

**HaiNan Pearl River Holdings Co., Ltd.****Abstract of the 2014 Annual Report****1. Important reminders**

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

This abstract is prepared in both Chinese and English. Should there be any understanding discrepancy between the two versions, the Chinese version shall prevail.

Company profile:

Stock abbreviation	ZJKG, ZJB	Stock code	000505, 200505
Stock exchange listed with	Shenzhen Stock Exchange		
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**2. Financial highlights and change of shareholders****(1) Financial highlights**

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

Yes  No

	2014	2013	Increase or decrease of this year over last year (%)	2012
Operating revenues (RMB Yuan)	238,904,161.09	225,308,239.00	6.03%	204,015,077.79
Net profit attributable to shareholders of the Company (RMB Yuan)	-173,422,925.66	13,489,485.71	-1,385.62%	-126,873,614.96
Net profit attributable to shareholders of the Company after extraordinary gains and losses (RMB Yuan)	-179,382,026.46	-175,455,431.84	-2.24%	-155,988,398.64
Net cash flows from operating activities (RMB Yuan)	-243,681,708.74	-45,736,703.09	-432.79%	-60,344,200.94
Basic EPS (RMB Yuan/share)	-0.41	0.03	-1,466.67%	-0.3
Diluted EPS (RMB Yuan/share)	-0.41	0.03	-1,466.67%	-0.3
Weighted average ROE (%)	-262.21%	7.61%	-269.82%	-41.55%
	As at 31 Dec. 2014	As at 31 Dec. 2013	Increase or decrease of this year-end than last	As at 31 Dec. 2012

			year-end (%)	
Total assets (RMB Yuan)	1,645,436,644.78	1,237,713,804.04	32.94%	1,424,764,273.52
Net assets attributable to shareholders of the Company (RMB Yuan)	15,564,470.40	116,714,215.59	-86.66%	237,625,634.44

## (2) Items and amounts of extraordinary gains and losses

Applicable  Inapplicable

Unit: RMB Yuan

Item	2014	2013	2012	Note
Gains/losses on the disposal of non-current assets (including the offset part of the asset impairment provisions)	-183,980.99	180,123.52	772,600.81	
Capital occupation charges on non-financial enterprises that are recorded into current gains and losses	1,267,980.81	1,267,980.80	3,493,230.13	
Gain/loss on debt restructuring		7,411,437.43		
Gains and losses on change in fair value from tradable financial assets and tradable financial liabilities, as well as investment income from disposal of tradable financial assets and tradable financial liabilities and financial assets available for sales except for effective hedging related with normal businesses of the Company	5,275,287.87	178,442,549.26	24,881,387.14	
Non-operating income and expense other than the above	-357,909.24	1,632,437.75	2,952.80	
Less: Income tax effects	41,518.07	-17,653.07	24,794.97	
Minority interests effects (after tax)	759.58	7,264.28	10,592.23	
Total	5,959,100.80	188,944,917.55	29,114,783.68	--

## (3) Differences of net profit and net assets disclosed in financial reports prepared under international and Chinese accounting standards

Applicable  Inapplicable

Unit: RMB Yuan

	Net profit attributable to shareholders of the Company		Net assets attributable to shareholders of the Company	
	2014	2013	Closing amount	Opening amount
According to Chinese accounting standards	-173,422,925.66	13,489,485.71	15,564,470.40	116,714,215.59
Items and amounts adjusted according to international accounting standards				
-Adjustment to the amortization of land use rights			-1,337,000.00	-1,337,000.00
Total differences between			-1,337,000.00	-1,337,000.00

domestic and international accounting standards				
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#### (4) Shareholdings of the top 10 common shareholders

