

HAINAN PEARL RIVER HOLDINGS CO., LTD.
SEMI-ANNUAL REPORT 2010

§ 1 Important Notice

1.1 The Board of Directors, the Supervisory Committee as well as directors, supervisors and senior management staffs of HaiNan Pearl River Holdings Co., Ltd. (hereinafter referred to as the Company) individually and collectively accept responsibility for the correctness, accuracy and completeness of the contents of this report and confirm that there are no material omissions or errors which would render any statement misleading.

1.2 The semi-annual financial report of the Company has not been audited.

1.3 Mr. Zheng Qing, Chairman of the Board as well as General Manager, Mr. Chen Binglian, Executive Deputy General Manager as well as Chief Financial Officer, and Mr. Yang Daoliang, Manager of Financial Department hereby confirm that the Financial Report enclosed in the Semi-annual Report is true and complete.

§ 2 Company Profile

2.1 Basic information

Short form of the stock	ST Pearl River, ST Pearl River B	
Stock code	000505, 200505	
Stock exchange listed with	Shenzhen Stock Exchange	
	Secretary to the Board	Securities Affairs Representative
Name	Yu Cuihong	He Yan
Contact address	29/F, Royal Empire Building, Pearl River Plaza, Binhai Avenue, Haikou	29/F, Royal Empire Building, Pearl River Plaza, Binhai Avenue, Haikou
Tel.	0898-68581888 ext.	0898-68581888 ext.
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2.2 Major financial data and indexes

2.2.1 Major accounting data and financial indexes

Unit: RMB Yuan

	At the end of the report period	At the period-end of last year	Increase/decrease compared with the period-end of last year (%)
Total assets	1,491,639,839.96	2,033,695,297.92	-26.65%
Owners' equity attributable to shareholders of listed companies	536,085,938.10	653,104,424.27	-17.92%
Share capital	426,745,404.00	426,745,404.00	0.00%
Net asset per share attributable to shareholders of listed companies (Yuan/share)	1.2562	1.5304	-17.92%
	In the report period (Jan.-Jun.)	The same period of last year	Increase/decrease compared with the same period of last year (%)
Operating revenue	544,036,572.15	48,037,860.58	1,032.52%
Operating profit	69,209,013.89	83,656,958.37	-17.27%
Total profit	70,805,496.99	83,591,061.49	-15.30%
Net profit attributable to shareholders of listed companies	50,911,704.50	84,803,402.31	-39.97%
Net profit attributable to shareholders of listed companies after deducting non-recurring gains and losses	40,581,004.88	-46,260,675.51	187.72%
Basic earnings per share (Yuan/share)	0.12	0.20	-40.00%
Diluted earnings per share (Yuan/share)	0.12	0.20	-40.00%
Net return on equity (%)	8.56%	23.02%	-14.46%
Net cash flow from operating activities	142,650,825.02	36,604,404.48	289.71%
Net cash flow from operating activities per share (Yuan/share)	0.3343	0.0858	289.63%

2.2.2 Items of non-recurring gains and losses

Applicable Inapplicable

Unit: RMB Yuan

Items of non-recurring gains and losses	Amount
Gains and losses from disposal of non-current assets	1,677,640.69
Capital occupation fee received from non-financial enterprises and recorded into current gains and losses	8,870,206.76
Other non-operating incomes and expenses besides the items above	-81,157.59
Effect on income tax	-106,046.72
Effect on minority interest income	-29,943.52
Total	10,330,699.62

2.2.3 Difference between PRC GAAP and IFRS

Applicable Inapplicable

Unit: RMB Yuan

	Net profit attributable to shareholders of listed company		Owners' equity attributable to shareholders of listed company	
	Amount of this period	Amount of the same period of last year	Closing amount	Opening amount
Based on IFRS	50,911,704.50	84,803,402.31	534,748,938.00	651,767,424.00
Based on CAS	50,911,704.50	84,803,402.31	536,085,938.10	653,104,424.27
Adjustment based on IFRS:				
-Adjustment on amortization of land use right	0.00	0.00	-1,337,000.10	-1,337,000.27
Total difference based on CAS and IFRS	0.00	0.00	-1,337,000.10	-1,337,000.27
Explanation on difference based on CAS and IFRS	Before execution of the CAS 2006, original land use right in the item of construction in process was amortized according to the IFRS.			

§3 Changes in Share Capital and Particulars about Shareholders

3.1 Changes in share capital

Applicable Inapplicable

Unit: Share

	Before the change		Increase/decrease in this time (+, -)					After the change	
	Number	Proportion	New shares issued	Bonus shares	Capitalization of public reserves	Others	Subtotal	Number	Proportion
I. Shares subject to trading moratorium	3,924,131	0.92%				-2,599,000	-2,599,000	1,325,131	0.31%
1. Shares held by the state									
2. Shares held by state-owned corporation	0	0.00%				0	0	0	0.00%
3. Shares held by other domestic investor	3,898,500	0.91%				-2,599,000	-2,599,000	1,299,500	0.30%
Including: shares held by non-state-owned domestic corporation	3,898,500	0.91%				-2,599,000	-2,599,000	1,299,500	0.30%
Shares held by domestic natural person									
4. Shares held by foreign investors									
Including: Shares held by foreign corporation									
Shares held by foreign natural person									
5. Shares held by senior executives	25,631	0.01%						25,631	0.01%
II. Shares not subject to trading moratorium	422,821,273	99.08%				2,599,000	2,599,000	425,420,273	99.69%
1. RMB ordinary shares	357,846,273	83.85%				2,599,000	2,599,000	360,445,273	84.46%
2. Domestically listed foreign shares	64,975,000	15.23%						64,975,000	15.23%
3. Foreign shares listed in domestic									
4. Others									
III. Total shares	426,745,404	100.00%						426,745,404	100.00%

3.2 Shares held by the top ten shareholders and top ten shareholders holding shares not subject to trading moratorium

Unit: Share

Total shareholders	51,152				
Particulars about shares held by the top ten shareholders					
Name of shareholders	Nature of shareholders	Shareholding ratio	Total shares held	Number of shares held subject to trading moratorium	Shares pledged or frozen
Beijing Wanfa Real Estate Development Co., Ltd.	State-owned corporation	26.36%	112,479,478	0	0
Wang Shuai	Domestic natural person	0.54%	2,300,000	0	0
Hebei Securities Co., Ltd.	State-owned corporation	0.48%	2,060,000	0	0
Zhang Xiaoxia	Domestic natural person	0.46%	1,949,250	0	0
Wang Shuxia	Domestic natural person	0.46%	1,947,641	0	0
Chen Yunxuan	Domestic natural person	0.44%	1,898,822	0	0
Nanhua Finance Co., Ltd.	Domestic non-state-owned corporation	0.30%	1,299,500	1,299,500	0
He Yuhong	Domestic natural person	0.27%	1,155,381	0	0
Guangzhou Pearl River Industrial Group Co., Ltd.	State-owned corporation	0.27%	1,150,000	0	0
Xu Daotian	Domestic natural person	0.24%	1,043,431	0	0
Particulars about shares held by the top ten shareholders not subject to trading moratorium					
Name of shareholder		Number of shares held subject to trading moratorium		Type of shares	
Beijing Wanfa Real Estate Development Co., Ltd.		112,479,478		RMB ordinary shares	
Wang Shuai		2,300,000		RMB ordinary shares	
Hebei Securities Co., Ltd.		2,060,000		RMB ordinary shares	
Zhang Xiaoxia		1,949,250		Domestically listed foreign shares	
Wang Shuxia		1,947,641		RMB ordinary shares	
Chen Yunxuan		1,898,822		RMB ordinary shares	
He Yuhong		1,155,381		RMB ordinary shares	
Guangzhou Pearl River Industrial Group Co., Ltd.		1,150,000		RMB ordinary shares	
Xu Daotian		1,043,431		RMB ordinary shares	
Chen Zaiyan		1,039,910		RMB ordinary shares	
Related-party relationship or concerted action among shareholders above	Among shareholders above, there exists no related-party relationship between the principal shareholder and other shareholders of the Company. Nor they are parties with concerted action as prescribed in the Information Disclosure Administrative Methods for Changes in Shareholding of Shareholders of Listed Companies. And it is unknown whether there exists related-party relationship among other shareholders and whether they are prescribed parties with concerted action.				

3.3 Changes in controlling shareholder and actual controller

Applicable Inapplicable

§4 Directors, Supervisors and Senior Management Staff

4.1 Changes in shares held by directors, supervisors and senior management staff

Applicable Inapplicable

§5 Report of the Board of Directors

5.1 Main operations classified according to industries or products

Unit: RMB ' 0000 Yuan

Main businesses classified according to industries						
Industry or product	Operating income	Operating cost	Gross profit ratio (%)	Increase/decrease of operating income year-on-year (%)	Increase/decrease of operating cost year-on-year (%)	Increase/decrease of gross profit ratio year-on-year (%)
Sale of real estate	48,908.00	32,741.00	33.06%	11.00%	7.00%	30.74%
Property management and service	3,463.00	2,992.00	13.60%	4.93%	2.38%	2.15%
Travel and hotels service	1,949.00	884.00	54.64%	36.10%	3.71%	14.17%

5.2 Main businesses classified according to regions

Unit: RMB ' 0000 Yuan

Region	Operating income	Increase/decrease of operating income over last year (%)
Hainan	13,535.00	189.90%
Hubei	40,786.00	13.00%
Shanghai	0.00	-100.00%

5.3 Explanation on reasons for changes in main operation and its structure

Applicable Inapplicable

5.4 Reasons for significant changes in profitability (gross profit margin) of core business compared with the previous year

Applicable Inapplicable

Gross profit margin of real estate increased due to influence on confirm of income from Wuhan Project, and sales amount of real estate was small year-on-year, there was no comparable; gross profit margin of travel and hotels service increased mainly because operating income from Sanya Wanjia Operating income increased year-on-year.

5.5 Analysis to reasons of significant changes in profit breakdown compared with the previous year

Applicable Inapplicable

Profit of the current period was mainly from income of settlement of Wuhan Real Estate Project, while profit of the same period of last was from investment income arising transfer of 20,000,000 shares of Southwest Securities.

5.6 Utilization of the raised proceeds

5.6.1 Utilization of the raised proceeds

Applicable Inapplicable

5.6.2 Change of projects

Applicable Inapplicable

5.7 Business plan revised by the Board of Directors for the second half year of 2010

Applicable Inapplicable

5.8 Estimation on accumulative net profit from the beginning of the year to the end of next report period to be loss probably or the warning of its significant change compared with the corresponding period of the last year and explanation on reason

Applicable Inapplicable

5.9 Explanation of the Board of Directors on “ Non-standard Auditors ’ Report ” from the Certified Public Accountants in the report period

Applicable Inapplicable

5.10 Explanation of the Board of Directors on changes and solutions of the issues involved in “ Non-standard Auditors ’ Report ” from the Certified Public Accountants in the last year

Applicable Inapplicable

§6 Significant Events

6.1 Acquisition and sales of assets and assets restructure

6.1.1 Assets acquired

Applicable Inapplicable

6.1.2 Assets sold

Applicable Inapplicable

6.1.3 Progress of these events and its influence on the operating results and financial status in the report period after the report on assets restructure or public notice on acquisition and sales of assets being published

Applicable Inapplicable

6.2 Guarantees

Applicable Inapplicable

6.3 Non-operating current related credits and liabilities

Applicable Inapplicable

Unit: RMB Yuan

Items	Related party	Closing balance	Opening balance
Other accounts payable	Beijing Xinxing Real Estate Development General Company	152,540,447.00	152,540,447.00
	Beijing Wanfa Real Estate Development Co., Ltd.	81,725,000.00	81,725,000.00
	Beijing Yulong Jisheng Real Estate Co., Ltd.	1,500,000.00	1,500,000.00
Interest payable	Beijing Xinxing Real Estate Development General Company	44,269,015.64	40,114,903.69
	Beijing Wanfa Real Estate Development Co., Ltd.	22,042,765.43	19,934,761.80

Including: Amount occurred and balance that the Company provided funds to the controlling shareholder and its subsidiaries was RMB 0.00 and RMB 0.00 respectively in the reporting period.

