

# Hainan Pearl River Holdings Company Limited

Semi-annual Financial Report 2017

**Legal representative: Wang Chunli**

**Principal in charge of accounting: Guan Ying**

**Head of the accounting department:Wu Xiukun**

August 2017

**Hainan Pearl River Holding Company Limited**

**Consolidated Balance Sheet**

**Unit: RMB**

<b>ASSETS</b>	<b>Note(VII)</b>	<b>30 June 2017</b>	<b>31 December 2016</b>
<b>Current assets</b>			—
Currency Funds		167,840,121.26	246,504,351.39
Provision of settlement fund			
Funds lent			
Financial assets at fair value through profit or loss			
Derivative financial assets			
Notes receivable			
Accounts receivable		20,229,593.44	16,084,139.32
Advances to suppliers		85,382,747.88	67,598,789.02
Interest receivable		2,710,880.79	2,710,880.79
Dividends receivable		260,015.00	260,015.00
Other receivables		300,245,043.39	350,870,047.05
Buying back the sale of financial assets			
Inventories		158,016,371.89	297,867,807.05
Reclassified to assets held for sale			
Current portion of non-current assets			
Other current assets		14,411,010.80	8,714,139.07
<b>Total current assets</b>		749,095,784.45	990,610,168.69
<b>Non-current assets</b>			—
Available-for-sale financial assets		30,824,994.90	30,824,994.90
Held-to-maturity investments			
Long-term receivables			
Long-term equity investments		32,771,272.56	33,866,644.98
Investment property		15,801,889.83	19,244,780.80
Fixed assets		213,188,579.04	220,409,931.29
Construction in progress		78,501,913.02	78,169,695.02
Construction materials			
Fixed assets pending for disposal			
Productive biological assets			
Oil and gas assets			
Intangible assets		3,619,565.30	3,692,130.10
Development disbursements			
Goodwill			
Long-term prepaid expenses		1,113,550.80	2,083,962.89
Deferred tax assets		-	4,985,486.50
Other non-current assets		1,581,840.00	1,581,840.00
<b>Total non-current assets</b>		377,403,605.45	394,859,466.48
<b>Total assets</b>		1,126,499,389.90	1,385,469,635.17

The accompanying notes form an integral part of the financial statements.

Legal representative: Wang Chunli Principal in charge of accounting: Guan Ying Head of the accounting department: Wu Xiukun

**Hainan Pearl River Holding Company Limited**

**Consolidated Balance Sheet (Continued)**

Unit: RMB

<b>ASSETS</b>	<b>Note(VII)</b>	<b>30 June 2017</b>	<b>31 December 2016</b>
<b>Current liabilities</b>			
Short-term borrowings			
Financial liabilities at fair value through profit or loss			
Derivative financial assets			
Notes payable			
Accounts payable		66,826,515.71	77,627,005.61
Advances from customers		230,886,723.58	365,746,868.16
Employee benefits payable		13,303,711.44	12,392,816.29
Taxes payable		43,455,350.36	84,404,890.27
Interest payable		84,670,716.84	86,294,850.36
Dividends payable		3,213,302.88	3,213,302.88
Other payables		606,193,379.59	541,823,806.30
Current portion of non-current liabilities			78,710,181.59
Other current liabilities			
<b>Total current liabilities</b>		1,048,549,700.40	1,250,213,721.46
<b>Non-current liabilities</b>			
Long-term borrowings		5,000,000.00	73,666,666.66
Bonds payable			
Long-term payable			
Grants payable			
Provisions			
Deferred income			
Deferred tax liabilities		597,896.93	597,896.93
Other non-current liabilities			
<b>Total non-current liabilities</b>		5,597,896.93	74,264,563.59
<b>Total liabilities</b>		1,054,147,597.33	1,324,478,285.05
<b>Equity</b>			
Share capital		426,745,404.00	426,745,404.00
Capital reserve		543,615,438.94	543,615,438.94
Less: Treasury Share			
Other comprehensive income			
Surplus reserve		109,487,064.39	109,487,064.39
Provision for general risks			
Retained earnings		-997,533,457.93	-1,014,759,604.45
Equity attributable to parent company		82,314,449.40	65,088,302.88
Minority interests		-9,962,656.83	-4,096,952.76
<b>Total owner's equity</b>		72,351,792.57	60,991,350.12
<b>Total liabilities and owner's equity</b>		1,126,499,389.90	1,385,469,635.17

The accompanying notes form an integral part of the financial statements.

Legal representative: Wang Chunli      Principal in charge of accounting: Guan Ying      Head of the accounting department: Wu Xiukun

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

Unit: RMB

ITEM	Note(VII)	2017 (January -- June )	2016
<b>I. Revenue</b>		393,836,785.57	149,032,528.40
Including: Operating income		393,836,785.57	149,032,528.40
<b>II.Total cost</b>		364,005,163.14	237,320,083.66
Including: Operating cost		288,602,024.02	122,029,925.99
Interest expenses		16,524,745.23	10,405,923.57
Handling charges and commissions expenses		6,598,207.36	8,871,001.02
Business taxes and surcharges		49,041,651.89	45,226,141.70
Selling expenses		7,378,082.80	48,791,814.72
Administrative expenses		Including: research and development expenses	
Finance expenses		Interest income	
Including: Interest expenses		Net loss on foreign exchange	
Interest income		Impairment losses of assets	-4,139,548.16
Net loss on foreign exchange		Others	1,995,276.66
Others		Add: Gain on fair-value changes ("-"for loss)	
		Investment income ("-"for loss)	-1,095,372.42
		Including: investment income from associates and joint ventures	37,928,898.30
		Gain or loss on foreign exchange ("+"or loss)	-1,095,372.42
<b>III.Operating profits ("—"for loss)</b>		28,736,250.01	-50,358,656.96
Add: Non-operating income		623,290.84	2,651,492.34
Including: Gains on disposal of non-current assets		168,799.75	2,555,707.19
Gains from exchange of non-monetary assets		Government grants	
Government grants		Gains from debt restructuring	
Less: Non-operating expenses		1,617,428.07	3,278,378.77
Including: Losses on disposal of non-current assets		19,264.12	131,916.10
Losses from exchange of non-monetary assets		Losses from debt restructuring	
<b>IV.Profit before tax ("—"for loss)</b>		27,742,112.78	-50,985,543.39
Less: Income tax expenses		7,201,670.33	183,697.96
<b>V.Net profit ("—"for loss)</b>		20,540,442.45	-51,169,241.35
Net profit attributable to owners of the Company		17,226,146.52	-47,370,594.88
*Profit/loss attributable to minority shareholders		3,314,295.93	-3,798,646.47
<b>VI.Post-tax net value of other comprehensive income</b>			-
Post-tax net value of other comprehensive income attributable to owners of the Company			
(I) Other comprehensive income that will be reclassified subsequently to profit or loss			-
i.Gain or loss from fair-value changes on available for sale financial assets			
Post-tax net value of other comprehensive income attributable to minority shareholders			
<b>VII.Total comprehensive income attributable to:</b>		20,540,442.45	-51,169,241.35
Owners of the Company		17,226,146.52	-47,370,594.88
*Minority shareholders		3,314,295.93	-3,798,646.47

<b>VIII.Earnings per share</b>			
i.Basic earnings per share		0.04	-0.11
ii.Diluted earnings per share		0.04	-0.11

The accompanying notes form an integral part of the financial statements.

Legal representative: Wang Chunli

Principal in charge of accounting: Guan Ying

Head of the accounting department: Wu Xiukun

**Hainan Pearl River Holding Company Limited**  
**Consolidated Cash Flow Statement**

Unit: RMB

ITEM	Note(VII)	2017 (January -- June)	2016
<b>I .Cash flows from operating activities:</b>			
Cash received from sales and services		261,403,951.89	479,504,679.10
Tax refunds			
Net cash from other operating activities		28,064,358.46	40,079,903.61
<b>Sub-total of cash inflows from operating activities</b>		289,468,310.35	519,584,582.71
Cash paid for goods and services		78,618,001.87	187,434,195.91
Cash paid to and on behalf of employees		111,663,682.62	101,699,085.20
Payment of taxes and surcharges		84,700,876.79	45,957,728.39
Other cash payments relating to operating activities		84,215,959.09	23,148,007.67
<b>Sub-total of cash outflows from operating activities</b>		359,198,520.37	358,239,017.17
<b>Net cash flows from operating activities</b>		-69,730,210.02	161,345,565.54
<b>II .Cash flows from investing activities:</b>			
Cash receipts from withdraw of investments		10,000,000.00	12,000,000.00
Cash received from investment income			8,271.82
Net cash from disposal of fixed assets, intangible assets and other long-term assets		43,616,812.51	4,849,613.03
Net cash received from disposal of subsidiaries and other business units			
Other cash receipts relating to investing activities		49,136.10	
<b>Sub-total of cash inflows from investing activities</b>		53,665,948.61	16,857,884.85
Cash paid for fixed assets, intangible assets and other long-term assets		354,834.72	3,287,207.48
Cash payments for investments			8,000,000.00
Net cash paid for acquiring subsidiaries and other business units			
Net cash used in other investing activities			123,352.41
<b>Sub-total of cash outflows from investing activities</b>		354,834.72	11,410,559.89
<b>Net cash flows from investing activities</b>		-62,245,134.00	5,447,324.96
<b>III.Cash flows from financing activities:</b>			
Cash proceeds from investments by others			
<b>Including: cash received by subsidiaries from minority shareholders' investment</b>			
Cash received from borrowings		208,957,725.27	43,968,657.29
Cash received from issuance of bonds			
Cash receipts related to other financing activities			
<b>Sub-total of cash inflows from financing activities</b>		208,957,725.27	43,968,657.29
Cash repayments for debts		256,353,451.20	254,610,856.00
Cash payments for distribution of dividends, profit and interest expenses		13,129,408.07	14,499,908.50
Including: dividends or profit paid by subsidiaries to minority shareholders			
Other cash payments relating to financing activities		1,720,000.00	4,302,704.04
<b>Sub-total of cash outflows from financing activities</b>		271,202,859.27	273,413,468.54

Net cash flows from financing activities			-62,245,134.00	-229,444,811.25
IV. Effect of foreign exchange rate changes on cash and cash equivalents				-
V. Net increase in cash and cash equivalents			-78,664,230.13	-62,651,920.75
Add: beginning balance of cash and cash equivalents			246,504,351.39	205,762,131.54
VI. Ending balance of cash and cash equivalents			167,840,121.26	143,110,210.79

The accompanying notes form an integral part of the financial statements.

Legal representative: Wang Chunli

Principal in charge of accounting: Guan Ying

Head of the accounting department: Wu Xiukun

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

Unit: RMB

ITEM	Note (VII)	2017 (January -- June)												
		Attributable to the parent company										Minority interests	Total owner's equity	
1	2	3	4	5	6	7	8	9	10	11	12	13		
I.Closing balance of the preceding year		426,745,404.00	-	543,615,438.94	-	-	-	109,487,064.39	-	-1,014,759,604.45		-4,096,952.76	60,991,350.12	
Add:Changes in accounting policies		-	-	-	-	-	-	-	-	-	-	-	-	
Corrections of errors in Prior Period		-	-	-	-	-	-	-	-	-	-	-	-	
Others		-	-	-	-	-	-	-	-	-	-	-	-	
II.Opening balance of the current year		426,745,404.00	-	543,615,438.94	-	-	-	109,487,064.39	-	-1,014,759,604.45	-	65,088,302.88	-4,096,952.76	60,991,350.12
III.Changes for the year		-	-	-	-	-	-	-	-	17,226,146.52	-	17,226,146.52	-5,865,704.07	11,360,442.45
(I) Total comprehensive income		-	-	-	-	-	-	-	-	17,226,146.52	-	17,226,146.52	3,314,295.93	20,540,442.45
(II) Capital contribution and withdrawals by owners		-	-	-	-	-	-	-	-	-	-	-	-	-
i.Capital contributions from owners		-	-	-	-	-	-	-	-	-	-	-	-	-
ii.Capital contribute from other equity instrument holders		-	-	-	-	-	-	-	-	-	-	-	-	-
iii.Share-based payment recorded in owner's equity		-	-	-	-	-	-	-	-	-	-	-	-	-
iv.Others		-	-	-	-	-	-	-	-	-	-	-	-	-
( III).Profits distribution		-	-	-	-	-	-	-	-	-	-	-	9,180,000.00	9,180,000.00
i.Appropriation to surplus reserve		-	-	-	-	-	-	-	-	-	-	-	-	-
Including:Statutory surplus reserve		-	-	-	-	-	-	-	-	-	-	-	9,180,000.00	9,180,000.00
Optional surplus reserve		-	-	-	-	-	-	-	-	-	-	-	-	-
ii.Appropriation of provision for general risks		-	-	-	-	-	-	-	-	-	-	-	-	-
iii.Profit distribution to equity owners		-	-	-	-	-	-	-	-	-	-	-	-	-
iv.Others		-	-	-	-	-	-	-	-	-	-	-	7,780,950.31	7,780,950.31
(V) Transfer within owner's equity		-	-	-	-	-	-	-	-	-	-	-	-	-
i.Capital reserve transferred to paid-in capital		-	-	-	-	-	-	-	-	-	-	-	-	-
ii.Surplus reserve transferred to paid-in capital		-	-	-	-	-	-	-	-	-	-	-	-	-
iii.Recover of loss by surplus reserve		-	-	-	-	-	-	-	-	-	-	-	-	-
iv.Others		-	-	-	-	-	-	-	-	-	-	-	-	-
IV. Closing balance of the year		426,745,404.00	-	543,615,438.94	-	-	-	109,487,064.39	-	-997,533,457.93	-	82,314,449.40	-9,962,656.83	72,351,792.57

The accompanying notes form an integral part of the financial statements.

Legal representative: Wang Chunli

Principal in charge of accounting: Guan Ying

Head of the accounting department:Wu Xiukun

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

Unit: RMB

ITEM	Note (VII)	2016												
		Attributable to the parent company										Sub-total	Minority interests	Total owner's equity
		Paid-in capital	Other equity instruments	Capital reserve	Less:treasury shares	Other comprehensive income	Specialized reserve	Surplus reserve	Provision for general risks	Retained earnings	Others			
		1	2	3	4	5	6	7	8	9	10	11	12	13
I.Closing balance of the preceding year		426,745,404.00		334,690,837.45				109,487,064.39		-1,088,060,174.99			-16,057,057.25	-233,193,926.40
Add:Changes in accounting policies		-	-				-			—			—	—
Corrections of errors in Prior Period		-	-	-	-	-	-			—			—	—
Others		-	-	-	-	-	-	-	-	-	-	-	-	-
II.Opening balance of the current year		426,745,404.00	-	334,690,837.45	-	-	-	109,487,064.39	-	-1,088,060,174.99	-	-217,136,869.15	-16,057,057.25	-233,193,926.40
III.Changes for the year										-47,370,594.88		282,225,172.03	3,982,303.84	-43,388,291.04
(I) Total comprehensive income										-47,370,594.88		73,300,570.54	-3,798,646.47	-51,169,241.35
(II) Capital contribution and withdrawals by owners												208,924,601.49	7,780,950.31	7,780,950.31
i.Capital contributions from owners												-		-
ii.Capital contribute from other equity instrument holders												-	-	-
iii.Share-based payment recorded in owner's equity												-	-	-
iv.Others												208,924,601.49	7,780,950.31	7,780,950.31
( III).Profits distribution									-233,193,926.40			-233,193,926.40		-233,193,926.40
i.Appropriation to surplus reserve												-	-	-
Including:Statutory surplus reserve												-	-	-
Optional surplus reserve												-	-	-
ii.Appropriation of provision for general risks												-	-	-
iii.Profit distribution to equity owners												-	-	-
iv.Others												-	-	-
(V).Transfer within owner's equity												-	-	-
i.Capital reserve transferred to paid-in capital												-	-	-
ii.Surplus reserve transferred to paid-in capital												-	-	-
iii.Recover of loss by surplus reserve												-	-	-
iv.Others												-	-	-
IV. Closing balance of the year		426,745,404.00	-	334,690,837.45	-	-	-	109,487,064.39	-	-1,135,430,769.87	-	-168,105,623.52	-12,074,753.41	-276,582,217.44

The accompanying notes form an integral part of the financial statements.

Legal representative: Wang Chunli

Principal in charge of accounting: Guan Ying

Head of the accounting department:Wu Xiukun

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

**Unit: RMB**

<b>ASSETS</b>	<b>Note(XV)</b>	<b>30 June 2017</b>	<b>31 December 2016</b>
<b>Current assets:</b>			
Cash and cash equivalent		6,748,196.36	33,952,786.37
Provision of settlement fund			
Funds lent			
Financial assets at fair value through profit or loss			
Derivative financial assets			
Notes receivable			
Accounts receivable	1	1,016,974.23	1,032,085.83
Advances to suppliers		50,000,000.00	50,000,000.00
Interest receivable			
Dividends receivable		260,015.00	260,015.00
Other receivables	2	539,854,746.94	591,785,222.60
Buying back the sale of financial assets			
Inventories		4,824,035.45	4,824,035.45
Reclassified to assets held for sale			
Current portion of non-current assets			
Other current assets			
<b>Total current assets</b>		602,703,967.98	681,854,145.25
<b>Non-current assets:</b>			
Available-for-sale financial assets		30,824,994.90	30,824,994.90
Held-to-maturity investments			
Long-term receivables			
Long-term equity investments		100,784,906.50	101,713,800.55
Investment property		6,232,449.23	6,383,667.53
Fixed assets		3,792,790.35	4,019,513.64
Construction in progress			
Construction materials			
Fixed assets pending for disposal			
Productive biological assets			
Oil and gas assets			
Intangible assets			
Development disbursements			
Goodwill			
Long-term prepaid expenses		185,859.30	278,707.32
Deferred tax assets			
Other non-current assets			
<b>Total non-current assets</b>		141,821,000.28	143,220,683.94
<b>Total assets</b>		744,524,968.26	825,074,829.19

The accompanying notes form an integral part of the financial statements.

Legal representative: Wang Chunli

Principal in charge of accounting: Guan Ying

Head of the accounting department: Wu Xiukun

**Hainan Pearl River Holding Company Limited**  
**Balance Sheet of the Company(Continued)**

**Unit: RMB**

<b>ASSETS</b>	<b>Note(XV)</b>	<b>30 June 2017</b>	<b>31 December 2016</b>
Current liabilities:			
Short-term borrowings			
Financial liabilities at fair value through profit or loss			
Derivative financial assets			
Notes payable			
Accounts payable		2,482,949.70	2,482,949.70
Advances from customers		38,896.41	38,896.41
Financial assets sold for repurchase			
Employee benefits payable		1,446,129.33	1,224,801.48
Including:Accrued payroll			1,224,801.48
Welfare benefits payable			
Including:Staff and workers' bonus and welfare			
Taxes and surcharges payable		1,048,322.24	27,537,449.60
Including:Taxes payable			27,537,449.60
Interest payable		82,468,756.03	82,468,756.03
Dividends payable		3,213,302.88	3,213,302.88
Other payables		526,544,809.35	650,471,361.88
Cession insurance premiums payable			
Provision for insurance contracts			
Funds received as agent of stock exchange			
Funds received as stock underwrite sale			
Reclassified to liabilities held for sale			
Current portion of non-current liabilities			
Other current liabilities			
<b>Total current liabilities</b>		617,243,165.94	767,437,517.98
Non-current liabilities:			
Long-term borrowings			
Bonds payable			
Long-term payable			
Grants payable			
Provisions			
Deferred tax liabilities			
Other non-current liabilities			
<b>Total non-current liabilities</b>		-	-
<b>Total liabilities</b>		617,243,165.94	767,437,517.98
Equity:			
Share capital		426,745,404.00	426,745,404.00
Capital reserve		546,201,098.01	546,201,098.01
Less:Treasury Share			
Other comprehensive income			
Surplus reserve		109,487,064.39	109,487,064.39
Provision for general risks			
Retained earnings		-955,151,764.08	-1,024,796,255.19
<b>Total owner's equity</b>		127,281,802.32	57,637,311.21
<b>Total liabilities and owner's equity</b>		744,524,968.26	825,074,829.19

The accompanying notes form an integral part of the financial statements.

Legal representative: Wang Chunli

Principal in charge of accounting: Guan Ying

Head of the accounting department: Wu Xiukun

**Hainan Pearl River Holding Company Limited**  
**Income Statement of the Company**

Unit: RMB

ITEM	Note(XV)	2017 (January -- June )	2016
<b>I. Revenue</b>		2,857.14	620,935.59
<b>Including: Operating income</b>		2,857.14	620,935.59
<b>II.Total cost</b>		4,438,420.05	51,302,567.04
<b>Including: Operating cost</b>		151,218.30	173,367.05
Business taxes and surcharges		67,528.32	4,203,229.46
Selling expenses			
Administrative expenses		7,823,134.52	8,249,999.98
Including:research and development expenses			
Finance expenses		2,014,415.03	38,649,091.37
Including: Interest expenses			
Interest income			
Net loss on foreign exchange			
Impairment losses of assets		-5,617,876.12	26,879.18
Others			
<b>Add: Gain on fair-value changes ("for loss")</b>			
<b>Investment income ("for loss")</b>		74,891,105.95	-159,255.52
<b>Including: Investment income from associates and joint ventures</b>		-928,894.05	-159,255.52
Gain or loss on foreign exchange ("for loss")			
<b>III.Operating profits ("for loss")</b>		70,455,543.04	-50,840,886.97
<b>Add: Non-operating income</b>		920.00	2,456,114.61
<b>Including: Gains on disposal of non-current assets</b>			2,456,114.61
Gains from exchange of non-monetary assets			
Government grants			
Gains from debt restructuring			
<b>Less: Non-operating expenses</b>		811,971.93	1,802,042.70
<b>Including: Losses on disposal of non-current assets</b>			1,802,042.70
Losses from exchange of non-monetary assets			
Losses from debt restructuring			
<b>IV.Profit before tax ("for loss")</b>		69,644,491.11	-50,186,815.06
<b>Less: Income tax expenses</b>			
<b>V.Net profit ("for loss")</b>		69,644,491.11	-50,186,815.06
<b>VI.Post-tax net value of other comprehensive income</b>			-
(I) Other comprehensive income that will not be reclassified subsequently to profit or loss			
(II) Other comprehensive income that will be reclassified subsequently to profit or loss			
<b>i.Other comprehensive incomes that be able to reclassify as profit under equity method.</b>			
ii.Gain or loss from fair-value changes on available for sale financial assets			
iii.Reclassify held-to-maturity investment to hold-to-sale financial assets gain or loss			
iv. The effective cash flow hedgeing gain or loss			
v. Translation differences arising on translation of financial statements denominated in foreign currencies			
<b>VII.Total comprehensive income</b>		69,644,491.11	-50,186,815.06

The accompanying notes form an integral part of the financial statements.

Legal representative: Wang Chunli

Principal in charge of accounting: Guan Ying

Head of the accounting department: Wu Xiukun

**Hainan Pearl River Holding Company Limited**  
**Cash Flow Statement of the Company**

Unit: RMB

ITEM	Note(XV)	2017 (January -- June)	2016
<b>I.Cash flows from operating activities:</b>			
Cash received from sales and services		-	12,455,200.00
Tax refunds			
Net cash from other operating activities		15,082,818.77	136,609,030.88
<b>Sub-total of cash inflows from operating activities</b>		15,082,818.77	149,064,230.88
Cash paid for goods and services			76,485,200.00
Cash paid to and on behalf of employees		2,803,476.91	3,292,324.17
Payment of taxes and surcharges		26,529,602.12	2,107,925.47
Other cash payments relating to operating activities		5,574,741.83	6,410,947.28
<b>Sub-total of cash outflows from operating activities</b>		34,907,820.86	88,296,396.92
<b>Net cash flows from operating activities</b>		-19,825,002.09	60,767,833.96
<b>II.Cash flows from investing activities:</b>			
Cash receipts from withdrawal of investments		10,000,000.00	8,000,000.00
Cash received from investment income			
Net cash from disposal of fixed assets, intangible assets and other long-term assets		35,000,000.00	3,060,360.00
Net cash received from disposal of subsidiaries and other business units			
Other cash receipts relating to investing activities		49,136.10	
<b>Sub-total of cash inflows from investing activities</b>		45,049,136.10	11,060,360.00
Cash paid for fixed assets, intangible assets and other long-term assets			26,549.00
Cash payments for investments			13,330,000.00
Net increase of pledged loans			
Net cash paid for acquiring subsidiaries and other business units			
Net cash used in other investing activities			
<b>Sub-total of cash outflows from investing activities</b>		-	13,356,549.00
<b>Net cash flows from investing activities</b>		45,049,136.10	-2,296,189.00
<b>III.Cash flows from financing activities:</b>			
Cash proceeds from investments by others			
Including: cash received by subsidiaries from minority shareholders' investment			
Cash received from borrowings		29,000,000.00	27,585,780.73
Cash received from issuance of bonds			
Cash receipts related to other financing activities			
<b>Sub-total of cash inflows from financing activities</b>		29,000,000.00	27,585,780.73
Cash repayments for debts		78,049,598.52	78,870,856.00
Cash payments for distribution of dividends, profit and interest expenses		1,659,125.50	6,875,492.05
Including: dividends or profit paid by subsidiaries to minority shareholders			
Other cash payments relating to financing activities		1,720,000.00	176,704.04
<b>Sub-total of cash outflows from financing activities</b>		81,428,724.02	85,923,052.09
<b>Net cash flows from financing activities</b>		-52,428,724.02	-58,337,271.36
<b>IV.Effect of foreign exchange rate changes on cash and cash equivalents</b>			-
V.Net increase in cash and cash equivalents		-27,204,590.01	134,373.60
Add: beginning balance of cash and cash equivalents		33,952,786.37	479,720.71
<b>VI. Ending balance of cash and cash equivalents</b>		6,748,196.36	614,094.31

The accompanying notes form an integral part of the financial statements.