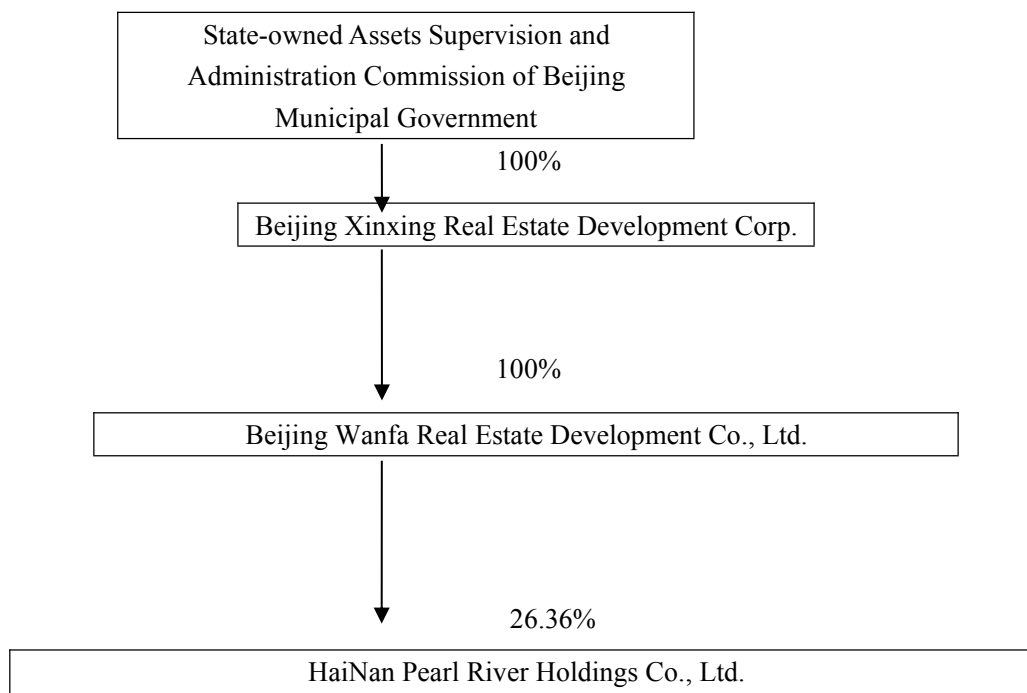
Total number of common shareholders at the end of the reporting period		34,036	Total number of common shareholders at the end of the fifth trading day before the disclosure date of the annual report		30,824	
Shareholdings of the top 10 common shareholders						
Name of shareholder	Nature of shareholder	Shareholding percentage (%)	Total number of shares held	Number of restricted shares held	Pledged or frozen shares	
					Status of shares	Number of shares
Beijing Wanfa Real Estate Development Co., Ltd.	State-owned corporation	26.36%	112,479,478			
LI LEON ZHAN WEI	Foreign individual	2.03%	8,654,285			
YAO XIU GUANG	Foreign individual	1.52%	6,475,059			
Zhang Xiaoxia	Domestic individual	0.46%	1,949,250			
Hu Zhengxiu	Domestic individual	0.43%	1,845,400			
Chen Mingwei	Domestic individual	0.43%	1,827,900			
Chen Shiping	Domestic individual	0.42%	1,809,879			
Wang Jianjun	Domestic individual	0.39%	1,658,000			
Liu Min	Domestic individual	0.36%	1,534,600			
Huang Yueling	Domestic individual	0.35%	1,504,700			
Explanation on associated relationship or persons acting in concert among the above-mentioned shareholders	Among shareholders above, there exists no related-party relationship between the principal shareholder and other shareholders of the Company. Nor they are parties with concerted action as prescribed in the Information Disclosure Administrative Methods for Changes in Shareholding of Shareholders of Listed Companies. And it is unknown whether there is related-party relationship among other shareholders and whether they are prescribed parties with concerted action.					
Shareholders taking part in securities margin trading (if any)	Shareholder Wang Jianjun holds 1,658,000 shares in the Company through a client account of collateral securities for margin trading in Nanjing Securities Co., Ltd. And shareholder Huang Yueling holds 1,504,700 shares in the Company through a client account of collateral securities for margin trading in Everbright Securities Co., Ltd.					

### (3) Shareholdings of the top 10 preferred shareholders

Applicable  Inapplicable

No such cases in the reporting period.

