)
Public Investment Co., Ltd (note1)	Unrelated Party	107,000,000.00	1-3 years	32.64
Beijing Kangtai Xingye Investment Co.,Ltd (note2)	Unrelated Party	102,500,000.00	1-3 years	31.27
China Great Land Holdings Ltd (note3)	Unrelated Party	30,000,000.00	Within 1 year	9.15
Hainan Pearl River Guanzhuang Co., Ltd.	Unrelated Party	9,414,831.68	1-4 years:	2.87
Shenzhen Yinxiang Computer Co., Ltd	Unrelated Party	6,482,625.00	Over 5 years	1.98

Note1: 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 RMB70 million.

Note2: 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.

Note3: 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.

6. Inventories

(1) Inventories category

Items	Jun 30, 2014			Jan 1, 2014		
	Ending Balance	Provision for Inventory	Book value	Ending Balance	Provision for Inventory	Book value
Raw materials	2,715,261.35		2,715,261.35	3,118,811.25		3,118,811.25
Low-value consumption goods:	662,824.83		662,824.83	659,503.83		659,503.83
Finished goods	505,644.42		505,644.42	647,642.85		647,642.85
Constructing development product	227,160,700.65		227,160,700.65	69,126,316.25		69,126,316.25
Development products	65,330,786.48	21,726,889.27	43,603,897.21	66,559,549.10	21,726,889.27	44,832,659.83
Consumptive biological assets	49,555.00		49,555.00	161,750.92		161,750.92
Total	296,424,772.73	21,726,889.27	274,697,883.46	140,273,574.20	21,726,889.27	118,546,684.93

(2) Inventories impairment provision

Items	1 Jan,2013	Increment	Decrement		30 Jun,2013
			Transfer back	Write off	
Development product	21,726,889.27				21,726,889.27
Total	21,726,889.27				21,726,889.27

7. Available for sales financial assets

Available for sales financial assets listed by categories

Items	Fair value at Jun 30,2013	Fair value at Jan 1,2013
Available for sales equity instrument	66,262,500.00	76,957,500.00
Total	66,262,500.00	76,957,500.00

Note: The Company holds 7,750,000 shares of stock of Southwest Securities. At the end of period, market price is RMB 8.55 per share.

8. Joint investment and joint venture investment

Joint venture investment

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

Name	Ending Balance of Total Assets	Ending Balance of Total Liabilities	Ending Balance of Net Assets	Operating Income	Net profit
Sanya Wanjia Enterprises Holding Co., Ltd	88,605,720.49	1,212,603.51	87,393,116.98	14,166.66	-866,606.21
Beijing Found Vision Media Co., Ltd.	3,827,216.65	1,331,050.80	2,496,165.85		-492,893.22

9. Long-term Equity Investment

Name	Accounting Method	Initial investment Cost	Beginning Balance	Increase or decrease	Ending Balance	Percentage of equity interest (%)	Percentage of vote right (%)	Impairment loss provision	Current impairment loss
Sanya Wanjia Enterprises Holding Co., Ltd.	Equity Method	40,000,000.00	35,303,889.28	-346,642.48	34,957,246.80	40	40		
Beijing Found Vision Media Co., Ltd.	Equity Method	1,470,000.00	1,464,638.95	-241,517.68	1,223,121.27	49	49		
Subtotal for Equity Method		41,470,000.00	36,768,528.23	-588,160.16	36,180,368.07				
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		78,413,555.29	73,712,083.52	-588,160.16	73,123,923.36			25,532,245.39	

10. Investment real estates

Items	1 Jan,2014	Increment	Decrement	30 Jun,2014
I. Original value	33,921,871.40		322,062.78	33,599,808.62
Buildings and structures	33,921,871.40		322,062.78	33,599,808.62
II. Accumulated depreciation and amortization	6,504,524.83	574,870.55	87,438.60	6,991,956.78
Buildings and structures	6,504,524.83	574,870.55	87,438.60	6,991,956.78
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	23,984,418.97			23,174,924.24
Buildings and structures	23,984,418.97			23,174,924.24

Note: The corresponding depreciation costs for this reporting period was RMB 574,870.55 Yuan.

11. Fixed assets

Items	1 Jan,2014	Increment	Decrement	30 Jun,2014
I. Original value	628,211,096.49	2,234,692.66	166,687.31	630,279,101.84

Items	1 Jan,2014	Increment	Decrement	30 Jun,2014
Buildings & Houses	463,351,301.88	986,190.00		464,337,491.88
Motor Vehicle	41,609,833.29	620,448.06	57,078.00	42,173,203.35
General equipment	69,078,962.65	154,990.00		69,233,952.65
Other equipments	54,170,998.67	473,064.60	109,609.31	54,534,453.96
II. Accumulated depreciation	167,964,357.35	16,547,298.21	166,428.73	184,345,226.83
Buildings & Houses	72,686,693.91	8,641,691.21		81,328,385.12
Motor Vehicle	20,901,662.70	2,471,182.04	74,378.23	23,298,466.51
General equipment	33,879,252.88	2,452,477.96		36,331,730.84
Other equipments	40,496,747.86	2,981,947.00	92,050.50	43,386,644.36
III. Impairment provision	7,499,295.92			7,499,295.92
Buildings & Houses	7,499,295.92			7,499,295.92
Motor Vehicle				
General equipment				
Other equipments				
IV. Book value	452,747,443.22	—	—	438,434,579.09
Buildings & Houses	383,165,312.05	—	—	375,509,810.84
Motor Vehicle	20,708,170.59	—	—	18,874,736.84
General equipment	35,199,709.77	—	—	32,902,221.81
Other equipments	13,674,250.81	—	—	11,147,809.60

Note: The depreciation cost of this period was RMB16,547,298.21 Yuan.