Legal representative: Wang Chunli

Principal in charge of accounting: Guan Ying

Head of the accounting department: Wu Xiukun

**Hainan Pearl River Holding Company Limited**  
**Statement of Changes in Owners' Equity of the Company**

Unit: RMB

ITEM	Note (XV)	2017 (January -- June )										
		Paid-in capital	Other equity instruments	Capital reserve	Less:treasury shares	Other comprehensive income	Specialized reserve	Surplus reserve	Provision for general risks	Retained earnings	Others	Total owner's equity
		1	2	3	4	5	6	7	8	9	10	11
I.Closing balance of the preceding year		426,745,404.00		546,201,098.01				109,487,064.39		-1,024,796,255.19		57,637,311.21
Add:Changes in accounting policies												
Corrections of errors in Prior Period												
Others												-
II.Opening balance of the current year		426,745,404.00		546,201,098.01				109,487,064.39		-1,024,796,255.19		57,637,311.21
III.Changes for the year		-	-	-	-	-	-	-	-	69,644,491.11	-	69,644,491.11
(I) Total comprehensive income		-	-	-	-		-	-		69,644,491.11	-	69,644,491.11
(II) Capital contribution and withdrawals by owners		-	-	-	-	-	-	-	-		-	-
i.Capital contributions from owners			-	-	-	-	-	-	-	-	-	-
ii.Capital contribute from other equity instrument holders		-	-	-	-	-	-	-	-	-	-	-
iii.Share-based payment recorded in owner's equity		-	-	-	-	-	-	-	-	-	-	-
iv.Others		-	-	-	-	-	-	-	-	-	-	-
( III).Profits distribution		-	-	-	-	-	-	-	-		-	-
i.Appropriation to surplus reserve		-	-	-	-	-	-	-	-		-	-
Including:Statutory surplus reserve		-	-	-	-	-	-	-	-		-	-
Optional surplus reserve		-	-	-	-	-	-	-	-		-	-
ii.Appropriation of provision for general risks		-	-	-	-	-	-	-	-		-	-
iii.Profit distribution to equity owners		-	-	-	-	-	-	-	-		-	-
iv.Others		-	-	-	-	-	-	-	-		-	-
(V).Transfer within owner's equity		-	-	-	-	-	-	-	-		-	-
i.Capital reserve transferred to paid-in capital		-	-	-	-	-	-	-	-		-	-
ii.Surplus reserve transferred to paid-in capital		-	-	-	-	-	-	-	-		-	-
iii.Recover of loss by surplus reserve		-	-	-	-	-	-	-	-		-	-
iv.Others		-	-	-	-	-	-	-	-		-	-
IV. Closing balance of the year		426,745,404.00	-	546,201,098.01	-	-	-	109,487,064.39	-	-955,151,764.08	-	127,281,802.32

The accompanying notes form an integral part of the financial statements.

Legal representative: Wang Chunli

Principal in charge of accounting: Guan Ying

Head of the accounting department: Wu Xiukun

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**Hainan Pearl River Holding Company Limited**  
**Statement of Changes in Owners' Equity of the Company**

Unit: RMB

ITEM	Note (XV)	2016										
		Paid-in capital	Other equity instruments	Capital reserve	Less:treasury shares	Other comprehensive income	Specialized reserve	Surplus reserve	Provision for general risks	Retained earnings	Others	
		1	2	3	4	5	6	7	8	9	10	11
I.Closing balance of the preceding year		426,745,404.00		337,276,496.52				109,487,064.39		-648,479,829.56		225,029,135.35
Add:Changes in accounting policies		-	-		-		-	-	-	-	-	-
Corrections of errors in Prior Period		-	-	-	-	-	-	-	-	-	-	-
Others		-	-	-	-	-	-	-	-	-	-	-
II.Opening balance of the current year		426,745,404.00	-	337,276,496.52	-	-	-	109,487,064.39	-	-648,479,829.56	-	225,029,135.35
III.Changes for the year		-	-		-	-	-	-	-	-50,186,815.06	-	-50,186,815.06
(I) Total comprehensive income		-	-		-	0.00	-			-50,186,815.06	-	-50,186,815.06
(II) Capital contribution and withdrawals by owners		-	-		-	-	-	-	-	-	-	-
i.Capital contributions from owners		-	-	-	-	-	-	-	-	-	-	-
ii.Capital contribute from other equity instrument holders		-	-	-	-	-	-	-	-	-	-	-
iii.Share-based payment recorded in owner's equity		-	-	-	-	-	-	-	-	-	-	-
iv.Others		-	-		-	-	-	-	-	-	-	-
( III).Profits distribution		-	-	-	-	-	-	-	-	-	-	-
i.Appropriation to surplus reserve		-	-	-	-	-	-	-	-	-	-	-
Including:Statutory surplus reserve		-	-	-	-	-	-	-	-	-	-	-
Optional surplus reserve		-	-	-	-	-	-	-	-	-	-	-
ii.Appropriation of provision for general risks		-	-	-	-	-	-	-	-	-	-	-
iii.Profit distribution to equity owners		-	-	-	-	-	-	-	-	-	-	-
iv.Others		-	-	-	-	-	-	-	-	-	-	-
(V).Transfer within owner's equity		-	-	-	-	-	-	-	-	-	-	-
i.Capital reserve transferred to paid-in capital		-	-	-	-	-	-	-	-	-	-	-
ii.Surplus reserve transferred to paid-in capital		-	-	-	-	-	-	-	-	-	-	-
iii.Recover of loss by surplus reserve		-	-	-	-	-	-	-	-	-	-	-
iv.Others		-	-	-	-	-	-	-	-	-	-	-
IV. Closing balance of the year		426,745,404.00	-	337,276,496.52	-	-	-	109,487,064.39	-	-698,666,644.62	-	174,842,320.29

The accompanying notes form an integral part of the financial statements.

Legal representative: Wang Chunli

Principal in charge of accounting: Guan Ying

Head of the accounting department: Wu Xiukun

# **Hainan Pearl River Holding Company Limited**

## **Notes on the Financial Statements for the end of June 2017**

### **I . General information**

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

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

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

In 1995, based on the approval stated at the document of Shenzhen BanFu [1995] No. 45 and Shenzhen BanFu [1995] No.12, the company issued 50 million B shares. An incremental share capital was thus followed based on the fact that every 1.5 new shares were generated for every ten B shares, resulting in the amount of 377,650,800 shares outstanding in total. Guangzhou Pearl River Industrial Company occupied 112,628,876 shares, holding an equity stake of 29.82%.

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

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

August 17, 2006, with the implementation of equity division reform, an incremental of share capital to the total amount of 49.094604 million shares took place since additional shares were delivered to all shareholders based on a 10: 1.3 (1.3 free new shares for every 10 held) distribution regime. The total amount of shares outstanding was thus increased to 426,745,404

shares with the Wanfa Real Estate Development Company occupying 107,993,698 shares, taking up the ownership percentage of 25.31%. In 2007 and 2009, non-circulation stock shareholders paid back consideration for reform of the shareholder structure; the corresponding value was respectively 3,289,780 and 1,196,000 shares of stock. Beijing Wanfa Real Estate Development Company held an amount of 112,479,478 shares at the end of 2009, which was equivalent to an equity stake of 26.36%. In 2010, the controlling shareholder Beijing Wanfa Real Estate Development Stock Limited Company changed its name to Beijing Wanfa Real Estate Development Limited Liability Company. At the end of 2011, this dominant shareholder held an amount of 112,479,478 shares, equivalent to an ownership percentage of 26.36%.

September 2, 2016, the original controlling shareholder of Beijing Wanfa Real Estate Development Co., Ltd will be held by 112,479,478 shares all transferred to the Beijing Grain Group Co., Ltd., 2016 September after the transfer of equity is completed, the Beijing Grain Group Co., Ltd. held 112,479,478 shares, accounting for 26.36% of the total number of shares. In November 2016, based on the confidence in the reorganization of the major assets and the future development of the Company, Beijing Grain Group Co., Ltd. decided to adopt the centralized bidding method to increase its holdings through the secondary market, holding 123,561,963 shares, Accounting for 28.95% of the total number of shares, becoming the largest shareholder of the Company.

Registered capital: RMB 426,745,400 Yuan

Unified social credit code: 914600002012845568

Legal representative: Wang Chunli

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

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

The parent company of Beijing grain group co., LTD

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's business nature and the main business activities: 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.

Hainan Peapl River Holding Company Limited Beijing Investment Consulting Branch was established on May 6, 2010, and the unified social credit code is 91110107554875351W. The address is: Room 5078, Building 3, No. 3, Xijing Road, High-tech Park, Badachu, Shijing Mountain District, Beijing City. The business scope includes investment consulting, hotel investment and management; construction equipment purchasing and leasing; the sales of construction materials, hardware and electrical equipment, furniture, plastics, daily necessities, leather

products, rubber cavity products, feed, the packed seed that will not be sub-packed again, the grain, beans, potatoes, flowers, grass and other decorative plants, chemical fertilizer, non-metallic ore, metal products, metal ore, metal materials, and the import and export of goods; the salary point system and development application of high-tech products. ("1. Without the approval of the relevant department, it is prohibited from using public mode to raise funds; 2. It is prohibited from publically carrying out security products and financial derivative instrument transaction activities; 3. It is prohibited from issuing loans; 4. It is prohibited from providing guarantee for other enterprises, except the invested enterprise; 5. It is prohibited from making commitment to the investor about no damage of investment principal or the minimum income"; for the projects that shall be legally approved, the business activities can be carried out as per the approved contents after being approved by the relevant department.)

Hainan Peapl River Holding Company Limited Heilongjiang Branch was established on October 22, 2012, and the unified social credit code is 91230110598492651P. The address is: No. 34, Nongxiao Street, Xiangfang District, Harbin City. The business scope includes: industrial investment, hotel investment and management, construction equipment purchasing, leasing, indoor and outdoor decoration, high-tech project investment, computer network investment, communication project investment, high-tech product development and application as well as environmental protection project investment. (For projects that require the administrative licensing, they shall be operated with the license) (For projects that shall be legally approved, the business activities can be carried out after being approved by the relevant department.) The approval of the financial statements reported: the financial statements by the company all the directors are submitted on August 23, 2017.

## II . The scope of consolidated financial statements

This period into the body of the scope of consolidated financial statements, a total of 15 units, specific include:

Company name	Abbreviation	Unit type	Level	Shareholding ratio (%)	Proportion of voting rights (%)
Hainan Pearl River Property Hotel Management Co., Ltd	Pearl River Property	Holdings	2	98.00	98.00
Hainan Pearl River Landscaping Co., Ltd	Landscaping Company	Wholly	3	100.00	100.00
Hainan Pearl River Property Cleaning Co., Ltd	Cleaning Company	Wholly	3	100.00	100.00
Hainan Pearl River Property Electrical and Mechanical Engineering Company	Electrical and Mechanical Company	Wholly	3	100.00	100.00
Hubei Pearl River Real Estate Development Co., Ltd	Hubei Pearl River	Holdings	2	89.20	89.20
Wuhan Zhuijiang Meilin Hotel Management Co., Ltd	Meilin Hotel	Wholly	3	100.00	100.00
Shanghai Rongxin Real Estate Co., Ltd	Shanghai Realty	Wholly	2	100.00	100.00

Company name	Abbreviation	Unit type	Level	Shareholding ratio (%)	Proportion of voting rights (%)
Beijing Jiubo Culture Development Co., Ltd	Jiubo Culture	Wholly	2	100.00	100.00
Mudanjiang City Pearl River Wanjia Tourism Investment Development Group Co., Ltd	Mudanjiang TourismGroup	Wholly	2	100.00	100.00
Hailin City Wanjia Xuexiang Resort Hotel	Xuexiang Resort	Wholly	3	100.00	100.00
Mudanjiang City Jingpo Lake Zhujiang Wanjia Hotel Co., Ltd	Jingpo Lake Hotel	Wholly	3	100.00	100.00
Mudanjiang City Wanjia Star Hotel Co., Ltd	Mudanjiang Hotel	Wholly	3	100.00	100.00
Harbin Wanjia Travel Service Co., Ltd	Travel Service	Wholly	3	100.00	100.00
Hebei Zhengshi Qinghui Real Estate Development Co., Ltd	Hebei Realty	Holdings	2	51.00	51.00
Shanghai Pearl Property Management Co., Ltd	Pearl Property	Holdings	3	50.00	50.00

At the end of this period, the subsidiary corporation Hainan Pearl River Industrial Co., Ltd. Shanghai real estate company, approved by the Shanghai Administration for Industry & Commerce, changes his name into Shanghai Rongxin Real Estate Co., Ltd. The shareholding ratio and voting rights remain the same. The scope of consolidation financial statements remains the same, either.

### III . The basis for the formulation of financial statement

#### 1. The basis for the formulation of financial statement

On the basis of continuous operation, the company has conducted confirmation and measurement as per the actually occurred transaction and affairs, the Enterprise Accounting Criterion—Basic Criterion and the specific enterprise accounting criterion, the enterprise accounting criterion application guide, the enterprise accounting criterion explanation and other relevant regulations (hereinafter collectively referred to as “the enterprise accounting criterion”), and then on this basis, it has also compiled the financial statement in combination with No. 15 Information Disclosure Formulation and Report Regulations of Companies with Public Issue of Securities—General Regulations for Financial Report (Revised in 2014).

#### 2. Going concern

The company since the final 12 months there is no ability to continue as a going concern our company serious doubts about the items or situations.

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

## **1. 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.

## **2. 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, 2017 to June 30, 2017.

## **3. Reporting currency**

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

## **4. Business combinations**

**4.1.** Where a business combination achieved in stages, such multiple transactions accounted as a package deal if one or more following conditions are satisfied:

- i. such transactions made simultaneously or after consider each other's effect;
- ii. only such transactions made in whole,a complete commercial result achieved;
- iii. one transactions made depend upon at least one other transaction;
- iv. one transactions is not commercial invidually,but when consider with other transactions,it is commercial.

### **4.2. Business combinations involving enterprises under common control**

#### **(1) separate financial statement**

The consideration is the cash given, non-monetary assets transferred,liabilities incurred or assumed, and equity securities issued by the acquirer in exchange for control of the acquiree.The initial cost of the long-term equity investment is the share of the consolidated financial statements, at the acquisition date, of ultimate controlling parties's net assets.The difference between the initial cost of the long-term equity investment obtained and the consideration paid for the combination is adjusted to the share premium in capital reserve. If the share premium is not sufficient to absorb the difference, any excess shall be adjusted against retained earnings. If there is contingent consideration and need to recognize contingent assets or liabilities, the difference between amounts of the contingent assets or liabilities and the subsequent settlement price is adjusted to the share premium in capital reserve. If the share premium is not sufficient to absorb the difference, any excess shall be adjusted against retained earnings.

Where a business combination involving enterprises under common control is achieved in stages that involve multiple transactions, if such transaction is a package deal,the all transactions are accounted as a package deal to obtain control power. If not, at the acquisition date, the difference between the initial cost of the long-term equity investment and the aggregate of the carrying amount of the long-term equity investment held before acquisition date and the new consideration paied in order to achieve futher equity is adjusted to the share premium in capital reserve. If the share premium is not sufficient to absorb the difference, any excess shall be adjusted against retained earnings. As for the other comprehensive income relating to the equity held in the acquiree before the acquisition date are not accounted untill dispose such investment.when disposed, adopt the basis,which is same to investee dispose related assets or liabilities,to accounted. The other comprehensive income recognized on the changes of other owner's equity except for net profit, other comprehensive income and dividend declared are not

accounted until transferred to investment income when dispose such investment.

Costs directly attributable to the combination are included in profit or loss in the period in which they are incurred. Transaction costs associated with the issue of equity for the business combination are adjusted to the share premium in capital reserve. If the share premium is not sufficient to absorb the difference, any excess shall be successively adjusted against surplus reserve and retained earnings.

Transaction costs associated with the issue of debt securities for the business combination are included in the initially recognized amounts of the debt securities.

If the combined parties prepared consolidated financial statements, the initial cost of the long-term equity investment is determined on the basis of owner's equity attributed to parent company.

## (2) consolidated financial statements

The assets and liabilities obtained by the absorbing party in a business combination are measured at the carrying amount.

Where a business combination involving enterprises under common control is achieved in stages that involve multiple transactions, if such transaction is a package deal, the all transactions are accounted as one transaction to obtain control power.

If not, the long-term equity investment held by absorbing party before acquisition date and the profit or loss, other comprehensive income and other equity changes recognized from the later of the acquisition date and the date on which absorbing party or combined party ultimately controlled by same party to combining date offset beginning retained earnings of comparative financial statements and current P/L respectively.

Where the accounting policy adopted by the combined party is different from that adopted by the combining party, the combining party shall, according to accounting policy it adopts, adjust the relevant items in the financial statements of the absorbing party, and shall, pursuant to the present Standard, recognize them on the basis of such adjustment.

### **4.3. Business combinations not involving enterprises under common control**

The cost of combination is the aggregate of the fair values, at the acquisition date, of the assets given, liabilities incurred or assumed, and equity securities issued by the acquirer in exchange for control of the acquiree. In the merger agreement on a future event that is likely to affect the combination costs make a contract, if estimated future matters are likely to occur and the influence of the amount on the combination costs can be reliably measured, are also included in the combination costs.

The intermediary expenses incurred by the acquirer in respect of auditing, legal services, valuation and consultancy services, etc. and other associated administrative expenses attributable to the business combination are recognized in profit or loss when they are incurred. Transaction costs associated with the issue of equity or debt securities for the business combination are included in the initially recognised amounts of the equity or debt securities.

Where the cost of combination exceeds the acquirer's interest in the fair value of the acquiree's identifiable net assets, the difference is treated as an asset and recognized as goodwill, which is measured at cost on initial recognition. Where the cost of combination is less than the acquirer's interest in the fair value of the acquiree's identifiable net assets, the acquirer firstly reassesses the measurement of the fair values of the acquiree's identifiable assets, liabilities and contingent liabilities and measurement of the cost of combination. If after that reassessment, the cost of

combination is still less than the acquirer's interest in the fair value of the acquiree's identifiable net assets, the acquirer recognizes the remaining difference immediately in profit or loss for the current period.

In case that the merger of enterprises under different controls that is realized by steps through several times of exchange transaction belongs to a package deal, each transaction shall be subject to accounting treatment as the transaction that has obtained the control right; in case that it doesn't belong to a package deal, the individual financial statements and the consolidated financial statements shall be distinguished and subject to the relevant accounting treatment respectively:

(1) In the individual financial statements, in case that the equity investment held before the date of merger is checked as per the equity method, the sum of the book value of the acquiree's equity investment held before the date of purchasing and the newly increased investment cost on the date of purchasing shall be regarded as the initial investment cost of such investment; other comprehensive incomes checked and confirmed through adopting the equity method for the equity investment held before the date of purchasing shall be subject to accounting treatment when disposing the investment through adopting the basis for the direct disposal of relevant assets or debts of the invested unit.

In case that the equity investment held before the date of merger is confirmed by financial instrument and checked as per the measurement standard, the sum of the fair value of the equity investment on the date of merger and the newly increased investment cost shall be regarded as the initial investment cost on the date of merger. The balance between the fair value and book value of original equity held and accumulative fair value changes included in other comprehensive incomes shall be transferred into the investment income of the current period on the date of merger.

(2) In the consolidated financial statements, to hold the equity of the acquiree before on the acquisition date. The equity held in the acquiree before the acquisition date is remeasured at its fair value at the acquisition date, with any difference between its fair value and its carrying amount being recognized as investment income, and the other comprehensive income relating to the equity held in the acquiree before the acquisition date being transferred to investment income.

## **5. Methods for the formulation of consolidated financial statements**

The scope of consolidation in the consolidated financial statements is determined on the basis of control. All subsidiaries(including separate entities controlled by the parent company) should be included in the consolidated financial statements.

In preparing the consolidated financial statements, where the accounting policies and the accounting periods of the Company and subsidiaries are inconsistent, the financial statements of the subsidiaries are adjusted in accordance with the accounting policies and the accounting period of the Company.

The consolidated financial statements are prepared on the basis of the financial statements of the Company and all of its subsidiaries.

All significant intra-group balances and transactions are eliminated on consolidation.

When the amount of loss for the period attributable to the minority shareholders of a subsidiary

exceeds the minority shareholders' portion of the opening balance of shareholders' equity of the subsidiary, the excess amount is still allocated against minority interests.

For a subsidiary that is acquired in a business combination involving enterprises under common control, it is included in the consolidated financial statements from the date when it, together with the Company, comes under common control of the ultimate controlling party.

Their operating results and cash flows from the beginning of the current reporting period are included in the consolidated income statement and consolidated statement of cash flows, as appropriate.

For a subsidiary acquired through a business combination not involving enterprises under common control, the operating results and cash flows from the acquisition date (the date when control is obtained) are included in the consolidated income statement and consolidated statement of cash flows, as appropriate, and no adjustment is made to the opening balances and comparative figures in the consolidated financial statements.

For a subsidiary disposed of by the Company, the operating results and cash flows before the date of disposal (the date when control is lost) are included in the consolidated income statement and consolidated statement of cash flows, as appropriate.

When the company loses control over a subsidiary due to disposal of equity investment or other reason, any retained interest is re-measured at its fair value at the date when control is lost. The difference between (i) the aggregate of the consideration received on disposal and the fair value of any retained interest and (ii) the share of the former subsidiary's net assets cumulatively calculated from the acquisition date according to the original proportion of ownership interests is recognized as investment income in the period in which control is lost. Other comprehensive income associated with investment in the former subsidiary is reclassified to investment income in the period in which control is lost.

## **6. Jointly operated arrangement classification and joint management accounting processing method**

### **1. Jointly operated arrangement classification**

According to the structure and legal form of jointly operated arrangement and the terms, other relevant facts and situations agreed in jointly operated arrangement, the company will divide jointly operated arrangement into joint management and joint venture.

The jointly operated arrangement not reached by separate subject is divided into joint management; the jointly operated arrangement reached by separate subject is usually divided into joint venture; but the concrete evidence shows that the jointly operated arrangement that meets the any one of the following conditions and the relevant laws and regulations is divided into joint management:

(1) The legal form of jointly operated arrangement shows that the joint venture shall enjoy the right and under the obligation for the relevant assets and liabilities in arrangement respectively.

(2) The contract terms of jointly operated arrangement agree that the joint venture shall enjoy the right and under the obligation for the relevant assets and liabilities in arrangement respectively.

(3) The other relevant facts and situations show that the joint venture shall enjoy the right and under the obligation for the relevant assets and liabilities in arrangement respectively, and for instance, the joint venture enjoys almost all outputs related to jointly operated arrangement, and

the liquidation of the liabilities in arrangement depends on the support from the joint venture continuously.