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



### 3. Discussion and analysis by the management

We had successfully stopped loss and prevented delisting with the investment gains on our sale of the Southwest Securities shares in 2013, which helped remove the delisting risk warning in 2014 and buy some time for our sustainable development. In 2014, we still faced a lot of difficulties in operation due to the continuous slowdown in growth of the domestic macro-economy, the declining real estate market, the tighter credit with no help to our financial strain for years, the continuously rising labor costs in service provision business such as property management and hotel service, the fierce competition in the regional market, etc.

As at 31 Dec. 2014, the total assets of the Company stood at RMB 1,645,440,000 and the net assets attributable to shareholders of the Company at RMB 15,560,000. For 2014, the Company achieved operating revenues of RMB 238,900,000, total profits of RMB -195,420,000 and net profits attributable to shareholders of the Company of RMB -173,420,000.

#### Details about the operation of the Company in 2014:

1. Phase III of the Hubei Meilin Qingcheng project acquired RMB 0.15 billion of start-up capital of the early stage development through the financing by introducing the private property fund in Dec. 2013, and applied for not more than RMB 0.2 billion financing from Cathay Pacific Yuan Xin Asset Management Co., Ltd. though the entrust loans from China Merchants Bank Co., Ltd. in Jul. 2014; in Jan. 2015, acquired RMB 0.25 billion of the general credit limit for the application of the real estate development loans by Hubei Pearl River from Shanghai Pudong

Development Bank, with the loan Period of 3 years that specially used for the construction of Phase III of the “Meilin Qingcheng” project. In 2014, completed the program work such as “land transfer contract, engineering bidding and construction permits” and the main construction had been officially under construction in Jul. 2014. During the reporting period, had completed the construction of the deep foundation pits engineering; completed the construction of all the engineering piles; completed the construction of the civil air defense underground garage of about 0.1 million square earthworks; the No. 38 Building of the main construction had completed the reinforced concrete pouring of the wall column beam of basement 2, the No. 40 Building had completed the pouring of the beam slab wall column template and part of the concrete of basement 2 and the No. 39 Building is executing the construction of the wall column beam slab reinforcement of basement 2; the garage partition piece had completed the baseplate concrete pouring, wall column beam slab casting of basement 2 and the of template erection or reinforced installation inordinately; other projects such as the engineering pile test, slope monitoring, foundation pit dewatering, demolition or the support replacement of the interior bracing is synchronizing normally executing. The sales planning and the sales agent work of the Phase III had been totally started up in Oct. 2014. In 2014, it had completed the construction and investment of the real estate of about 0.26 billion.

2. As for the land ownership problem of the “real estate development project on a former tubular pile factory”, the historical problems of the land ownership of the project land had been solved through great efforts of the multiple parties and the Bureau of Land & Environmental Resources of Sanya had confirmed the implementation basis of the managing of the land certification of the project. During the reporting period, had completed the work such as the cadastral surveying and mapping results report, Land reconnaissance demarkation technical report, city comprehensive planning map of Sanya (involving with the enterprise land part), ancestral land survey materials, land utilization contract and the land funds payment. Each document of the land certification management had reported to the relevant departments of the Sanya government, which is pending approval.

3. The controlling subsidiary, Mudanjiang Tourist Development Group had realized the operating income of RMB 30,950,000 in 2014 with the operating cost of RMB 99,910,000 (including depreciation) as well as the profits of RMB -53,920,000 (including depreciation). The operating income increased of RMB 13,400,000 over the same period of last year with the YoY increase of 76% which increased sharply.