12. Construction in progress

Project name	30 Jun,2014			1 Jan,2014		
	Ending Balance	Impairment loss provision	Book value	Ending Balance	Impairment loss provision	Book value
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	360,000.00		360,000.00
The service center of Snow town	42,390.00		42,390.00			
Total	10,231,354.09		10,231,354.09	10,188,964.09		10,188,964.09

13. Engineering Materials

Items	1 Jan 2014	Increment	Decrement	30 Jun 2014
Special equipment	606,206.60			606,206.60
Total	606,206.60			606,206.60

14. Intangible assets

Items	1 Jan 2014	Increment	Decrement	30 Jun 2014
I. Original value	39,513,463.93	655,182.00		40,168,645.93
Software	1,858,978.28	120,000.00		1,978,978.28
Land use right	35,567,353.65	441,282.00		36,008,635.65
Shanghai house use right	695,732.00			695,732.00
Zhenghe membership of Sanya Hongzhou International Yacht Club	480,000.00			480,000.00

Items	1 Jan 2014	Increment	Decrement	30 Jun 2014
Golf membership of Nanli Lake	911,400.00			911,400.00
Right of trade mark		93,900.00		93,900.00
II.Accumulative amortization	7,416,150.07	613,316.51		8,029,466.58
Software	980,066.37	136,820.33		1,116,886.70
Land use right	6,064,612.84	458,507.22		6,523,120.06
Shanghai house use right	286,061.38	6,957.32		293,018.70
Zhenghe membership of Sanya Hongzhou International Yacht Club	85,409.48	10,249.14		95,658.62
Golf membership of Nanli Lake				
Right of trade mark		782.50		782.50
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	31,185,913.86	—	—	31,227,779.35
Software	878,911.91	—	—	862,091.58
Land use right	29,502,740.81	—	—	29,485,515.59
Shanghai house use right	409,670.62			402,713.30
Zhenghe membership of Sanya Hongzhou International Yacht Club	394,590.52	—	—	384,341.38
Golf membership of Nanli Lake		—	—	
Right of trade mark		—	—	93,117.50

Note: 1. The amortization of this year is 613,316.51 Yuan.

2. The yearend land use right used as mortgage or collateral holds a book value of 27,080,041.74 Yuan. More details are explained at "Note V.19".

15. Long-term prepayments

Items	1 Jan 2014	Increment	Amortization	Other decrements	30 Jun 2014
Decoration	5,733,050.18	6,880.00	803,843.11		4,936,087.07
Ski rental fee	3,000,000.00		450,000.00		2,550,000.00
Technical service fee	233,321.33		70,002.00		163,319.33
Financial consulting fee	7,998,594.64		5,332,396.50		2,666,198.14
Consulting fee		8,000,000.00	799,999.98		7,200,000.02
Advertisement fee of Snow town	189,933.41		30,799.98		159,133.43
Rental fee of fishpond	1,115,537.23		140,713.02		974,824.21
Use fee of Ski Course	1,566,945.07		189,609.96		1,377,335.11
Facility of Yangcao mountain	590,000.00		60,000.00		530,000.00
Er'long Mountain Compensation fee of Movie city Entertainment Area	480,000.00		60,000.00		420,000.00
Total	20,907,381.86	8,006,880.00	7,937,364.55		20,976,897.31

16. Deferred income tax asset and deferred income tax liability

(1) Identified deferred income tax liability

Items	30 Jun 2014	1 Jan 2014
Deferred income tax liability:	11,838,490.76	14,512,240.76
Changes on the fair value of available for sales financial assets credited to capital reserves	11,101,875.00	13,775,625.00
Difference between fair value and the book value of net assets of purchased unit as business combination	736,615.76	736,615.76

(2) Unrecognized deferred income tax asset

Items	30 Jun 2014	1 Jan 2014
Deductible temporary differences	123,802,469.97	126,149,479.08
Deductible losses	291,718,256.59	291,718,256.59
Total	415,520,726.56	417,867,735.67

17. Assets impairment provision

Items	1 Jan 2014	Increment	Decrement			30 Jun 2014
			Transfer back	Write off	Other Decrement	
Bad debt provision	67,046,720.90	698,337.80	3,045,346.91			64,699,711.79
Inventories impairment provision	21,726,889.27					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	126,149,479.08	698,337.80	3,045,346.91			123,802,469.97