## **2. Joint management accounting processing method**

The company confirms the following items related to quantum of interest in joint management, and conducts accounting processing according to the regulations of Accounting Standards for Business Enterprises:

- (1) Confirm the asset held solely and the asset held jointly as per share;
- (2) Confirm the liability borne solely and the liability borne jointly as per share;
- (3) Confirm the income from selling the enjoyed joint management output share;
- (4) Confirm the income from selling the joint management output as per share;
- (5) Confirm the expense incurred solely and the expense incurred by joint management as per share.

The company outputs or sells the asset to joint management (except the asset constitutes the business), and before the joint management sells the asset to the third party, the part belonging to other participants in the profit and loss incurred by the deal is only confirmed. In case that the asset output or sold conforms to the asset impairment loss specified in Accounting Standards for Business Enterprises No.8 -- Asset Impairment, the company shall confirm the full loss.

Before the company purchases the asset from joint management (except the asset constitutes the business) and sells the asset to the third party, the part belonging to other participants in the profit and loss incurred by the deal is only confirmed. In case that the asset purchased conforms to the asset impairment loss specified in Accounting Standards for Business Enterprises No.8 -- Asset Impairment, the company shall confirm the part loss as per share.

The company shall not enjoy the joint control for joint management, and if the company enjoys the relevant assets of joint management and undertake the relevant liabilities of joint management, the accounting processing shall still be conducted according to the above principle; otherwise, the accounting processing shall be conducted according to the regulations of Accounting Standards for Business Enterprises.

## **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**

### **8.1. Transactions denominated in foreign currencies**

A foreign currency transaction is recorded, on initial recognition, by applying the spot exchange rate on the date of the transaction.

At the balance sheet date, foreign currency monetary items are translated into RMB using the spot exchange rates at the balance sheet date. Exchange differences arising from the differences between the spot exchange rates prevailing at the balance sheet date and those on initial recognition or at the previous balance sheet date are recognised in profit or loss for the period, except the exchange differences related to a specific-purpose borrowing denominated in foreign

currency that qualify for capitalisation are capitalised as part of the cost of the qualifying asset during the capitalisation period.

Foreign currency non-monetary items measured at historical cost are translated to the amounts in functional currency at the spot exchange rates on the dates of the transactions; the amounts in functional currency remain unchanged.

Foreign currency non-monetary items measured at fair value are re-translated at the spot exchange rate on the date the fair value is determined. Difference between the re-translated functional currency amount and the original functional currency amount is treated as changes in fair value including changes of exchange rate and is recognized in profit and loss or as other comprehensive income included in capital reserve. The difference arising on available for sale non-monetary items is recognized in other comprehensive income.

## **8.2. Translation of financial statements denominated in foreign currencies**

For the purpose of preparing the consolidated financial statements, financial statements of a foreign operation are translated from the foreign currency into RMB using the following method: assets and liabilities on the balance sheet are translated at the spot exchange rate prevailing at the balance sheet date; shareholders' equity items except for retained earnings are translated at the spot exchange rates at the dates on which such items arose; all items in the income statement as well as items reflecting the distribution of profits are translated at the spot exchange rates on the dates of the transactions; The difference between the translated assets and the aggregate of liabilities and shareholders' equity items is separately presented as the exchange differences arising on translation of financial statements denominated in foreign currencies under the shareholders' equity in the balance sheet.

On disposal of the Company's entire interest in a foreign operation, the Company transfers the accumulated translation differences that relating to translation of the financial statements of that foreign operation, presented in comprehensive income, to profit or loss in the period in which the disposal occurs. As for part disposal, the Company transfers the accumulated translation differences that relating to translation of the financial statements to profit or loss in the period in proportion to the weight of part disposal interest in a foreign operation.

## **9. Financial Instruments**

Financial Instruments comprises financial assets, financial liabilities and equity instruments.

### **9.1. Classification of financial assets and financial liabilities**

Financial instruments are classified into the following categories at initial recognition: financial assets (or liabilities) at fair value through profit or loss, entrusted loans, receivables, available-for-sale financial assets and held-to-maturity investments, other financial liabilities. The classification of financial assets depends on not only commercial substance in contract but also the Company's intention and ability to hold the financial assets.

### **9.2. Recognition and measurement**

(1) Financial assets (or liabilities) at fair value through profit or loss ("FVTPL")

Financial assets or financial liabilities at FVTPL include financial assets or financial liabilities held for trading and those designated as at fair value through profit or loss.

A financial asset or financial liabilities is classified as held for trading if one of the following conditions is satisfied:

(i) It has been acquired principally for the purpose of selling in the near term; or

- (ii) On initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and there is objective evidence that the Company has a recent actual pattern of short-term profit-taking; or
- (iii) It is a derivative that is not designated and effective as a hedging instrument, or a financial guarantee contract, or a derivative that is linked to and must be settled by delivery of an unquoted equity instrument (without a quoted price in an active market) whose fair value cannot be reliably measured.

A financial asset or financial liabilities may be designated as at FVTPL upon initial recognition only when one of the following conditions is satisfied:

- (i) Such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise result from measuring assets (or liabilities) or recognizing the gains or losses on them on different bases; or
- (ii) The financial asset (or liabilities) forms part of a group of financial assets (or liabilities) or a group of financial assets and financial liabilities, which is managed and its performance is evaluated on a fair value basis, in accordance with the Company's documented risk management or investment strategy, and information about the grouping is reported to key management personnel on that basis;
- (iii) Hybrid instruments associated with embedded derivatives, except for embedded derivatives that have not significant impact on cash flow of hybrid instrument, or obviously embedded derivatives should not be split from hybrid instrument.
- (iv) Hybrid instruments associated with embedded derivatives, which are needed to split but not measured separately at initial acquisition date or at subsequent balance sheet date.

For financial assets and financial liabilities at FVTPL are initially measured at fair value, and transaction costs are immediately recognized in profit or loss. Financial assets or financial liabilities at FVTPL are subsequently measured at fair value. Any gains or losses arising from changes in the fair value and any dividend or interest income earned on the financial assets are recognized in profit or loss.

When disposed, the difference between fair value and initial cost are recognized in investment income; besides, adjust gain or loss from fair-value changes.

## (2) Receivables

Accounts receivable arising from sale of goods or rendering of services are initially recognised at fair value of the contractual payments from the buyers or service recipients.

Receivables are classified into the following categories: receivable, other receivables, notes receivable, advances to suppliers and long-term receivables.

When the Company recovers or disposes the accounts receivable, the difference between the proceeds received from the transaction and their carrying amounts is recognised in profit or loss for the current period.

## (3) Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity dates that the Company's management has the positive intention and ability to hold to maturity. Held-to-maturity investments are initially measured at fair value,

and transaction costs are included in their initial recognized amounts.

Held-to-maturity investments are subsequently measured at amortized cost using the effective interest method. effective interest determined at acquisition date and keep remain unchanged in estimated period or appropriate shorter period.Gain or loss arising from DE recognition, impairment or amortization is recognized in profit or loss. When dispose,the difference between proceeds received from the transaction and their carrying amounts are recognized in investment income.

#### (4) Available-for-sale financial assets

Available-for-sale financial assets include non-derivative financial assets that are designated on initial recognition as available for sale, and financial assets that are not classified as financial assets at fair value through profit or loss, loans and receivables or held-to-maturity investments.

Available-for-sale financial assets are initially measured at fair value, and transaction costs are included in their initial recognized amounts. Interests obtained and the dividends declared by the investee during the period in which the available-for-sale financial assets are held, are recognized in investment gains.

Available-for-sale financial assets are subsequently measured at fair value, and gains or losses arising from changes in the fair value are recognized as other comprehensive income, except that impairment losses and exchange differences related to amortized cost of monetary financial assets denominated in foreign currencies are recognized in profit or loss, until the financial assets are derecognized, at which time the gains or losses are released and recognized in profit or loss.

#### (5) Other financial liabilities

According to its fair value and the associated transaction cost the sum as the amount of initial recognition. Is follow-up measurement with the amortized cost.

### 9.3. Transfer of financial assets

The Company derecognizes a financial asset if the financial asset has been transferred and substantially all the risks and rewards of ownership of the financial asset is transferred to the transferee; If not, continue to recognize as a financial asset.

When determine whether the transfer of financial assets satisfies DE recognition criteria or not, the substance over form should be taken into consideration

For a transfer of a financial asset in its entirety that satisfies the DE recognition criteria, the difference between (1) the carrying amounts of the financial asset transferred; and (2) the sum of the consideration received from the transfer and any cumulative gain or loss that has been recognized in other comprehensive income is recognized in profit or loss.

If a part of the transferred financial asset qualifies for derecognition, the carrying amount of the transferred financial asset is allocated between the part that continues to be recognized and the part that is derecognized, based on the respective fair values of those parts. The difference between (1) the carrying amount allocated to the part derecognized; and (2) the sum of the consideration received for the part derecognized and any cumulative gain or loss allocated to the part derecognized which has been previously recognized in other comprehensive income, is recognized in profit or loss.

If a transfer of a financial asset are not satisfies the DE recognition criteria, such financial asset continuing involved in the transferred financial asset and recognizes consideration as an financial liability.

#### **9.4. Derecognition of financial liabilities**

The Company derecognizes a financial liability (or part of it) only when the underlying present obligation (or part of it) is discharged. An agreement between the Company (an existing borrower) and an existing lender to replace the original financial liability with a new financial liability with substantially different terms is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. When the Company derecognizes a financial liability or a part of it, it recognizes the difference between the carrying amount of the financial liability (or part of the financial liability) derecognized and the consideration paid (including any non-cash assets transferred or new financial liabilities assumed) in profit or loss.

If the Company buy back part of financial liability, the carrying amounts of financial liability should be allocated between the derecognized parts and continuing recognized parts in proportion to ratio of its fair value. The difference between the carrying amount of part of the financial liability derecognized and the consideration paid (including any non-cash assets transferred or new financial liabilities assumed) is recognized in profit or loss.

#### **9.5. Basis for fair values of the financial assets and financial liabilities**

The fair value of financial assets and financial liabilities traded on active markets are determined with reference to quoted market bid prices; The fair value of other financial assets and financial liabilities (excluding derivative instruments) are determined in accordance with generally accepted pricing models based on

discounted cash flow analysis or using prices from observable current market transactions; The fair value of initial acquired or derivative instruments are determined with reference to quoted market prices.

#### **9.6. Impairment of financial assets(except for receivables)**

The Company assesses at each balance sheet date the carrying amounts of financial assets other than those at fair value through profit or loss. If there is objective evidence that a financial asset is impaired, the Company determines the amount of any impairment loss.

Objective evidence that a financial asset is impaired includes the following observable events:

- (1) Significant financial difficulty of the issuer or obligor;
- (2) A breach of contract by the borrower, such as a default or delinquency in interest or principal payments;
- (3) The Company, for economic or legal reasons relating to the borrower's financial difficulty, granting a concession to the borrower;
- (4) It becoming probable that the borrower will enter bankruptcy or other financial reorganizations;
- (5) The disappearance of an active market for that financial asset because of financial difficulties of the issuer;

Upon an overall assessment of a group of financial assets, observable data indicates that there is a measurable decrease in the estimated future cash flows from the group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the group. Such observable data includes: -Adverse changes in the payment status of borrower in the group of assets; Economic conditions in the country or region of the borrower which may lead to a failure to pay the group of assets;

- (6) Significant adverse changes in the technological, market, economic or legal environment in which the issuer operates, indicating that the cost of the investment in the equity instrument may not be recovered by the investor;
- (7) A significant or prolonged decline in the fair value of an investment in an equity instrument below its cost;

The method for impairment loss of financial assets are set out below:

(1) Impairment of available-for-sale financial assets:

The Company assesses the available-for-sale equity instruments individually for impairment at balance sheet date. If the fair value of the equity instruments are reduced to 50%(or over 50%) of the cost or less than its cost and lasts more than one year, the impairment is recognized. If the fair value of the equity instruments at the balance sheet date are less than 20% but more than 50% of the cost, the Company determines the impairment loss taking into account other related factors such as price fluctuation.

When an available-for-sale financial asset is impaired, the cumulative loss arising from decline in fair value previously recognized directly in capital reserve is reclassified from the capital reserve to profit or loss. The amount of the cumulative loss that is reclassified from capital reserve to profit or loss is the difference between the acquisition cost (net of any principal repayment and amortization) and the current fair value, less any impairment loss on that financial asset previously recognized in profit or loss.

If, subsequent to the recognition of an impairment loss on available-for-sale financial assets, there is objective evidence of a recovery in value of the financial assets which can be related objectively to an event occurring after the impairment is recognized, the previously recognized impairment loss is reversed. The amount of reversal of impairment loss on available-for-sale equity instruments is recognized as other comprehensive income, while the amount of reversal of impairment loss on available-for-sale debt instruments is recognized in profit or loss.

But for the impairment loss incurred on an investment in unquoted equity instrument (without a quoted price in an active market) whose fair value cannot be reliably measured, or on a derivative financial asset that is linked to and must be settled by delivery of such an unquoted equity instrument, the impairment loss on such financial asset is not reversed once it is recognized.

(2) Impairment of held-to-maturity investments:

If there is objective evidence that a held-to-maturity investments is impaired, the difference between carrying amounts and present value of estimated future cash flows is recognized as an impairment loss in profit or loss. If there is objective evidence of a recovery in value of a held-to-maturity investments which can be related objectively to an event occurring after the impairment is recognized, the previously recognized impairment loss is reversed. However, the reversal is made to the extent that the carrying amount of the held-to-maturity investments at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

### **9.7. Offsetting financial assets and financial liabilities**

Where the Company has a legal right that is currently enforceable to set off the recognized financial assets and financial liabilities, and intends either to settle on a net basis, or to realize the financial asset and settle the financial liability simultaneously, a financial asset and a financial liability shall be offset and the net amount is presented in the balance sheet. Except for the

above circumstances, financial assets and financial liabilities shall be presented separately in the balance sheet and shall not be offset.

## 10. Receivables

### (1) Receivables with major single amount and provision for bad debts withdrawn

1. The confirmation standard of receivables with major single amount and provision for bad debts: the specific standard of major single amount: the ending balance is up to more than RMB 1,000,000 (including RMB 1,000,000).
2. The withdrawing method of provision for bad debts for receivables with major single amount: separately conduct the impairment test, and include the provision for bad debts into the current profit and loss according to the balance between the present value and book value of the expected future cash flow. The receivables without impairment in separate test shall be included into the corresponding combination of provision for bad debts.

### (2) Receivables with provision for bad debts withdrawn as per combination

#### (1) Determination basis of the credit risk feature combination

In principle, there is no provision for bad debts for receivables of the related parties between enterprises within the consolidation scope of the Pearl River holdings, and if the concrete evidence shows that receivables can not be withdrawn or receivables are less likely to be withdrawn, then the provision for bad debts shall be withdrawn as per uncollectible amount.

For receivables without major ending amount and consolidated financial statement of Pearl River holdings, similar to receivables without impairment after separate test, the provision for bad debts shall be withdrawn by aging analysis method.

(2) The withdrawing method confirmed according to credit risk feature combination: the provision for bad debts is withdrawn by aging analysis method.

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

### (3) Receivables with not major single amount but provision for bad debts withdrawn

The reason for withdrawing provision for bad debts: the objective evidence shows that the company can not withdraw money according to the original terms of receivables.

The withdrawing method of provision for bad debts: withdrawing according to the balance between the present value and book value of the expected future cash flow of receivables.

## 11. Inventories

(1) Inventories include: development cost (constructing development product), development product, finished goods, low-value consumable supplies and etc.

The real estate development products include real estate under construction development product, completiondevelopment product and the land to be developed, etc.. The actual cost of real estate development products includes landtransfer fee, auxiliary facilitiesexpenditure, building installation engineeringexpenditure, loan expense incurred by project development before completion and other related expenses in development.

The development cost refers to the real estate that has not been built for the purpose of sales; the land to be developed refers to the purchased land that is developed into the completiondevelopment product; thedevelopment product refers to the real estate that has been built for sale. When the integrated development is carried out, the land to be developed is transferred into the development cost; when the phased developmentis carried out, the part land developed by stage is transferred into the development cost, and the undeveloped land still remains in the land to be developed.

(2) Inventory valuation method: Real estate development product inventory when individual recognition method is used to determine its actual cost, other inventory issued by weighted average method.

(3)The determination of net realisable value basis and inventory write-down provision method: The ending inventory shall be measured according to the lower of cost and net realizable value. The inventory falling price reserves shall be withdrawn according to the balance between the inventory cost and net realizable value. The net realizable value shall be confirmed according to the estimated sale priceminus the estimated cost, selling expenses and related taxes after completion.

In case that the influence factors of the previous write-downinventory value have disappeared, the write-down amount is recovered and returned back within the originally withdrawn inventory falling price reserves, and the returned amount is included into the current profit and loss.

(4) Stock inventory system: Uses the perpetual inventory system.

(5) The amortization method of low-value consumables and packaging: the low-value consumables adopt one-time reselling method.

(6) The accounting method of land development: for the integrated developmentproject, in case that the expense bearing object can be distinguished, generally, the commercial housing cost is calculated according to the actual area.

(7) The accounting method of public supporting facilities expense

The public supporting facilities that can not be transferred with compensation: included into the commercial housing cost according to the benefit ratio;

The public supporting facilities that can be transferred with compensation: taking the supporting facilities as the cost accounting object, to collect the cost.

(8) The accounting method of maintenance funds

According to the local relevant regulations, when the development product is sold (presold), the development cost charged from the purchaser or withdrawn and included by the company is paid to the maintenance fund management department.

(9) The accounting method of quality deposit

The quality deposit is reserved from the project funds of construction unit according to the

construction contract. The maintenance cost incurred during the warranty period of development product writes off the quality deposit; after the warranty period expires, the quality deposit balance will be returned to the construction unit.

## **12. Long-term equity investment**

### **12.1. Determination of investment cost**

(1) For a long-term equity investment acquired through a business combination, please refer to Notes "IV-4" in detail.

(2) Long-term equity investment acquired through other ways

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 consists of the expenses directly relevant to the obtainment of the long term equity investment, taxes and other necessary expenses.

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. Transaction cost of issuing or obtaining equity directly attributed to equity transaction can subtract from equity.

If the transaction is commercial in nature and fair values of both the assets received and surrendered can be reliably measured, the fair value of the assets surrendered shall be the basis for the determination of the cost of the assets received, unless there is any exact evidence showing that the fair value of the assets received is more reliable. Where any non-monetary assets transaction does not meet the conditions as prescribed in above, the carrying value and relevant payable taxes of the assets surrendered shall be the initial cost of a long-term investment obtained.

The initial cost of a long-term equity investment obtained by debt restructuring shall be ascertained on the basis of fair value.

### **12.2. Subsequent measurement and recognition of profit or loss**

(1) A long-term equity investment accounted for using the cost method

For long-term equity investments over which the Company can exercise control, the Company accounts for such long-term equity investments using the cost method. Under the cost method, a long-term equity investment is measured at initial investment cost. Except for cash dividends or profits already declared but not yet paid that are included in the price or consideration actually paid upon acquisition of the long-term equity investment, investment income is recognized in the period in accordance with the attributable share of cash dividends or profit distributions declared by the investee.

(2) A long-term equity investment accounted for using the equity method

The Company accounts for investment in associates and joint ventures using the equity method. An associate is an entity over which the Group has significant influence and a joint venture is an entity over which the Group exercises joint control along with other investors.

Under the equity method, where the initial investment cost of a long-term equity investment exceeds the Group's share of the fair value of the investee's identifiable net assets at the time of acquisition, no adjustment is made to the initial investment cost. Where the initial investment cost is less than the Group's share of the fair value of the investee's identifiable net assets at the time of acquisition, the difference is recognized in profit or loss for the period, and the cost of

the longterm equity investment is adjusted accordingly.

For long-term equity investments accounted for using the equity method, the Company recognises the investment income and other comprehensive income according to its share of net profit or loss and other comprehensive income of the investee, and the cost of the longterm equity investment is adjusted accordingly. The Company discontinues recognising its share of net losses of an investee after the carrying amount of the long-term equity investment together with any long-term interests that, in substance, form part of the investor's net investment in the investee are reduced to zero. However, if the Company has obligations for additional losses and the criteria with respect to recognition of provisions under the accounting standards on contingencies are satisfied, the Company continues recognising the investment losses and the provisions. For changes in owners' equity of the investee other than those arising from its net profit or loss, other comprehensive income, and profit distribution, the Company adjusts the book value of the investment and records capital surplus accordingly. The carrying amount of the investment is reduced by the Company's share of the profit distribution or cash dividends declared by an investee. The unrealised profits or losses arising from the intra-company transactions amongst the Company and its investees are eliminated in proportion to the Company's equity interest in the investees, and then based on which the investment gains or losses are recognised. For the loss on the intra-company transaction amongst the Company and its investees attributable to asset impairment, any unrealised loss is not eliminated.

### **12.3. The transfer of accounting methods**

#### **(1) Fair value measurement to equity method accounting**

As for the equity investment held by the company without control, joint control or significance on the invested unit and conducting accounting treatment according to financial instrument confirmation and measurement regulations, if it may exert significance or joint control (without control) on the invested unit due to increased investment, the fair value of original equity investment (established in accordance with Accounting Standards for Business Enterprises No. 22 – Confirmation and Measurement of Financial Instruments) and added investment cost will be regarded as initial investment cost accounted based on equity method.

If the original equity investment is classified as available-for-sale financial assets, the balance between fair value and book value as well as the accumulative fair value changes included into other comprehensive incomes will be transferred to current profits and losses measured based on equity method.

The balance between the initial investment cost accounted with equity method and the fair value of recognizable net assets on additional investment date (invested unit) determined and calculated based on the new shareholding ratio after additional investment will be used to adjust the book value of long-term equity investment and included into current non-operating income.

#### **(2) Fair value measurement or equity method accounting is converted to cost method accounting**

As for the equity investment held by the company without control, joint control or significant influence on the invested unit and conducting accounting treatment according to financial instrument confirmation and measurement regulations, or as for the long-term equity investment of associated enterprise and joint venture held by the company, if it can control the invested unit not under the same control due to increased investment, the book value of original equity investment plus additional investment will be regarded as initial investment cost accounted with cost method while preparing individual financial statement.

The equity investment held before purchase date is included into other comprehensive incomes

upon accounting with equity method will be disposed with the same method as disposing the relevant assets or liabilities.

If the equity investment held before purchase date is disposed according to Accounting Standards for Business Enterprises No. 22 – Confirmation and Measurement of Financial Instruments, the changes in accumulative fair value included into other comprehensive incomes will be transferred into current profits and losses upon measurement with cost method.

(3) Equity method accounting is converted to fair value measurement

If the company loses joint control or significant influence on the invested unit due to disposing part of equity investment, the remaining equity will be measured according to Accounting Standards for Business Enterprises No. 22--Recognition and Measurement of Financial Instruments. The balance between fair value and book value will be included into current profits and losses on the date losing joint control or significant influence.

The original equity investment is included into other comprehensive incomes upon end up terminating accounting with equity method will be disposed with the same method as disposing the relevant assets or liabilities.

(4) Cost method is converted to equity method.

If the company loses control to the invested unit due to disposing equity part of investment, and the remaining equity may exert joint control or significant influence on the invested unit while preparing individual financial statement, it will be measured and adjusted with equity method.

(5) Cost method is converted to fair value measurement

If the company loses control to the invested unit due to disposing part of equity investment, and the remaining equity may not exert joint control or significance on the invested unit while preparing individual financial statement, the accounting treatment will be conducted in accordance with Accounting Standards for Business Enterprises No. 22 – Confirmation and Measurement of Financial Instruments. The balance between fair value and book value will be included into current profits and losses on the date losing control.

#### **12.4. Disposal of long-term equity investments**

On disposal of a long term equity investment, the difference between the proceeds actually received and receivable and the carrying amount is recognized in profit or loss for the period. For a long-term equity investment accounted for using the equity method, the amount included in the shareholders' equity attributable to the percentage interest disposed is transferred to profit or loss for the period.

When the clause, condition and the economic impact of making equity investment in subsidiaries is subject to one or more of the following conditions, conduct accounting treatment by taking the multiple transactions as a package deal:

- (1) These transactions are considered to be made at the same time or in the case of considering mutual influence;
- (2) These transactions only as a whole can achieve a complete business result;
- (3) The occurrence of a transaction depends on the occurrence of at least other one transaction;
- (4) One transaction alone is not economic, but when being considered together with other

transactions, it is economic.