During the reporting period, had completed the service facilities such as the investment and construction of the central heating construction of Snow Village, which effectively perfected the winter heating conditions of the hotels and the affiliated family inns, increased the construction of the motor project of traversing the snowfield of the L. Chinensis Mountain, newly built and set up the traversing channel of “snow flutter”, forged the silver thaw long corridor, developed the millennium ancient trees and constructed the snow house, strengthened each management of the skiing resort, canceled the family hotel commission discount, which promoted the straight climb of the odd customer consumption ratio and improved the economy efficiency and had executed the foreign contracting business of the Erlong Mountain film base, which not only increased the efficiency but also saved the expenses. At

the same time, developed various operation, streamlined the institutions as well as Optimized the sector jobs in slack seasons for reducing the cost, which effectively saved the personnel cost. Up to the year-end of 2014, the Company had successively invested about 0.4 billion of the construction funds to the Snow Village, which greatly improved and perfected each tourism and basic facilities of the Snow Village and the passenger flow volume of the Snow Village rapidly progressive increased year after year that the tourists of the business season of 2014 had reached 0.45 million person-time, which increased 50% over the last year. However, as the gradually enhancing of the popularity of the Snow Village at home and abroad, the domestic Management Committee of Forestry Bureau and the residents were also competing to construct the tourism infrastructure projects, which formed the cutthroat competition that caused very bad influence on the operation of the Company.

4. Sanya Days Hotel & Suites realized operating income of RMB 30,720,000 in 2014, with the operating cost of RMB 51,330,000 (including depreciation) as well as the realized profits of -20,630,000 (including depreciation). During the reporting period, the required number of the newly increased rooms of the newly opened hotels of Sanya was far more exceed the supply with each hotel competed to grasp the customer resources and the market competition abnormally fierce. The operation years of the hotels of the Company were more than 5 years that the hardware facilities as well as the environment decoration had lost the stronger competitiveness. The hotels basically made both ends meet through various price-off promotions.

5. As for the property management: in 2014, Hainan Pearl River Property Hotel Management Co. Ltd. had realized the operating income of RMB 165,550,000, with the operating cost of RMB 164,430,000 as well as the realized profits of RMB 0.71 million. Under the background of the continuous rigid rise of the labor cost and the increasingly intensifying of the realty service enterprise management risk, the Company intensified the internal management, enhanced the service quality, increased income and reduced expenditure, optimized the projects structure, promoted the products transformation and upgrade as well as actively explore the new development method, basically completed 2014 task planning economic indicators. In 2014, the Company paid attention on the connection with the previous property service of the large comprehensive project of Henan Table Mountain, of which the construction area of 2.1 million square meters and the Zhengzhou Branch had sent staffs to enter for the preparation of the previous service. Owing to the sharp rise of the labor force and material costs, the operating cost of the project continued rising in successive years, and the projects such as the Haikou Water's Edge Long Bridge, Changsha Property Transactions Building and Neijiang Building had quit the management. Up to now, the management projects of the Company was of 84 with the business types including residence, office buildings, hospitals, universities, high-speed property, large venues property etc. The comprehensive management area of the Company was of 7.52 million square meters that including 5.9487 million square meters of residence, 0.5722 million square meters of office buildings and 0.6066 million square meters of high-speed rail, venue property as well as 0.393 million square meters of school (hospital) property.

During the reporting period, the audit team of CQM had executed the third party certification audit work on the

quality management system, and through the objective review of CQM Center which indicated that the quality system operation of the Company was quite well with the requirements of the quality system had been carried out and executed that reached the whole quality management goal of the Company.

6. The coal logistics project of Mulin Town. Owing to the continuous low level of the market price of the coal, the government continued to reorganize the mining industry, and responded to the governmental call as well as the future development prospect of the Company, the Company continuously took back the investment which previously used of coal trading and the production line construction of water-coal-slurry since 2013 that had accumulatively withdrawn the investment principal of RMB 70 million during the reporting period. During the reporting period, the Company actively planned and used the original project land for developing the new project cooperation development. Recently had confirmed and used the land lot for developing the solar power generation and the greenhouse agriculture projects and has completed preliminarily feasibility analysis and design proposal and entrusted the professional new energy science and technology services company for issuing project recommendation, project approval, feasibility report, district planning map and production drawing designing plan etc., which would be reported to the Board of Directors for review and approval according to the review process as the previous preparation work had finished.