18. Assets with restricted ownership

Assets by categories	Opening balance	Increment	Decrement	Ending balance
Inventory	29,805,826.29			29,805,826.29
Investment real estates	17,840,718.65		420,214.48	17,420,504.17
Fixed assets	243,373,907.64		6,068,190.51	237,305,717.13
Intangible assets	27,513,623.10		433,581.36	27,080,041.74
Available for sales financial assets	76,957,500.00		10,695,000.00	66,262,500.00
Total	395,491,575.68		17,616,986.35	377,874,589.33

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

Financing nature	Item	Amount	Ending balance					Total
			Inventory	Investment real estates	Fixed assets	Intangible assets	Available for sales financial assets	
Personal loans	Other payable	106,000,000.00	29,805,826.29	17,420,504.17	4,450,970.56			51,677,301.02
Related parties loans	Other payable	60,000,000.00					66,262,500.00	66,262,500.00
Bank loans	Long-term borrowing	339,805,306.92			232,854,746.57	27,080,041.74		259,934,788.31
Total	—	505,805,306.92	29,805,826.29	17,420,504.17	237,305,717.13	27,080,041.74	66,262,500.00	377,874,589.33

19. Accounts payable

Ages	Jun 30, 2014		Jan 1, 2014	
	Ending Balance	Percentage (%)	Opening Balance	Percentage (%)

Ages	Jun 30, 2014		Jan 1, 2014	
	Ending Balance	Percentage (%)	Opening Balance	Percentage (%)
Within 1 year	20,238,527.05	57.09	19,738,267.37	56.79
1 to 2 years	1,577,319.53	4.45	1,278,939.80	3.68
2 to 3 years	79,916.08	0.23	92,912.70	0.27
3 years and more	13,555,955.33	38.24	13,648,802.41	39.27
Total	35,451,717.99	100.00	34,758,922.28	100.00

Note: The end of this reporting period did not contain debt owned by any major shareholders who own more than 5% of the Company's share capital. And there were no related parties involved for the final balance.

20. Accounts received in advance

Ages	Jun 30, 2014		Jan 1, 2014	
	Ending Balance	Percentage (%)	Opening Balance	Percentage (%)
Within 1 year	13,845,088.08	63.12	15,729,154.21	65.97
Over 1 year	8,087,875.51	36.88	8,114,703.86	34.03
Total	21,932,963.59	100.00	23,843,858.07	100.00

Note: The end of this reporting period did not contain debt owned by any major shareholders who own more than 5% of the Company's share capital. And the yearend balance excluded any related party.

21. Accrued payroll

Items	Jan 1, 2014	Increment	Decrement	Jun 30, 2014
I. Salary, bonus, allowance	3,974,036.99	63,262,552.21	65,377,010.21	1,859,578.99
II. Employee Welfare expenses		2,947,120.57	2,947,120.57	-
III. Social insurance		7,209,847.50	7,209,847.50	-
Where: 1) Medical insurance		2,054,981.21	2,054,981.21	
2) Supplementary medical insurance		4,526,791.92	4,526,791.92	
3) Endowment insurance		327,308.32	327,308.32	
4) annuity		145,484.20	145,484.20	
5) Unemployment insurance		155,281.85	155,281.85	
6) Working accident insurance		2,054,981.21	2,054,981.21	
7) Maternity insurance		4,526,791.92	4,526,791.92	
IV. Housing accumulation fund		1,035,213.18	1,012,845.18	22,368.00
V. Labor union fees& Employee education fees	6,789,134.86	1,176,657.26	648,289.89	7,317,502.23
VI. Non-monetary welfares				
VII. Compensation for dismissal		3,200.00	3,200.00	
VIII. Others	917.48			917.48
Total	10,764,089.33	75,634,590.72	77,198,313.35	9,200,366.70

22. Taxes payable

Items	Jun 30, 2014	Jan 1, 2014
VAT	-316,814.73	-1,050.00
Individual income tax	97,530.12	106,398.68
City construction and maintenance tax	662,578.12	670,388.88
Corporate income tax	-454,228.53	106,407.40

Items	Jun 30, 2014	Jan 1, 2014
Property tax	-190,703.28	59,855.90
Business tax	8,883,230.07	9,174,503.29
Land use tax	149,017.06	104,086.03
Increment tax on land value	-2,190,743.75	-2,179,863.60
Educational surtax	160,633.46	173,862.51
Others	386,242.45	386,287.98
Total	7,186,740.99	8,600,877.07

23. Interest payable

Item	Jun 30, 2014	Jan 1, 2014
Long-term loan	5,400,622.69	
Short-term loan		
Company loan	104,191,053.72	90,514,702.62
Entrusted loan	10,449,888.49	10,449,888.49
Others	176,133.00	176,133.00
Total	120,217,697.90	101,140,724.11

Note: Details refer to Note VI.4.