When the company loses its control rights over the original subsidiary because of the disposal of part equity investment or other reasons other than package deal, a distinction shall be made between individual financial statement and the consolidated financial statement to conduct the accounting treatment:

(1) As for the disposed equity in individual financial statement, the balance between book value and actual value will be included into current profits and losses. In case of disposed residual equity with joint control and significant impact on the invested unit, calculate with equity method, and adjust the residual equity with equity method since the time of obtaining; In case of the disposed residual equity being not able to jointly control or have a significant influence on the invested unit, conduct accounting treatment according to relevant regulations in Accounting Standard for Business Enterprises No. 22 — Recognition and Measurement of Financial Instruments, and account the balance between the fair value on the date losing control and book value into current profits and losses.

(2) In consolidated financial statement, for the balance between each transaction, disposal price and disposed long-term equity investment before losing control rights to subsidiary and the corresponding net asset share calculated since the date of purchasing or merging the subsidiary, adjust capital reserve (capital stock premium), and adjust retained earnings for those capital reserves insufficient for offset; In case of losing control rights to subsidiary, re-calculate residual equity according to fair value on the date of losing control rights. The difference of sum of the acquired consideration from equity disposal and fair value of residual equities deducting the shares of net assets continuously calculated from the purchase date of original subsidiary enjoyed upon calculation as per original shareholding proportion shall be included into the current investment incomes of losing the control rights with goodwill offset. For other comprehensive income associated with the equity investment of the original subsidiary, it should be converted into investment income when losing the control rights.

If the transaction disposing subsidiary equity investment until losing control rights belongs to package deal, the transaction will conduct accounting treatment as a transaction disposing subsidiary equity investment and losing control rights. Accounting treatment will be conducted separately on individual financial statement and consolidated financial statement;

(1) In individual financial statement, the balance of long-term equity investment book value when disposing price and stock will be confirmed as other comprehensive income before loss of control rights, and when the control rights lose, the other comprehensive income concurrently transferred to current profits and losses.

(2) In consolidated financial statement, the balance of net asset shares of subsidiaries when disposing price and investment will be confirmed as other comprehensive income before loss of control rights, and when the control rights lose, the other comprehensive income concurrently transferred to current profits and losses.

## **12.5. Judgment standard of joint control and significant influence**

If the company controls certain arrangement together with other participants as agreed and makes decision on activities with significant influence, the decision may exist upon consent of participants sharing control rights. It will be deemed as the company controlling the arrangement with other participants. The arrangement refers to joint-operation arrangement.

If joint- operation arrangement is reached by independent entity and the company is entitled to the net assets of the independent entity as agreed, the independent entity will be regarded as joint venture and be accounted with equity method. If the company is not entitled to the net

assets of the independent entity, the independent entity will be regarded as joint operation. The company confirms the items related to joint operation share and conduct accounting treatment in accordance with Accounting Standards for Business Enterprises.

The term "significant influence" means investors having the power to participate in the decision of financial and operating policies to invested unit, but not to control or jointly control the formulation of these policies together with other parties. The company judges to have significant influence on the invested unit by means of one or several circumstances as follows and upon considering all facts and conditions. (1) Representatives have been appointed in the board of directors or equivalent authorities of the investees; (2) Participate in making financial and operation policy of the invested unit; (3) Conduct important deals with the invested unit; (4) Send administrative staff to the invested units; (5) Provide key technical data for the invested units.

### **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.

Listed as follows:

Category	Estimated useful lives (Year)	Rate of expected net salvage value	rate of depreciation (amortization)
Building	25	5.00%	3.80%

In case that the purpose of investment property is changed as self-use, the investment property shall be converted into fixed assets or intangible assets since the date of changing. In case that the purpose of the self-use real estates is changed as earning rent or capital gain, fixed assets or intangible assets shall be converted into investment property since the date of changing. In case of conversion, the book value before conversion should be recognized as the entry value after conversion.

If an investment property is disposed, or if it withdraws permanently from use and it is predicted that no economic benefit will be obtained from the disposal, this investment real estate should be derecognized. The amount as the book value and relevant taxes are deducted from the disposal income obtained from the sale investment real estate, transfer, discard or damage of the investment property shall be included in the current profit and loss.

### **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. (1) the economic benefits associated with the fixed assets are likely to flow into the enterprise; (2) the cost of the fixed asset can be measured reliably.

## **(2) Initial measurement of fixed assets**

The fixed assets of the company shall be measured initially in accordance with its cost. Where the costs of outsourcing fixed assets include the purchasing price, import tariff and other relevant taxes as well as other expenditures incurred before letting fixed asset reach the expected serviceable conditions which can directly belong to this asset. The cost of self-built fixed assets is constituted by the necessary expenditures spent before that property reaches the predetermined serviceable status. As for fixed assets invested by investors, the entry value thereof equals to the value agreed in investment contracts or agreements. But, should the agreed value in contracts or agreements is not fair, fair value should be used as the entry value. If the fixed asset is purchased at a price beyond normal credit conditions and delay in payment, and substantially has financing nature, the cost of the fixed asset shall be confirmed based on the current value of the acquisition price. The balances between the cost actually paid and the present value of the purchase price will be included in current profit and loss during the credit period except the part that should be capitalized.

## **(3) The category and depreciation method of fixed assets**

### **(1) Depreciation of fixed assets**

The depreciation of fixed assets is calculated and withdrawn within in the predicted service life according to its entry value less the predicted net residual value. For fixed assets withdrawing impairment reserve, depreciation amount is determined according to book value deducted impairment reserves and durable years in future.

The company shall determine the fixed asset service life and anticipated net residual value according to the nature and use condition of the fixed assets. At the end of the year, the company shall recheck the service life, anticipated net residual value and depreciation method of the fixed assets. In case of difference from the original estimation, the corresponding adjustment shall be made.

Depreciable life and yearly depreciation rate of various fixed assets, are listed as follow:

Category	Estimated useful lives (years)	Expected residual value (%)	Annual depreciation rate (%)
Buildings and structures	25	5	3.80
Vehicles	5	5	19.00
General equipments	10	5	9.50
Other equipments	5	5	19.00

### **(2) Fixed assets subsequent expenses**

In case that the subsequent expenditure related to fixed assets conforms to recognition conditions of fixed assets, they shall be accounted into fixed assets cost; If the fixed assets do not conform to the confirmation criteria, it shall be reckoned into the current profits and losses.

### (3) Disposal of fixed assets

When the fixed assets are disposed or cannot be expected to produce economic interests through use or disposal, the asset shall be derecognized. The amount as the book value and relevant taxes are deducted from the disposal income obtained from the sale of fixed assets, transfer, discard or damage of the investment property shall be included in the current profit and loss.

## **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**

### **Revenue from sale of goods**

Revenue from sale of goods is recognised when (1) the Group has transferred to the buyer the significant risks and rewards of ownership of the goods; (2) the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold; (3) the amount of revenue can be measured reliably; (4) it is probable that the associated economic benefits will flow to the Group; and (5) the associated costs incurred or to be incurred can be measured reliably.

Where the receivable is delayed beyond the normal credit conditions, which is of financing intention, the revenue shall be determined on the basis of the fair value of the contract or agreement price.

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.

#### Revenue from rendering of services

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction shall be recognized by reference the stage of completion of the transaction at the reporting date. The stage of completion of the transaction is recognized according to the proportion of the cost having taken place occupied the estimated total cost.

The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:

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

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.

#### Transfer of asset with buy-back condition

The company determined whether sale of goods or transfer of assets with buy-back condition in contract is satisfy criterias of revenue recognition or not according to clauses of agreement. If it is a financing transaction, revenue are not be recorded. The amount of buy-back price after sales price is recognized in financial cost during the term of buy-back.

#### 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.

## 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.

### 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.

### 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.

### Changes of accounting policies and accounting estimates and error correction

## **V . Changes of significant accounting policies and accounting estimates and prior error correction**

### **1. Changes of accounting policies**

No alteration of accounting policies occurred in the report period.

### **2. Changes in accounting estimations**

No alteration of accounting estimations occurred in the report period.

### **3. Corrections of previous period critical errors**

No corrections of previous period critical errors occurred in the report period.

## **V.Taxation**

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

Category	Rate	Taxable base
Value-added tax	3%、5%、6%、11%、13%、17%	Sales of goods, taxable services income and taxable services revenue (business reform pilot areas applicable taxable services income)
City construction and maintenance tax	5%、7%	Payable turnover tax
Education fee	3%	Payable turnover tax
Local education fee is attached	1.5%、2%	Payable turnover tax
Income tax	10%、25%	Taxable income
property tax	1.2%、8%、12%	According to 70% of the original value of the property (or rental income) for the tax base
Land value - added tax	1.5%	According to the amount of income

Different taxable income tax rate Description:

The three-tier subsidiary Shanghai Pearl Property Management Co., Ltd. and Wuhan Zhujiang

Meilin Hotel Management Co., Ltd. belong to the small profit-making enterprise, the applicable enterprise income tax rate is 10%, the Company and other subsidiaries applicable corporate income tax rate of 25%.

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

(All amounts are stated in RMB Yuan unless otherwise stated)

### Note 1 Currency Funds

Items	Closing Balance	Opening Balance
Cash in treasury	786,233.90	1,305,777.52
Bank deposit	162,045,485.08	240,190,186.44
Other monetary funds	5,008,402.28	5,008,387.43
Total	167,840,121.26	246,504,351.39

The restricted monetary fund details are as follows:

Project	Closing Balance	Opening Balance
CDS used for hypothecation deposit and notice deposit	5,000,000.00	5,000,000.00
Total	5,000,000.00	5,000,000.00

Note: as of June 31, 2017, this company limited monetary fund is a subsidiary of Hubei of pledge of property to Shanghai pudong development bank loan margin. See note 44.

### Note 2 Accounts receivable

#### 1) Disclosure of category details of accounts receivable:

Categories	Closing Balance					Book Value	
	Book Balance		Provision for Bad Account		Rate Chargeable (%)		
	Amounts	Ratio (%)	Amounts	Rate Chargeable (%)			
Accounts receivable with significant single amount and individual provision for bad debts	8,856,207.60	26.72%	8,856,207.60	100.00%			
Accounts receivable with combinational withdrawal of the bad debt provision by credit risks characteristics	22,259,256.35	67.17%	2,029,662.91	9.12%	20,229,593.44		
Accounts receivable with non-significant single amount and individual provision for bad debts	2,022,991.02	6.10%	2,022,991.02	100.00%			
Total	33,138,454.97	100.00%	12,908,861.53	—	20,229,593.44		

Continued:

Categories	Opening Balance					Book Value	
	Book Balance		Provision for Bad Account		Rate Chargeable (%)		
	Amounts	Ratio (%)	Amounts	Rate Chargeable (%)			
Accounts receivable with significant single amount	8,856,207.60	31.23%	8,856,207.60	100.00%			

Categories	Opening Balance					Book Value	
	Book Balance		Provision for Bad Account				
	Amounts	Ratio (%)	Amounts	Rate Chargeable (%)			
and individual provision for bad debts							
Accounts receivable with combinational withdrawal of the bad debt provision by credit risks characteristics	17,480,913.67	61.64%	1,396,774.35	7.99%	16,084,139.32		
Accounts receivable with non-significant single amount and individual provision for bad debts	2,022,991.02	7.13%	2,022,991.02	100.00%			
Total	28,360,112.29	100.00%	12,275,972.97			16,084,139.32	

Description of categories of accounts receivable:

(1) Accounts receivable with significant single amount and individual provision for bad debts at the end of period:

Name	Closing Balance			
	Accounts Receivable	Provision for Bad Account	Rate Chargeable (%)	Reasons of Withdrawal
Hainan racing entertainment Co., LTD	1,046,985.40	1,046,985.40	100.00%	Irrecoverable
Hainan Baoping company	2,218,494.43	2,218,494.43	100.00%	Irrecoverable
Hainan Zhongyuan tenement agency company	2,406,158.00	2,406,158.00	100.00%	Irrecoverable
Singapore China holding co., LTD	2,090,069.77	2,090,069.77	100.00%	Irrecoverable
Hainan dragon film studio	1,094,500.00	1,094,500.00	100.00%	Irrecoverable
Total	8,856,207.60	8,856,207.60	—	

(2) Accounts receivable in the combination which adopts aging analysis method to determine provision for bad debt:

Aging	Closing Balance		
	Accounts Receivable	Provision for Bad Account	Rate Chargeable (%)
Within 1 year	11,361,453.65	227,229.07	2.00%
1—2 years	5,135,048.9	256,752.44	5.00%
2—3 years	2,084,911.46	208,491.14	10.00%
3—4 years	824,727.71	164,945.54	20.00%
4—5 years	1,271,562.90	381,468.87	30.00%
Over 5 years	1,581,551.67	790,775.84	50.00%
Total	22,259,256.35	2,029,662.91	—

Continued:

Aging	Opening Balance		
	Accounts Receivable	Provision for Bad Account	Rate Chargeable (%)
Within 1 year	7,946,820.54	158,936.42	2.00%
1—2 years	5,856,250.85	292,812.55	5.00%
2—3 years	824,727.71	82,472.78	10.00%
3—4 years	1,271,562.90	254,312.58	20.00%
4—5 years	912,679.10	273,803.73	30.00%
Over 5 years	668,872.57	334,436.29	50.00%
Total	17,480,913.67	1,396,774.35	---

(3) Accounts receivable with non-significant single amount and individual provision for bad debts at the end of period:

Name	Closing Balance			
	Accounts Receivable	Provision for Bad Account	Rate Chargeable (%)	Reasons of Withdrawal
Haikou Peijie clothing company	497,520.00	497,520.00	100.00%	Irrecoverable
Hainan International silver city Real estate company	451,712.00	451,712.00	100.00%	Irrecoverable
Haikou Jingye trading development company	250,000.00	250,000.00	100.00%	Irrecoverable
Hainan Jinhe Real estate company	119,446.00	119,446.00	100.00%	Irrecoverable
Hainan Qiongshan Tianxin Pawn Investment company	112,116.50	112,116.50	100.00%	Irrecoverable
Amount below RMB100000	592,196.52	592,196.52	100.00%	Irrecoverable
Total	2,022,991.02	2,022,991.02	—	

## 2) Situation of the current bad debt provision withdrawn, recovered or reversed:

The amount of current bad debt provision withdrawn was RMB632,888.56yuan.

3) There is no money owed by the shareholders who hold more than 5% (5% is included) of voting shares of the Company in the closing accounts receivable.

4) Top 5 units of accounts receivable of the closing balance gathered on the basis of parties which owe the money:

Name	Closing Balance	Ratio in Closing Amount of Accounts Receivable (%)	Bad Account Provisions Withdrawn
Hunan Railway Lianchuang Technology Development Co., Ltd.	5,052,919.43	15.25%	101,058.39
Sino (Zhengzhou) Real Estate Co., Ltd.	3,525,276.00	10.64%	155,866.08
Hainan racing entertainment Co., LTD	2,406,158.00	7.26%	2,406,158.00
Dahailin forestry bureau	2,547,615.17	7.69%	140,406.64
Nanning wiing asset management co. LTD	2,499,750.00	7.54%	49,995.00
Total	16,031,718.60	48.38%	2,853,484.11

## Note 3 Advance payment

**1) Advance payment is listed as per the aging.**

Aging	Closing Balance		
	Accounts Paid in Advance	Ratio (%)	Provision for Bad Account
Within 1 year	20,659,366.89	22.35	
1—2 years	8,492,355.99	9.19	
2—3 years			
Over 3 years	63,281,186.00	68.46	7,050,161.00
Total	92,432,908.88	100.00	7,050,161.00

Continued:

Aging	Opening Balance		
	Accounts Paid in Advance	Ratio (%)	Provision for Bad Account
Within 1 year	3,196,725.55	4.28%	
1—2 years	8,121,038.47	10.88%	
2—3 years	570,000.00	0.76%	
Over 3 years	62,761,186.00	84.08%	7,050,161.00
Total	74,648,950.02	100.00%	7,050,161.00

**2) Description on the reasons why the advance payment whose aging is more than one year and amount is significant fails to be timely settled accounts**

Name	Closing Balance	Aging	Reasons why to fail to be settled timely
Haikou Hongzhou Real Estate Development Unrelated Client	50,000,000.00	over 3years	Not check and accept the house
Heilongjiang province mudanjiang forest engineering company	8,068,538.47	1-2years	Advance payment for the construction cost
Dahailin Forestry Bureau	4,596,469.00	over 3 years	Advance payment for the construction cost
Hebei in implementing investment co., LTD	4,000,000.00	over 3 years	Project shutdown
Hebei mountain building materials co., LTD	2,800,000.00	over 3 years	Project shutdown
Total	69,465,007.47		

**3) Top 5 units of advance payments of the closing balance gathered on the basis of parties for which the Company prepaid:**

Name	Closing Balance	Ratio in the total advance payment (%)	Advance Payment Time	Reasons why to be outstanding
Haikou Hongzhou Coastal Construction Co., Ltd.	50,000,000.00	54.09	over 5 years	The house under the advance payment is not checked and accepted temporarily
Jiangsu nantong erjian group co. LTD	9,002,522.00	9.74%	Within 1 yea	Advance payment for the construction cost
Heilongjiang Mudanjiang Forestry Engineering Company	8,489,855.99	9.18	Within 1 yea、1-2years	Advance payment for the construction cost
Dahailin Forestry Bureau	4,596,469.00	4.97	4-5years	Advance payment for the construction cost
Wuhan changyou construction materials co. LTD	4,100,745.70	4.44%	Within 1 yea	Advance payment for the construction cost
Total	76,189,592.69	82.43%		

#### 4) Other descriptions on advance payment

According to the Arrangement agreed upon "Supplementary Agreement of Execution of Longzhu Phase-III Project" made by between the Company and Haikou Real Estate Development Co., Ltd. (hereinafter referred to as "Hongzhou Property"), the Company prepaid with RMB50 million yuan for purchasing Longzhu Phase-III Project----Office Building covering 15000 square meters with the qualified acceptance. On August 22, 2013, the Company and Hongzhou Property, Haikou HongZhou Coastal Construction Co., Ltd. (hereinafter referred to as "HongZhou Construction"), Haikou HongZhou Real Estate Group Co.,Ltd. (hereinafter referred to as "HongZhou Group") signed "Supplementary Agreement on the Implementation of Original Six Agreements in Haikou Hongzhou Center Project ". The rights, obligations and legal responsibilities owned by HongZhou Real Estate in the original contract are inherited by HongZhou Construction. The original guarantee contract signed by between the Company and HongZhou Group shall continue to keep effective. HongZhou Group handed over the land and housing ownership certificate of basement of Times Mansion of Sanya HongZhou Aiderui Hotel located in Yuya Road, Hedong District, Sanya City to the Company for being held in trust. As of June 30, 2017, the second planning of the project has been approved. As of the date of issue of this financial reporting, the design of the construction plan is under way and the cleaning of the site has been completed.

5) There is no money owed by the shareholders who hold more than 5% (5% is included) of voting shares of the Company in the closing accounts paid in advance.

#### Note 4 Interest receivable

Item	Closing Balance	Opening Balance
Enterprise loan interest	2,710,880.79	2,710,880.79
Total	2,710,880.79	2,710,880.79

## Note 5 Dividends receivable

Investee	Closing Balance	Opening Balance
Hainan PEARL RIVER Tube-pile Co., Ltd.	260,015.00	260,015.00
Total	260,015.00	260,015.00

## Note 6 Other receivables

### 1) Disclosure of category details of other receivables

Categories	Closing Balance					Book Value
	Book Balance		Provision for Bad Account		Amounts	Rate Chargeable (%)
	Amounts	Ratio (%)	Amounts	Rate Chargeable (%)		
Other receivables with significant single amount and individual provision for bad debts	53,159,496.14	11.80%	53,159,496.14	100.00		
Other receivables with combinational withdrawal of the bad debt provision by credit risks characteristics	390,597,483.22	86.71%	92,603,389.79	23.71	297,994,093.43	
Other receivables with non-significant single amount and individual provision for bad debts	6,681,254.55	1.48%	4,430,304.59	66.31	2,250,949.96	
Total	450,438,233.91	100.00%	150,193,190.52		300,245,043.39	

Continued:

Categories	Opening Balance					Book Value
	Book Balance		Provision for Bad Account		Amounts	Rate Chargeable (%)
	Amounts	Ratio (%)	Amounts	Rate Chargeable (%)		
Other receivables with significant single amount and individual provision for bad debts	53,159,496.14	10.51%	53,159,496.14	100.00%		
Other receivables with combinational withdrawal of the bad debt provision by credit risks characteristics	448,284,617.33	88.62%	97,418,770.28	21.73%	350,865,847.05	
Other receivables with non-significant single amount and individual provision for bad debts	4,391,560.82	0.87%	4,387,360.82	99.90%	4,200.00	
Total	505,835,674.29	100.00%	154,965,627.24		350,870,047.05	

Description of categories of other receivables:

(1) Other receivables with significant single amount and individual provision for bad debts at the end of period:

Name	Closing Balance			
	Other Receivables	Provision for Bad Account	Rate Chargeable (%)	Reasons of Withdrawal
Singapore China holding co., LTD	16,981,016.24	16,981,016.24	100.00	Irrecoverable
Shenzhen Yinxian Computers Co., Ltd.	6,482,625.00	6,482,625.00	100.00	Irrecoverable
Hainan macun port harbor company	6,000,000.00	6,000,000.00	100.00	Irrecoverable
Beijing kun of consulting services co., LTD	3,200,000.00	3,200,000.00	100.00	Irrecoverable
Dingjia International Co., Ltd.	2,725,702.71	2,725,702.71	100.00	Irrecoverable
Hainan Enxin Industry Co., Ltd.	2,314,592.00	2,314,592.00	100.00	Irrecoverable
Hainan Zhongda Real Estate Company	2,210,779.10	2,210,779.10	100.00	Irrecoverable
Dabao Cement Factory	1,901,383.56	1,901,383.56	100.00	Irrecoverable
Jinguang Real Estate Company	1,752,100.00	1,752,100.00	100.00	Irrecoverable
Shenzhen Zhuce Real Estate Company	1,550,278.23	1,550,278.23	100.00	Irrecoverable
Shenzhen State-Investment Securities Co., Ltd.	1,409,934.28	1,409,934.28	100.00	Irrecoverable
Haikou Industrial Development Import and Export Co., Ltd.	1,392,430.00	1,392,430.00	100.00	Irrecoverable
Xinhua Liming Aviation Decoration Company	1,208,804.70	1,208,804.70	100.00	Irrecoverable
Hainan Shenhui Real Estate Co., Ltd.	1,029,850.32	1,029,850.32	100.00	Irrecoverable
Hainan Yangtze River Travel	1,000,000.00	1,000,000.00	100.00	Irrecoverable
Sanya Land and Housing Administration	1,000,000.00	1,000,000.00	100.00	Irrecoverable
Beijing jardine spring catering co., LTD	1,000,000.00	1,000,000.00	100.00	Irrecoverable
Total	53,159,496.14	53,159,496.14	—	

(2) Other receivables in the combination which adopts aging analysis method to determine provision for bad debt:

Aging	Closing Balance		
	Other Receivables	Provision for Bad Account	Rate Chargeable (%)
Within 1 year	124,293,186.00	2,499,833.59	2.01
1—2 years	39,366,728.18	1,968,336.43	5.00
2—3 years	1,120,940.33	112,094.03	10.00
3—4 years	30,485,856.54	6,097,171.31	20.00
4—5 years	78,711,060.84	23,613,318.25	30.00
Over 5 years	116,619,711.33	58,312,636.17	50.00
Total	390,597,483.22	92,603,389.78	—

Continued:

Aging	Opening Balance		
	Other Receivables	Provision for Bad Account	Rate Chargeable (%)
Within 1 year	190,264,261.72	3,805,285.26	2.00%
1—2 years	22,129,825.90	1,106,491.30	5.00%
2—3 years	497,956.54	49,795.66	10.00%
3—4 years	31,339,904.84	6,267,980.97	20.00%
4—5 years	79,185,585.34	23,755,675.60	30.00%
Over 5 years	124,867,082.99	62,433,541.49	50.00%
Total	448,284,617.33	97,418,770.28	----

(3) Other receivables with non-significant single amount and individual provision for bad debts at the end of period

Name	Closing Balance			
	Other Receivables	Provision for Bad Account	Rate Chargeable (%)	Reasons of Withdrawal
Sell Dabao cement on a commission basis	560,610.00	560,610.00	100.00	Irrecoverable
Hainan Development Bank	440,000.00	440,000.00	100.00	Irrecoverable
Hainan Sanli Industry and Trade Company	283,478.62	283,478.62	100.00	Irrecoverable
Chamber of Commerce of Hainan Province	270,000.00	270,000.00	100.00	Irrecoverable
Telephone rate of customers of PEARL RIVER Square	268,542.54	268,542.54	100.00	Irrecoverable
China Construction Sixth Engineering Division Group, Ltd	260,335.00	260,335.00	100.00	Irrecoverable
Huazhou Jianan Company	200,000.00	200,000.00	100.00	Irrecoverable
PEARL RIVER Advertisement Company	184,911.62	184,911.62	100.00	Irrecoverable
Initial installation charge of telephone	156,271.60	156,271.60	100.00	Irrecoverable
Amount below RMB150000 (49units)	4,057,105.17	1,806,155.21	44.52%	Withdrawal of non-recoverable amount according to the estimate
Total	6,681,254.55	4,430,304.59	—	

## 2) Situation of the current bad debt provision withdrawn, recovered or reversed:

The amount of current bad debt provision withdrawn was RMB4,772,436.72 yuan.