6.4 Material lawsuits and arbitrations

Applicable Inapplicable

6.5 Other significant events and explanation on analysis to their influences and solutions

Applicable Inapplicable

6.5.1 Securities investment

Applicable Inapplicable

6.5.2 Equity of other listed companies held by the Company

Applicable Inapplicable

Unit: RMB Yuan

Securities code	Short form	Initial investment amount	Proportion of equity of the Company	Book value at the period-end	Changes in owner 's equity in the report period	Subject of accounting calculation	Source
600369	Southwest securities	150,000,000.00	1.75%	405,317,500.00	-226,100,000.00	Long-term equity investment	Buy shares directly
Total		150,000,000.00	-	405,317,500.00	-226,100,000.00	-	-

6.5.3 Non-operating capital occupation by principal shareholders and its affiliated enterprises and progress of debt repayment

Applicable Inapplicable

6.5.4 Implementation of commitments made by the Company, as well as its shareholders and actual controller

Applicable Inapplicable

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

Applicable Inapplicable

Neither the Company will execute profit distribution, nor will transfer public reserves to share capital.

6.5.6 Items of other comprehensive income

Unit: RMB Yuan

Items	Occurred amount in this period	Occurred amount in the last period
1. Profits/(losses) from available-for-sale financial assets	-226,100,000.00	534,759,623.99
Less: Effects on income tax generating from available-for-sale financial assets	-56,525,000.00	120,863,750.00
Net amount transferred into profit and loss in the current period that recognized into other comprehensive income in prior period		
Subtotal	-169,575,000.00	413,895,873.99
2. Interests in the investee entities' other comprehensive income as per equity method		
Less: Effects on income tax generating from the interests in the investee entities' other comprehensive income as per equity method		
Net amount transferred into profit and loss in the current period that recognized into other comprehensive income in prior period		
Subtotal		
3. Profits/(losses) from cash flow hedging instrument		
Less: Effects on income tax generating from cash flow hedging instrument		
Net amount transferred into profit and loss in the current period that recognized into other comprehensive income in prior period		
The adjustment value that is the converted initial recognition amount of arbitrage project		
Subtotal		
4. Converted amount of foreign currency financial statements		
Less: Net value of disposal of oversea operations that recognized into current profit and loss		
Subtotal		
5. Other	1,644,809.33	
Less: Effects on income tax generating from the others that included into other comprehensive income		
Net amount transferred into profit and loss in the current period that recognized into other comprehensive income in prior period		
Subtotal	1,644,809.33	
Total	-167,930,190.67	413,895,873.99

6.6 Particulars about reception of research, communication and interview in this report period

There was no reception of field research, telephone communication or inquiry in written.

§7 Financial Report

7.1 Auditing opinions

Financial Report	Un-audited	Audited
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7.2 Financial statements(attached)

7.3 Notes to financial statement

7.3.1 Should there be any changes in accounting policies, accounting estimates and accounting errors, give the relevant contents, reasons and the amount influenced.

Applicable Inapplicable

7.3.2 Should there be any changes in consolidation scope of the financial statements, explain the reasons and amount influenced.

Applicable Inapplicable

7.3.3 If the financial report of the Company is produced as “ Non-standard Opinion ” , the Company should make the relevant matters and notes.

Applicable Inapplicable

The Board of Directors of HaiNan Pearl River Holdings Co., Ltd

Chairman of the Board: Zheng Qing

Aug. 2010

7.2.1 Balance Sheet

Prepared by HaiNan Pearl River Holdings Co., Ltd

30 Jun. 2010

Unit: RMB Yuan

Items	Closing balance		Opening balance	
	Consolidation	Parent company	Consolidation	Parent company
Current assets:				
Monetary funds	238,917,598.63	128,061,969.24	291,787,132.78	161,760,970.47
Settlement fund reserve				
Dismantle fund				
Transaction financial asset				
Notes receivable				
Account receivable	4,132,441.94	1,045,671.11	2,645,699.47	1,014,754.61
Account paid in advance	12,406,780.15	164,836.95	44,285,760.93	202,040.00
Premium receivables				
Receivables from reinsurers				
Reinsurance contract reserve receivables				
Interest receivable				
Dividend receivable	260,015.00	260,015.00	260,015.00	260,015.00
Other account receivable	282,249,356.46	317,489,541.62	189,594,736.47	219,693,993.49
Financial assets purchased under agreements to resell				
Inventories	179,724,687.76	12,782,893.61	538,999,748.54	84,392,446.86
Non-current assets due within 1 year				
Other current assets				
Total current assets	717,690,879.94	459,804,927.53	1,067,573,093.19	467,324,220.43
Non-current assets:				
Loans and advance				
Available for sale financial assets	405,317,500.00	405,317,500.00	631,417,500.00	631,417,500.00
Held to maturity investments				
Long-term account receivable				
Long-term equity investment	52,117,749.41	257,479,634.90	13,149,424.41	238,511,309.90
Investing property	20,341,312.68		20,783,662.44	
Fixed asset	257,636,505.01	18,995,360.83	264,815,483.49	20,720,770.59
Project in construction	4,313,000.00		2,510,000.00	
Engineering material	606,206.60		606,206.60	
Fixed asset disposal				
Bearer biological asset				
Oil assets				
Intangible assets	32,145,535.26	1,672,199.70	32,617,178.56	1,696,031.52
Development expense				
Goodwill				
Long-term expense to be apportioned	1,471,151.06		222,749.23	
Deferred tax assets				
Other non-current assets				
Total of non-current assets	773,948,960.02	683,464,695.43	966,122,204.73	892,345,612.01
Total assets	1,491,639,839.96	1,143,269,622.96	2,033,695,297.92	1,359,669,832.44
Current liabilities:				
Short-term borrowings	260,000,000.00	260,000,000.00	276,000,000.00	276,000,000.00

Borrowing from Central Bank				
Deposits and due to banks and other financial institutions				
Placements from banks and other financial institutions				
Transaction financial liabilities				
Notes payable				
Account payable	19,628,706.76	3,802,924.14	70,793,361.64	4,135,235.24
Account received in advance	46,116,932.11		306,932,163.78	
Financial assets sold under agreements to repurchase				
Handling charges and commission payable				
Employee 's compensation payable	3,925,405.61	365,879.54	5,055,394.37	598,915.23
Tax payable	17,825,777.16	-3,072,110.31	-16,948,131.65	-3,354,179.89
Interest payable	81,696,774.66	43,726,678.26	65,601,325.75	29,034,494.85
dividend payable	3,213,302.88	3,213,302.88	3,213,302.88	3,213,302.88
Other account payable	290,494,210.56	236,591,336.90	332,778,891.65	235,716,634.23
Due to reinsurers				
Insurance contract reserve				
Customer deposits				
Amount payables under security underwriting				
Non-current liabilities due within 1 year	29,980,110.00		79,980,110.00	
Other current liabilities				
Total current liabilities	752,881,219.74	544,628,011.41	1,123,406,418.42	545,344,402.54
Non-current liabilities:				
Long-term borrowings	105,000,000.00		110,000,000.00	
Debentures payable				
Long-term payables				
Specific purpose account payables				
Accrued liabilities				
Deferred tax liabilities	77,888,125.00	77,888,125.00	134,413,125.00	134,413,125.00
Other non-current liabilities				
Total non-current liabilities	182,888,125.00	77,888,125.00	244,413,125.00	134,413,125.00
Total liabilities	935,769,344.74	622,516,136.41	1,367,819,543.42	679,757,527.54
Owner 's equity (or shareholders ' equity)				
Paid-in capital (or share capital)	426,745,404.00	426,745,404.00	426,745,404.00	426,745,404.00
Capital surplus	619,229,155.97	622,245,495.51	788,804,155.97	791,820,495.51
Less: Treasury stock				
Specific reserves				
Reserved fund	114,177,485.88	109,487,064.39	114,177,485.88	109,487,064.39
General risk provision				
Retained earnings	-624,066,107.75	-637,724,477.35	-676,622,621.58	-648,140,659.00
Foreign exchange difference				
Total owners ' equity attributable to holding company	536,085,938.10	520,753,486.55	653,104,424.27	679,912,304.90
Minority interest	19,784,557.12		12,771,330.23	
Total owner 's equity	555,870,495.22	520,753,486.55	665,875,754.50	679,912,304.90
Total liabilities and owner 's equity	1,491,639,839.96	1,143,269,622.96	2,033,695,297.92	1,359,669,832.44

7.2.2 Income Statement

Prepared by HaiNan Pearl River Holdings Co., Ltd

Jan.-Jun. 2010

Unit: RMB Yuan

Items	In current period		The same period of last year	
	Consolidation	Parent company	Consolidation	Parent company
I. Total operation income	544,036,572.15	81,930,643.20	48,037,860.58	193,955.00
Including: Sales income	544,036,572.15	81,930,643.20	48,037,860.58	193,955.00
Interest income				
Premium income				
Handling charges and commission income				
II. Total operation cost	474,892,422.82	72,178,777.15	95,510,826.42	23,840,116.36
Including: Cost of sales	366,666,811.33	42,170,962.08	38,235,750.59	33,987.67
Interest expenses				
Handling charges and commission expenses				
Surrender value				
Net amount of claims				
Net amount of insurance contract reserve withdrawn				
Expenditure on policy dividends				
Reinsurance premium expenses				
Taxes and associate charges	63,804,616.18	20,124,893.20	2,404,089.65	-208,897.74
Selling expenses	6,584,871.53	24,477.00	8,524,797.64	7,309.00
Administrative expenses	29,852,762.04	8,722,821.79	23,196,749.46	5,988,699.54
Financial expenses	12,698,260.97	6,422,101.48	15,751,159.41	10,686,670.74
Impairment loss	-4,714,899.23	-5,286,478.40	7,398,279.67	7,332,347.15
Add: gain from change in fair value (" - " means loss)				
Gain from investment (" - " means loss)	64,864.56	64,864.56	131,129,924.21	131,129,924.21
Including: income form investment in affiliated enterprise and joint ventures	64,864.56	64,864.56		
Foreign exchange difference (" - " means loss)				
III. Operation profit (" - " means loss)	69,209,013.89	9,816,730.61	83,656,958.37	107,483,762.85
Add: non-operation income	1,710,013.72	1,710,013.72	153,122.17	
Less: non-business expense	113,530.62	14,023.12	219,019.05	216,032.03
Including: loss from non-current asset disposal	32,373.03	14,023.12	27,500.00	27,500.00
IV. Total profit (" - " means loss)	70,805,496.99	11,512,721.21	83,591,061.49	107,267,730.82
Less: income tax expense	12,880,565.60		52,338.18	
V. Net profit (" - " means loss)	57,924,931.39	11,512,721.21	83,538,723.31	107,267,730.82
Attributable to owners of parent company	50,911,704.50	11,512,721.21	84,803,402.31	107,267,730.82
Minority interest	7,013,226.89		-1,264,679.00	
VI. Earnings per share				
(I) Basic earnings per share	0.12		0.20	
(II) Diluted earnings per share	0.12		0.20	
VII. Other composite income	-167,930,190.67	-170,671,539.56	413,895,873.99	413,895,873.99
VIII. Total composite income	-110,005,259.28	-159,158,818.35	497,434,597.30	521,163,604.81
Attributable to owners of parent company	-117,018,486.17	-159,158,818.35	498,699,276.30	521,163,604.81
Minority interest	7,013,226.89		-1,264,679.00	