24. Dividend payable

Investor	Jun 30, 2014	Jan 1, 2014
Dividend payable of institutional shares	3,213,302.88	3,213,302.88
Total	3,213,302.88	3,213,302.88

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

25. Other payables

Age	Jun 30, 2014		Jan 1, 2014	
	Ending Balance	Percentage (%)	Opening Balance	Percentage (%)
Within 1 year	387,152,594.88	51.77	268,313,547.37	48.27
1 to 2 years	73,634,093.94	9.85	6,490,744.36	1.17
2 to 3 years	27,886,886.64	3.73	22,260,721.81	4.00
3 years and more	259,179,386.31	34.66	258,846,806.67	46.56
Total	747,852,961.77	100.00	555,911,820.21	100.00

Note 1: Among the balance of the period end, there are loans of shareholders holding over 5% of the Company's equity (including 5%). Details refer to "Notes VI. Related party relationship and transactions".

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

26. Non-current liabilities due within one year

1. Disclose by category

Category	Jun 30, 2014	Jan 1, 2014
Long-term loans due within one year	242,471,973.56	228,000,000.00

Total	242,471,973.56	228,000,000.00
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2. Details related to long-term loans due within one year

Category	Jun 30, 2014	Jan 1, 2014
Pledge loans		
Mortgage loans	34,666,666.64	210,000,000.00
Guaranteed loans	207,805,306.92	18,000,000.00
Total	242,471,973.56	228,000,000.00

27. Long-term borrowings

(1). Long-term borrowings listed by categories

Category	Jun 30, 2014	Jan 1, 2014
Pledge loans		
Mortgage loans	259,805,306.92	262,000,000.00
Guaranteed loans	180,000,000.00	95,000,000.00
Less: Long-term loans due within one year	242,471,973.56	228,000,000.00
Total	197,333,333.36	129,000,000.00

(2). Loan details

Lender	Loan starting date	Loan due date	Currency	Interest rate (%)	Jun 30, 2014	Jan 1, 2014
Chongqing International Trust Co., Ltd	2012-9-27	2014-9-26	RMB	13%	196,805,306.92	197,000,000.00
Bank of China, Haikou Yeshumen Branch	2009-8-2	2009-8-2	RMB	10% upward-floating of benchmark interest rate	63,000,000.00	65,000,000.00
Construction Bank of China Mudanjiang Branch	2012-1-12	2019-1-11	RMB	10% upward-floating of benchmark interest rate	80,000,000.00	95,000,000.00
Industrial and Commercial Bank of China Mudanjiang Taiping Road Branch	2014-3-31	2020-3-30	RMB	10% upward-floating of benchmark interest rate	100,000,000.00	
Total					439,805,306.92	357,000,000.00

(3). Mortgage loan details

Lender	Loan amount	Mortgagor/mortgage
Bank of China, Haikou Yeshumen Branch	63,000,000.00	There properties owned by SanyaWanjia Hotel Management Co., Ltd
Chongqing International Trust Co., Ltd	196,805,306.92	Hotel Villa A, B & C owned by company
Total	259,805,306.92	

(4). Guaranteed loan details

Lender	Loan amount	Mortgagor/mortgage
China construction bank Mudanjiang Branch	80,000,000.00	Heilongjiang Xinzheng Guarantee CO.,Ltd.
Industrial and Commercial Bank of China Mudanjiang Taiping Road Branch	100,000,000.00	Mengneng International Energy Development Co. Ltd.
Total	180,000,000.00	

28. Share capital

Unit: share			
Items	Jan 1, 2014	Increment or decrement (+,-)	Jun 30, 2014

		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

29. Capital surplus

Items	Jan 1, 2014	Increment	Decrement	Jun 30, 2014
Capital reserve spill price	224,960,139.16			224,960,139.16
Others capital surplus	162,585,113.45	2,673,750.00	10,695,000.00	154,563,863.45
-Including: Old capital surplus converted into	109,300,017.82			109,300,017.82
-Changes on fair value of available for sales financial assets	53,285,095.63	2,673,750.00	10,695,000.00	45,263,845.63
Total	387,545,252.61	2,673,750.00	10,695,000.00	379,524,002.61

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

30. Surplus reserves

Items	Jun 30, 2014	Jan 1, 2014
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

31. Undistributed profits

Items	Amounts	allocation proportion
Non-adjusted ending balance of the year 2011	-807,063,505.41	
Adjusted opening balance of the year 2012		
Add: Net profit attributed to the owners of the parent company	-76,849,759.83	
Less: Statutory surplus reserve		
Random surplus reserve		
Common risk provision		
Dividend payable of Ordinary shares		
Share capital converted from dividend of ordinary shares	959,198.18	
Undistributed profit at the end of period	-884,872,463.42	

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

32. Operating income and operating costs

(1) Operating income

Items	Jan.–Jun, 2014	Jan.–Jun, 2013
Main operating business income	122,167,333.83	105,260,371.31
Other operating business income	2,517,166.96	1,962,649.82
Total	124,684,500.79	107,223,021.13

(2) Operating costs

Items	Jan.–Jun, 2014	Jan.–Jun, 2013
Main operating business costs	90,849,665.61	77,050,709.29
Other operating business costs	906,492.39	789,203.16
Total	91,756,158.00	77,839,912.45