3) There is no money owed by the shareholders who hold more than 5% (5% is included) of voting shares of the Company in the closing other receivables.

4) Top 5 units of other receivables of the closing balance gathered on the basis of parties which owe the money:

Name	Nature of Money	Closing Balance	Aging	Ratio in Closing Amount of Other Receivables (%)	Closing Balance of Bad Debt Provisions
Beijing Kangtai Xingye Investment Co.,Ltd	Payment for the project and intercourse funds	102,500,000.00	4-5years、over 5 years	22.76	43,050,000.00
Beijing runshun technology development co. LTD	Intercourse funds	97,720,000.00	1-2years	21.70	1,954,400.00
Public Investment Co., Ltd	Payment for the project and intercourse funds	90,400,000.00	4-5years、over 5 years	20.07	37,800,000.00
Lion king international investment co., LTD	Payment for the project	50,000,000.00	1-2years、3-4years	11.10	7,000,000.00
Singapore Great Land Holdings Co.,Ltd	Intercourse funds	16,981,016.24	1-5years、over 5year	3.77	16,981,016.24
Total		382,601,016.24		79.39	106,785,416.24

In 2016, the company and Beijing Runshun Science and Technology Development Co., Ltd. (hereinafter referred to as "Runshun Science and Technology") signed the grain trade purchase agreement and paid the prepayment of 112,720 Ten thousand yuan, and later the eighth board of directors of the company held the 8th meeting in order to solve the competition between controlling shareholders and company and cancel the grain trade business. The above mentioned payments will be returned by September 30, 2017, and the amount of the above mentioned amount will be 15 million yuan as of the date of this report. In 2011, "Agreement on Special Railway Sidings for Mulin Town as well as Coal Wholesale Market Construction Cooperation Project" and supplementary agreement of project were signed by between the Company and Zhonghe Investment Co., Ltd. (hereinafter referred to as "Zhonghe Investment"), which stipulate the joint investment of both parties in the special railway sidings for Mulin town as well as coal wholesale market construction project. Under the agreement, the staged financing is required from both parties, of which covers the upper limit investment amount for the PEARL RIVER Holding is RMB140 million. The Beijing Branch of Investment & Consultation Firm which belongs to the Company will supervise the use of license and official seal of Zhonghe Investment. Both parties signed the supplementary agreement of investment in 2012, which stipulates an additional increase of RMB37 million yuan contributed by the Company. As the project is not approved and initiated and production line is not carried out really, the Company recovered the investment of RMB40 million yuan in 2013 and RMB36.6 million in 2014. Zhonghe Investment mortgaged the project land and real estate to the Company in 2014, but no registration of mortgage was carried out. On December 31, 2016, the two sides signed agreement, the termination of the project cooperation and recovery of the investment fund. As of this report, is according to the agreement to recover the first instalment of 10 million yuan.

The main intercourse funds between the Company and Beijing Kangtai Xingye Investment Co., Ltd. (hereinafter referred to as "Kangtai Xingye") consist of the money for cooperation of project. In 2011, the Company has signed a Cooperation Agreement together with Beijing Kangtai Xingye Investment Co., Ltd. and the natural person, GU Lijun. Under this agreement, a project company will be co-founded by the capital contribution of RMB70 million from the natural person and the capped capital contribution of RMB64 million from the Company, with responsibility 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. Kangtai Xingye used its own 70% of equities holding in Yuxi Shengying Mining, Zhongjia Sun Energy Technology (Group) Co., Ltd. used its own 10% of equities holding in Yuxi Shengying Mining and Natural Person, GU Lijun used his own 70% of equities holding in Yuxi Shengying Mining as the pledged collateral to the Company, but no registration of pledge was carried out. In 2012, according to the progress of investment in the project, three parties signed a Supplementary Agreement which stipulated an additional increase of investment of RMB36 million from the Company, those investments would be used for the upgrading of production lines in above-mentioned two mining areas and building more production lines.

In September 2016, the parties jointly signed the Supplementary Agreement III of Cooperation Agreement, which specified that original agreement shall be continued to perform if administrative examination and approval permissions (mining permit) of Dujiawan Iron Mine or Zhaojiayuan Iron Mine were obtained as of December 31, 2017, otherwise the company would withdraw from the project as stipulated in original cooperation agreement, and fulfill the obligation of the payment of investment amount and fees for the possession of funds as of June 30, 2018. As of the date of financial statement, Kangtai Industrial Co., Ltd. was entrusting relevant agencies with the application for mining permit. In May 2013 and August 2013, the Company has signed a Cooperation Agreement together with Singapore Great Land Holdings Ltd. (hereinafter referred to as "Singapore Great Land"). According to this Agreement, the Company planned to develop the Land No. 20 owned by Sanya PEARL RIVER Tube-pipe Co., Ltd. and located in Lizhigou Industrial Park, Hairun Road, Sanya City. The Company has paid with RMB50 million for planning to become the assignee of 80% equities in the project company owned by Singapore Great Land. In June 2015, the use certificate of this land was issued. At present, all parties are discussing for the procedures of transferring ownership. At present, Singapore to hold the equity of the project company has transferred to lion king international investment co., LTD., shall be borne by the lion king on international investment co., LTD. Of the equity transfer of obligations and has begun the equity transfer procedures.

## **Note 7 inventories**

### **1) Classification of inventories**

Items	Closing Balance			Opening Balance		
	Book Balance	Provision for Fall in Price	Book Value	Book Balance	Provision for Fall in Price	Book Value
Raw materials	550,085.67	-	550,085.67	2,780,859.54		2,780,859.54
Low-value consumption goods:	354,012.90	-	354,012.90	355,982.90		355,982.90
Finished goods	333,330.38	-	333,330.38	347,003.84		347,003.84
Constructing development product	42,701,132.90	17,439,325.19	25,261,807.71	42,701,132.90	17,439,325.19	25,261,807.71
Development products	153,210,397.31	21,726,889.27	131,483,508.04	290,815,415.14	21,726,889.27	269,088,525.87
Consumptive biological assets	33,627.19	-	33,627.19	33,627.19		33,627.19
Total	197,182,586.35	39,166,214.46	158,016,371.89	337,034,021.51	39,166,214.46	297,867,807.05

The closing book value of inventories used for the guarantee was RMB 4,824,035.45 yuan, the details are set forth in Note 44

## 2) Provision for fall in price of inventories

Categories	Opening Balance	Current Increase		Current Decrease			Closing Balance
		Amount Withdrawn	Other	Amount Reversed	Amount Written Off	Other	
Products Developed	21,726,889.27						21,726,889.27
Constructing development product	17,439,325.19						17,439,325.19
Total	39,166,214.46						39,166,214.46

## 3) Description on capitalization of borrowing cost included in the closing balance of inventories

Name of Inventory	Opening Balance	Current Increase	Current Decrease		Closing Balance	Capitalization rate of capitalized amount confirmed in this period (%)
			Decrease of Sales	Other Decrease		
Meilin Qingcheng (Phase III)	15,212,376.71	-	11,314,634.08	636,000.00	3,261,742.63	
Total	15,212,376.71	-	11,314,634.08	636,000.00	3,261,742.63	

## 4) Development Cost

Name of Project	Starting Time	Estimated Completion Time	Total Investment Estimated	Closing Balance	Opening Balance
Wuhan Meilin	April 2013	June 2016	640,000,000.00	25,261,807.71	25,261,807.71

Name of Project	Starting Time	Estimated Completion Time	Total Investment Estimated	Closing Balance	Opening Balance
Qingcheng					
Hebei New Residential Project				17,439,325.19	17,439,325.19
Total			640,000,000.00	42,701,132.90	42,701,132.90

Phase III of the subsidiary Meilin Qingcheng of Hubei Pearl River covers 18138 square meters of land area and 73363 square meters of construction area. On December 5, 2016, Phase III of Meilin Qingcheng has obtained a certificate of completion inspection and acceptance for the record and start making a room formalities on December 7.

New Residential Project of the subsidiary Hebei Real Estate is located in Luoling Community, located in Luquan City, Shijiazhuang City, covers 1000 acres of land area and about 1600000 square meters of construction area, it is planned to cover 400,000 square meters of construction area in Phase I with a building period of 3-5 years. No any progress was carried out because the relocation plan is not completed.

## 5) Products Developed

Name of Project	Completion Time	Opening Balance	Current Increase	Current Decrease	Closing Balance
Wuhan Meilin Qingcheng, Phase I	August 2006	497,649.84		388,204.44	109,445.40
Wuhan Meilin Qingcheng, Phase II	September 2009	7,117,653.91			7,117,653.91
Haikou Dijing Building, 6 floors	In 1995	5,315,696.54			5,315,696.54
Haikou Longzhu Building, 21 floors		1,598,659.60			1,598,659.60
Garage of Haikou PEARL RIVER Square		6,919,373.98			6,919,373.98
Garage of Haikou Longzhu Building		2,664,000.00			2,664,000.00
Rear Cubicle of		954,436.94			954,436.94
Underground Garage of Shanghai Rose Garden		35,265,199.35			35,265,199.35
Wuhan Meilin Qingcheng, Phase III	December 2016	230,482,744.98		137,216,813.39	93,265,931.59
Total		65,330,786.48		137,605,017.83	153,210,397.31

## 6) Consumptive Biological Assets

Item	Closing Balance	Opening Balance
Meat Animals	33,627.19	33,627.19
Total	33,627.19	33,627.19

## Note 8 Other current assets

Category and content	Closing Balance	Opening Balance
Prepaid Taxes	14,411,010.8	8,714,139.07

Category and content	Closing Balance	Opening Balance
Total	14,411,010.8	8,714,139.07

Note: other current assets prepay taxes for subsidiary of HuBei house opens to booking the relevant taxes involved in the pearl river real estate company.

## Note 9 Available-for-sale financial assets

### 1) Information of available-for-sale financial assets

Item	Closing Balance			Opening Balance		
	Book Balance	Impairment Provision	Book Value	Book Balance	Impairment Provision	Book Value
Available-for-sale equity instruments :						
Measured at fair value						
Measured at the cost	49,263,555.29	18,438,560.39	30,824,994.90	49,263,555.29	18,438,560.39	30,824,994.90
Total	49,263,555.29	18,438,560.39	30,824,994.90	49,263,555.29	18,438,560.39	30,824,994.90

### 2) Available-for-sale financial assets measured at the fair value at the end of report period

There is no available-for-sale financial assets measured at the fair value at the end of report period.

### 3) Equity instruments measured at the cost at the end of report period

Investee	Ratio of shares held in the investee (%)	Book Balance			
		Opening Balance	Current Increase	Current Decrease	Closing Balance
Hainan pearl river pipe pile co., LTD	1.33	426,315.00			426,315.00
Hainan province chamber of commerce	6.67	500,000.00			500,000.00
China to promote science and technology investment co., LTD	10.00	10,000,000.00			10,000,000.00
Hainan China pearl river basic engineering co., LTD	1.07	160,000.00			160,000.00
Guangzhou pearl river investment management co., LTD	9.48	18,177,240.29			18,177,240.29
HuaQing emerging construction engineering management (Beijing) co., LTD	20.00				
Chongqing long jinbao network technology co., LTD	13.559	20,000,000.00			20,000,000.00
Shenzhen fortis loan financial services co., LTD	20.00				
Total		49,263,555.29			49,263,555.29

Continued:

Investee	Impairment Provision				Current Cash Bonus
	Opening Balance	Current Increase	Current Decrease	Closing Balance	
Hainan pearl river pipe pile co., LTD	426,315.00			426,315.00	
Hainan province chamber of commerce	500,000.00			500,000.00	
China to promote science and technology investment co., LTD	10,000,000.00			10,000,000.00	
Hainan China pearl river basic engineering co., LTD	160,000.00			160,000.00	
Guangzhou pearl river investment management co., LTD	7,352,245.39			7,352,245.39	
Hainan macun port harbor company					
HuaQing emerging construction engineering management (Beijing) co., LTD					
Chongqing long jinbao network technology co., LTD					
Shenzhen fortis loan financial services co., LTD					
Total	18,438,560.39			18,438,560.39	

Note: the company to HuaQing emerging construction engineering management (Beijing) co., LTD. 20% stake, and the shenzhen co., LTD. 20% stake in fortis credit financial services are subscribed stage, not actual investment.

#### Note 10 Long-term Equity Investment

Investee	Opening Balance	Current Increase or Decrease			
		Additional Contribution	Contribution Reduced	Investment Results Recognized by Equity Method	Adjustment of Other Comprehensive Income
1. Associated Enterprises					
Sanya Wanjia Industry Co., Ltd.	32,393,800.55	-	-	-928,894.05	
Beijing Viewpoint Discovery Media Co., Ltd.	1,472,844.43	-	-	-166,478.37	
Sub-total	33,866,644.98	-	-	-1,095,372.42	
Total	33,866,644.98	-	-	-1,095,372.42	

Continued:

Investee	Current Increase or Decrease					Closing Balance of Impairment Reserve
	Change of Other Equities	Declared to grant cash dividends or profits	Impairment Provision Withdrawn	Other	Closing Balance	
1. Associated Enterprises						
Sanya Wanjia Industry Co., Ltd.					31,464,906.50	

Investee	Current Increase or Decrease					Closing Balance	Closing Balance of Impairment Reserve
	Change of Other Equities	Declared to grant cash dividends or profits	Impairment Provision Withdrawn	Other			
Beijing Viewpoint Discovery Media Co., Ltd.						1,306,366.06	
Sub-total						32,771,272.56	
Total						32,771,272.56	

The Company's long-term equity investment does not the situation that the capacity of remitting funds to the other companies is restricted.

## Note 11 Investment-based real estate

### 1) Information of investment-based real estate

Item	Houses and buildings	Land Use Right	Construction in Progress	Total
1. Book Value				
1.1 Opening Balance	31,531,031.71		-	31,531,031.71
1.2 Current Increase				
1.3 Current Decrease	4,830,941.70		-	4,830,941.70
(1) Disposal	4,830,941.70		-	4,830,941.70
1.4 Closing Balance	26,700,090.01		-	26,700,090.01
2. Accumulative Depreciation (Amortization)				
2.1 Opening Balance	9,205,051.50		-	9,205,051.50
2.2 Current Increase	488,873.68		-	488,873.68
( 1 ) Amount Withdrawn or Amortized	488,873.68		-	488,873.68
2.3 Current Decrease	1,876,924.41		-	1,876,924.41
(1) Disposal	1,876,924.41		-	1,876,924.41
2.4 Closing Balance	7,817,000.77		-	7,817,000.77
3. Impairment Provision				
3.1 Opening Balance	3,081,199.41			3,081,199.41
3.2 Current Increase				
3.3 Current Decrease				
(1) Disposal				

Item	Houses and buildings	Land Use Right	Construction in Progress	Total
3.4 Closing Balance	3,081,199.41			3,081,199.41
4. Book Value				
4.1 Closing Book Value	15,801,889.83		-	15,801,889.83
4.2 Opening Book Value	19,244,780.80		-	19,244,780.80

## 2) Description on investment-based real estate

The closing book value of assets mortgaged was RMB6,232,449.23yuan, the details are set forth in Note 44.

## Note 12 Original value and depreciation of fixed assets

### 1) Information of fixed assets

Item	Houses and buildings	Common Equipments	Transportation	Other Equipments	Total
1. Totality of Original Book Value					
1.1 Opening Balance	252,105,519.76	21,500,871.50	30,069,143.44	28,573,990.22	332,249,524.92
1.2 Current Increase	-	-	185,535.90	165,498.82	351,034.72
(1) Purchase	-	-	185,535.90	165,498.82	351,034.72
(2) Transferred in from Construction in Progress					
(3) Other Transfer-in					
1.3 Current Decrease	-	-	172,569.84	258,979.00	431,548.84
(1) Disposal or Scrap	-	-	172,569.84	258,979.00	431,548.84
(2) Other Transfer-out					
1.4 Closing Balance	252,105,519.76	21,500,871.50	30,082,109.50	28,480,510.04	332,169,010.80
2. Accumulative Depreciation					
2.1 Opening Balance	46,105,138.09	8,358,326.69	24,978,246.81	24,898,586.12	104,340,297.71
2.2 Current Increase	4,663,993.85	997,730.58	1,102,734.96	780,670.21	7,545,129.60
(1) Amount Withdrawn	4,663,993.85	997,730.58	1,102,734.96	780,670.21	7,545,129.60
2.3 Current Decrease	-	-	155,492.63	248,798.84	404,291.47
(1) Disposal or Scrap	-	-	155,492.63	248,798.84	404,291.47
(2) Other Transfer-out	-	-	-	-	-
2.4 Closing Balance	50,769,131.94	9,356,057.27	25,925,489.14	25,430,457.49	111,481,135.84
3. Impairment Reserve					-

Item	Houses and buildings	Common Equipments	Transportation	Other Equipments	Total
3.1 Opening Balance	7,499,295.92				7,499,295.92
3.2 Current Increase	-	-	-	-	-
3.3 Current Decrease	-	-	-	-	-
3.4 Closing Balance	7,499,295.92	-	-	-	7,499,295.92
4. Totality of Book Value					
4.1 Closing Book Value	193,837,091.90	12,144,814.23	4,156,620.36	3,050,052.55	213,188,579.04
4.2 Opening Book Value	198,501,085.75	13,142,544.81	5,090,896.63	3,675,404.10	220,409,931.29

## 2) Other descriptions on fixed assets

(1) The closing book value of assets used for the guarantee was RMB3,076,944.63yuan, the details are set forth in Note 44.

(2) The closing original value of fixed assets that continued to work after being depreciated fully was RMB51,642,081.97yuan.

## Note 13 Construction in progress

### 1) Information of construction in progress

Item	Closing Balance			Opening Balance		
	Book Balance	Impairment Reserve	Book Value	Book Balance	Impairment Reserve	Book Value
Snow Town Train 550	5,648,964.09	3,000,000.00	2,648,964.09	5,648,964.09	3,000,000.00	2,648,964.09
Snow Town Train 400	4,180,000.00	2,000,000.00	2,180,000.00	4,180,000.00	2,000,000.00	2,180,000.00
Early Stage of Snow Town	360,000.00	360,000.00	-	360,000.00	360,000.00	-
Snow Town Integrated Service Center	73,672,948.93	-	73,672,948.93	73,340,730.93	-	73,340,730.93
Total	83,861,913.02	5,360,000.00	78,501,913.02	83,529,695.02	5,360,000.00	78,169,695.02

### 2) Current change of important constructions in progress

Item	Opening Balance	Current Increase	Current amount transferred into fixed assets	Other Decrease	Closing Balance
Snow Town Integrated Service Center	73,340,730.93	332,218.00	-	-	73,672,948.93
Total	73,340,730.93	332,218.00	-	-	73,672,948.93

Continued:

Item	Budget (10 thousand yuan)	Ratio of investment in the construction in the budget (%)	Progress of Construction (%)	Accumulative Interest Capitalized	Including: Current Interest Capitalized	Current Capitalization Rate of Interest (%)	Sources of Funds
Snow Town Integrated Service Center	10,605.84	69.46		13,567,288.74			
Total	10,605.84	69.46	—	13,567,288.74			

## Note 14 Intangible Assets

### 1) Information of intangible assets

Item	Software	Land Use Right	Trademark Right	Other	Total
1. Totality of Original Book Value					
1.1 Opening Balance	1,448,739.53	3,827,129.21	93,900.00	911,400.00	6,281,168.74
1.2 Current Increase	8,800.00	-	-	-	8,800.00
(1) Purchase	8,800.00	-	-	-	8,800.00
1.3 Current Decrease	-	-	-	-	-
1.4 Other Decrease	1,457,539.53	3,827,129.21	93,900.00	911,400.00	6,289,968.74
1.5 Closing Balance					-
2. Accumulative Depreciation					
2.1 Opening Balance	1,163,972.34	489,408.80	24,257.50	-	1,677,638.64
2.2 Current Increase	36,564.90	40,104.90	4,695.00	-	81,364.80
(1) Amount Withdrawn	36,564.90	40,104.90	4,695.00	-	81,364.80
2.3 Current Decrease	-	-	-	-	-
2.4 Other Decrease					-
2.5 Closing Balance	1,200,537.24	529,513.70	28,952.50	-	1,759,003.44
3. Impairment Reserve	-	-	-	-	-
3.1 Opening Balance	-	-	-	911,400.00	911,400.00
3.2 Current Increase	-	-	-	-	-
3.3 Current Decrease				-	-
3.4 Other Decrease				-	-
3.5 Closing Balance				911,400.00	911,400.00
4. Totality of Book Value					

Item	Software	Land Use Right	Trademark Right	Other	Total
4.1 Closing Book Value	257,002.29	3,297,615.51	64,947.50	-	3,619,565.30
4.2 Opening Book Value	284,767.19	3,337,720.41	69,642.50	-	3,692,130.10

### Note 15 Long-term deferred expenses

Item	Opening Balance	Current Increase	Current Amortization	Other Decrease	Closing Balance
Decoration and Reform	733,485.03	-	216,255.60	-	517,229.43
Lease of Snow Park	300,000.00	-	300,000.00	-	-
Snow publicity expenses	5,133.53	-	5,133.53	-	0.00
Snow fish pond royalties	266,059.02	-	139,413.00	-	126,646.02
Snow ski resort fee	429,285.31	-	189,609.96	-	239,675.35
L. chinensis mountain facilities fee	230,000.00	-	60,000.00	-	170,000.00
Erlong studio amusement facilities fee	120,000.00	-	60,000.00	-	60,000.00
Total	2,083,962.89	-	970,412.09	-	1,113,550.80

### Note 16 Deferred tax assets/deferred tax liabilities

#### 1) Deferred tax assets not offset

Item	Closing Balance		Opening Balance	
	Taxable Temporary Differences	Deferred Tax assets	Taxable Temporary Differences	Deferred Tax assets
Real estate enterprises in accordance with the pre - sale income is expected to pay gross income tax			19,941,945.99	4,985,486.50
Total			19,941,945.99	4,985,486.50

#### 2) Deferred tax liabilities not offset

Item	Closing Balance		Opening Balance	
	Taxable Temporary Differences	Deferred Tax Liabilities	Taxable Temporary Differences	Deferred Tax Liabilities
Changes in fair value of available - for - sale financial assets				
The difference between the fair value of the acquiree's identifiable net assets and its carrying amount of the net assets recognized by the	2,391,587.72	597,896.93	2,391,587.72	597,896.93

Item	Closing Balance		Opening Balance	
	Taxable Temporary Differences	Deferred Tax Liabilities	Taxable Temporary Differences	Deferred Tax Liabilities
business combination				
Total	2,391,587.72	597,896.93	2,391,587.72	597,896.93

### 3) Deferred income tax assets or liabilities as set out in the net amount after offsetting.

Item	The final amount set-off deferred income tax assets and liabilities	Offset the ending balance of deferred income tax assets or liabilities	Deferred tax assets and liabilities at the beginning of the amount of set-off	Offset the balance at the beginning of deferred income tax assets and liabilities
Deferred Tax Assets				4,985,486.50
Deferred Tax Liabilities		597,896.93		597,896.93

### 4) Unconfirmed deferred income tax assets detail the deductible temporary differences

Item	Closing Balance	Opening Balance
Asset impairment loss	244,608,883.23	248,748,431.39
Deductible losses	192,055,060.47	212,595,502.92
Total	436,663,943.70	461,343,934.31

The deferred income tax assets related to deductible temporary differences and deductible losses are not recognized as a result of the availability of sufficient taxable income in the future.