7.2.3 Cash Flow Statement

Prepared by HaiNan Pearl River Holdings Co., Ltd

Jan.-Jun. 2010

Unit: RMB Yuan

Items	In current period		The same period of last year	
	Consolidation	Parent company	Consolidation	Parent company
I. Cash flows from operating activities:				
Cash received from sale of commodities and rendering of service	263,395,787.90	61,962,832.61	213,082,465.53	1,796,479.00
Net increase of deposits from customers and due from banks				
Net increase of loans from the central bank				
Net increase of funds borrowed from other financial institutions				
Cash received from premium of original insurance contracts				
Net cash received from reinsurance business				
Net increase of savings of policy holders and investment fund				
Net increase of disposal of tradable financial assets				
Cash received from interest, handling charges and commissions				
Net increase of borrowed inter-bank funds				
Net increase of buy-back funds				
Tax refunds received				
Other cash received relating to operating activities	44,480,734.95	56,992,791.55	8,392,724.03	3,838,922.45
Subtotal of cash inflows from operating activities	307,876,522.85	118,955,624.16	221,475,189.56	5,635,401.45
Cash paid for purchase of commodities and reception of service	67,511,867.17	402,212.71	122,587,504.80	1,250,136.22
Net increase of customer lending and advance				
Net increase of funds deposited in the central bank and amount due from banks				
Cash for paying claims of the original insurance contract				
Cash for paying interest, handling charges and commissions				
Cash for paying policy dividends				
Cash paid to and for employees	28,516,777.02	1,734,668.08	28,255,257.03	1,840,545.41
Various taxes paid	44,302,996.97	20,816,204.78	22,536,589.32	1,821,020.66
Other cash paid relating to operating activities	24,894,056.67	18,823,289.74	11,491,433.93	9,219,631.41
Subtotal of cash outflows from operating activities	165,225,697.83	41,776,375.31	184,870,785.08	14,131,333.70
Net cash flows from operating activities	142,650,825.02	77,179,248.85	36,604,404.48	-8,495,932.25
II. Cash Flows from investment activities:				
Cash received from disposal of investments	28,000,000.00	20,000,000.00		
Cash received from investment income				
Net cash received from disposal of fixed assets, intangible assets and other long-term assets	3,686,573.00	3,628,173.00	71,938.50	
Net cash received from disposal of subsidiary or other business units				
Other cash received relating to investment activities				
Subtotal of cash inflows from investment activities	31,686,573.00	23,628,173.00	71,938.50	
Cash paid to acquire fixed assets, intangible assets and other long-term assets	11,297,369.53	922,747.00	1,135,077.55	35,166.00
Cash paid for investment	132,600,000.00	125,600,000.00		
Net increase of pledged loans				
Net cash paid to acquire subsidiaries and other business units				
Other cash paid relating to investment activities	15,401,893.30			
Subtotal of cash outflows from investment activities	159,299,262.83	126,522,747.00	1,135,077.55	35,166.00
Net cash flows from investment activities	-127,612,689.83	-102,894,574.00	-1,063,139.05	-35,166.00
III. Cash flows from financing activities:				
Cash received from absorbing investment				
Including: Cash received by subsidiaries from investment of minority interest				
Cash received from borrowings			7,850,000.00	7,850,000.00
Cash received from issuance of bonds				
Other cash received relating to financing activities				
Subtotal of cash inflows from financing activities			7,850,000.00	7,850,000.00
Cash paid to repay loans	71,000,000.00	16,000,000.00	6,380,000.00	2,680,000.00
Cash paid for interest expenses and distribution of dividends or profit	-3,092,330.66	-8,016,323.92	5,700,951.58	878,593.46
Including: dividends or profit paid to minority shareholders by subsidiaries	-3,092,330.66	-8,016,323.92		
Other cash payments relating to financing activities				
Sub-total of cash outflows from financing activities	67,907,669.34	7,983,676.08	12,080,951.58	3,558,593.46
Net cash flows from financing activities	-67,907,669.34	-7,983,676.08	-4,230,951.58	4,291,406.54
IV. Effect of foreign exchange rate changes on cash and cash equivalents				
V. Net increase in cash and cash equivalents	-52,869,534.15	-33,699,001.23	31,310,313.85	-4,239,691.71
Add: beginning balance of cash and cash equivalents	291,787,132.78	161,760,970.47	36,655,536.17	4,869,795.27
VI. Closing balance of cash and cash equivalents	238,917,598.63	128,061,969.24	67,965,850.02	630,103.56

3. Others																				
(IV) Profit distribution																				
1. Withdrawing surplus public reserve																				
2. Withdrawing general risk reserve																				
3. Distribution to owners (or shareholders)																				
4. Others																				
(V) Internal carrying forward of owners' equity																				
1. New increase of capital (or share capital) from capital reserves																				
2. Converting surplus reserves to capital (or share capital)																				
3. Surplus reserves make up losses																				
4. Others																				
(VI) Specific reserves																				
1. Appropriated in current period																				
2. Used in current period																				
IV. Balance at the end of this period	426,745,404.00	619,229,155.97			114,177,485.88	-624,066,107.75	19,784,557.12	555,870,495.22	426,745,404.00	748,156,030.97			114,177,485.88	-671,293,112.70	10,054,455.39	627,840,263.54				

7.2.4 Statement of Changes in Owners' Equity of Parent Company

Prepared by HaiNan Pearl River Holdings Co., Ltd

For the first half year of 2010

Unit: RMB Yuan

Items	Amount for the current period								Amount of last year							
	Paid-in capital (or share capital)	Capital reserve	Less: treasury stock	Specific reserves	Surplus public reserve	General risk reserve	Retained profit	Total owners' equity	Paid-in capital (or share capital)	Capital reserve	Less: treasury stock	Specific reserves	Surplus public reserve	General risk reserve	Retained profit	Total owners' equity
I. Balance at the end of last year	426,745,404.00	791,820,495.51			109,487,064.39		-648,140,659.00	679,912,304.90	426,745,404.00	337,276,496.52			109,487,064.39		-741,179,217.57	132,329,747.34
Add: change of accounting policy																
Correction of errors in previous periods																
Others																
II. Balance at the beginning of this year	426,745,404.00	791,820,495.51			109,487,064.39		-648,140,659.00	679,912,304.90	426,745,404.00	337,276,496.52			109,487,064.39		-741,179,217.57	132,329,747.34
III. Increase/ decrease of amount in this year ("-" means decrease)		-169,575,000.00					10,416,181.65	-159,158,818.35		413,895,873.99					107,267,730.82	521,163,604.81
(I) Net profit							11,512,721.21	11,512,721.21							107,267,730.82	107,267,730.82
(II) Other composite income		-169,575,000.00					-1,096,539.56	-170,671,539.56		413,895,873.99						413,895,873.99
Subtotal of (I) and (II)		-169,575,000.00					10,416,181.65	-159,158,818.35		413,895,873.99					107,267,730.82	521,163,604.81
(III) Capital input and reduction by owners																
1. Capital input of owners																
2. Amount of stock payment included in owners' equity																
3. Others																
(IV) Profit distribution																
1. Withdrawing surplus public reserve																
2. Withdrawing general risk reserve																
3. Distribution to owners (or shareholders)																
4. Others																
(V) Internal carrying forward of owners' equity																
1. New increase of capital (or share capital) from capital reserves																
2. Converting surplus reserves to capital (or share capital)																
3. Surplus reserves make up losses																
4. Others																
(VI) Specific reserves																
1. Appropriated in current period																
2. Used in current period																
IV. Balance at the end of this period	426,745,404.00	622,245,495.51			109,487,064.39		-637,724,477.35	520,753,486.55	426,745,404.00	751,172,370.51			109,487,064.39		-633,911,486.75	653,493,352.15

Hainan Pearl River Holding Company Limited

Notes on the Financial Statements for the Year ended 30 June 2010

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

I. General information

The old name of Hainan Pearl River Holding Company Limited (the "Company") was Hainan Pearl River Industry Company Limited. Hainan Provincial People's Government Office approved the reorganization of the Company into a joint stock limited company according to the document of Qiong Fu Ban [1992] No.1. The Company was registered in Hainan Administration for Industry and Commerce in January 1992. The Company issued 21,086,400 shares of RMB common stock to the public and was listed on Shenzhen Stock Exchange according to the document of securities administration office [1992] No. 83 of the People's Bank of China in December 1992. The Company issued the domestic listing foreign capital stock (B-share) with the approval of China Securities Regulatory Commission in June 1995. The Company changed to present name in January 2000. In August 2006, the Company increased stocks with capital surplus to all shareholders, and the registered capital was changed to 426,745,400 Yuan from 377,650,800 Yuan.

The business license number: 4600001006830

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

Corporate representative: Zheng Qing

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

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

There are General Manager Office, Securities Department, Tourism Real Estate

Department, Financial Department, Management Department, Auditing Department and others in the Company.

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

1 . Preparation basis of financial statement

Preparation of the financial statements is based on going concern postulate. Recognition and measurement comply with actual transactions or events, and the Company prepares financial statements on these bases.

2. Announcement about compliance with Accounting Standards for Business Enterprises

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

3. Accounting year

Accounting year of the Group is the calendar year from January 1 to December 31.

4. Reporting currency

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

5. Consolidation Basis

(1) Merge of the enterprises under the uniform control

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

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

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

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

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

6. The standard for consolidation financial statement preparation

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

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

7. Cash and Cash equivalents

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

8. Foreign currency transactions

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

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

9. Financial Instruments

(1) Classification of financial assets and financial liabilities

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

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

(2) Recognition and measurement of financial instruments

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

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

An enterprise shall make subsequent measurement on its financial liabilities on the basis of the post-amortization costs by adopting the actual interest rate method, with the exception of those under the following circumstances: a. For the financial liabilities measured at their fair values and of which the variation is recorded into the profits and losses of the current period, they shall be measured at their fair values, and none of the transaction expenses may be deducted, which may occur when the financial liabilities are settled in the future. b. For the derivative financial liabilities, which are connected to the equity instrument for which there is no quotation in the active market and whose fair

value cannot be reliably measured, and which must be settled by delivering the equity instrument, they shall be measured on the basis of their costs. c. For the financial guarantee contracts which are not designated as a financial liability measured at its fair value and the variation thereof is recorded into the profits and losses of the current period, and for the commitments to grant loans which are not designated to be measured at the fair value and of which the variation is recorded into the profits and losses of the current period and which will enjoy an interest rate lower than that of the market, a subsequent measurement shall be made after they are initially recognized according to the higher one of the following: the best estimation required to pay when carrying out the prevailing obligations, and initially recognized amount deducting accumulative amortization which adopts the actual interest rate method.

(3) Recognition and measurement of transfer of financial assets

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

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

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

As for the financial assets or financial liabilities for which there is an active market, the quoted prices in the active market shall be used to determine the fair values thereof. Where there is no active market for a financial instrument, the enterprise concerned shall adopt value appraisal techniques to determine its fair value. The value appraisal techniques mainly include the prices adopted by the parties, who are familiar with the

condition, in the latest market transaction upon their own free will, the current fair value obtained by referring to other financial instruments of the same essential nature, the cash flow capitalization method and the option pricing model, etc. As for the financial assets initially obtained or produced at source and the financial liabilities assumed, the fair value thereof shall be determined on the basis of the transaction price of the market.

(5) Impairment of financial assets

An enterprise shall carry out an inspection, on the balance sheet day, on the carrying amount of the financial assets other than those measured at their fair values and of which the variation is recorded into the profits and losses of the current period. An impairment test shall be made on the financial assets with significant single amounts. With regard to the financial assets with insignificant single amounts, they shall be included in a combination of financial assets with similar credit risk features so as to carry out an impairment-related test. Where, upon independent test, the financial asset (including those financial assets with significant single amounts and those with insignificant amounts) has not been impaired, it shall be included in a combination of financial assets with similar risk features so as to conduct another impairment test.

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

10. Accounts receivable and bad debts

(1) Measurement method and the percentage of bad debts

Measurement method of bad debts: accounted with allowance method.

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

flows.

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

Here is the Company's bad debts provision policy:

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

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

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

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

11. Inventories

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

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

Public facilities costs: public facilities such as schools, as well as public facilities fees acquired by government departments, the cost is included in "development costs" and

its apportionment and detailed calculation are in accordance with calculation objects and cost items.

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

12. Long-term equity investment

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

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

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

(2) Subsequent measurement

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

A long-term equity investment of the investing enterprise that does joint control or significant influences over the invested entity shall be measured by employing the

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

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

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

(3) Recognition basis of joint control and significant influences

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

(4) Disposal of long-term equity investment

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

proportion.