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

Items	Jan.–Jun, 2014		Jan.–Jun, 2013	
	Main operating business income	Main operating business costs	Main operating business income	Main operating business costs
Real estate sales	2,916,880.00	1,228,762.62	3,036,947.00	1,664,908.94
Property management services	80,129,140.46	71,410,997.10	66,975,789.68	59,681,900.63
Tourist hotel services	39,121,313.37	18,209,905.89	35,247,634.63	15,703,899.72
Tota	122,167,333.83	90,849,665.61	105,260,371.31	77,050,709.29

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

Location	Jan.–Jun, 2014		Jan.–Jun, 2013	
	Main operating business income	Main operating business costs	Main operating business income	Main operating business costs
Hainan	96,494,491.74	79,825,294.93	87,413,512.61	69,113,795.26
Heilongjiang	20,929,516.99	8,683,310.54	13,034,764.00	5,970,500.52
Hubei	3,409,886.00	1,541,122.05	3,342,296.00	1,950,397.51
Shanghai	1,327,239.10	799,938.09	1,469,798.70	16,016.00
Beijing	6,200.00			
Total	122,167,333.83	90,849,665.61	105,260,371.31	77,050,709.29

33. Operating taxes and extras

Items	Jan.–Jun, 2014	Jan.–Jun, 2013
City construction and maintenance tax	436,395.75	375,280.57
Education fee	187,026.75	160,834.53
Business tax	6,234,225.04	5,361,151.06
Land value-added tax	378,202.62	247,261.79
Others	69,298.99	215,759.24
Total	7,305,149.15	6,360,287.19

34. Operating expenses

Items	Jan.–Jun, 2014	Jan.–Jun, 2013
Payroll expense	1,691,622.27	2,585,706.55
Hotel operating expense	68,367.68	70,683.48
Consignment commission charge		57,376.00

Items	Jan.–Jun, 2014	Jan.–Jun, 2013
Advertising fees	127,105.00	455,438.35
other selling expenses	535,857.53	1,437,740.82
合计	2,422,952.48	4,606,945.20

35. General and administrative expenses

Items	Jan.–Jun, 2014	Jan.–Jun, 2013
Payroll expense	16,347,061.33	14,392,651.97
Depreciation expense	16,043,305.56	13,089,878.88
Business entertainment	4,674,833.29	3,995,242.19
Taxation expenses	1,548,053.40	1,356,446.42
Other expenses	15,944,767.33	13,906,860.08
Total	54,558,020.91	46,741,079.54

36. Financial expenses

Items	Jan.–Jun, 2014	Jan.–Jun, 2013
Interest exchange	38,522,591.99	36,249,972.87
Less: interest revenue	1,042,636.62	4,510,235.18
Foreign exchange loss		
Less: exchange gain		
Others	13,362,693.21	9,133,498.33
Total	50,842,648.58	40,873,236.02

37. Investment income

Items	Jan.–Jun, 2014	Jan.–Jun, 2013
Long-term equity investment income accounted by Costs Method		
Long-term equity investment income accounted by Equity Method	-588,160.16	-507,496.07
Investment income of disposal Long-term equity investment		
Dividend income from available for sale financial assets	930,000.00	3,064,013.00
Others	51,509.50	
Total	393,349.34	2,556,516.93

38. Impairment Loss of Assets

Items	Jan.–Jun, 2014	Jan.–Jun, 2013
Bad debts impairment loss	-2,347,009.11	-1,034,945.13
Inventories impairment loss		
Total	-2,347,009.11	-1,034,945.13

39. Non-operating income

Items	Jan.–Jun, 2014	Jan.–Jun, 2013
Gain on disposal of non-current assets	1,163.87	29,888.92
Gains on debt restructure		
Others	70,184.34	43,386.68
Total	71,348.21	73,275.60

40. Non-operating expenses

Items	Jan.–Jun, 2014	Jan.–Jun, 2013
Loss on disposal of non-current assets	453.21	15,533.81
Donation		10,000.00
Losses on write-off of assets	211,311.35	
Fine expenditures	6,279.42	
Others	285,766.95	45,773.49
Total	503,810.93	71,307.30

41. Income tax

Items	Jan.–Jun, 2014	Jan.–Jun, 2013
Income tax this year	135,935.72	175,477.77
Deferred income tax		
Total	135,935.72	175,477.77

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

Item	Code	Jan.–Jun, 2014	Jan.–Jun, 2013
Net profits that belong to the common shareholders during the reporting period	P0	-76,849,759.83	-64,455,008.65
Extraordinary profits and losses that belong to the common shareholders during the reporting period	A	1,129,344.44	8,424,616.62
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	-77,979,104.27	-72,879,625.27
Total number of shares of opening balance	S0	426,745,404.00	426,745,404.00
Incremental shares caused by the transfer of surplus to share capital or stock dividend distribution during the reporting period	S1		
Incremental shares caused by issuing new shares or debt-equity conversion	Si		
Number of shares increased from the next month until the end of the reporting period	Mi		
Number of shares reduced caused by repurchasing during the reporting period	Sj		
Number of shares reduced from the next month until the end of the reporting period	Mj		
Shrinking number of shares during the reporting period	Sk		
Total months during the reporting period	M0	6	6
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	$Y1 = P0 / S$	-0.18	-0.15
Earnings per share after taking off extraordinary profits and losses	$Y2 = P1 / S$	-0.18	-0.17
The weighted average of the incremental common stocks caused by warrants, stock options, and convertible bonds	C		
The effects on the net profits that belong to the common shareholders imposed by dilution issues	B1		
The effects on the net profits that belong to the common shareholders after taking off the impacts of extraordinary profits and losses imposed by dilution issues	B2		
Diluted earnings per share before taking off the effect of extraordinary profits and losses	$Y3 = (P0 + B1) / (S + C)$	-0.18	-0.15