### 5) The deductible loss of unrecognized deferred income tax assets will expire in the following years

Item	Closing Balance	Opening Balance	Remark
2017	21,814,360.45	42,354,802.90	
2018	52,373,550.83	52,373,550.83	
2019	45,704,368.46	45,704,368.46	
2020	45,826,297.05	45,826,297.05	
2021	26,336,483.68	26,336,483.68	
合 计	192,055,060.47	212,595,502.92	

### Note 17 Other Non-current Assets

Category and Item	Closing Balance	Opening Balance
villa	1,581,840.00	1,581,840.00
Total	1,581,840.00	1,581,840.00

Note: On September 20, 2014, an Agreement on Debt Offset was signed by between Mudanjiang Mingzhen Real Estate Development Co., Ltd. (hereinafter referred to as "Mingzhen Company"), Mudanjiang Jingbo Lake Scenery Environmental Production Property Management Co., Ltd. (hereinafter referred to as "Environmental Protection Property Company") and our subsidiary Mudanjiang Wanjia Star Hotel Co., Ltd.. Because the above-mentioned three parties have the debt relation with each other, three parties reach an Agreement as follows: Mingzhen Company used its Shangjing Chuanshuo D12# brick-concrete villa (located in Jingbo Lake Town) with a value of RMB1,581,840.00 (131.82 square meters x RMB12 thousand) offsetting the compensation for the

lease of RMB1,019,340.00 that Environmental Protection Property Company owed the Company, of which covered a difference of RMB562,500.00 that had been recognized in the income for the year 2014, but no procedure of ownership transfer was carried out as June 30, 2017.

#### Note 18 Provision of asset impairment

Item	Opening Balance	Current Increase		Current Decrease		Closing Balance
		Current Withdrawal	Current Transfer-in	Current Reverse	Current Transfer-out	
Bad debt provision	174,291,761.21	1,516,307.63		-5,655,855.79		170,152,213.05
Provision for decline in value of inventories	39,166,214.46					39,166,214.46
Provision for impairment of available-for-sale financial assets	18,438,560.39					18,438,560.39
Provision for impairment of investment-based real estate	3,081,199.41					3,081,199.41
Provision for impairment of fixed assets	7,499,295.92					7,499,295.92
Provision for impairment of construction in progress	5,360,000.00					5,360,000.00
Provision for impairment of intangible assets	911,400.00					911,400.00
<b>Total</b>	<b>248,748,431.39</b>	<b>1,516,307.63</b>		<b>-5,655,855.79</b>		<b>-244,608,883.23</b>

#### Note 19 Accounts Payable

Item	Closing Balance	Opening Balance
Accounts Payable for the Construction	54,020,418.10	64,695,314.44
Accounts Payable for the Materials	6,593,171.80	6,403,644.98
Investment not paying	5,000,000.00	5,000,000.00
The deposit	1,205,232.30	1,528,008.58
Other	7,693.51	37.61
<b>Total</b>	<b>66,826,515.71</b>	<b>77,627,005.61</b>

#### Significant accounts payable with aging of more than one year

Name	Closing Balance	Reasons of Outstanding Accounts
Lin Deying, guan-wen Chen	5,000,000.00	Snow deiss hotel buy the balance payment
Hainan pearl river industrial engineering construction supervision company	3,572,235.33	Money is tight
Mudanjiang Long Yang boiler installation co., LTD	1,425,651.00	Money is tight
<b>Total</b>	<b>9,997,886.33</b>	

## Note 20 Accounts Received in Advance

### 1) Information of accounts received in advance

Item	Closing Balance	Opening Balance
Lease of Garage	27,288,955.50	26,697,103.84
Heating	-	1,673,048.13
Cooperative Operation	35,382.03	2,487,649.01
Pre-deposit for Consumption	659,368.63	1,317,010.23
Property Management	19,318,276.01	16,857,732.88
Supporting of Heating Facilities	174,789.00	174,789.00
Houses in Pre-sell	183,368,166.00	316,499,198.66
Other	41,786.41	40,336.41
Total	230,886,723.58	365,746,868.16

### 2) Significant accounts received in advance with aging of more than one year

Name	Closing Balance	Reasons of Outstanding Accounts
The taxi such	27,288,955.50	Accounts received in advance with pending to be transferred in (Hubei PEARL RIVER received the rent in advance)
Total	27,288,955.50	

## Note 21 Remunerations payable for employees

### 1) List of remunerations payable for employees

Item	Opening Balance	Current Increase	Current Decrease	Other reductions	Closing Balance
Short-term Wage	12,237,780.42	110,348,589.72	109,387,183.53		13,199,186.61
Post-employment Benefit - Defined Contribution Plans Payable	-	6,936,500.47	6,936,500.47		-
Dismiss Welfare	155,035.87	121,870.30	172,381.34		104,524.83
Total	12,392,816.29	117,406,960.49	116,496,065.34		13,303,711.44

### 2) List of Short-term Wage

Item	Opening Balance	Current Increase	Current Decrease	Other reductions	Closing Balance
Salary, Reward, Allowance and Subsidy	2,624,422.78	99,490,263.03	99,226,008.85		2,888,676.96
Employee Services and Benefits		4,373,409.14	4,373,409.14		-
Social Insurance Charges	-	3,491,656.04	3,491,656.04		-
Including: Basic Medical Insurance	-	3,049,618.58	3,049,618.58		-
Employment Injury Insurance	-	195,705.66	195,705.66		-
Maternity Insurance		232,518.52	232,518.52		

Item	Opening Balance	Current Increase	Current Decrease	Other reductions	Closing Balance
	-				-
Other	-	13,813.28	13,813.28		-
Housing Fund	26,300.40	1,003,496.10	1,029,796.50		-
Union Funds and Staff Training Expense	9,587,057.24	1,989,765.41	1,266,313.00		10,310,509.65
Total	12,237,780.42	110,348,589.72	109,387,183.53		13,199,186.61

### 3) List of Defined Contribution Plans

Item	Opening Balance	Current Increase	Current Decrease	Closing Balance
Basic Endowment Insurance	-	6,720,336.16	6,720,336.16	-
Unemployment Insurance	-	216,164.31	216,164.31	-
Total	-	6,936,500.47	6,936,500.47	-

### Note 22 axes Payable

Item	Closing Balance	Opening Balance
VAT	696,501.06	601,975.02
Business tax	1,037,501.70	1,037,501.70
Urban maintenance and construction tax	193,848.31	222,121.34
corporate income tax	166,941.28	51,998,909.07
property tax	620,853.31	586,772.39
land holding tax	5,349.84	65,717.04
Land value - added tax	40,291,508.75	29,383,815.46
Personal Income Tax	139,316.63	380,075.07
Education surcharge	53,627.67	60,702.24
other	249,901.81	67,300.94
Total	43,455,350.36	84,404,890.27

Note: the balance of land value added tax is mainly the land value added tax of the subsidiary of the subsidiary of hubei real estate merrill lynch.

### Note 23Interest Payable

Item	Closing Balance	Opening Balance
Enterprise loan interest	74,044,695.35	75,668,828.87
Entrust loan interest	10,449,888.49	10,449,888.49
Other interest	176,133.00	176,133.00
Total	84,670,716.84	86,294,850.36

## Note 24 Dividends Payable

Item	Closing Balance	Opening Balance	Reasons why not to be paid over one year
Dividends payable for the legal person	3,213,302.88	3,213,302.88	Suspend payment
Total	3,213,302.88	3,213,302.88	

## Note 25 Other Payables

### 1) Other payables presented as per the nature of accounts

Nature of Account	Closing Balance	Opening Balance
Borrowing	491,987,919.32	353,508,342.24
Payment for land transfer	-	43,000,000.00
Collection for property management	22,404,362.60	46,986,947.42
Money owned by the suppliers	43,499,279.07	47,024,723.13
Accrued Expenses	7,218,926.06	7,394,338.41
Deposit for Quality of Decoration	10,317,063.21	7,773,945.21
Maintenance Fund	5,084,849.49	9,566,749.16
Funds Raised for Houses	2,270,000.00	150,000.00
Risk Funds of Employees	1,233,332.51	1,057,677.88
Working Fund of Water and Electricity	7,204,250.70	6,781,072.84
Deferred compensation		1,140,466.00
Others	14,973,396.63	17,439,544.01
Total	606,193,379.59	541,823,806.30

### 2) Significant other payables with aging of more than one year

Name	Closing Balance	Reasons of Outstanding Accounts
Beijing Xinxing Real Estate Development Corporation	84,778,095.18	Loan is not due
Xinhe (zhengzhou) real estate co. LTD	18,740,795.93	Electricity and collection
Shanghai frost Xiong Investment Management Center (limited partnership)	17,998,000.00	Loan is not due
Sanya wanjia hotel management co. LTD	11,404,670.60	No settlement
Mudanjiang construction engineering group co. LTD	7,000,000.00	Financial tension
Dahailin forestry bureau	6,842,000.00	Financial tension
Haikou drainage collection	4,646,827.79	Handling of sewage charges
Total	151,410,389.50	

## Note 26 Non-current liabilities matured within one year

Item	Closing Balance	Opening Balance
Long-term Borrowing Matured Within One Year		78,710,181.59
Including: Pledged Loan		

Item	Closing Balance	Opening Balance
Mortgage Loan		15,000,000.00
Guaranteed Loan		63,710,181.59
Total		78,710,181.59

## Note 27 Long-term Borrowing

### 1) Classification of long-term borrowing

Category	Closing Balance	Opening Balance
Pledged Loan	5,000,000.00	5,000,000.00
Mortgage Loan	-	24,000,000.00
Guaranteed Loan	-	123,376,848.25
Sub-total	5,000,000.00	152,376,848.25
Less : Long-term Borrowing Matured Within One Year	-	78,710,181.59
Total	5,000,000.00	73,666,666.66

### 2) Long-term borrowings with large amount

Lender	Starting Date of Borrowing	Ending Date of Borrowing	Currency	Interest Rate	Closing Balance	Opening Balance
Harbin Branch of China CITIC Bank	2014-10-30	2019-3-30	RMB	The benchmark interest rate has a float by 10%		24,000,000.00
Mudanjiang Taiping Road Branch of Industrial & Commercial Bank of China	2014-3-28	2020-3-20	RMB	The benchmark interest rate has a float by 10%		81,456,595.19
Mudanjiang Branch of China Construction Bank	2012-1-12	2019-1-11	RMB	The benchmark interest rate has a float by 10%		41,920,253.06
Wuhan Branch of Shanghai Pudong Development Bank	2015-6-24	2018-6-23	RMB	The benchmark interest rate has a float by 20%	5,000,000.00	5,000,000.00
Total					5,000,000.00	152,376,848.25

### 3) Pledged Loan:

Lender	Balance of Loan	Pledge
Shanghai Pudong Development Bank Co., Ltd. Wuhan Branch	5,000,000.00	The 5 million deposit are subsidiary of Hubei Pearl River Real Estate Development Co., Ltd
Total	5,000,000.00	

Company, the collateral is cash deposit of RMB 5 million of the Hubei Real Estate Company.

### 4) Other descriptions on long-term borrowing

The long-term borrowing rate was 5.39% to 5.9%. As of the financial reporting date, the loans of the Harbin branch of citic bank, the bank of China industrial and commercial bank of China and the bank of mudanjiang branch of construction bank have been paid off.

## Note 28 Capital stock

Item	Opening Balance	Current Increase (+) or Decrease (-)					Closing Balance
		Issuance of New Shares	Bonus Share	Capitalization of Public Reserve Fund	Other	Sub-total	
1. Shares with conditions limited to sell							
(1) Shares held by the state							
(2) Shares held by the state-owned artificial persons							
(3) Shares held by other domestic enterprises	1,325,131.00	-	-	-25,631.00	-25,631.00	1,299,500.00	
Including:							
Shares held by the domestic legal persons	1,299,500.00						1,299,500.00
Shares held by the domestic natural persons	25,631.00			-25,631.00	-25,631.00		
(4). Shares held by the foreign companies							
Including:							
Shares held by the foreign legal persons							
Shares held by the foreign natural persons							
Total shares with conditions limited to sell	1,325,131.00	-	-	-25,631.00	-25,631.00	1,299,500.00	
2 . Outstanding shares without conditions limited to sell							
(1) Common Share in RMB	360,445,273.00			25,631.00	25,631.00	360,470,904.00	
(2) Foreign Shares Listed at Home	64,975,000.00						64,975,000.00
(3) Foreign Shares Listed at Oversea							
(4) Others							
Total shares without conditions limited to sell	425,420,273.00	-	-	-25,631.00	-25,631.00	425,445,904.00	
Total	426,745,404.00	-	-	-	-	-	426,745,404.00

## Note 29 Capital reserve

Item	Opening Balance	Current Increase	Current Decrease	Closing Balance
Capital premium	225,390,819.63			225,390,819.63
The original system of capital reserves transferred	109,300,017.82			109,300,017.82
Others capital reserve	208,924,601.49			208,924,601.49

Item	Opening Balance	Current Increase	Current Decrease	Closing Balance
Total	543,615,438.94			543,615,438.94

### Note 30 Surplus Reserve

Item	Opening Balance	Current Increase	Current Decrease	Closing Balance
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

### Note 31 Undistributed profits

Item	Amount	Ratio of Withdrawal or Undistributed Amount (%)
Undistributed Profits at the End of Previous Period Before Adjustment	-1,014,759,604.45	—
Total Amount of Undistributed Profits at the Beginning of Adjustment Period (+/-)		—
Undistributed Profits at the Beginning of Period After Adjustment	-1,014,759,604.45	—
Plus: Current Net Profits Attributive to the Owners of the Parent Company	17,226,146.52	—
Less: Appropriation of Statutory Surplus Reserve Withdrawn		
Appropriation of Discretionary Surplus Reserve		
Plus: Surplus Reserve Made up for Losses		
Other Internal Carry-over of Owner's Equity		
Closing Undistributed Profit	-997,533,457.93	

### Note 32 Operating income and operating cost

#### 1) Operating income and operating cost

Item	Current Amount		Previous Amount	
	Income	Cost	Income	Cost
Main Business	380,199,673.96	283,157,510.17	139,890,677.66	119,343,421.77
Other Business	13,637,111.61	5,444,513.85	9,141,850.74	2,686,504.22
Total	393,836,785.57	288,602,024.02	149,032,528.40	122,029,925.99

#### 2) Main Business (Accounted as per Industries)

Industry	Current Amount		Previous Amount	
	Operating Income	Operating Cost	Operating Income	Operating Cost
Real Estate Development	225,675,181.93	137,605,017.83	-	-
Property Management	147,212,684.42	142,317,526.88	118,897,725.42	108,945,720.20

Industry	Current Amount		Previous Amount	
	Operating Income	Operating Cost	Operating Income	Operating Cost
Tourist Hotel	7,311,807.61	3,234,965.46	20,992,952.24	10,397,701.57
Total	380,199,673.96	283,157,510.17	139,890,677.66	119,343,421.77

### 3) Main Business (Accounted as per Regions)

Region	Current Amount		Previous Amount	
	Operating Income	Operating Cost	Operating Income	Operating Cost
Hainan	145,542,234.96	141,134,119.14	129,263,957.43	114,904,019.82
Heilongjiang	6,949,447.43	2,995,608.34	8,258,678.00	3,126,864.51
Hubei	226,037,542.11	137,844,374.95	570,446.04	385,963.46
Shanghai	1,670,449.46	1,183,407.74	1,797,596.19	926,573.98
Total	380,199,673.96	283,157,510.17	139,890,677.66	119,343,421.77

### Note 33 Business tax and surcharges

Item	Current Amount	Previous Amount
Business Tax	-	5,376,975.72
Urban Maintenance & Construction Tax	1,286,031.12	442,857.90
Education Surcharges	869,796.78	253,712.29
Increment Tax on Land Value	14,045,896.99	4,205,515.05
Other Taxes	323,020.34	126,862.61
Total	16,524,745.23	10,405,923.57

In accordance with CK (2016) No. 22 Document published by the Ministry of Finance in Dec. 2016, the "Business Taxes and Surcharges" item name is adjusted as "Taxes and Surcharges" item after fully trying out the change from business tax to value-added tax, the item accountings the relevant taxes and fees of enterprise activities, such as consumption tax, urban maintenance and construction tax, resource tax, extra charges of education funds and property tax, land use tax, vehicle and vessel tax, stamp tax, in accordance with Article 12 of ASBE, it conducts the adjustment on relevant items of 2016 annual income statement according to new requirements specified. This company's other taxes and fees mainly include stamp tax, property tax, land use tax and vehicle and vessel tax, etc.

### Note 34 Selling expenses

Item	Current Amount	Previous Amount
Employees' Wages	651,115.08	405,220.67
Advertisement	562,182.00	1,392,667.57
Repair	49,000.00	140,530.00
Selling Service	4,910,000.00	6,690,000.00
Others	425,910.28	242,582.78
<b>Total</b>	<b>6,598,207.36</b>	<b>8,871,001.02</b>

### Note 35 Administrative expenses

Item	Current Amount	Previous Amount
Employees' Wages	19,764,096.35	13,206,958.52
Depreciation	7,073,122.82	14,189,830.37
Business Entertainment	1,410,828.86	2,728,763.69
Business Travel	1,165,859.09	1,526,947.44
Tax		1,793,692.10
Amortization of Intangible Assets	1,051,776.89	2,602,040.00
Repair	440,517.23	328,378.88
Insurance	706,117.18	817,666.46
Consultation fee, service charge, audit fee	11,222,874.99	2,343,637.99
Traffic	536,146.30	2,153,757.83
Office	211,066.64	413,401.22
Property management, utilities, heating fee	1,523,212.00	1,820,962.03
Lease	2,843,565.44	
Other	1,092,468.10	1,300,105.17
<b>Total</b>	<b>49,041,651.89</b>	<b>45,226,141.70</b>

### Note 36 Financial expenses

Category	Current Amount	Previous Amount
Interest Expense	7,671,493.40	45,230,435.59
Less: Interest Income	1,330,070.14	3,616,128.15
Financial Consultant	773,584.91	
Financing Expenses	-	6,800,478.63
Others	263,074.63	377,028.65

Category	Current Amount	Previous Amount
Total	7,378,082.80	48,791,814.72

### Note 37 Loss on assets impairment

Item	Current Amount	Previous Amount
Loss on Bad Debts	-4,139,548.16	7,219,276.66
Loss of Impairment of Construction in Progress	-	776,000.00
Loss on available - for - sale financial assets	-	-6,000,000.00
Total	-4,139,548.16	1,995,276.66

### Note 38 Investment income

#### 1) Details of investment income

Item	Current Amount	Previous Amount
Long - term equity investment income from equity method	-1,095,372.42	-234,924.26
Disposal of long-term equity investment generated investment income	-	38,155,550.74
other	-	8,271.82
Total	-1,095,372.42	37,928,898.30

### Note 39 Non-operating income

Item	Current Amount	Previous Amount	Amount Recorded in Current Extraordinary Gain and Loss
Total Gain on the Disposal of Non-current Assets	168,799.75	2,555,707.19	168,799.75
Including: Gain on the Disposal of Fixed Assets	168,799.75	2,462,319.87	168,799.75
Gain on the Disposal of Intangible Assets	-	93,387.32	-
Others	454,491.09	95,785.15	454,491.09
Total	623,290.84	2,651,492.34	623,290.84

### Note 40 Non-operating cost

Item	Current Amount	Previous Amount	Amount Recorded in Current Extraordinary Gain and Loss
Loss on disposal of non - current assets	19,264.12	131,916.10	19,264.12
Among them: loss of fixed assets disposal	19,264.12	131,916.10	19,264.12

Item	Current Amount	Previous Amount	Amount Recorded in Current Extraordinary Gain and Loss
Asset scrapped, loss of damage	-	2,456,199.23	-
Compensation, liquidated damages			
Donations	852,793.17	569,746.62	852,793.17
Others	745,370.78	120,516.82	745,370.78
<b>Total</b>	<b>1,617,428.07</b>	<b>3,278,378.77</b>	<b>1,617,428.07</b>

#### Note 41 Income tax expenses

##### 1) List of income tax expenses

Item	Current Amount	Previous Amount
Current Income Tax Expenses	2,216,183.83	199,363.38
Deferred Income Tax Expenses	4,985,486.50	-15,665.42
<b>Total</b>	<b>7,201,670.33</b>	<b>183,697.96</b>

##### 2) Accounting profits and adjustment process of the income tax expenses

Item	Current Amount
Total Profits	27,742,112.78
Income Tax Expenses Calculated at the Statutory/Applicable Tax Rate	6,935,528.20
Influence of Adjustment of Previous Income Tax	
Influence of the Non-deductible Cost, Expense and Loss	2,419,787.22
Influence of the Deductible Loss of the Previous Deferred Income Tax Assets Not Recognized	
Current Influence of the Deductible Temporary Difference or the Deductible Loss of the Current Deferred Income Tax Assets Not Recognized	-7,329,732.09
Recognition of Deferred Tax Assets of Previous Deductible Loss	
Other	5,176,087.00
<b>Income Tax Expenses</b>	<b>7,201,670.33</b>

#### Note 42 Notes to cash flow statement

##### 1) Other cash received relating to operating activities

Item	Current Amount	Previous Amount
Received payment from Beijing runshun technology development co., LTD	15,000,000.00	
Received from Beijing yuanrongtong asset management co., LTD		12,300,000.00
I received the payment from li peng		11,500,000.00
Received from Beijing emerging real estate development corporation	7,160,000.00	
I received the money from the yayxuyi stack		

Item	Current Amount	Previous Amount
scenic spot in the changting town of hailin		1,237,761.89
Received cheng shuxian exchange		300,000.00
Received from Chen jilin		100,000.00
Other exchanges	441,203.98	3,400,000.00
To collect and renovate the rent, maintenance fund and customer's fees and tax	3,035,457.52	3,500,000.00
Collect water and electricity, garbage disposal, heating gas, TV viewing fee, etc	1,472,647.25	5,502,810.13
Other	955,049.71	2,239,331.59
<b>Total</b>	<b>28,064,358.46</b>	<b>40,079,903.61</b>

## 2) Other cash paid relating to operating activities

Item	Current Amount	Previous Amount
To return the land transfer intention gold of wuhan middle China century real estate development co., LTD	43,000,000.00	
Pay Beijing yuanrongtong asset management co., LTD		11,948,840.00
Beijing emerging real estate development corporation	6,800,000.00	
Other related parties	962,345.10	
Payment of huiyu payment in shandong		3,000,000.00
Pay Ms. Cheng shuxian		300,000.00
Pay for water and electricity renovation and rent deposit, maintenance fund and customer handling fees and tax payment	7,216,742.86	
Payment of deferred housing penalty and area difference	2,149,096.00	
We will pay for water and electricity, garbage disposal, heating gas and TV viewing fee	348,816.16	
Overhead expenses	20,346,084.13	4,533,549.75
Other daily expenses and spare cash	2,665,652.99	2,739,887.76
other	727,221.85	625,730.16
<b>Total</b>	<b>84,215,959.09</b>	<b>23,148,007.67</b>

## 3) Other cash received relating to investment activities

Item	Current Amount	Previous Amount
Received funds for occupation	49,136.10	
<b>Total</b>	<b>49,136.10</b>	

#### 4) Payment of other cash related to financing activities

Item	Current Amount	Previous Amount
Disposal of cash outflows from subsidiaries		123,352.41
Total		123,352.41

#### 5、Payment of other cash related to financing activities

Item	Current Amount	Previous Amount
Pay the financial consultant fee	1,720,000.00	
Payment of financing service fee		4,302,704.04
Total	1,720,000.00	4,302,704.04