13. Investment property

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

14. Fixed assets

(1) Recognition of fixed assets

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

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

(2) The category and depreciation method of fixed assets

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

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

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

The company shall, at least at the end of each year, have a check on the useful life,

expected residual value and the depreciation method of the fixed assets, and adjust them when necessary.

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

(3) Idle fixed assets

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

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

(4) Fixed assets under financing lease

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

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

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

15. Construction in progress

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

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

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

16. Borrowing Costs

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

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

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

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

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

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

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

17. Intangible assets

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

18. Payroll

The term "employee compensation" refers to all kinds of payments and other relevant expenditures given by enterprises in exchange of the services offered by the employees. The employee compensation shall include: wages, bonuses, allowances and subsidies for the employees, non-monetary welfare and etc.

During the accounting period of an employee' providing services to an enterprise, the enterprise shall, in accordance with beneficiaries of the services offered by the employee, treat the following circumstances respectively:

- (1)The compensation for the employee for producing products or providing services shall be recorded as the product costs and service costs;
- (2)The compensation for the employee for any on-going construction project or for any intangible asset shall be recorded as the costs of fixed asset or intangible assets;
- (3)The compensation for the cancellation of the labor relationship with the employee shall be recorded into general and administrative expenses of the current period.

The compensation for the employee other than those as mentioned above shall be recorded as profit or loss for the current period.

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. Share-based payments

The term "share-based payment" refers to a transaction in which an enterprise grants

equity instruments or undertakes equity-instrument-based liabilities in return for services from employee or other parties. The share-based payments shall consist of equity-settled share-based payments and cash-settled share-based payments. The equity-settled share-based payment in return for employee services shall be measured at the fair value of the equity instruments granted to the employees. An equity-settled share-based payment in return for the service of any other party shall be measured at the fair value of the service on the acquisition date; If the fair value of the service of any other party can not be measured in a reliable way, it shall be measured at the fair value of the equity instruments on the acquisition date. The fair value of the equity instruments is recognized according to following methods:

(1) For which there is an active market, the quoted prices in the active market shall be used to determine the fair values.

(2) Where there is no active market for equity instrument, the enterprise concerned shall adopt value appraisal techniques to determine its fair value. The value appraisal techniques mainly include the prices adopted by the parties, who are familiar with the condition, in the latest market transaction upon their own free will, the current fair value obtained by referring to other financial instruments of the same essential nature, the cash flow capitalization method and the option pricing model, etc.

The Company makes the best estimation to the equity instruments can be exercised rights according to subsequent information, for example, change of employees who can exercise rights as currently obtained.

21. Revenue recognition

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

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

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

(2) Rendering of services

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

When the outcome of a transaction involving the rendering of services can not be estimated reliably at the balance sheet date: when the costs incurred are expected to be recoverable, revenue shall be recognized to the extent of costs incurred and an equivalent amount shall be charged to profit or loss as service costs; when the costs incurred are not expected to be recoverable, the costs incurred shall be recognized in profit or loss for the current period and no service revenue shall be recognized.

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

(3) Use by others of enterprise assets

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

22. 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.

23. Recognition of deferred income tax assets

(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.

24. 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.

25. 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.

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

(1) Changes of accounting policies

Not applicable.

(2) Changes of accounting estimates and error correction

Not applicable.

27. Notes for accounting estimates of previous period

Not applicable.

III. Taxation

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

Category	Rate	Taxable base
Business tax	5%	Revenue of house property sale and lease, property management income and etc.
City construction and maintenance tax	5%, 7%	Business tax and value-added tax
Education fee	3%	Business tax and value-added tax
Income tax	18%, 25%	Taxable income

Note: Except that income tax of companies in Hainan District and Hainan Pearl River Enterprises Holding Co., Ltd. Shanghai Real Estate Co. is levied at 20% of taxable income, the income tax of other companies is levied at 25% of taxable income.

IV. Business combinations and consolidation financial statements

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

The consolidated financial statements shall be prepared by parent based on the

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

1. Subsidiaries established by the Company

Subsidiary's name	Registered address	Registered capital (RMB 0'000)	Principal activities	Holding proportion	Voting rights proportion	Amount invested by the Company (RMB 0'000)
Hainan Pearl River Properties and Hotels Management Co., Ltd.	Hainan Haikou	500	Properties and Hotels Management	98%	98%	490
Hainan Pearl River Environmental Projects Co., Ltd.	Hainan Haikou	100	Gardens engineering construction	100%	100%	100
Hainan Pearl River Estate Cleaning Company	Hainan Haikou	20	Cleaning projects	100%	100%	20
Hainan Pearl River Estate Machine Engineering Company	Hainan Haikou	150	Mechanical and electrical products sales	100%	100%	150
Hainan Pearl River Estate Marketing Co., Ltd.	Hainan Haikou	100	Real Estate Marketing Planning	100%	100%	100
Sanya Wanjia Hotel Management Co., Ltd.	Hainan Sanya	12,000	Hotel service	100%	100%	12,000
Hubei Pearl River Real Estate Development Co., Ltd.	Hubei Wuhan	6,500	Real estate development and management	88%	88%	5,720
Wuhan Pearl River Meilin Hotels Management Co., Ltd.	Hubei Wuhan	50	Service	100%	100%	50
Hainan Pearl River Enterprises Holding Co., Ltd. Shanghai Real Estate Co.	Shanghai	4,000	Real estate development and management	100%	100%	4,000

Subsidiary's name	Registered address	Registered capital (RMB 0'000)	Principal activities	Holding proportion	Voting rights proportion	Amount invested by the Company (RMB 0'000)
Beijing Jiubo Culture Development Co., Ltd.	Beijing	500	Cultural and sports services	100%	100%	500
Mudanjiang Pearl River Hotel Management Co., Ltd.	Mudanjiang	2000	Hotel service	100%	100%	2000

V. Notes to significant items of the consolidated financial statements

1. Monetary funds

Items	Jun 30, 2010	Jan 1, 2010
Cash	193,980.73	318,158.18
Bank deposit	238,697,000.71	291,454,577.87
Other monetary funds	26,617.19	14,396.73
Total	238,917,598.63	291,787,132.78

Note: The other monetary fund was the amount of credit card.

2. Accounts receivable

(1) Accounts receivable listed by categories

Categories	June 30, 2010				January 1, 2010			
	Amounts		Bad Debt Provision		Amounts		Bad Debt Provision	
	Amounts	Ratio (%)	Amounts	Ratio (%)	Amounts	Ratio (%)	Amounts	Ratio (%)
Significant accounts receivable	7,761,707.60	53.92	7,761,707.60	100.00	7,761,707.60	59.89	7,761,707.60	100.00
Non-significant but high risk portfolio accounts receivable	2,690,367.44	18.69	2,340,523.73	87.00	2,764,507.43	21.34	2,331,599.02	84.34
Other non-significant accounts receivable	3,943,411.46	27.39	160,813.23	4.08	2,433,083.36	18.77	220,292.30	9.05
Total	14,395,486.50	100.00	10,263,044.56	71.29	12,959,298.39	100.00	10,313,598.92	79.58

(2) Aging analysis

Ages	30 Jun 2010				1 Jan 2010			
	Balance	Proportion (%)	Bad debts	Bad debts ratio (%)	Balance	Proportion (%)	Bad debts	Bad debts ratio (%)
Within 1 year	3,436,911.46	23.87	68,738.23	2.00	1,815,393.94	14.01	36,307.88	2.00
1-2 years	101,500.00	0.71	5,075.00	5.00	141,500.00	1.09	7,075.00	5.00
2-3	40,000.00	0.28	4,000.00	10.00	19,200.00	0.15	1,920.00	10.00

years								
3-4 years	265,000.00	1.84	53,000.00	20.00	475,408.00	3.67	263,408.00	55.41
4-5 years	100,000.00	0.69	30,000.00	30.00	100,000.00	0.77	30,000.00	30.00
Over 5 years	10,452,075.04	72.61	10,102,231.33	96.65	10,407,796.45	80.31	9,974,888.04	95.84
Total	14,395,486.50	100.00	10,263,044.56	71.29	12,959,298.39	100.00	10,313,598.92	79.58

Note 1. The year end balance did not contain any debt owned by major shareholders who own more than 5% of the Company's share capital.

2. The Top five debtors' ending total balance is 8,259,227.60 Yuan, and is 57.37% of accounts receivable total amount.

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

Name	Relationship with the company	Owned amount	Ages	Proportion of total accounts receivable (%)
Hainan racing entertainment Co., LTD	client	2,406,158.00	over 5 years	16.71
Hainan Baoping company	client	2,218,494.43	over 5 years	15.41
Hainan centaline property agency	client	2,090,069.77	over 5 years	14.52
Hainan dragon flim studio	client	1,046,985.40	over 5 years	7.27
Haikou Peijie Clothing Company	client	497,520.00	over 5 years	3.46
Total		8,259,227.60		57.37

4. The bad debts proportion and reasons for individual accounts receivable with significant amount

Individual accounts receivable whose amount is more than 1 million and whose ending balance is owned more than 5% (including 5%) of the total other receivables will be recognized as individual accounts receivable with significant amount.

At the end of this year, the individual accounts receivable with significant amount that doesn't occur impairment loss after individual testing, shall base on actual loss rates of accounts receivable portfolio with same ages and present situation to determine the bad debts proportion. Among them, the balance over 5 years is 7,761,707.60 Yuan.

5. The bad debts proportion and reasons for individual accounts receivable without significant amount, but with significant credit risk according to credit risk characteristics portfolio

For the accounts receivable over 5 years, the bad debts proportion is 50% of the balance. For accounts receivable that are surely uncollectible, the bad debts proportion could be increased to 100% of the balance. After deducting individual accounts receivable with significant amount from accounts receivable satisfied with above situations, the leavings are individual accounts receivable without significant amount, but with significant credit risk.

3.Prepayments

(1) Aging analysis

Ages	30 Jun 2010		1 Jan 2010	
	Balance	Proportion (%)	Balance	Proportion (%)
Within 1 year	7,696,180.15	62.03	38,951,175.90	87.95
1-2 years	4,410,600.00	35.55	4,974,585.03	11.23
2-3 years			60,000.00	0.14
Over 3 years	300,000.00	2.42	300,000.00	0.68
Total	12,406,780.15	100.00	44,285,760.93	100.00

(2) Top five units of prepayments

Company's Name	Relationship	Amounts	Proportion (%)	Year	Unsettled reason
Guangdong High-spirited Technology Development Co., Ltd.	client	4,410,600.00	35.55	2008	Pre-paid subcontracting project with a long-term construction cycle.
Shantou Kin Group Hainan Branch	client	3,879,434.82	31.27	2009	
Beijing Mingmei Garden Construction Engineering Co., Ltd	client	1,544,893.80	12.45	2009	
Xizi Otis Co., Ltd	client	861,140.00	6.94	2009	
Wuhan Yigeli Technology Development Co., Ltd.	client	300,000.00	2.42	2006	
Total		10,996,068.62	88.63		

Note 1: The year end balance did not contain any debt owned by major shareholders who own more than 5% of the Company's share capital.