Item	Code	Jan.–Jun, 2014	Jan.–Jun, 2013
Diluted earnings per share after taking off the effect of extraordinary profits and losses	$Y4=(P1+B1+B2)/(S+C)$	-0.18	-0.17

43. Other consolidated income

Items	Jan.–Jun, 2014	Jan.–Jun, 2013
Profits and losses generated by available for sale financial assets	-10,695,000.00	-38,606,563.80
Deduce: income tax impacts caused by available for sale financial assets	-2,673,750.00	-9,651,640.95
Pre-recorded in other comprehensive income into net profit or loss		
Total	-8,021,250.00	-28,954,922.85

44. Information of cash flow statement

(1) Cash received relating to other operating activities

Items	Jan.–Jun, 2014
Other monetary exchanges between enterprises	6,873,231.00
Utility Bills	6,057,527.47
The rent deposit, repair fund	3,020,058.00
Take back provisions	240,947.97
Interest income	165,489.37
Others	1,571,016.92
Total	17,928,270.73

(2) Cash paid relating to other operating activities

Items	Jan.–Jun, 2014
Repayment of loans	4,000,000.00
Other monetary exchanges between enterprises	4,471,186.33
The payment of rent deposit, repair fund etc	2,820,772.64
On behalf of clients to pay Public Utility Fee	5,998,618.25
Other fees	14,980,242.69
Provisions payment	986,964.14
Other expansives	1,097,962.82
Total	34,355,746.87

(3) Cash received relating to other investing activities

Items	Jan.–Jun, 2014
Interest income	13,871.23
Total	13,871.23

(4) Cash paid relating to other financing activities

Items	Jan.–Jun, 2014
Financing consultant charge	16,472,500.00
Total	16,472,500.00

45. Supplementary information of cash flow statement

(1) Supplementary information

Items	Jan.–Jun, 2014	Jan.–Jun, 2013
1. Reconciliation of net profit to cash flows from operating activities:		
Net profit	-80,028,468.32	-65,780,486.68
Add: Provision for assets impairment	-2,347,009.11	-1,034,945.13
Depreciation of fixed assets, production biological assets, petroleum and natural gas	17,122,168.76	14,158,387.75
Amortization of intangible assets	613,316.51	594,498.80
Amortization of long-term prepayments	7,937,364.55	5,925,129.50
Losses on disposal of fixed assets, intangible assets and other long-term assets	-1,062,443.98	-177,845.19
Losses on scrapping of fixed assets	-22,905.82	13,301.71
Losses on fair value change		
Financial expenses	45,460,020.20	35,886,689.11
Investment losses	-393,349.34	-2,556,516.93
Decrease in deferred income tax assets		
Increase in deferred income tax liabilities		
Decrease in inventories	-146,004,410.53	-2,027,059.37
Decrease in operating receivables	46,247,983.51	132,737,701.82
Increase in operating payables	-44,270,821.24	-161,599,964.58
Others		
Net cash flows from operating activities	-156,748,554.81	-43,861,109.19
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	78,992,211.94	55,812,269.33
Less: Cash at the beginning of the period	62,362,242.69	65,762,871.33
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	16,629,969.25	-9,950,602.00

(2) Cash and cash equivalents

Items	Jan.–Jun, 2014	Jan.–Jun, 2013
1. Cash	78,992,211.94	55,812,269.33
Including: Cash on hand	398,779.35	515,406.33
Bank deposit paid at any time	78,572,320.59	55,103,676.59
Other monetary funds paid at any time	21,112.00	193,186.41
2. cash equivalents		
3. Cash and cash equivalents at the end of year	78,992,211.94	55,812,269.33

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
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Beijing Wangfa Real Estate Development Holdings Co., Ltd	Beijing	60003715-7	Real estate development and operation	The first largest shareholder	280 million Yuan	26.36%	26.36%
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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

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

4. Other related parties

Name	Relationship with the Company	Organization code
Beijing ZhongjiaYangguang energy technology (group) Co., Ltd.	With same controller	722611348

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 June 30, 2014, 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 24,199,954.39 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 RMB 25,525,101.22Yuan.

By June 30, 2014, 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 RMB 33,275,806.04 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 RMB 11,371,308.74Yuan.

For the loans listed between related parties, the total amount of interest expensed carried for this reporting period was RMB 8,822,467.77Yuan with interest payable on balance of RMB 94,372,170.39Yuan. The interest rate for the loans listed above is based on the People’s Bank of China’s benchmark interest rate for one-year loan with currency stated in RMB.