7. As for the Yunxi iron mines project: during the reporting period, mining area electric power modification works of Zhao courtyard had completed the construction of infrastructures of the transformer substation, the installation of the equipments, and the line tower had completed the erection, and the residents is executing the gradually removing in the diggings as well as executing the compensation for the fields, fruit trees and burial site. Dujiawan Mine according to the detailed survey of the relevant production line of the geological data design and under the guidance of the experts, had executed multiple repeating mineral processing experiments for saving the production cost by the diggings, and the mineral processing scheme formulated according to the experimental results had led the iron powder as well as the tailings both could reach the reasonable balance point of the production and sales, which only needed the strictly control of the mining boundary taste, the increase of the raw ore to over 18%, as well as to strictly control the metal loss in the process of mineral processing and make great efforts to recycle the middling ore, the production efficiency would be more considerable. The proposal solved the technique difficulty of the subsequent mass production. For solving the needed capitals of the subsequent investment, the Company had connected with and arranged with the financing proposals with the relevant fund companies and safe company during the reporting period.

8. The Shijiazhuang Luquan new countryside construction project was in line with the development policy of the state of urbanization, however, now the main difficulty was how to solve the compensation for farmers under the local unhealthy investment environment meanwhile complete all kinds of examination and approval procedures of the projects. The completion of the aforesaid work had facing larger uncertainty so far. The Company actively communicated with the local government and villagers, focused on solving the contradictory between villages and

petition to complete taking over land for use, strive for the proper solution as soon as possible.

9. About the Longzhu Phase III Project: In 2010, in order to avoid the owned land of the Haikou Longzhu Phase III project from being taken by the government without compensation, the Company transferred the land use right for 48 years to Haikou Visun Real Estate Development Co., Ltd. ("Visun Real Estate") so that Visun Real Estate could carried out a real estate project on it. After the Longzhu Phase III project invested in and built by Visun Real Estate was completed, accepted upon examination and filed with the authorities concerned as legal and qualified properties, the Company would obtain office properties with a floor space of 15,000 square meters from the completed project. Due to the projects had not yet started, and the legal equity of the Company can not be realized. In 2014, the Company proposed an equivalent replacement of office properties with a floor space of 15,000 square meters in future construction exchange the existing real estate property of Visun Real Estate. After the repeatedly negotiation and several revisions between the both parties, Visun Real Estate initially agreed to equivalently replaced some existing villa property in Haikou and existing real estate (including homes and shops) in Sanya Area to our Company in line with market evaluation of office properties with a floor space of 15,000 square meters from the completed the Longzhu Phase III Project. However, required the Company make up for purchase price difference of RMB 31.780389 million originally agreed by the Housing Presale Contract (the Company had paid RMB 50 million in advance before). The Company thought the replacement proposal transferring the contract equity into current realizable assets improved the quality of the assets of the Company; the existing real estate was realizable at any time which ensured the operation activities of the Company. So far, the Company was actively communicating with Visun Real Estate upon specific contract item of replacement of real estate, strive for signing relevant items as soon as possible.

## **II. Operating plan for 2015**

Due to negative net profits attributable to the Company and a relatively small scale of net assets in 2014, the Company would face, in 2015, the difficult task of keeping the honor "Listed Company" thus, the Company will further tap the potential focusing on the profit center, ensure to realize a certain profits in many ways, the main measures were:

1. Further enhances the construction and sale of the Wuhan Meilin Qingcheng Phase III project: to ensure complete the construction work with being in-term, high quality and high efficiency. Strive for sealing 15 floors of the structure at the end of Apr. 2015 and caps in Oct. In 2015, before or after Chinese New Year, start registration of reorganization; and in May 2015, realize presale; strive for RMB 200 million presale contract amounts and RMB 350 million sale contract amounts at the end of 2015. Meanwhile choosing time to sell the phase I, II shops, commodity residential houses, villas, and carport, recoup funds timing and as soon as possible. As of the report date, No. 38 building of Wuhan Meilin Qingcheng Phase III project had completed 11 floors, No. 39 and No. 40 had



completed 9 floors. The progress has been going on smoothly, 260 of 270 houses in No. 38 building had been recognized, the sale condition was fairly optimistic.