4. Dividends receivable

(1) Details of dividends receivable

Items	Jan 1, 2010	Increment	Decrement	Jun 30, 2010
Hainan Pearl River Guangzhuang Co., Ltd.	260,015.00			260,015.00
Total	260,015.00			260,015.00

(2) Dividends receivable exceed one year

Invested company	Age	Ending balance	Reason	Impairment loss
Hainan Pearl River Guangzhuang Co., Ltd.	2-3 years	260,015.00	The invested company has the fund tight problem	None
Total		260,015.00		

5. Other receivables

(1) Others receivable listed by categories

Categories	June 30, 2010				Jan 1, 2010			
	Amounts		Bad Debt Provision		Amounts		Bad Debt Provision	
	Amounts	Ratio (%)	Amounts	Ratio (%)	Amounts	Ratio (%)	Amounts	Ratio (%)
Significant accounts receivable	268,991,392.77	82.70	16,400,800.35	6.10	208,704,388.81	90.43	24,242,029.15	11.62
Non-significant but high risk portfolio accounts receivable	28,287,602.78	8.70	25,988,118.67	91.87	17,831,727.32	7.72	16,297,455.25	91.40
Other non-significant accounts receivable	27,974,376.94	8.60	615,097.01	2.20	4,260,121.19	1.85	662,016.45	15.54
Total	325,253,372.49	100.00	43,004,016.03	13.22	230,796,237.32	100.00	41,201,500.85	17.85

(2) Aging analysis

Ages	30 Jun 2010				1 Jan 2010			
	Balance	Proportion (%)	Bad debts	Bad debts ratio (%)	Balance	Proportion (%)	Bad debts	Bad debts ratio (%)
Within 1 year	277,414,763.44	85.29	5,548,295.27	2.00	182,969,316.25	79.28	3,658,913.68	2.00
1-2 years	48,580.92	0.01	2,429.05	5.00	44,584.58	0.02	2,229.23	5.00
2-3 years	216,960.35	0.07	21,696.04	10.00	441,128.03	0.19	253,686.19	57.51

3-4 years	800,000.00	0.25	160,000.00	20.00	800,000.00	0.35	260,000.00	32.50
4-5 years	6,002,840.00	1.85	1,800,852.00	30.00	6,005,129.00	2.60	1,801,538.70	30.00
Over 5 years	40,770,227.78	12.53	35,470,743.67	87.00	40,536,079.46	17.56	35,225,133.05	86.90
Total	325,253,372.49	100.00	43,004,016.03	13.22	230,796,237.32	100.00	41,201,500.85	17.85

(2) Top five units of others receivable

Name	Relationship with the company	Owned amount	Ages	Proportion of total Other receivable (%)
Mengneng International Energy Development Co., Ltd.	The entity outside the group	131,783,274.72	Within 1 year	40.52
Beijing Wanjiatengtai Investment Co., Ltd.	The entity outside the group	61,000,000.00	Within 1 year	18.75
Beijing Wucaixiangshi Technology and trading Co., Ltd	The entity outside the group	57,125,493.05	Within 1 year	17.56
YangPu Nanhua Datong investment Co., Ltd	Ministry interests party	12,600,000.00	600,000.00 Yuan between 3-4 years; 6,000,000.00 Yuan between 4-5 Years; and 6,000,000.00 Yuan over 5 years	3.88
Shenzhen impression computer Co., Ltd	The entity outside the group	6,482,625.00	Within 1 year	1.99
Total		198,482,661.67		82.70

Note : The year end balance did not contain any debt owned by major shareholders who own more than 5% of the Company's share capital.

6. Inventories

(1) Inventories category

Items	Jun 30, 2010			Jan 1, 2010		
	Ending Balance	Provision for Inventory	Book value	Ending Balance	Provision for Inventory	Book value
Raw materials	2,100,342.36		2,100,342.36	2,374,414.73		2,374,414.73
Low-value consumption goods:				17,383.70		17,383.70
Finished goods	343,172.53		343,172.53	343,423.63		343,423.63
Constructing development product	39,711,170.00		39,711,170.00	155,099,116.09	41,686,535.83	113,412,580.26
Development products	160,180,833.60	22,610,830.73	137,570,002.87	445,462,776.95	22,610,830.73	422,851,946.22
Total	202,335,518.49	22,610,830.73	179,724,687.76	603,297,115.10	64,297,366.56	538,999,748.54

(2) Inventories impairment provision

Items	1 Jan 2010	Increment	Decrement		30 Jun 2010
			Transfer back	Write off	
Constructing development product	41,686,535.83		7,200,000.00	34,486,535.83	0.00
Development product	22,610,830.73				22,610,830.73
Total	64,297,366.56		7,200,000.00	34,486,535.83	22,610,830.73

(3) Constructing development product listed as follows:

Project name	Commencement date	Estimated time for completion	Estimated total investment (0'000)	30 Jun 2010	1 Jan 2010
Wuhan Meilin Qingcheng second and third period projects	In Sep 2006	In 2011	79,929.00	39,711,170.00	41,803,027.01
Longzhu third period project				0.00	52,124,012.28
Along No.1 road engineering project				0.00	61,172,076.80
Total				39,711,170.00	155,099,116.09

(4) Development product is as follows:

Project name	Time for completion	1 Jan 2010	Increment	Decrement	30 Jun 2010
Pearl River Plaza F3 Dijing	In 1995	5,315,696.54			5,315,696.54
Pearl River Plaza F4 attaching building	In 1995	8,412,701.88			8,412,701.88
Longzhu Plaza	In 1992	1,598,659.60			1,598,659.60
Pearl River Plaza underground garage	In 1995	6,919,373.98			6,919,373.98
Longzhu Plaza underground garage	In 1992	2,664,000.00			2,664,000.00
Rose garden high floor house	In 2000	1,908,873.88			1,908,873.88
Rose garden underground second floor	In 2000	30,345,040.97			30,345,040.97
Bike Library		4,920,158.38			4,920,158.38
Wuhan Meilin Qingcheng project-P1	In Aug 2006	3,497,980.75			3,497,980.75
Wuhan Meilin Qingcheng project-P2	In Sep 2009	379,880,290.97		285,281,943.35	94,598,347.62
Total		445,462,776.95		285,281,943.35	160,180,833.60

7. Available for sales financial assets

(1) Available for sales financial assets listed by categories

Items	Fair value at Jun 30,2010	Fair value at Jan 1,2009
Available for sales equity instrument	405,317,500.00	
Total	405,317,500.00	

(2) Details for available for sales financial assets

Names	No. of shares holding	Initial investment costs	Fair value at Jun 30,2010
Southwest Securities	33,250,000.00	42,460,376.01	405,317,500.00
Total	33,250,000.00	42,460,376.01	405,317,500.00

Note 1. At the end of the year, the fair value of the available for sales financial assets exceeded the initial invested cost, and the exceeded amount was 362,857,123.99 Yuan, which was consisted with the capital reserve of 284,968,998.99 Yuan and the deferred income tax liability of 77,888,125.00 Yuan.

8. Joint investment and joint venture investment

(1) Joint investment

Name	Nature	Registration address	legal representative	Business Character	Registered capital	Percentage of equity interest (%)	Percentage of vote right (%)
Shanghai Sea Pearl Property Management Corporation	Limited liability	Shanghai	Qing Zheng	Real Estate Development	1,660,460.00	50	50

Name	Ending Balance of Total Assets	Ending Balance of Total Liabilities	Ending Balance of Net Assets	Operating Income	Net profit
Shanghai Sea Pearl Property Management Corporation	3,173,842.07	2,490,302.11	683,539.96	2,419,028.10	119,772.64

(2) Joint venture investment

Name	Nature	Registration address	legal representative	Business Character	Registered capital	Percentage of equity interest (%)	Percentage of vote right (%)
Beijing Sunshine Tiansheng Property Management Co., Ltd.	Limited liability	Beijing	Qing Zheng	Property Management	5,000,000.00	30	30

Name	Total Assets on Jun 30, 2010 (IRR)	Total Liabilities on Jun 30, 2010 (IRR)	Net Assets on Jun 30, 2010 (IRR)	Total Operating Income till Jun 30, 2010 (IRR)	Net Profit till Jun 30, 2010 (IRR)
Beijing Sunshine Tiansheng Property Management Co., Ltd.	9,502,284.88	4,486,323.18	5,009,816.49	3,266,951.19	-324,908.58

Name	Total Assets on Jun 30, 2010 (IRR)	Total Liabilities on Jun 30, 2010 (IRR)	Net Assets on Jun 30, 2010 (IRR)	Total Operating Income till Jun 30, 2010 (IRR)	Net Profit till Jun 30, 2010 (IRR)		
Sanya Wanjia Enterprises Holding Co., Ltd.							
Name	Nature	Registration address	legal representative	Business Character	Registered capital	Percentage of equity interest(%)	Percentage of vote right (%)
Sanya Wanjia Enterprises Holding Co., Ltd.	Limited liability	Hainan Sanya	Qing Zheng	Cultural and sports services	100,000,000	40	40

Name	Total Assets on Jun 30, 2010 (IRR)	Total Liabilities on Jun 30, 2010 (IRR)	Net Assets on Jun 30, 2010 (IRR)	Total Operating Income till Jun 30, 2010 (IRR)	Net Profit till Jun 30, 2010 (IRR)
Sanya Wanjia Enterprises Holding Co., Ltd.	98,420,499.83	999,687.34	97,420,812.49	0.00	162,161.38

9. Long-term Equity Investment

Name	Accounting Method	Initial investment Cost	Beginning Balance	Increase or decrease	Ending Balance	Percentage of equity interest (%)	Percentage of vote right (%)	Impairment loss provision	Current impairment loss
Guangzhou Pearl River Investment Management Co., Ltd	Cost Method	18,177,240.29	18,177,240.29		18,177,240.29	9.4785	9.4785	7,352,245.39	
Network Science and Technology Investment Co.	Cost Method	10,000,000.00	10,000,000.00		10,000,000.00	10	10	10,000,000.00	
China (Hainan) Reform and Development Institute	Cost Method	8,640,000.00	8,640,000.00		8,640,000.00			8,640,000.00	
Hainan Tongsheng Ports Co.	Cost Method	6,000,000.00	6,000,000.00		6,000,000.00			6,000,000.00	
Hainan Nanyang Shipping Industrial Company Limited	Cost Method	1,680,000.00	1,680,000.00		1,680,000.00			1,680,000.00	
Nan Li Lake membership card	Cost Method	662,400.00	662,400.00		662,400.00			662,400.00	
Hainan Pearl River Guanzhuang Co., Ltd	Cost Method	618,500.00	426,315.00		426,315.00	1.33	1.33		
Hainan Chamber of Commerce	Cost Method	500,000.00	500,000.00		500,000.00	6.67	6.67	500,000.00	
Nan Li Lake Golf Membership Card	Cost Method	249,000.00	249,000.00		249,000.00			249,000.00	
Hainan Huadi Pearl River Foundation Engineering	Cost Method	160,000.00	160,000.00		160,000.00	2	2		

Name	Accounting Method	Initial investment Cost	Beginning Balance	Increase or decrease	Ending Balance	Percentage of equity interest (%)	Percentage of vote right (%)	Impairment loss provision	Current impairment loss
Co., Ltd.									
Beijing Sunshine Tiansheng Property Management Co., Ltd.	Equity Method	1,500,000.00	1,571,206.89		1,571,206.89	30	30		
Shanghai Sea Pearl Property Management Corporation	Equity Method	832,000.00	498,999.62		498,999.62	50	50	332,092.00	
Sanya Wanjia Enterprises Holding Co., Ltd.	Equity Method	40,000,000.00	0.00	38,968,325.00	38,968,325.00	40	40		
Total		89,019,140.29	48,565,161.80	38,968,325.00	87,533,486.80			35,415,737.39	

10. Investment real estates

Items	1 Jan 2010	Increment	Decrement	30 Jun 2010
I. Original value	26,260,649.34			26,260,649.34
Buildings and structures	26,260,649.34			26,260,649.34
II. Accumulated depreciation and amortization	2,497,903.02	442,349.76		2,940,252.78
Buildings and structures	2,497,903.02	442,349.76		2,940,252.78
III. Impairment provision	2,979,083.88			2,979,083.88
Buildings and structures	2,979,083.88			2,979,083.88
IV. Book value	20,783,662.44	-442,349.76		20,341,312.68
Buildings and structures	20,783,662.44	-442,349.76		20,341,312.68

Note 1. The depreciation of this year was 442,349.76 Yuan.