(3) Balances of related party receivable and payable

Items	Company Name	Jun 30, 2014	Jan 1, 2014
Other payables:			
	Beijing Xinxing Real Estate Development Company	200,997,912.90	200,997,912.90
	Beijing Wangfa Real Estate Development Holdings Co., Ltd	78,525,000.00	78,525,000.00
	Beijing ZhongjiaYangguang energy technology (group) Co., Ltd.	2,566,739.77	2,079,419.19
Interest payable:			
	Beijing Wangfa Real Estate Development Holdings Co., Ltd.	36,896,409.96	34,514,484.97
	Beijing Xinxing Real Estate Development Company	57,475,760.43	51,035,217.65
Total		376,461,823.06	367,152,034.71

VII. Contingent events

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

VIII. Commitments

Nothing need to disclose.

IX. Non-adjusting events after the balance sheet date

Nothing need to disclose.

X. Other important events

Nothing need to disclose.

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

1. Accounts receivable

(1) Detailed information

Items	Jun 30, 2014				Jan 1, 2014			
	Balance	Proportion (%)	Bad debts	Bad debt ratio (%)	Balance	Proportion (%)	Bad debts	Bad debt ratio (%)
1 Individual with significant amount	7,761,707.60	59.43	7,761,707.60	100	7,761,707.60	59.43	7,761,707.60	100
2 Bad debt accounted by the combinations								
Age Combinations	3,400,468.18	26.04	468,393.41	13.77	2,917,008.79	22.33	479,051.74	16.42
Combined Subtotal	3,400,468.18	26.04	468,393.41	13.77	2,917,008.79	22.33	479,051.74	16.42
3 Other unimportant receivables	1,898,690.60	14.54	1,898,690.60	100	1,898,690.60	14.54	1,898,690.60	100
Total	13,060,866.38	100	10,128,791.61		12,577,406.99	100	10,139,449.94	

(2) Age analysis

Age	Jun 30, 2014		Jan 1, 2014	
	Amounts	Bad Debts Provision	Amounts	Bad Debts Provision
Within 1 year	2,280,709.76	45,614.20	1,754,901.37	35,098.03
1 to 2 years	102,000.00	5,100.00	102,000.00	5,100.00
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	100,000.00	20,000.00
4 to 5 years	106,000.00	31,800.00	106,000.00	31,800.00
5 years and more	711,758.42	355,879.21	754,107.42	377,053.71
Total	3,400,468.18	468,393.41	2,917,008.79	479,051.74

2. Other receivables

(1) Detailed information

Items	Jun 30, 2014				Jan 1, 2014			
	Balance	Proportion (%)	Bad debts	Bad debt ratio (%)	Balance	Proportion (%)	Bad debts	Bad debt ratio (%)
1. Individual with significant amount	21,378,380.89	3.32	21,378,380.89	100.00	24,178,380.89	3.72	24,178,380.89	100.00
2. Bad debt accounted by the combinations								
Age Combinations	253,240,055.77	39.36	19,845,575.98	7.84	281,636,174.98	43.26	22,814,242.48	8.10
In scope of consolidated statements	364,475,331.75	56.65			339,619,797.96	52.17		
subtotal	617,715,387.52	96.01	19,845,575.98	3.21	621,255,972.94	95.43	22,814,242.48	3.67
3. Other unimportant receivables	4,299,431.13	0.67	3,970,083.83	92.34	5,543,560.75	0.85	3,994,709.68	72.06
Total	643,393,199.54	100.00	45,194,040.70	—	650,977,914.58	100.00	50,987,333.05	—

(2) Aging analysis

Age	Jun 30, 2014			Jan 1, 2014		
	Amounts		Bad Debt Provision	Amounts		Bad Debt Provision
	Amounts	Ratio (%)		Amounts	Ratio (%)	
Within 1 year	33,070,022.89	13.06	661,400.46	31,441,342.10	11.16	628,826.96
1 to 2 years	78,698,346.00	31.08	3,934,917.30	78,723,146.00	27.95	3,936,157.30
2 to 3 years	131,091,258.54	51.77	13,109,125.85	161,091,258.54	57.20	16,109,125.85
3 to 4 year	10,166,939.34	4.01	2,033,387.87	101,669,393.34	3.61	20,333,877.87
4 to 5 years						
5 years and more	213,489.00	0.08	106,744.50	213,489.00	0.08	106,744.50
Total	253,240,055.77	100.00	19,845,575.98	281,636,174.98	100.00	22,814,242.48

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 Holding company. Shanghai Real Estate Co., Ltd.	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	35,303,889.28	-346,642.48	34,957,246.80	40	40	

Name	Accounting Method	Initial investment Cost	Beginning Balance	Increase or decrease	Ending Balance	Percentage of equity interest (%)	Percentage of vote right (%)	Impairment loss provision
Total		369,143,555.29	364,447,444.57	-346,642.48	364,100,802.09			65,532,245.39

4. Operating income and operating costs

(1) Operating income

Items	Jan.–Jun, 2014	Jan.–Jun, 2013
Main operating business income		
Other operating business income	508,457.76	581,744.40
Total	508,457.76	581,744.40