### Note 43 Supplementary information of cash flow statement

#### 1) Supplementary information of cash flow statement

Item	Current Amount	Previous Amount
1. Cash Flow to Adjust the Net Profit into the Operating Activities		
Net Profit	20,540,442.45	-51,169,241.35
Plus: Provision for Asset Impairment	-4,139,548.16	1,995,276.66
Depreciation of Fixed Assets, Consumption of Oil and Gas Assets and Depreciation of Productive Biological Assets	8,034,003.28	15,164,316.52
Amortization of Intangible Assets	81,364.80	559,669.98
Amortization of Long-term Deferred Expenses	970,412.09	2,142,700.22
Loss on the Disposal of Fixed Assets, Intangible Assets and Other Long-term Assets (Income is Marked as "-")	-5,636,646.05	-3,224,684.28
Loss on the Discarding of Fixed Assets (Income is Marked as "-")	1,108.20	2,500,181.85
Loss on the Variation of Fair Value (Income is Marked as "-")	-	-
Financial Expenses (Income is Marked as "-")	6,150,568.35	48,936,433.19
Investment Loss (Income is Marked as "-")	1,095,372.42	-37,928,898.30
Decrease in Deferred Income Tax Assets (Increase is Marked as "-")	4,985,486.50	-
Increase in Deferred Income Tax Liabilities (Decrease is Marked as "-")	-	-15,665.42
Decrease in Inventory (Increase is Marked as "-")	139,851,435.16	-102,163,618.46
Decrease in Operating Items Receivable (Increase is Marked as "-")	7,014,675.01	-114,889,161.41
Increase in Operating Items Payable (Decrease is Marked as "-")	-248,678,884.07	399,438,256.34

Item	Current Amount	Previous Amount
Other	-	-
Net Cash Flow from Operating Activities	-69,730,210.02	161,345,565.54
2. Significant Investment and Financing Activities without Cash Receipts and Payments		
Conversion of Debt Into Capital		
Convertible Bonds Maturing Within One Year		
Fixed Assets Acquired Under Financial Lease		
3. Change in Cash and Cash Equivalent		
Closing Balance of the Cash	167,840,121.26	143,110,210.79
Less: Opening Balance of the Cash	246,504,351.39	205,762,131.54
Plus: Closing Balance of the Cash Equivalent	-	-
Less: Opening Balance of the Cash Equivalent	-	-
Net Increase of Cash and Cash Equivalent	-78,664,230.13	-62,651,920.75

## 2) Composition of cash and cash equivalent

Item	Closing Balance	Opening Balance
1. Cash	162,840,121.26	241,504,351.39
1.1 Cash in Stock	786,233.90	1,305,777.52
Bank Deposit Available for Immediate Payment	162,045,485.08	240,190,186.44
Other Currency Available for Immediate Payment	8,402.28	8,387.43
2. Cash Equivalent		
Including: Bond Investment Maturing Within Three Months		
3. Balance of Closing Cash and Cash Equivalent	162,840,121.26	241,504,351.39
Including: Restricted Cash and Cash Equivalent Used by the Subsidiaries of the Parent Company or the Group		

## Note 44 Assets with restriction on ownership or use right

Item	Balance	Reason of Restriction
Currency Funds	5,000,000.00	Borrowing on Mortgage
Inventories	4,824,035.45	Borrowing on Mortgage
Investment-based Real Estate	6,232,449.23	Borrowing on Mortgage
Fixed Assets	3,076,944.63	Borrowing on Mortgage
Total	19,133,429.31	

## VII. Merge scope change

The merger scope has not changed during this reporting period

## VIII. Equities in other entities

### 1) Equities in the subsidiary

#### (1) Composition of the Company

Company name	Place of operation	Place of registration	Nature of business	Equity interest held (%)		Accounting method
				Direct	Indirect	
Hainan Pearl River Property Management Co., Ltd	Pearl River Hotel Hainan, Zhengzhou	Hainan, Zhengzhou	Hainan Haikou	Property management	98.00	set-up
Hainan Pearl River Greening Co., Ltd	River Engineering	Hainan Haikou	Hainan Haikou	Property management	100.00	set-up
Hainan Pearl River Property Cleaning Co., Ltd	River Cleaning	Hainan Haikou	Hainan Haikou	Property management	100.00	set-up
Hainan Pearl River Property Electrical and Mechanical Engineering Company	River Electrical and Mechanical Engineering	Hainan Haikou	Hainan Haikou	Property management	100.00	set-up
Hubei Pearl River Real Estate Development Co., Ltd	River Real Estate	Wuhan, Hubei	Wuhan, Hubei	estate	89.20	set-up
Wuhan Zhujiang Meilin Hotel Management Co., Ltd	Zhujiang Hotel	Wuhan, Hubei	Wuhan, Hubei	Hotel	100.00	set-up
Hainan Pearl River Industrial Co., Ltd. Shanghai real estate company	River Industrial	Shanghai	Shanghai	estate	100.00	set-up
Beijing Jiubo Culture Development Co., Ltd	Jiubo Culture	Beijing	Beijing	culture	100.00	set-up
Mudanjiang City Zhujiang Wanjia Tourism Investment Development Group Co., Ltd	Zhujiang Wanjia	Mudanjiang	Mudanjiang	Hotel, travel	100.00	set-up
Hailin Wanjia Xuexiang Resort Hotel	Wanjia Xuexiang	Mudanjiang	Mudanjiang	Hotel	100.00	set-up
Mudanjiang Jingpo Lake Zhujiang Wanjia Hotel Co., Ltd	Jingpo Lake	Mudanjiang	Mudanjiang	Hotel	100.00	set-up
Mudanjiang Wanjia Star Hotel Co., Ltd	Wanjia Star	Mudanjiang	Mudanjiang	Hotel	100.00	Business combinations involving enterprises

Company name	Place of operation	Place of registration	Nature of business	Equity interest held (%)		Accounting method
				Direct	Indirect	
						not under common control
Harbin Wanjia Travel Service Co., Ltd	Harbin	Harbin	tourism	100.00		set-up
Hebei Zhengshi Qinghui Real Estate Development Co., Ltd	Shijiazhuang	Shijiazhuang	estate	51.00		set-up
Shanghai Pearl Property Management Co., Ltd	Shanghai	Shanghai	Property management	50.00		set-up

## (2)ant non-wholly-owned subsidiaries

Company name	Proportion of minority(%)	Current P/L attributable to minority shareholders	Current dividend payments to minority	Closing balance of minority interest	Note
Hainan Pearl River Properties and Hotels Management Co., Ltd.	2	-29,941.85		118,777.80	
Hubei Pearl River Real Estate Development Co., Ltd.	10.8	4,468,420.17	9,180,000.00	14,343,892.07	
Hebei Zhengshi Qinghui Real Estate Development Co., Ltd.	49	-1,132,972.17		-24,751,387.76	
Shanghai Sea Pearl Property Management Co., Ltd.	50	8,789.78		326,061.06	
Total	---	3,314,295.93	9,180,000.00	-9,962,656.83	

## (3)Main Financial Information of the Significant Non-wholly-owned Subsidiaries

Company name	Closing balance					
	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities
Hainan Pearl River Properties and Hotels Management Co., Ltd.	102,078,910.95	3,009,653.45	105,088,564.40	99,149,674.50		99,149,674.50
Hubei Pearl River Real Estate Development Co., Ltd.	422,470,230.16	10,487,341.26	432,957,571.42	295,147,842.52	5,000,000.00	300,147,842.52
Hebei Zhengshi Qinghui Real Estate Development Co., Ltd.	4,376.10	103,106.04	107,482.14	50,620,518.39		50,620,518.39
Shanghai	2,804,641.19	10,454.52	2,815,095.71	2,162,973.60		2,162,973.60

Company name	Closing balance					
	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities
Sea Pearl Property Management Co., Ltd.						

Continued:

Company name	Opening balance					
	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities
Hainan Pearl River Properties and Hotels Management Co., Ltd.	100,602,853.49	3,206,886.08	103,809,739.57	96,373,756.84		96,373,756.84
Hubei Pearl River Real Estate Development Co., Ltd.	936,796,523.40	15,943,287.84	952,739,811.24	771,305,685.50	5,000,000.00	776,305,685.50
Hebei Zhengshi Qinghui Real Estate Development Co., Ltd.	5,439.60	107,189.63	112,629.23	48,313,477.37		48,313,477.37
Shanghai Sea Pearl Property Management Co., Ltd.	2,956,358.12	13,012.80	2,969,370.92	2,334,828.37		2,334,828.37

Continued:

Company name	Closing balance			
	Operating income	Net profit	Total comprehensive income	Net cash flows from investing activities
Hainan Pearl River Properties and Hotels Management Co., Ltd.	145,542,234.96	-1,497,092.83	-1,497,092.83	552,082.24
Hubei Pearl River Real Estate Development Co., Ltd.	226,838,984.15	41,375,603.16	41,375,603.16	-39,220,031.55
Hebei Zhengshi Qinghui Real Estate Development Co., Ltd.		-2,312,188.11	-2,312,188.11	-1,063.50
Shanghai Sea Pearl Property Management Co., Ltd.	1,670,449.46	17,579.56	17,579.56	-151,716.93

Continued:

Company name	Opening balance			
	Operating income	Net profit	Total comprehensive income	Net cash flows from investing activities

Company name	Opening balance			
	Operating income	Net profit	Total comprehensive income	Net cash flows from investing activities
Hainan Pearl River Properties and Hotels Management Co., Ltd.	117,100,129.23	-304,098.01	-304,098.01	-16,640,735.33
Hubei Pearl River Real Estate Development Co., Ltd.	957,519.04	-12,948,342.22	-12,948,342.22	118,558,721.37
Hebei Zhengshi Qinghui Real Estate Development Co., Ltd.		-2,590,547.57	-2,590,547.57	-70,898.18
Shanghai Sea Pearl Property Management Co., Ltd.	1,797,596.19	471,514.49	471,514.49	661,708.32

**2) Transactions that the shares of the owners' equities in the subsidiary changed but still control such subsidiary**

**(1) Description on the change of shares of owners' equities in the subsidiary**

There is no the change of shares of the owners' equities in the Company at the end of report period.

**(2) Influence of such transaction on the minority shareholders' equities and owners' equities attributable to the parent company**

There is no transaction with influence on the minority shareholders' equities and owners' equities attributable to the parent company at the end of report period.

**3) Equities in the cooperative enterprises or associated enterprises**

**(1) Significant cooperative enterprises or associated enterprises**

Name	Place of operation	Place of registration	Nature of business	Equity interest held (%)		Accounting method
				Dir	Dir	
Sanya Wanjia Industrial Co. Ltd	Sanya	Sanya	Real estate development	40		equity method

**(2) Main financial information of significant cooperative enterprises**

Item	Closing balance	Opening balance
	Sanya Wanjia Industrial Co. Ltd	Sanya Wanjia Industrial Co. Ltd
Current asset	4,354,532.36	4,215,581.28
Non-current asset	76,699,398.26	78,410,198.72
Total asset	81,053,930.62	82,625,780.00

Item	Closing balance	Opening balance
	Sanya Wanjia Industrial Co. Ltd	Sanya Wanjia Industrial Co. Ltd
Current liability	2,391,664.36	1,641,278.62
Non-current liability		
Total liability	2,391,664.36	1,641,278.62
Minority interests		
Equity attributable to parent company	78,662,266.26	80,984,501.38
Net assets share calculated according to proportion of shareholding	31,464,906.50	32,393,800.55
Net book value of the equity investment in associates	31,464,906.50	32,393,800.55

Continued:

Item	Year 2017	Year 2016
	Sanya Wanjia Industrial Co. Ltd	Sanya Wanjia Industrial Co. Ltd
Operating income	19,796.10	17766.67
Net profit	-2,322,235.12	-398,138.81
Other comprehensive income		
Total comprehensive income	-2,322,235.12	-398,138.81

### (3) Summary of financial information of insignificant cooperative enterprises or associated enterprises

Item	31 December 2014/ Year 2014	31 December 2013/ Year 2013
Net book value of the equity investment in associates	1,306,366.06	1,472,844.43
calculated according to proportion of shareholding:		—
Net profit	-166,478.37	-75,668.74
Other comprehensive income		
Total comprehensive income	-166,478.37	-75,668.74

### (4) Unrecognized commitment relating to cooperative enterprises or associated enterprises

There is no commitment needing to be disclosed in the Company.

### (5) Contingent liabilities relating to cooperative enterprises or associated enterprises

There is no contingency needing to be disclosed in the Company.

## IX. Disclosure of risks related to the financial instruments

The Company's activities expose it to a variety of financial risks: credit risk, liquidity risk and market risk (primarily interest rate risk). The Company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Company's financial performance.

### 1) Credit risk

The Company's credit risk mainly arises from the monetary funds, accounts receivable,

available-for-sale financial assets, etc. The management has formulated the appropriate credit policy and will continuously monitor the exposure of those credit risks.

The Company's monetary funds are mainly deposited in the financial institutions such as commercial bank, etc., the Company's management believe that those commercial banks have bigger credit and conditions of assets with lower risk of credit. The Company adopts the policy of quota for avoiding the credit risk of any financial institution.

The Company expects that there is no significant credit risk associated with cash at bank since they are deposited at state-owned banks and other medium or large size listed banks.

Management does not expect that there will be any significant losses from non-performance by these counterparties.

In regard with the accounts receivable and other receivables, the Company has policies to control the credit exposure on those accounts receivable and other receivables. The Company assesses the credit quality of and sets credit limits on its customers by taking into account their financial position, the availability of guarantee from the third parties, their credit history and other factors such as current market conditions. The credit history of the customers is regularly monitored by the Company. In respect of customers with a poor credit history, the Company will use written payment reminders, or shorten or cancel credit periods, to ensure the overall credit risk of the Company is limited to a controllable extent.

The biggest credit exposure faced by the Company is the book value of each asset in the balance sheet. Except for the Company's guarantee stated in Notes, the Company does not provide any guarantee possible to make the Company face the credit risk.

## 2) Liquidity risk

Liquidity risk refers to the risk that the Company fails to obtain the sufficient capital to meet operational needs or pay for the due debts and other obligations.

The Company's finance department monitors rolling forecasts of the Company's short-term and long-term liquidity requirements to ensure it has sufficient cash and securities that are readily convertible to cash to meet operational needs, while maintaining sufficient headroom on its undrawn committed borrowing facilities from major financial institution so that the Company does not breach borrowing limits or covenants on any of its borrowing facilities to meet the short-term and long-term liquidity requirements.

As at 30June 2017, the financial assets and liabilities of the Company are analyzed by their maturity date below at their undiscounted contractual cash flows :

Item	30 Juner 2017					
	Net book value	Carrying amount	Within 1year	1 to 2 years	2 to 5 years	Over 5years
Currency Funds	167,840,121.26	167,840,121.26	167,840,121.26			
Accounts receivable	20,229,593.44	33,138,454.97	33,138,454.97			
Other receivables	300,245,043.39	450,438,233.91	450,438,233.91			

Item	30 Juner 2017					
	Net book value	Carrying amount	Within 1year	1 to 2 years	2 to 5 years	Over 5years
Available-for-sale financial assets	30,824,994.90	49,263,555.29	49,263,555.29			
Subtotal	519,139,752.99	700,680,365.43	700,680,365.43			
Accounts payable	66,826,515.71	66,826,515.71	66,826,515.71			
Other payables	606,193,379.59	606,193,379.59	606,193,379.59			
Long-term borrowings	5,000,000.00	5,000,000.00	5,000,000.00			
Subtotal	678,019,895.30	678,019,895.30	678,019,895.30			

Continued:

Item	31 December 2016					
	Net book value	Carrying amount	Within 1year	1 to 2 years	2 to 5 years	Over 5 years
Currency						
Funds	246,504,351.39	246,504,351.39	246,504,351.39			
Accounts receivable	16,084,139.32	28,360,112.29	28,360,112.29			
Other receivables	350,870,047.05	505,835,674.29	505,835,674.29			
Available-for-sale financial assets	30,824,994.90	49,263,555.29	49,263,555.29			
Subtotal	644,283,532.66	829,963,693.26	829,963,693.26			
Accounts payable	77,627,005.61	77,627,005.61	77,627,005.61			
Other payables	541,823,806.30	541,823,806.30	541,823,806.30			
Long-term borrowings	152,376,848.25	152,376,848.25	78,710,181.59	37,666,666.64	36,000,000.02	
Subtotal	771,827,660.16	771,827,660.16	698,160,993.50	37,666,666.64	36,000,000.02	

### 3) Market risk

#### (1) Risk from exchange rate

None.

#### (2) Interest rate risk

The Company's interest rate risk arises from the borrowings from bank. Financial liabilities issued at floating rates expose the Company to cash flow interest rate risk. The Company determines the

relative proportions of its fixed rate and floating rate contracts depending on the prevailing market conditions.

For the year ended 30 June 2017, the amount of interest rates contract on the floating rate for long-term borrowings amounted to RMB184,000,000.00, the amount of interest rates contract on the fixed rate for long-term borrowings amounted to RMB245,590,202.29.

## **X. Fair Value**

### **1) Financial instruments measured at fair value**

There is no financial instrument measured at fair value in the Company

### **2) Financial instruments measured at fair value at the end of report period**

There is no financial instrument measured at fair value at the end of report period

### **3) Basis of determination of market price for the items measured at fair value**

There is no financial instrument measured at fair value in the Company.

### **4) Information of fair value of financial assets and liabilities not measured at fair value**

The financial assets and liabilities not measured at fair value include: the accounts receivable, short-term borrowing, accounts payable, non-current liabilities and long-term borrowings matured within one year, investment in equities that are not quoted in active market and whose fair value cannot be measured reliably.

The Company's management gives a view that the difference between the book value of above-mentioned financial assets and liabilities not measured at fair value and the fair value is very small.

## **XI. Related party relationship and transactions**

### **1) Information of parent company of the Company**

Name	Registered address	Real estate development and operation	Registered capital	Holding proportion	Voting rights proportion
Beijing Grain Group Co., Ltd	Beijing	Investment management	90,000.00	28.95	28.95

The company's ultimate control is Beijing grain group co., LTD.

### **2) The information of the Company's subsidiaries is set forth in Note 8-1 "Equities in the Subsidiaries".**

### **3) The information of the Company's cooperative enterprises and associated enterprises is set forth in Note 8-3 "Equities in the cooperative enterprises and associated enterprises"**

### **4) Information of Other Related Parties**

Name of Other Related Party	Relationship between other related party and the Company
Beijing Zhongjia Yangguang energy technology (Company) Co., Ltd.	With same controller
Beijing Xinxing Real Estate Development Corporation	The parent company of the original controlling shareholder

Name of Other Related Party	Relationship between other related party and the Company
Beijing Wanfa Real Estate Development Co., Ltd	The original controlling shareholder
Mudanjiang City Development and Construction Co., Ltd	With same controller
Sanya Wanjia Industrial Co., Ltd	Associates
Sanya Wanjia Hotel Management Co., Ltd	With same controller

### 5) Transactions with related parties

**(1) In regard with any subsidiary that has the control relationship with the Company and has been included in the Company's consolidated financial statements, its intercourse transaction and the transaction with the parent company has been offset.**

### (2) Relation of sales of goods and rendering of service

Related party	Nature of related transaction	Year 2017	Year 2016
Sanya Wanjia Hotel Management Co., Ltd	Hotel services	2,754,012.00	
Beijing Xinxing Real Estate Development Corporation	Provide asset management services	1,200,000.00	
Total		3,954,012.00	

### (3) Related party assets transfer, debt restructuring

Related party	Nature of related transaction	Year 2017	Year 2016
Beijing wanfa real estate development co. LTD	Equity transfer		277,332,301.49
Beijing wanfa real estate development co. LTD	Transfer of fixed assets		35,000,000.00
Total			312,332,301.49

### (4) Information of related guarantee

When the Company is the guarantor:

Guarantor	Amount	Beginning date of guarantee contract	Maturity date of guarantee contract	Guarantee obligation expired
Beijing Zhongjia Sunny Energy Technology (Company) Co., Ltd.	9,400,000.00	2013/9/12	2016/9/12	No
Total	9,400,000.00			

### (5) Fund calling between related parties

As at 30 June 2017, 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 RMB54,680,395.18with interest payable of RMB33,801,954.73.

As at 30 June 2017, 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 0.00 with interest payable of RMB38,227,058.49.

As of June 30, 2017, the principal balance of the company's borrowings to Beijing grain group co., ltd. is RMB179,000,000.00, with the interest balance of RMB4,182,283.33

#### **(6) Remuneration of key management personnel (10 thousand yuan)**

Item	Current Amount	Previous Amount
Key management personnel salary	61.43	59.62

#### **(7) Accounts payable for related parties**

##### **(1) Accounts payable for related parties by the Company**

Items	Company Name	31 December 2017	31 December 2014
Other payables	Beijing Xinxing Real Estate Development General Company	54,680,395.18	84,778,095.18
Other payables	Beijing Zhongjia Yangguang Energy Technology ( Group) Co., Ltd.	3,586,021.00	3,586,021.00
Other payables	Mudanjiang City Development & Construction Co., Ltd	70,000.00	70,000.00
Other payables	Sanya Wanjia Industrial Co., Ltd	1,133,732.83	1,133,732.83
Other payables	Sanya Wan Jia Hotel Management Co., Ltd	9,635,737.42	10,187,745.63
Other payables	Beijing Grain Group Co., Ltd	183,182,283.33	150,746,266.66
Other payables	Heilongjiang Longshi Culture Communication Co., Ltd	2,225,224.84	
	Total	252,288,169.76	252,727,086.14
Other receivables	Beijing Wangfa Real Estate Development Holdings Co., Ltd		35,000,000.00
	Total		35,000,000.00
Interest payable	Beijing Xinxing Real Estate Development General company	33,801,954.73	33,615,676.05
Interest payable	Beijing Wangfa Real Estate Development Co., Ltd.	38,227,058.49	38,227,058.49
	Total	72,029,013.22	71,842,734.54
Interest receivable	Heilongjiang Long as Culture Communication Co., Ltd		2,710,880.79
	Total		2,710,880.79

## **XII. Commitments and Contingency**

### **1) Significant commitments**

Not

## 2) Contingency incurred after the balance sheet

b)On Apr. 2, 2015, this company borrowed RMB 20,280,000 from the individual Zhanghua through Hainan Zhuye Investment Management Co., Ltd. and handled the collateral registration formalities. On Apr. 24, 2015, Hainan Zhuye Investment Management Co., Ltd. transferred the RMB 60,000 of debt in the borrowing of this company and Zhang Hua to Lin Xiaolian through signing Credit and Debt Transfer Agreement, and Hainan Zhuye Investment Management Co., Ltd. issued Letter of Guarantee at the same time and agreed to bear the joint and several guarantee responsibility. When the borrowing term has expired, because Hainan Zhuye Investment Management Co., Ltd. is suspected of being involved in illegally absorbing public deposit an has been registered by the public security organs for an investigation, then it temporarily fails to continuously perform the repayment obligations. Now Lin Xiaolianpersonnaly brings a borrowing contract dispute lawsuit to Hualong District People's Court of Longkou, Hainan. As of the date of audit report, the case's first-instance judgment has been dismissed, and will be tried again after the criminal case of Hainan Zhuye Investment Management Co., Ltd. is tried.

## XIII. Events after the balance sheet

### 1) Information of profit distribution

According to the company's 18th board resolution, no profit distribution is made during this period.

### 2)Information of other events after the balance sheet date

- a) On November 3, 2014, Hainan Fangyuan Law Firm lodged a lawsuit on the dispute over the property rights of the company's Parking Space 57, 61, 62, 63, 64 (formerly Parking Space 101-105) of the Pearl Square Underground Parking Lot to the court, requiring to obtain the ownership certificates of the parking spaces. As of the issuance date of the financial statement, the first trial of the case was handed down, requiring the company to transfer the ownerships of above five parking spaces to Hainan Fangyuan Law Firm, but the company refused to accept the verdict and is now preparing materials to appeal to the Hainan Province Haikou City Intermediate People's Court.
- b) In September 2013, the company borrowed 27 million Yuan from Lv Gengying via Hainan Zhuye Investment Management Co., Ltd., and went through registration procedures of mortgaged property. On November 20, 2015, the company signed Agreement on the Transfer of Creditor's Rights and Debts with Shi Xuyun, Pu Ding, Lv Gengying and Hainan Zhuye Investment Management Co., Ltd., to transfer 9.4 million Yuan of debts that it borrowed from Lv Gengying to Shi Xuyun (4.7 million Yuan) and Pu Ding (4.7 million Yuan). The term of the loan has expired, as Hainan Zhuye Investment Management Co., Ltd. was suspected of illegal pooling of public deposits and was investigated by the public security bureau and therefore temporarily could not

continue to fulfill its repayment obligation, Shi Xuyun and Pu Ding filed a lawsuit to the Hainan Province Haikou City People's Court on the dispute over loan contract, and was dismissed in the first trial. However, Shi Xuyun and Pu Ding refused to accept the verdict and lodged a lawsuit to the Hainan Province Haikou City Intermediate People's Court. As of the issuance date of the financial statement, the second trial maintained the verdict made during the first trial, i.e., to rejected their claim and hear the case after the completion of the trial of criminal case of Hainan Zhuye Investment Management Co., Ltd.