2. The building for mortgage loan was explained "V.18".

11. Fixed assets

Items	1 Jan 2010	Increment	Decrement	30 Jun 2010
I. Original value	348,828,316.22	6,274,675.07	14,569,882.59	340,533,108.70
Buildings and structures	260,181,947.12	0.00	9,945,903.82	250,236,043.30
General equipments	39,998,515.14	3,903,432.45	127,849.62	43,774,097.97
Vehicles	16,643,922.96	1,893,024.62	4,303,578.43	14,233,369.15
Other equipments	32,003,931.00	478,218.00	192,550.72	32,289,598.28
II. Accumulated depreciation	71,901,363.41	9,443,127.58	5,947,183.22	75,397,307.77
Buildings and structures	26,693,513.68	4,623,515.35	3,758,503.63	27,558,525.40
General equipments	20,401,545.45	1,198,186.85	23,296.48	21,576,435.82

Items	1 Jan 2010	Increment	Decrement	30 Jun 2010
Vehicles	8,747,465.60	1,120,741.66	2,113,321.20	7,754,886.06
Other equipments	16,058,838.68	2,500,683.72	52,061.91	18,507,460.49
III. Impairment provision	12,111,469.32	0.00	4,612,173.40	7,499,295.92
Buildings and structures	12,111,469.32	0.00	4,612,173.40	7,499,295.92
General equipments				
Vehicles				
Other equipments				
IV. Book value	264,815,483.49	6,274,675.07	13,453,653.55	257,636,505.01
Buildings and structures	221,376,964.12	0.00	6,198,742.14	215,178,221.98
General equipments	19,596,969.69	3,903,432.45	1,302,739.99	22,197,662.15
Vehicles	7,896,457.36	1,893,024.62	3,310,998.89	6,478,483.09
Other equipments	15,945,092.32	478,218.00	2,641,172.53	13,782,137.79

Note 1. The depreciation cost of this year was 9,443,127.58 Yuan.

2. The building for mortgage loan was explained "Note V.18".

3: The Buildings and structures in Wuhan Club is 6,616,310.00 Yuan; the relevant property ownership certificate is in course of handling, which will be expectedly obtained in 2010.

12. Construction in progress

Project name	30 Jun 2010			1 Jan 2010		
	Ending Balance	Impairment loss provision	Book value	Ending Balance	Impairment loss provision	Book value
Lake Hotel	4,313,000.00		4,313,000.00	2,510,000.00		2,510,000.00
Total	4,313,000.00		4,313,000.00	2,510,000.00		2,510,000.00

13. Engineering Materials

Items	1 Jan 2010	Increment	Decrement	30 Jun 2010
Appliance	606,206.60			606,206.60
Total	606,206.60			606,206.60

14. Intangible assets

Items	1 Jan 2009	Increment	Decrement	31 Dec 2009
I. Original value	35,483,465.18	9,900.00		35,493,365.18

Land use right of Sanya hotel	30,342,484.00			30,342,484.00
Sanya villa land	1,839,022.44			1,839,022.44
Wuhan club land	1,443,725.13			1,443,725.13
Shanghai house use right	695,732.00			695,732.00
Software	682,501.61	9,900.00		692,401.61
Others	480,000.00			480,000.00
II. Accumulative amortization	2,866,286.62	481,543.30		3,347,829.92
Land use right of Sanya hotel	2,286,810.58	394,224.94		2,681,035.52
Sanya villa land	142,990.92	23,831.82		166,822.74
Wuhan club land	52,807.91	10,312.32		63,120.23
Shanghai house use right	230,402.82	6,957.32		237,360.14
Software	149,858.02	35,967.77		185,825.79
Others	3,416.37	10,249.13		13,665.50
III. Total impairment loss provision				
IV. Carrying amount	32,617,178.56	9,900.00	481,543.30	32,145,535.26
Land use right of Sanya hotel	28,055,673.42		394,224.94	27,661,448.48
Sanya villa land	1,696,031.52		23,831.82	1,672,199.70
Wuhan club land	1,390,917.22		10,312.32	1,380,604.90
Shanghai house use right	465,329.18		6,957.32	458,371.86
Software	532,643.59	9,900.00	35,967.77	506,575.82
Others	476,583.63		10,249.13	466,334.50

Note 1. The right to use land of 30,780.13 square meters in Sanya hotel has been mortgaged for bank loan. Details refer to "Notes V. 18".

2.: The Accumulative amortization of this year was 481,543.30 Yuan.

3: The carrying amount of land use right in Wuhan Club is 1,443,725.13 Yuan; the relevant property ownership certificate is in course of handling, which will be expectedly obtained in 2010.

15. Long-term prepayments

Items	1 Jan 2010	Increment	Amortization	Other decrements	30 Jun 2010
Pearl Ito supermarket renovation costs (Zhengzhou)	71,087.33		71,087.33		0.00
Sanya staff quarters decoration (Sanya)	151,661.90	9,958.00	14,886.84		146,733.06
South China Sea Monsoon dormitory renovation costs (Sanya)		1,324,418.00			1,324,418.00

Items	1 Jan 2010	Increment	Amortization	Other decrements	30 Jun 2010
Total	222,749.23	1,334,376.00	85,974.17		1,471,151.06

16. Deferred income tax asset and deferred income tax liability

(1) Identified deferred income tax liability

Items	30 Jun 2010	1 Jan 2010
Deferred income tax liability :		
Changes on the fair value of available for sales financial assets credited to capital reserves	77,888,125.00	134,413,125.00
Total	77,888,125.00	134,413,125.00

(3) Unrecognised deferred income tax asset

Items	30 Jun 2010	1 Jan 2010
Deductible temporary differences	121,772,008.51	171,374,151.29
Deductible loss		
Total	121,772,008.51	171,374,151.29

17. Assets impairment provision

Items	1 Jan 2010	Increment	Decrement		30 Jun 2010
			Transfer back	Write off	
Bad debt provision	51,515,099.77	2,485,100.77		733,139.95	53,267,060.59
Inventories impairment provision	64,297,366.56		7,200,000.00	34,486,535.83	22,610,830.73
long-term equity investment impairment provision	35,415,737.39				35,415,737.39
Investment property impairment provision	2,979,083.88				2,979,083.88
Fixed assets impairment provision	12,111,469.32			4,612,173.40	7,499,295.92
Total	166,318,756.92	2,485,100.77	7,200,000.00	39,831,849.18	121,772,008.51

Note: There was the amount of 733,139.95 Yuan bad debt provision written off in this year, which was caused by the death of the debtor.

18. Assets with restricted ownership

Items	Assets name	Amount	Remark
1.Fixed assets			
Buildings and structures	Main Building of Days Hotel & Suites Sanya Resort	179,127,402.35	It has been mortgaged to the Bank of China Hainan Yeshumeng branch for loan 110 million Yuan (Contract

Items	Assets name	Amount	Remark
			No.G004-1).
Buildings and structures	Hotel Villa A, B & C	7,275,235.79	It has been mortgaged to the Bank of China Hainan Yeshumeng branch for loan 110 million Yuan (Contract No.G004-1).
2.Intangible assets			
Land use rights	Main Building of Days Hotel & Suites Sanya Resort	27,661,448.48	It has been mortgaged to the Bank of China Hainan Yeshumeng branch for loan 110 million Yuan (Contract No.G004-2).
Land use rights	Hotel Villa A, B & C	1,672,199.70	It has been mortgaged to the Bank of China Hainan Yeshumeng branch for loan 110 million Yuan (Contract No.G004-2).
3. Pledged assets			
Available for sales financial assets	3.325 millions Shares of Southwest Security	405,317,500.00	It has been mortgaged to Jilin Province Trust Co., Ltd. for the loan of 260 million Yuan (Contract No. JLXT2009A018).
Total		617,221,342.60	

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

19. Short-term loans

Category	30 Jun 2010	1 Jan 2010
Guaranteed loans	260,000,000.00	276,000,000.00
Total	260,000,000.00	276,000,000.00

Note 1. The Company provides mortgage for the loan, details refer to "Notes V. 18".

20. Accounts payable

Ages	30 Jun 2010		1 Jan 2010	
	Ending Balance	Percentage (%)	Opening Balance	Percentage (%)
Within 1 year	10,498,876.35	53.49	57,196,672.38	80.79
1 to 2 years	530,945.54	2.70	1,864,604.39	2.63
2 to 3 years	1,709,518.17	8.71	4,842,718.17	6.85
3 years and more	6,889,366.70	35.10	6,889,366.70	9.73
Total	19,628,706.76	100.00	70,793,361.64	100.00

Note 1. The end of this reporting period did not contain debt owned by any major shareholders who own more than 5% of the Company's share capital.

21. Accounts received in advance

Ages	30 Jun 2010		1 Jan 2010	
	Ending Balance	Percentage (%)	Opening Balance	Percentage (%)
Within 1 year	46,116,932.11	100.00	220,582,372.38	71.87
1 to 2 years			86,349,791.40	28.13
Total	46,116,932.11	100.00	306,932,163.78	100.00

Note 1. The end of this reporting period did not contain debt owned by any major shareholders who own more than 5% of the Company's share capital.

22. Accrued payroll

Items	1 Jan 2010	Increment	Decrement	30Jun2010
I. Salary, bonus, allowance	2,015,140.89	22,250,278.50	23,530,767.79	734,651.60
II. Employee Welfare expenses		2,372,419.91	2,521,686.62	-149,266.71
III. Social insurance		3,156,785.86	3,155,625.86	1,160.00
Where:1)Medical insurance		776,087.52	775,807.52	280.00
2) Endowment insurance		2,146,156.13	2,145,356.13	800.00
3) Unemployment insurance		143,805.17	143,765.17	40.00
4) Working accident insurance		51,388.61	51,360.61	28.00
5) Maternity insurance		39,348.43	39,336.43	12.00
IV. Housing accumulation fund		311,215.95	310,735.95	480.00
V. Labor union fees& Employee education fees	3,040,253.48	768,300.08	470,172.84	3,338,380.72
VI. Non-monetary welfares				
VII. Compensation for dismissal				
Total	5,055,394.37	28,859,000.30	29,988,989.06	3,925,405.61

Note: There is no accrued payroll without paid on time or linking with work efficiency.

23. Taxes payable

Items	30 Jun 2010	1 Jan 2010
VAT	-233,955.72	-154,744.14
Individual income tax	27,515.80	86,797.33
City construction and maintenance tax	361,024.50	-647,708.95
Corporate income tax	-483,269.94	-4,521,322.61
Property tax	460,843.97	610,026.42
Business tax	4,556,877.26	-9,798,993.83

Items	30 Jun 2010	1 Jan 2010
Land use tax	79,762.04	306,731.82
Education fee	93,168.90	-404,484.23
Local education fee	29,984.36	-145,039.08
Land value-added tax	12,694,809.62	-2,046,090.32
Others	239,016.37	-233,304.06
Total	17,825,777.16	-16,948,131.65

24. Interest payable

Item	30 Jun 2010	1 Jan 2010
Loan interest	81,696,774.66	65,601,325.75
Total	81,696,774.66	65,601,325.75

Note 1: The end of this year did not contain debt owned by any major shareholders who own more than 5% of the Company's share capital. Details refer to "Notes VI. Related party relationship and transactions".

25. Dividend payable

Investor	30 Jun 2010	1 Jan 2010
Dividend payable of institutional shares	3,213,302.88	3,213,302.88
Total	3,213,302.88	3,213,302.88

26. Other payables

Age	30 Jun 2010		1 Jan 2010	
	Ending Balance	Percentage (%)	Opening Balance	Percentage (%)
Within 1 year	152,713,866.83	52.57	206,498,548.48	62.05
1 to 2 years	34,386,639.97	11.84	22,886,639.41	6.88
2 to 3 years	64,536,965.19	22.21	68,036,965.19	20.45
3 years and more	38,856,738.57	13.38	35,356,738.57	10.62
Total	290,494,210.56	100.00	332,778,891.65	100.00

Note 1: The end of this year did not contain debt owned by any major shareholders who own more than 5% of the Company's share capital. Details refer to "Notes VI. Related party relationship and transactions".