(2) Operating costs

Items	Jan.–Jun, 2014	Jan.–Jun, 2013
Main operating business costs		
Other operating business costs	177,796.80	177,796.80
Total	177,796.80	177,796.80

5. Investment income

Items	Jan.–Jun, 2014	Jan.–Jun, 2013
Income from cost accounting method investment		
Income from equity accounting method investment	-346,642.48	-500,517.07
Income from disposal sellable financial assets		
Dividend income from available for sale financial assets	930,000.00	3,064,013.00
Total	583,357.52	2,563,495.93

6. Supplementary information of cash flow statement

Items	Jan.–Jun, 2014	Jan.–Jun, 2013
1. Reconciliation of net profit to cash flows from operating activities:		
Net profit	-33,714,789.16	-27,448,612.76
Add: Provision for assets impairment	-5,803,950.68	-10,228,962.52
Depreciation of fixed assets, production biological assets, petroleum and natural gas	868,001.68	1,036,018.78
Amortization of intangible assets	23,831.82	23,831.82
Amortization of long-term prepayments	5,469,306.66	4,832,342.64
Losses on disposal of fixed assets, intangible assets and other long-term assets		
Losses on scrapping of fixed assets		
Losses on fair value change		
Financial expenses	25,732,991.38	24,807,495.67
Investment losses	-583,357.52	-2,563,495.93
Decrease in deferred income tax assets		

Items	Jan.–Jun, 2014	Jan.–Jun, 2013
Increase in deferred income tax liabilities		
Decrease in inventories		
Decrease in operating receivables	1,965,106.69	60,245,837.86
Increase in operating payables	-356,972.25	-8,654,431.12
Others		
Net cash flows from operating activities	-6,399,831.38	42,050,024.44
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	293,288.99	959,747.89
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		
Less: Cash equivalents at the beginning of the period		
Net increase in cash and cash equivalents	-1,357,331.38	-1,681,549.56

XII. Supplementary information

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

Items	Jan.–Jun, 2014
Profit and loss on disposal of non-current assets	710.66
Fund occupation fee from non-financial enterprises included in the current profit and loss	633,556.16
Revenue generated from obtaining subsidiaries, associates and joint venture investment as the investment cost less than the fair value of identifiable net assets	
Gains from disposal of available for sale financial assets excluded effective hedging with operating	
Others non-operating income and expenses excluded as above	-433,173.38
Other non-operating income and costs	930,000.00
Less: Income tax impact	2,493.85
Equity impacts of minority interests	-744.85
Total	1,129,344.44

2. Earnings per share

Profit of this year	Earnings per share			
	Basic earnings per share		Diluted earnings per share	
	Jan.–Jun, 2014	Jan.–Jun, 2013	Jan.–Jun, 2014	Jan.–Jun, 2013

Net profit attributable to common shareholders	-0.18	-0.15	-0.18	-0.15
Net profit excluding non-recurring Profit and Loss attributable to common shareholders	-0.18	-0.17	-0.18	-0.17

3 Abnormal issues and its related explanations for major accounting statements

(1) Balance sheet

Item	Jun 30, 2014	Jan 1, 2014	Rate of change	Explanations
Prepayments	165,823,877.97	91,018,812.99	82.19%	Increases expenditure in construction of the snow town and Meiling Green Town project.
Dividend receivable	1,190,015.00	260,015.00	357.67%	Received dividends from Southwest Securities CO.,LTD.
Inventories	274,697,883.46	118,546,684.93	131.72%	Hubei Pearl River Real Estate increase investment in real estate of Meiling Green Town.
Other payables	747,852,961.77	555,911,820.21	34.53%	Increased borrowing from related parties
Long-term borrowings	197,333,333.36	129,000,000.00	52.97%	The subsidiary obtained a loan from Industrial Commercial Bank of China Ltd Mudanjiang Taiping Road Branch.
Minority interests	19,034,243.43	11,253,753.74	69.14%	The subsidiary Hubei Pearl River Real Estate obtain equity investment from minority.

(2) Income statement

Item	Jan.–Jun, 2014	Jan.–Jun, 2013	Rate of change	Explanations
Sales expenses	2,422,952.48	4,606,945.20	-47.41%	Decrease in salary cost because of reduce sales staff.
Loss of devaluation of assets	-2,347,009.11	-1,034,945.13	-126.78%	Withdraw the accounts receivable
Investment income	393,349.34	2,556,516.93	-84.61%	Received dividends from Southwest Securities CO.,LTD.
Profit and loss of minority interests	-3,178,708.49	-1,325,478.03	-139.82%	Minority increase equity ratio in Hubei Pearl River Real Estate, and the losses go up.
Net cash flows from operating activities	-156,748,554.81	-43,861,109.19	-257.37%	Hubei Pearl River Real Estate increase cash payment in real estate of Meiling Green Town.
Net cash flows from investing activities	-60,065,370.60	-13,701,048.94	-338.40%	Repay the loans.

XIII. Approval of the financial statements

The financial statements have been approved by the board of directors of the Company in August 27 2014.

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

Hainan Pearl River Holding Company Limited
August 27,2014