2. Choosing time to disposal the existing assets of the Company, included: sale of all the share of Southwest security held by the Company, rental and office property and inventory, hotel assets and other assets. Timing to realize the value of the assets, improve the quality of the Company's assets. As of the reporting date, the Company had sold 7,750,000 shares of Southwest, estimate annually gain investment income RMB 120 million in 2015 before tax.

3. The Shijiazhuang Luoling project: The Company will proactively communicate with the local government and residents to try to solve the problem of villagers' compensation of relocation as soon as possible. Meanwhile, the Company is also looking for a good way to withdraw from the project to ensure investment safety.

4. Progress of the Hubei Yunxi Iron Mine Project: The Company will focus on each production and management work in mine lot, in line with mine lot management agreement signed, clear responsibilities and rights, the Company sent special personnel to deal with the management work, in one aspect, coordinate urged local governments to carry out the relocation compensation of the residents in the mining area, in other aspect, organized the expert continue to improve the production technology procedure and timely bargain with the related financial institutions, plan to financing through issuing fund or entrust to complete the follow-up investment. Meanwhile the Company also can consider transfer the project to the third party, recover the investment principal and income to ensure realizing the operation goals of 2015.

5. Mulin Town coal project will been adjusted by a large margin, in 2015, the Company will use the land to develop the solar power and greenhouse agricultural projects, at the beginning of the reporting period, the Company initial complete the proposal of possible analysis and design. The Company will timely entrust professional new energy technology service company with issuing the project proposal, project report, the feasibility study report, the district plan and construction drawing design, etc. After the preparation work had completed, submitted to the board in line with examination and approval procedure. Plan to start the project before Jul. 2015. Photovoltaic agricultural greenhouses is a new way of land comprehensive using, the production of the combination of modern agriculture and clean energy, the project save the land, remain the nature of the land and using land three-dimensionally, product clean electric power, enlarge renewable source proportion of electric power supply, bring two-way benefit, because the project was in accordance with the policy guidance of national environmental protection and clean energy use, the Company will actively apply to the government policy support and relevant capital subsidy.

6. Concerning the real estate development project on a former tubular pile factory, the Company will try to obtain the land certificate for the industrial land in the initial development stage. In line with the forecast of progress so far, the Company estimate to complete the land certificates for industrial using land in Jun. 2015. Due to the Sanya government was conducting the adjustment of regulatory detailed planning in the area; the Company will adjust the plan and design of the project in line with the adjustment of regulatory detailed planning issued by the government.

Meanwhile the Company will actively find developers of contract equity who can wholly accept the project at a premium, strive for recover investment principal and income to ensure realizing the operation goals of 2015.

7. Continue to complete the construction of infrastructure of the Snow Country scenic region, after the completion of center heat supply engineering construction, the Company will include the heat supply of office, business outlets and all residents belonging to Dahailin Forestry Bureau Station. Continue to construct the 1400 square meter of visitor service center of Days Inn Hotel in Snow Country, strive for putting into use before business season, improving reception ability. In 2015, the Company will focus on solving the unhealthy horizontal competition between the Company, Dahailin Forestry Bureau and local residents, negotiate to common operate, play their respective resource advantages. Divide operation field, avoid price war, and strengthen the unity of the price supervision and management strategy to achieve win-win. The Company will reduce the operation cost to gain stable income through transfer or contract operation of some low-end business projects. Pay special attention to the management and development of high-grade and high-quality goods project. In 2015, the Company will also speed up the development of the summer tourism market. Play summer microclimate and good forest ecological environment, continue to develop projects of the waves of the sea river rafting, camping and fishing. Take the new opportunity of the Taking of Tiger Mountain broadcast on television, continue to propagandizing and popularizing the movie base of Mount Erlong, and develop the construction of accommodation area, dining area, recreation area in movie base.

In 2014, under the leadership of the Board of the Company and the common effort of operation team and all employees, each aspect of the work had reached the goal basically. Looking forward to the New Year, we have the determination and confidence to meet new challenges with truth-seeking spirit, solid work style and flexible management tactics. Strengthen capital operation level and quality, to ensure the safe operation and healthy development of the enterprise.