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

27. Non-current liability due within one year

(1) Non-current liabilities due within 1 year listed by categories

Category	30 Jun 2010	1 Jan 2010
Long-term loan due within 1 year	29,980,110.00	79,980,110.00
Total	29,980,110.00	79,980,110.00

(2) Long-term loan due within 1 year

Loan Term	30 Jun 2010	1 Jan 2010
Credit Loan	29,980,110.00	79,980,110.00
Total	29,980,110.00	79,980,110.00

28. Long-term borrowings

(1) Long-term borrowings listed by categories

Category	30 Jun 2010	1 Jan 2010
Pledge loans	105,000,000.00	110,000,000.00
Total	105,000,000.00	110,000,000.00

29. Share capital

Unit: share

Items	1 Jan 2010		Increment or decrement (+, -)					30 Jun 2010	
	Num. of Shares	Percentage (%)	issued new shares	Bonus issue	Surplus converted	others	subtotal	amount	Percentage %
1. Unlisted shares	3,924,131	0.92				-2,599,000	-2,599,000	1,325,131	0.31
State owned shares									
Other domestic shares	3,898,500	0.91				-2,599,000	-2,599,000	1,299,500	0.30
Including: Domestic corporate shares	3,898,500	0.91				-2,599,000	-2,599,000	1,299,500	0.30
Domestic natural person shares	25,631	0.01						25,631	0.01
2. Listed shares	422,821,273	99.08				2,599,000	2,599,000	425,420,273	99.69
A shares	357,846,273	83.85				2,599,000	2,599,000	360,445,273	84.46
B shares	64,975,000	15.23						64,975,000	15.23
3. Total shares	426,745,404	100.00						426,745,404	100.00

30. Capital surplus

Items	1 Jan 2010	Increment	Decrement	30Jun 2010
Capital reserve spill price	224,960,139.16			224,960,139.16
Others capital surplus	563,844,016.81		169,575,000.00	394,269,016.81
Including: Old capital surplus converted into	109,300,017.82			109,300,017.82
Changes on fair value of available for sales financial assets	588,957,123.99		226,100,000.00	362,857,123.99
Income tax effects	-134,413,125.00		-56,525,000.00	-77,888,125.00
Total	788,804,155.97		169,575,000.00	619,229,155.97

31. Surplus reserves

Items	30Jun 2010	1 Jan 2010
statutory surplus reserve	76,542,657.95	76,542,657.95
General surplus reserve	37,634,827.93	37,634,827.93
Total	114,177,485.88	114,177,485.88

32. Undistributed profits

Items	Amounts	allocation proportion
Non-adjusted ending balance of the year 2009	-676,622,621.58	
Adjusted opening balance of the year 2009	-676,622,621.58	
Add: Net profit attributed to the owners of the parent company	50,911,704.50	
Less : Statutory surplus reserve		
Random surplus reserve		
Common risk provision		
Dividend payable of Ordinary shares		
Share capital converted from dividend of ordinary shares		
Add:others	1,644,809.33	
Ending balance of the year 2010	-624,066,107.75	

33. Operating income and operating costs

(1) Operating income

Items	Jan-Jun 2010	Jan-Jun 2009
Main operating business income	543,211,038.95	47,789,502.38
Other operating business income	825,533.20	248,358.20

Items	Jan-Jun 2010	Jan-Jun 2009
Total	544,036,572.15	48,037,860.58

(2) Operating costs

Items	Jan-Jun 2010	Jan-Jun 2009
Main operating business costs	366,171,025.51	38,201,762.92
Other operating business costs	495,785.82	33,987.67
Total	366,666,811.33	38,235,750.59

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

Items	Jan-Jun 2010		Jan-Jun 2009	
	Main operating business income	Main operating business costs	Main operating business income	Main operating business costs
Real estate sales	489,083,485.00	327,406,426.69	460,000.00	449,307.08
Property management services	34,632,653.97	29,919,876.36	33,005,992.65	29,223,745.48
Tourist hotel services	19,494,899.98	8,844,722.46	14,323,509.73	8,528,710.36

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

Location	Jan-Jun 2010		Jan-Jun 2009	
	Main operating business income	Main operating business costs	Main operating business income	Main operating business costs
Hainan	135,353,262.55	80,500,200.35	47,014,572.58	37,377,537.54
Hubei	407,857,776.40	285,670,825.16	314,929.80	374,918.30
Shanghai			460,000.00	449,307.08

Note 1: The total balance of the top five customers was 89,347,518.00 Yuan, and was 16.42% of total income.

34. Operating taxes and extras

Items	Jan-Jun 2010	Jan-Jun 2009
City construction and maintenance tax	1,904,128.00	141,911.22
Education fee	816,054.86	65,391.41
Business tax	27,201,828.61	2,179,713.63
Land value-added tax	32,570,104.29	
Others	1,312,500.42	17,073.39
Total	63,804,616.18	2,404,089.65

35. Investment income

Items	Jan-Jun 2010	Jan-Jun 2009
Long-term equity investment income accounted by Costs Method		
Long-term equity investment income accounted by Equity Method	64,864.56	
Investment income of disposal Long-term equity investment		131,129,924.21
Total	64,864.56	131,129,924.21

36. Impairment Loss of Assets

Items	Jan-Jun 2010	Jan-Jun 2009
Bad debts impairment loss	2,485,100.77	7,398,279.67
Provision for obsolete stock	-7,200,000.00	
Total	-4,714,899.23	7,398,279.67

37. Non-operating income

(1) Details of non-operating income

Items	Jan-Jun 2010	Jan-Jun 2009
Gain on disposal of non-current assets	1,710,013.72	152,824.57
Demolition compensation		
Gains on debt restructure		
Unable to paid funds		
Others		297.60
Total	1,710,013.72	153,122.17

38. Non-operating expenses

Items	Jan-Jun 2010	Jan-Jun 2009
Loss on disposal of fixed assets	32,373.03	27,500.00
Donation		
Penalty payout	52,257.59	139,583.58
Indemnity for breaking a contract		

Items	Jan-Jun 2010	Jan-Jun 2009
Others	28,900.00	51,935.47
Total	113,530.62	219,019.05

39. Income tax

Items	Jan-Jun 2010	Jan-Jun 2009
Income tax this year	12,880,565.60	52,338.18
Total	12,880,565.60	52,338.18

40. Information of cash flow statement

(1) Cash received relating to other operating activities

Items	Jan-Jun 2010	Jan-Jun 2009
Collecting water and electricity charge of owners	5,658,235.50	3,925,070.00
Interest income		
Deposit of investment	36,000,000.00	
Transaction funds	556,800.00	3,218,920.97
Others	2,265,699.45	1,248,733.06
Total	44,480,734.95	8,392,724.03

(2) Cash paid relating to other operating activities

Items	Jan-Jun 2010	Jan-Jun 2009
Mudanjiang Jingbo Lake Tourism Group Co.,Ltd.	4,000,000.00	
Other transaction funds	3,806,878.04	3,297,684.33
Information disclosure fee	4,425,623.80	3,211,544.43
Audit consulting fees	556,000.00	548,592.00
Advertising expenses	2,768,622.00	848,330.80
Agent and lawyer fee	3,927,646.00	595,928.62
Travel expenses		
Entertainment expenses		
Office expenses		

Items	Jan-Jun 2010	Jan-Jun 2009
Wanjia Hotel expenses		
Rent expenses		
Vehicle expenses		
Other management fees	5,409,286.83	2,989,353.75
Total	24,894,056.67	11,491,433.93

(3)Cash paid relating to other financing activities

Items	Jan-Jun 2010	Jan-Jun 2009
Sanya Wanjia	15,401,893.30	
Total	15,401,893.30	

43. Supplementary information of cash flow statement

(1) Supplementary information

Items	Jan-Jun 2010	Jan-Jun 2009
1 . Reconciliation of net profit to cash flows from operating activities:		
Net profit	57,924,931.39	83,538,723.31
Add: Provision for assets impairment	-18,641,531.66	7,398,279.67
Depreciation of fixed assets , production biological assets , petroleum and natural gas	9,862,180.86	9,794,287.55
Amortization of intangible assets	481,543.30	463,946.51
Amortization of long-term prepayments	85,974.17	4,725.97
Losses on disposal of fixed assets, intangible assets and other long-term assets	2,927,123.32	-125,324.57
Losses on scrapping of fixed assets	6,040.33	
Losses on fair value change		
Financial expenses	13,063,109.39	15,661,852.24
Investment losses	-64,864.56	-131,129,924.21
Decrease in deferred income tax assets		
Increase in deferred income tax liabilities		
Decrease in inventories	375,789,519.81	-85,081,371.04
Decrease in operating receivables	-9,161,204.93	-7,305,375.37
Increase in operating payables	-289,621,996.40	143,384,584.42

Items	Jan-Jun 2010	Jan-Jun 2009
Others		
Net cash flows from operating activities	142,650,825.02	36,604,404.48
2 . Significant investing and financing activities that non-cash receipts and payments		
Conversion of debt into capital		
Convertible bonds to be expired within one year		
Fixed assets under finance lease		
3 . Net increase in cash and cash equivalents		
Cash at the end of the period	238,917,598.63	67,965,850.02
Less: Cash at the beginning of the period	291,787,132.78	36,655,536.17
Add: Cash equivalents at the end of the period		
Less: Cash equivalents at the beginning of the period		
Net increase in cash and cash equivalents	-52,869,534.15	31,310,313.85

(2) Cash and cash equivalents

Items	Year 2010	Year 2009
1. Cash	238,917,598.63	67,965,850.02
Including: Cash on hand	193,980.73	232,710.39
Bank deposit paid at any time	238,697,000.71	67,703,139.63
Other monetary funds paid at any time	26,617.19	30,000.00
2. cash equivalents		
3. Cash and cash equivalents at the end of year	238,917,598.63	67,965,850.02

VI. Related party relationship and transactions

(1) Parent company and ultimate controller:

Name	Registered address	Organization code	Principal operating	Relationship with the Company	Registered capital	Holding proportion	Voting rights proportion
Beijing Wangfa Real Estate Development Holdings Co., Ltd	Beijing	60003715-7	Real estate development and operation	The first largest shareholder	280 million Yuan	26.36%	26.36%
Beijing Xinxing Real Estate Development Company	Beijing	10113538-5	Real estate development and operation	Controller of the first largest shareholder	10 million Yuan		

(2) Information about subsidiaries

Details refer to “Note IV. 1. Subsidiaries established by the Company”.

(3) Information about joint venture and affiliate of the Company

Name	Organization code	Registered address	Principal operating	Registered capital	Holding proportion	Voting rights proportion
Shanghai Bright Pearl at Sea Property Management Company	60732602-3	Shanghai	Property management service	1,660,000	50%	50%
Beijing Yangguang Tiancheng Property Management Co., Ltd	77954738-3	Beijing	Property management service	5,000,000	30%	30%

(4) Other related parties

Name	Relationship with the Company	Organization code
Beijing Yulong Jisheng Real Estate Development Co., Ltd.	With same controller	72266773-9

4. Balances of related party receivable and payable

Items	Company Name	Jun 30, 2010	Jan 1, 2010
Others payable:	Beijing Xinxing Real Estate Development Company	152,540,447.00	152,540,447.00
	Beijing Wangfa Real Estate Development Holdings Co., Ltd.	81,725,000.00	81,725,000.00
	Beijing Yulong Jisheng Real Estate Development Co., Ltd.	1,500,000.00	1,500,000.00
Interest payable:	Beijing Xinxing Real Estate Development Company	44,269,015.64	40,114,903.69
	Beijing Wangfa Real Estate Development Holdings Co., Ltd.	22,042,765.43	19,934,761.80

VII. Contingent events

The company's stock in the west of the Pearl River Plaza, fifth floor podium housing, Pearl Building, 21 floor property; fixed assets of the Pearl Building, Room 22 floor office building, Pearl Building, northeast side of real estate; investment real estate in Shanghai Pudong Road No. 23, Alley 1097, on the 24th floor podium, two-story underground garage floor and 104 parking spaces. 31,353,627.50 yuan book value of total mortgage to the Bank of Communications Co., Ltd. Hainan Branch, paragraph

borrowings 1,600 million, loan period: November 24, 2009 to November 24, 2010, the loan was repaid 2010.02.01 , asset mortgage has been discharged.