## **XIV. Other significant events**

### **1) Guaranty events**

There is no external guarantee of this report period

### **2) Other events**

a)The company is planning on major asset reorganization, which was approved by the State-owned Assets Supervision and Administration Commission of the Beijing Municipal People's Government on July 21, 2016. The reorganization programme involves three transactions, such as major asset replacement, issuance of shares, purchase of assets and supporting financing. The subject of the transactions is 100% shares of Beijing Grain Stock Co. Ltd held by BGG and other related parties. As of the issuance date of the financial statement, the company received On the Approval of Hainanzhujiangkonggu Co., Ltd to Issue Shares and Purchase and Raise Supporting Funds to BGG and other related parties issued by China Securities Regulatory Commission (CSRC License No. [2017]1391).

b)This company's subsidiary Hubei Pearl River Real Estate Development Co., Ltd. Signed an agreement with Hubei Supply and Marketing XudongMinsheng Plaza Real Estate Co., Ltd. on Dec. 4, 2016 to transfer the legally-owned land plot located in No. 20, Fangji Road, Hongshan District, Wuhan City to Hubei Supply and Marketing XudongMinsheng Plaza Real Estate Co., Ltd. The transfer area is about 13560 m<sup>2</sup> with a transfer price of 135million RMB. The payment has been received. In case of the complex transfer processes dealing with Land Use Certificate, the Planning and Design, Asset Evaluation and Government approveal, the handover formalities have not been handled.

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

### **Note 1 Accounts receivable**

#### **1) Disclosure of category details of accounts receivable:**

Categories	Closing Balance				
	Book Balance		Provision for Bad Account		Book Value
	Amounts	Ratio (%)	Amounts	Rate Chargeable (%)	

Categories	Closing Balance				
	Book Balance		Provision for Bad Account		Book Value
	Amounts	Ratio (%)	Amounts	Rate Chargeable (%)	
Accounts receivable with significant single amount and individual provision for bad debts	8,856,207.60	74.25%	8,856,207.60	100.00%	-
Accounts receivable with combinational withdrawal of the bad debt provision by credit risks characteristics	1,172,461.81	9.83%	155,487.58	13.26%	1,016,974.23
Accounts receivable with non-significant single amount and individual provision for bad debts	1,898,690.60	15.92%	1,898,690.60	100.00%	-
Total	11,927,360.01		10,910,385.78		1,016,974.23

Continued:

Categories	Opening Balance				
	Book Balance		Provision for Bad Account		Book Value
	Amounts	Ratio (%)	Amounts	Rate Chargeable (%)	
Accounts receivable with significant single amount and individual provision for bad debts	8,856,207.60	74.16%	8,856,207.60	100.00%	-
Accounts receivable with combinational withdrawal of the bad debt provision by credit risks characteristics	1,187,881.81	9.95%	155,795.98	13.12%	1,032,085.83
Accounts receivable with non-significant single amount and individual provision for bad debts	1,898,690.60	15.90%	1,898,690.60	100.00%	-
Total	11,942,780.01		10,910,694.18		1,032,085.83

Description of categories of accounts receivable:

(1) Accounts receivable with significant single amount and individual provision for bad debts at the end of period:

Name	Closing Balance			
	Accounts Receivable	Provision for Bad Account	Rate Chargeable (%)	Reasons of Withdrawal
Hainan dragon film studio	1,046,985.40	1,046,985.40	100.00%	Estimates cannot be brought back
Hainan Baoping company	2,218,494.43	2,218,494.43	100.00%	Estimates cannot be brought back
Hainan racing entertainment			100.00%	Estimates cannot

Name	Closing Balance			
	Accounts Receivable	Provision for Bad Account	Rate Chargeable (%)	Reasons of Withdrawal
Co., LTD	2,406,158.00	2,406,158.00		be brought back
Hainan centraline property agency	2,090,069.77	2,090,069.77	100.00%	Estimates cannot be brought back
Singapore China holding co., LTD	1,094,500.00	1,094,500.00	100.00%	Estimates cannot be brought back
Total	8,856,207.60	8,856,207.60	—	

(2) Accounts receivable with non-significant single amount and individual provision for bad debts at the end of period:

Name	Closing Balance			
	Accounts Receivable	Provision for Bad Account	Rate Chargeable (%)	Reasons of Withdrawal
Haikou Peijie clothing company	497,520.00	497,520.00	100.00%	Management identification
Hainan International silver city Real estate company	451,712.00	451,712.00	100.00%	Management identification
Haikou Jingye trading development company	250,000.00	250,000.00	100.00%	Management identification
Hainan Jinhe Real estate company	119,446.00	119,446.00	100.00%	Management identification
Hainan Qiongshan Tianxin Pawn Investment company	112,116.50	112,116.50	100.00%	Management identification
Amount less than one hundred thousand yuan	467,896.10	467,896.10	100.00%	Management identification
Total	1,898,690.60	1,898,690.60	—	

(3) Accounts receivable in the combination which adopts aging analysis method to determine provision for bad debt:

Aging	Closing Balance		
	Accounts Receivable	Provision for Bad Account	Rate Chargeable (%)
Within 1 year	36,000.00	720.00	2.00%
1—2 years	918,807.39	45,940.37	5.00%
2—3 years	-	-	10.00%
3—4 years	-	-	20.00%
4—5 years	-	-	30.00%
Over 5 years	-	-	50.00%

Aging	Closing Balance		
	Accounts Receivable	Provision for Bad Account	Rate Chargeable (%)
	217,654.42	108,827.21	
Total	1,172,461.81	155,487.58	---

Continued:

Aging	Opening Balance		
	Accounts Receivable	Provision for Bad Account	Rate Chargeable (%)
Within 1 year	51,420.00	1,028.40	2.00%
1—2 years	918,807.39	45,940.37	5.00%
2—3 years			10.00%
3—4 years			20.00%
4—5 years			30.00%
Over 5 years	217,654.42	108,827.21	50.00%
Total	1,187,881.81	155,795.98	—

**2) Situation of the current bad debt provision withdrawn, recovered or reversed:**

The amount of current bad debt provision reversed was RMB308.4.

**3) There is no money owed by the shareholders who hold more than 5% (5% is included) of voting shares of the Company in the closing accounts receivable.**

**4) Top 5 units of accounts receivable of the closing balance gathered on the basis of parties which owe the money:**

Name	Closing Balance	Ratio in Closing Amount of Accounts Receivable (%)	Bad Account Provisions Withdrawn
Hainan racing entertainment Co., LTD	2,406,158.00	20.17%	2,406,158.00
Hainan Baoping company	2,218,494.43	18.60%	2,218,494.43
Hainan Zhongyuan tenement agency company	2,090,069.77	17.52%	2,090,069.77
Singapore China holding co., LTD	1,094,500.00	9.18%	1,094,500.00
Hainan Longzhu Cinema City	1,046,985.40	8.78%	1,046,985.40
Total	8,856,207.60		8,856,207.60

**5) There is no account receivable from the related party at the end of report period.**

**Note 2 Other Receivables**

**1) Disclosure of category details of other receivables**

Categories	Closing Balance					Book Value	
	Book Balance		Provision for Bad Account		Amounts		
	Amounts	Ratio (%)	Amounts	Rate Chargeable (%)			

Categories	Closing Balance				
	Book Balance		Provision for Bad Account		Book Value
	Amounts	Ratio (%)	Amounts	Rate Chargeable (%)	
Other receivables with significant single amount and individual provision for bad debts	411,091,072.35	53.18%	139,476,136.40	33.93%	271,614,935.95
Other receivables with combinational withdrawal of the bad debt provision by credit risks characteristics					-
Combination 1 : Aging Combination	357,846,097.75		89,749,525.58		268,096,572.17
Combination 2 : Receivables in the inter-companies in range of consolidation	143,238.82		-		143,238.82
Totality of Combination	357,989,336.57	46.31%	89,749,525.58	25.07%	268,239,810.99
Other receivables with non-significant single amount and individual provision for bad debts	3,963,362.46	0.51%	3,963,362.46	100.00%	-
Total	773,043,771.38	100.00%	233,189,024.44		539,854,746.94

Continued:

Categories	Opening Balance				
	Book Balance		Provision for Bad Account		Book Value
	Amounts	Ratio (%)	Amounts	Rate Chargeable (%)	
Other receivables with significant single amount and individual provision for bad debts	408,838,943.39	49.22%	139,476,136.40	34.12%	269,362,806.99
Other receivables with combinational withdrawal of the bad debt provision by credit risks characteristics					-
Combination 1 : Aging Combination	417,682,205.01		95,367,093.30		322,315,111.71
Combination 2 : Receivables in the inter-companies in range of consolidation	107,303.90		-		107,303.90
Totality of Combination	417,789,508.91	50.30%	95,367,093.30	22.83%	322,422,415.61
Other receivables with non-significant single amount and individual provision for bad debts	3,963,362.46	0.48%	3,963,362.46	100.00%	-
Total	830,591,814.76	100.00%	238,806,592.16		591,785,222.60

Description of categories of other receivables:

(1) Other receivables with significant single amount and individual provision for bad debts at the end of period:

Name	Closing Balance			
	Other Receivables	Provision for Bad Account	Rate Chargeable (%)	Reasons of Withdrawal
Mudanjiang city pearl river wanjia tourism investment development group co. LTD	246,195,408.23	70,855,952.42	28.78%	According to the expected amount provision shall not withdraw
Shanghai rongxin real estate co. LTD	68,810,525.99	1,882,525.99	2.74%	According to the expected amount provision shall not withdraw
Hebei zhengshi qinghui real estate development co. LTD	49,928,266.99	22,732,273.67	45.53%	According to the expected amount provision shall not withdraw
Singapore CHINA GREAT LAND HOLD	16,981,016.24	16,981,016.24	100.00%	Irrecoverable
Hainan marcun port company	6,000,000.00	6,000,000.00	100.00%	Irrecoverable
Ding jia international co. LTD	2,725,702.71	2,725,702.71	100.00%	Irrecoverable
Hainan entrust industry co. LTD	2,314,592.00	2,314,592.00	100.00%	Irrecoverable
Hainan zhongda industrial corporation	2,210,779.10	2,210,779.10	100.00%	Irrecoverable
Great treasure cement factory	1,901,383.56	1,901,383.56	100.00%	Irrecoverable
Jinguang industrial company	1,752,100.00	1,752,100.00	100.00%	Irrecoverable
Beijing jiubo cultural development co. LTD	3,680,000.00	1,528,513.18	41.54%	According to the expected amount provision shall not withdraw
Shenzhen pearl real estate company	1,550,278.23	1,550,278.23	100.00%	Irrecoverable
Shenzhen guoan securities co. LTD	1,409,934.28	1,409,934.28	100.00%	Irrecoverable
Haikou industrial development import and export trade co. LTD	1,392,430.00	1,392,430.00	100.00%	Irrecoverable
Xinhua dawn aviation decoration company	1,208,804.70	1,208,804.70	100.00%	Irrecoverable
Hainan deep-sea property co. LTD	1,029,850.32	1,029,850.32	100.00%	Irrecoverable
Hainan Yangtze river travel industry	1,000,000.00	1,000,000.00	100.00%	Irrecoverable

Name	Closing Balance			
	Other Receivables	Provision for Bad Account	Rate Chargeable (%)	Reasons of Withdrawal
Land property administration of sanya city	1,000,000.00	1,000,000.00	100.00%	Irrecoverable
Total	411,091,072.35	139,476,136.40	—	

(2) Other receivables with non-significant single amount and individual provision for bad debts at the end of period

Name	Closing Balance			
	Other Receivables	Provision for Bad Account	Rate Chargeable (%)	Reasons of Withdrawal
Sell Dabao cement on a commission basis	560,610.00	560,610.00	100.00	Irrecoverable
Hainan Development Bank	440,000.00	440,000.00	100.00	Irrecoverable
Hainan Sanli Industry and Trade Company	283,478.62	283,478.62	100.00	Irrecoverable
Chamber of Commerce of Hainan Province	270,000.00	270,000.00	100.00	Irrecoverable
Telephone rate of customers of PEARL RIVER Square	268,542.54	268,542.54	100.00	Irrecoverable
China Construction Sixth Engineering Division Group, Ltd	260,335.00	260,335.00	100.00	Irrecoverable
Huazhou Jianan Company	200,000.00	200,000.00	100.00	Irrecoverable
PEARL RIVER Advertisement Company	184,911.62	184,911.62	100.00	Irrecoverable
Initial installation charge of telephone	156,271.60	156,271.60	100.00	Irrecoverable
Amount below RMB150000 (23 units)	1,339,213.08	1,339,213.08	100.00	Irrecoverable
Total	3,963,362.46	3,963,362.46	—	

(3) Other receivables in the combination which adopts aging analysis method to determine provision for bad debt:

Aging	Closing Balance		
	Other Receivables	Provision for Bad Account	Rate Chargeable (%)
Within 1 year	104,409,283.75	2,087,520.28	2.00%
1—2 years	32,373,620.00	1,618,681.00	5.00%
2—3 years	-	-	
3—4 years	30,000,000.00	6,000,000.00	20.00%
4—5 years	77,455,266.00	23,236,579.80	30.00%
Over 5 years	113,607,928.00	56,806,744.50	50.00%
Total			---

Aging	Closing Balance		
	Other Receivables	Provision for Bad Account	Rate Chargeable (%)
	357,846,097.75	89,749,525.58	

Continued:

Aging	Opening Balance		
	Other Receivables	Provision for Bad Account	Rate Chargeable (%)
Within 1 year	166,613,450.01	3,332,269.00	2.00%
1—2 years	20,000,000.00	1,000,000.00	5.00%
2—3 years			
3—4 years	30,085,000.00	6,017,000.00	20.00%
4—5 years	77,370,266.00	23,211,079.80	30.00%
Over 5 years	123,613,489.00	61,806,744.50	50.00%
Total	417,682,205.01	95,367,093.30	----

In the company portfolio, except that the subsidiaries, such as Mudanjiang River Group Company, Jiubo Company and HebeiZhengshiQinghui Company within the scope of company merger conduct calculation and withdrawal of the bad-debt reserves, the accounts receivable among the companies within other merger scope do not conduct the calculation and withdrawal of bad-debt reserves.

## 2) Situation of the current bad debt provision withdrawn, recovered or reversed

The amount of current bad debt provision withdrawn was RMB5,617,567.72

## 3) Category of other receivables under the natures of accounts

Item	Closing Balance	Opening Balance
Investment	240,400,000.00	250,400,000.00
Receivable Related Parties	368,683,164.43	403,157,641.37
Borrowing and Interest	16,981,016.24	16,981,016.24
Other Receivable	103,720,000.00	118,720,000.00
Deposit	7,334,364.05	7,334,364.05
Mortgage Guarantee	5,917,801.10	5,917,801.10
Dividends Receivable	1,849,934.28	1,849,934.28
Other	28,157,491.28	26,231,057.72
Total	773,043,771.38	830,591,814.76

## 4) There is no money owed by the shareholders who hold more than 5% (5% is included) of voting shares of the Company in the closing other receivables.

## 5) Top 5 units of other receivables of the closing balance gathered on the basis of parties which owe the money:

Name	Nature of Money	Closing Balance	Aging	Ratio in Closing Amount of Other Receivables (%)	Closing Balance of Bad Debt Provisions
Mudanjiang Pearl River Wanjia Tourism Investment Development Group	Borrowing	246,195,408.23	1-5years 、 over 5 years	31.85%	70,855,952.42
Beijing Kangtai Xingye Investment Co.,Ltd	Money for Project Combination	100,000,000.00	4-5years、 over 5 years	12.94%	42,000,000.00
Beijing runshun technology development co. LTD	Intercourse Funds	97,720,000.00	1-2years	12.64%	1,954,400.00
Zhonghe investment co. LTD	Money for Cooperation with Project	90,400,000.00	4-5years、 over 5 years	11.69%	37,800,000.00
Shanghai rongxin real estate co. LTD	Intercourse Funds	68,810,525.99	1-5 years、 over 5 years	8.90%	1,882,525.99
Total		603,125,934.22		78.02%	154,492,878.41

### Note 3 Long-term Equity Investment

Nature of Money	Closing Balance			Opening Balance		
	Book Balance	Impairment Provision	Book Value	Book Balance	Impairment Provision	Book Value
Investment in subsidiaries	179,420,000.00	110,100,000.00	69,320,000.00	179,420,000.00	110,100,000.00	69,320,000.00
Investment in associated companies	31,464,906.50	-	31,464,906.50	32,393,800.55		32,393,800.55
Total	210,884,906.50	110,100,000.00	100,784,906.50	211,813,800.55	110,100,000.00	101,713,800.55

#### 1) Investment in subsidiaries

Investee	Initial Investment Cost	Opening Balance	Current Increase	Current Decrease	Closing Balance	Current Impairment Provision Withdrawn	The Impairment Prepares the Ending Balance
Shanghai rongxin real estate co. LTD	40,000,000.00	40,000,000.00			40,000,000.00		40,000,000.00
Hainan pearl river property hotel management co. LTD	4,900,000.00	4,900,000.00			4,900,000.00		

Investee	Initial Investment Cost	Opening Balance	Current Increase	Current Decrease	Closing Balance	Current Impairment Provision Withdrawn	The Impairment Prepares the Ending Balance
Hubei zhuijiang real estate development co. LTD	64,420,000.00	64,420,000.00			64,420,000.00		
Mudanjiang wanjia tourism investment development group co. LTD	60,000,000.00	60,000,000.00			60,000,000.00		60,000,000.00
Beijing jiubo cultural development co. LTD	5,000,000.00	5,000,000.00			5,000,000.00		5,000,000.00
Hebei zhengshi qinghui real estate development co. LTD	5,100,000.00	5,100,000.00			5,100,000.00		5,100,000.00
Total	179,420,000.00	179,420,000.00			179,420,000.00		110,100,000.00

## 2) Investment in cooperative enterprises and associated enterprises

Investee	Opening Balance	Current Increase or Decrease			
		Additional Contribution	Contribution Reduced	Investment Results Recognized by Equity Method	Adjustment of Other Comprehensive Income
1. Associated Enterprises					
2. Sanya Wanjia Industry Co., Ltd.	32,393,800.55			-928,894.05	
Total	32,393,800.55	-	-	-928,894.05	

Continued:

Investee	Current Increase or Decrease					Closing Balance	Closing Balance of Impairment Reserve
	Change of Other Equities	Declared to grant cash dividends or profits	Impairment Provision Withdrawn	Other			
3. Associated Enterprises							
Sanya Wanjia Industry Co., Ltd.						31,464,906.50	
Total						31,464,906.50	-

## Note 4 Operating income and operating cost

### 1) Operating income and operating cost

Item	Current Amount		Previous Amount	
	Income	Cost	Income	Cost
Other Business	2,857.14	151,218.30	620,935.59	173,367.05
Total	2,857.14	151,218.30	620,935.59	173,367.05

### Note 5 Investment income

Item	Current Amount	Previous Amount
Investment Income from the Long-term Equity Measured Under Equity Method	-928,894.05	-159,255.52
Other	75,820,000.00	-
Total	74,891,105.95	-159,255.52

### XVI. Supplementary information

#### 1) Breakdown of non-recurring profit or loss

Items	Amount	Description
Profit and loss on disposal of non-current assets	149,535.63	
Fund occupation fee from non-financial enterprises included in the current profit and loss	1,031,643.09	
In addition to the normal operation of the same business related effective hedging business, holding the fair value of financial assets transaction, transaction financial liabilities generated by the movement of the profit and loss, and the disposal of trading financial assets, financial liabilities held for trading and available for sale financial assets to obtain investment income		
Others non-operating income and expenses excluded as above	-1,143,672.86	
Enterprise restructuring charges	-1,367,924.53	
Other satisfies the definition of non-recurring gains and losses and losses of the project		
Income tax influence the forehead	41,265.54	
Rights and interests of minority shareholders influence the forehead (after tax)	6,065.97	
Total	-1,377,750.18	

#### 2) Return on equity (ROE) and earnings per share ("EPS")

Profit During Report Period	Weighted average return on net assets (%)	Earnings per share	
		Basic earnings per share	Diluted earnings per share
Net profit attributable to ordinary shareholders of the Company	23.37%	0.04	0.04
Net profit after deduction of non-recurring profits or losses attributable to ordinary shareholders of the Company	25.24%	0.04	0.04

#### 3) Abnormal financial statements items ("F/S items") and description of reasons

## (1) Consolidated balance sheet of consolidated financial statements

Item	June 30, 2017	December 31, 2016	Ratio of Change	Reason of Change
Monetary fund	167,840,121.26	246,504,351.39	-31.91%	The principal is to repay the loan of this period and to return the advanced payment of Zhongsenhua by the subsidiary Hubei Pearl River.
inventory	158,016,371.89	297,867,807.05	-46.95%	The principal is to carry forward cost of the unsold inventory of homes by the subsidiary Hubei Pearl River.
Other current assets	14,411,010.80	8,714,139.07	65.38%	The principal is the prepaid related taxes and fees of the subsidiary Hubei Pearl River.
Long-term deferred expenses	1,113,550.80	2,083,962.89	-46.57%	The principal is caused by the amortization of this period.
Deferred tax assets	-	4,985,486.50	-100.00%	The principal is to transfer back to deferred income tax assets by the subsidiary Hubei Pearl River.
Advance payment	230,886,723.58	365,746,868.16	-36.87%	The principal is from the income from the sales of the subsidiary Hubei Pearl River.
Payable taxes	43,455,350.36	84,404,890.27	-48.52%	The principal is to pay enterprise income tax and to pay the related taxes and fees of Hubei Pearl River.
Non-current liabilities due within one year	-	78,710,181.59	-100.00%	The principal is to return the loan from the subsidiary Mudanjiang Tourism Group.
Long-term borrowing	5,000,000.00	73,666,666.66	-93.21%	The principal is to return the loan from the subsidiary Mudanjiang Tourism Group.
Minority interests	-9,962,656.83	-4,096,952.76	-143.17%	The principal is to make dividends by the subsidiary Hubei Pearl River.

## (2) Consolidated Profit Statement and Cash Flow Statement

Item	January to June 2017	January to June 2016	Ratio of Change	Reason of Change
Operating income	393,836,785.57	149,032,528.40	164.26%	The principal is to gain the income of the housing sales by the subsidiary Hubei Pearl River.
Operating cost	288,602,024.02	122,029,925.99	136.50%	The principal is to gain the income of the housing sales by the subsidiary Hubei Pearl River.
Taxes and surcharges	16,524,745.23	10,405,923.57	58.80%	The principal is to provision related taxes and fees of the housing sales by the subsidiary Hubei Pearl River.
Financial expenses	7,378,082.80	48,791,814.72	-84.88%	The principal is to repay the loan and to reduce the financial cost in this period
Impairment of assets	-4,139,548.16	1,995,276.66	-307.47%	The principal is to withdraw the partial receivables depreciated.
Investment	-1,095,372.42	37,928,898.30	-102.89%	The principal is to transfer the shareholders of the subsidiary Heilongjiang Hongshi owed by Mudanjiang Tourism Group in the previous period.

Non-operating income	623,290.84	2,651,492.34	-76.49%	The principal is to deal with fixed assets to generate income in the previous period
Operating expenses	1,617,428.07	3,278,378.77	-50.66%	The principal is to apply for scrap part of fixed assets in the previous period.
Income tax expense	7,201,670.33	183,697.96	3820.39%	The principal is to provision income taxes by the subsidiaries Hubei Pearl River and Zhujiang Property.
Minority gains and losses	3,314,295.93	-3,798,646.47	187.25%	The principal is to make a profit by the subsidiary Hubei Pearl River.
Net cash flow generated by operating activities	-69,730,210.02	161,345,565.54	-143.22%	The principal is that prepaid housing funds of Hubei Pearl River reduces in this period.
Net cash flow generated by investment activities	53,311,113.89	5,447,324.96	878.67%	The principal is to withdraw the partial investment and sell some fixed assets to receive cash
Net cash flows from financing activities	-62,245,134.00	-229,444,811.25	72.87%	The principal is to receive the payback of the loan for the increase in borrowing in this period.

Legal representative: Wang Chunli

Principal in charge of accounting: Guan Ying

Head of the accounting department: Wu Xiukun

**Hainan Pearl River Holding Company Limited**

**23 August 2017**