The company's fixed assets in real estate Sanya Wan Jia Daisy hotel main building and hotel Sanya Wan Jia Daisy A Building B Building C villas property, the book value of 216,154,343.08 dollars to assess the value of 44,099.52 million mortgaged to the Bank of China Co., Ltd. Haikou palm door Branch made 110 million yuan loan, the repayment period from 2010 to 2019 Year 10 repayment.

The Company held 3,325 shares of Restricted Shares of Southwest Securities (stock code: SH.600369) pledge to the Jilin Province Trust Co., Ltd., to obtain loans for 260 million yuan trust, trust loan term of 12 months.

VIII. Commitments

Not applicable.

IX. Non-adjusting events after the balance sheet date

1. Profit distribution after the balance sheet date

Profits or dividends distributed	Not applicable
Profits or dividends approved to distribut	Not applicable

(1) In July 5, 2010, the board of directors decided to increase the registered capital of wholly owned subsidiary Mudanjiang City, Pearl River Hotel Management Co., Ltd.. This registered capital was increased by 40 million Yuan in cash. After capital increase, registered capital of Mudanjiang City, Pearl River Hotel Management Co., Ltd. is 60 million Yuan, and it is still the wholly owned subsidiary of the company.

In August 4 2010, the company paid 40 million Yuan to Mudanjiang City, Pearl River Hotel Management Co., Ltd., and the capital increase is finished.

(2) In July 5, 2010, the board of directors approved a subsidiary Mudanjiang City, Pearl River Hotel Management Co., Ltd. to sign a "Share Transfer Agreement" with natural person shareholders Deying Lin and Guanwen Chen of Hailin City Snow Town Baroque Resort Hotel Co., Ltd. Mudanjiang City, Pearl River Hotel Management Co., Ltd. purchased 85% and 15% equity of Hailin City Snow Town Baroque Resort Hotel Co., Ltd. hold by Deying Lin and Guanwen Chen with 20 million Yuan and undertook 50 million debt (Creditors were natural person Deying Lin and Guanwen Chen). The "Share Transfer Agreement" is in the fulfilling process.

X. Other important events

Not applicable.

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

1. Accounts receivable

(1) Detailed information

Items	30 Jun 2010				1 Jan 2010			
	Balance	Proportion (%)	Bad debts	Bad debt ratio (%)	Balance	Proportion (%)	Bad debts	Bad debt ratio (%)
Individual with significant amount	7,761,707.60	69.61	7,761,707.60	100.00	7,761,707.60	69.29	7,761,707.60	100.00
Individual without significant amount, but with significant credit risk	2,598,378.02	23.30	2,248,534.31	86.54	2,764,507.43	24.68	2,331,599.02	84.34
Other unimportant receivables	790,380.00	7.09	94,552.60	11.96	675,640.00	6.03	93,793.80	13.88
Total	11,150,465.62	100.00	10,104,794.51	90.62	11,201,855.03	100.00	10,187,100.42	90.94

(3) Age analysis

Age	Jun 30, 2010		January 1, 2010	
	Amounts	Bad Debts Provision	Amounts	Bad Debts Provision
Within 1 year	323,880.00	6,477.60	189,940.00	3,798.80
1 to 2 years	101,500.00	5,075.00	101,500.00	5,075.00
2 to 3 years	0.00	0.00	19,200.00	1,920.00
3 to 4 year	265,000.00	53,000.00	475,408.00	263,408.00
4 to 5 years	100,000.00	30,000.00	100,000.00	30,000.00
5 years and more	10,360,085.62	10,010,241.91	10,315,807.03	9,882,898.62
Total	11,150,465.62	10,104,794.51	11,201,855.03	10,187,100.42

2. Other receivables

(1) Detailed information

Items	30 Jun 2010				1 Jan 2010			
	Balance	Proportion (%)	Bad debts	Bad debt ratio (%)	Balance	Proportion (%)	Bad debts	Bad debt ratio (%)
Individual with significant amount	319,749,517.82	93.10	20,267,340.40	6.34	245,181,330.83	93.10	27,344,029.73	11.15
Individual without significant amount, but with significant credit risk	26,513,529.06	6.25	25,008,529.06	94.32	16,462,455.25	6.25	16,297,455.25	99.00
Other unimportant receivables	16,878,196.76	0.65	375,832.56	2.23	1,706,081.92	0.65	14,389.53	0.84
Total	363,141,243.64	100.00	45,651,702.02	12.57	263,349,868.00	100.00	43,655,874.51	16.58

(3) Aging analysis

Age	June 30, 2010			January 1, 2010		
	Amounts		Bad Debt Provision	Amounts		Bad Debt Provision
	Amounts	Ratio (%)		Amounts	Ratio (%)	
Within 1 year	280,912,699.59	77.36	5,618,253.99	181,121,323.95	68.78	3,622,426.48
1 to 2 years	17,970.00		898.50	17,970.00	0.01	898.50
2 to 3 years	11,679.00		1,167.90	244,538.32	0.09	234,027.22
3 to 4 year	200,000.00	0.06	40,000.00	200,000.00	0.08	140,000.00
4 to 5 years	2,840.00		852.00	2,840.00		852.00
5 years and more	81,996,055.05	22.58	39,990,529.63	81,763,195.73	31.04	39,657,670.31
Total	363,141,243.64	100.00	45,651,702.02	263,349,868.00	100.00	43,655,874.51

2. Long-term equity investment

Name	Accounting Method	Initial investment Cost	Beginning Balance	Increase or decrease	Ending Balance	Percentage of equity interest (%)	Percentage of vote right (%)	Impairment loss provision	Current impairment loss
Hainan Pearl River Properties and Hotels Management Co., Ltd.	Cost Method	4,900,000.00	4,900,000.00		4,900,000.00	98.00	98.00		
Sanya Wanjia Hotel Management Co., Ltd.	Cost Method	120,000,000.00	120,000,000.00		120,000,000.00	100.00	100.00		
Sanya Wanjia Enterprises Holding Co., Ltd.	Equity Method	40,000,000.00	20,000,000.00	18,968,325.00	38,968,325.00	40.00	40.00		
Hubei Pearl River Real Estate Development Co., Ltd.	Cost Method	57,200,000.00	57,200,000.00		57,200,000.00	88.00	88.00		
Hainan Pearl River Enterprises Holding Co., Ltd. Shanghai Real Estate Co.	Cost Method	40,000,000.00	40,000,000.00		40,000,000.00	100.00	100.00	40,000,000.00	
Beijing Jiubo Culture Development Co., Ltd.	Cost Method	5,000,000.00	5,000,000.00		5,000,000.00	100.00	100.00		
Mudanjiang Pearl River Hotel Management Co., Ltd.	Cost Method	20,000,000.00	20,000,000.00		20,000,000.00	100.00	100.00		
Guangzhou Pearl River Investment Management Co., Ltd.	Cost Method	18,177,240.29	18,177,240.29		18,177,240.29	9.48	9.48	7,352,245.39	
Network Science and Technology Investment Co.	Cost Method	10,000,000.00	10,000,000.00		10,000,000.00	10.00	10.00	10,000,000.00	

Name	Accounting Method	Initial investment Cost	Beginning Balance	Increase or decrease	Ending Balance	Percentage of equity interest (%)	Percentage of vote right (%)	Impairment loss provision	Current impairment loss
China (Hainan) Reform and Development Institute	Cost Method	8,640,000.00	8,640,000.00		8,640,000.00			8,640,000.00	
Hainan Tongsheng Ports Co.	Cost Method	6,000,000.00	6,000,000.00		6,000,000.00			6,000,000.00	
Hainan Nanyang Shipping Industrial Company Limited	Cost Method	1,680,000.00	1,680,000.00		1,680,000.00			1,680,000.00	
Nan Li Lake membership card	Cost Method	662,400.00	662,400.00		662,400.00			662,400.00	
Hainan Pearl River Guanzhuang Co., Ltd	Cost Method	618,500.00	426,315.00		426,315.00	1.33	1.33		
Hainan Chamber of Commerce	Cost Method	500,000.00	500,000.00		500,000.00			500,000.00	
Hainan Huadi Pearl River Foundation Engineering Co., Ltd.	Cost Method	160,000.00	160,000.00		160,000.00				
Total		333,538,140.29	313,345,955.29	18,968,325.00	332,314,280.29			74,834,645.39	

4. Operating income and operating costs

(1) Operating income

Items	Jan-Jun 2010	Jan-Jun 2009
Main operating business income	81,780,389.00	
Other operating business income	150,254.20	193,955.00
Total	81,930,643.20	193,955.00

(2) Operating costs

Items	Jan-Jun 2010	Jan-Jun 2009
Main operating business costs	42,124,483.34	
Other operating business costs	46,478.74	33,987.67
Total	42,170,962.08	33,987.67

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

Items	Jan-Jun 2010		Jan-Jun 2009	
	Main operating business income	Main operating business costs	Main operating business income	Main operating business costs
Real estate sales	81,780,389.00	42,124,483.34		

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

Location	Jan-Jun 2010		Jan-Jun 2009	
	Main operating business income	Main operating business costs	Main operating business income	Main operating business costs
Hainan-Haikou	81,780,389.00	42,124,483.34		

5. Investment income

Items	Jan-Jun 2010	Jan-Jun 2009
Income from transferring equity investment	64,864.56	131,129,924.21
Total	64,864.56	131,129,924.21

6. Supplementary information of cash flow statement

Items	Jan-Jun 2010	Jan-Jun 2009
1 . Reconciliation of net profit to cash flows from operating activities:		
Net profit	11,512,721.21	107,267,730.82
Add: Provision for assets impairment	-19,213,110.83	7,332,347.15
Depreciation of fixed assets , production biological assets , petroleum and natural gas	1,043,522.34	990,336.93
Amortization of intangible assets	23,831.82	23,831.82
Amortization of long-term prepayments		
Losses on disposal of fixed assets, intangible assets and other long-term assets	2,916,182.80	27,500.00
Losses on scrapping of fixed assets		
Losses on fair value change		
Financial expenses	6,035,811.28	10,681,712.32
Investment losses	-64,864.56	-131,129,924.21
Decrease in deferred income tax assets		
Increase in deferred income tax liabilities		
Decrease in inventories	88,124,012.28	-1,364,542.91
Decrease in operating receivables	-13,790,282.95	2,798,345.39
Increase in operating payables	591,425.46	-5,123,269.56
Others		

Items	Jan-Jun 2010	Jan-Jun 2009
Net cash flows from operating activities	77,179,248.85	-8,495,932.25
2 . Significant investing and financing activities that non-cash receipts and payments		
Conversion of debt into capital		
Convertible bonds to be expired within one year		
Fixed assets under finance lease		
3 . Net increase in cash and cash equivalents		
Cash at the end of the period	128,061,969.24	630,103.56
Less: Cash at the beginning of the period	161,760,970.47	4,869,795.27
Add: Cash equivalents at the end of the period		
Less: Cash equivalents at the beginning of the period		
Net increase in cash and cash equivalents	-33,699,001.23	-4,239,691.71

XII. Supplementary information

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

Items	Jan-Jun 2010
Profit and loss on disposal of non-current assets	1,677,640.69
Fund occupation fee from non-financial enterprises included in the current profit and loss	8,870,206.76
Profit and loss of debt restructure	
Investment income from disposal available for sales financial assets	
Other non-operating income and costs	-81,157.59
Income tax impact	-106,046.72
Equity impacts of minority interests	-29,943.52
Total	10,330,699.62

2. Earnings per share

Profit of this year	Earnings per share			
	Basic earnings per share		Diluted earnings per share	
	Jan-Jun 2010	Jan-Jun 2009	Jan-Jun 2010	Jan-Jun 2009
Net profit attributable to common shareholders	0.12	0.20	0.12	0.20
Net profit excluding non-recurring Profit and Loss attributable to common shareholders	0.10	-0.11	0.10	-0.11

XIII. Approval of the financial statements

The financial statements have been approved by the board of directors of the Company in August 21, 2010.

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

Hainan Pearl River Holding Company Limited
August 21, 2010