#### **4. Matters in relation to financial reporting**

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

Applicable  Inapplicable

###### **1. Changes in accounting policies**

In 2014, the Ministry of Finance revised the <Accounting Standard No. 2 for Business Enterprises—Long-term Equity Investments>, the <Accounting Standard No. 9 for Business Enterprises—Employees' Compensation>, the <Accounting Standard No. 30 for Business Enterprises—Financial Statement Presentation> and the <Accounting Standard No. 33 for Business Enterprises—Consolidated Financial Statements>; and promulgated the <Accounting Standard No. 39 for Business Enterprises—Fair Value Measurement>, the <Accounting Standard No. 40 for Business Enterprises—Joint Arrangements> and the <Accounting Standard No. 41 for Business Enterprises—Disclosure of Equities in Other Entities>. As required, we have applied the aforesaid revised and new accounting standards since 1 Jul. 2014 and adjusted our comparative financial statements according to them. Influence of the aforesaid revised and new accounting standards on the comparative financial statements:

###### **(1) Employees' compensation**

We have no defined benefit plans.

According to the <Accounting Standard No. 9 for Business Enterprises—Employees’ Compensation> (revised in 2014) promulgated by the Ministry of Finance, we have retrospectively adjusted the after-service welfare plans, dismissal welfare and other long-term employees’ welfare that existed on the application date of the revised and new accounting standards, including outside-plan welfare for employees that have resigned or been dismissed, living subsidies for family of deceased employees, etc. The revisions in this accounting standard have no effect on the opening amounts.

(2) Long-term equity investments

According to the revised accounting standard for long-term equity investments, we have transferred equity investments measured at the cost method where we have no control, joint control or significant influence on the investees into available-for-sale financial assets. To be specific, for the equity instruments for which there are no offers in the active market and fair value cannot be reliably measured, the cost method is adopted in the subsequent measurement; and the fair value method is adopted in the subsequent measurement for other equity instruments. Retrospective adjustments according to the said accounting policy change:

Investee	Shareholding percentage (%)	Shareholder’s equity attributable to the Company as at 1 Jan. 2013	31 Dec. 2013		Shareholder’s equity attributable to the Company
			Long-term equity investment	Available-for-sale financial asset	
HaiNan Pearl River Tubular Pile Co., Ltd.	1.33		-426,315.00	426,315.00	
Hainan Huadi Foundation Engineering Co., Ltd.	2.00		-160,000.00	160,000.00	
Guangzhou Pearl River Investment Management Co., Ltd.	9.4785		-10,824,994.90	10,824,994.90	
Total	--		-11,411,309.90	11,411,309.90	

(3) Influence of the changes in the accounting standard for financial statement presentation on consolidated financial statements

According to the revised <Accounting Standard No. 30 for Business Enterprises—Financial Statement Presentation>, we adjusted some capital reserve amounts as other comprehensive income amounts and retrospectively adjusted the opening amounts as follows:

Item	1 Jan. 2013		31 Dec. 2013	
	Before adjustment	After adjustment	Before adjustment	After adjustment
Capital reserve	521,946,157.17	334,260,156.98	387,545,252.61	334,260,156.98
Other comprehensive incomes		187,686,000.19		53,285,095.63
Total	521,946,157.17	521,946,157.17	387,545,252.61	387,545,252.61

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

Applicable  Inapplicable

No such cases in the reporting period.

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

Applicable  Inapplicable

No such cases in the reporting period.

**(IV) Explanation of the Board of Directors and the Supervisory Committee concerning the “non-standard auditor’s report” issued by the CPAs firm for the reporting period**

Applicable  Inapplicable

HaiNan Pearl River Holdings Co., Ltd.

15 April 2015

**Hainan Pearl River Holding Company Limited**  
**Consolidated Balance Sheet**

Unit: RMB

ASSETS	Note(VIII)	31 December 2014	31 December 2013
<b>Current assets</b>		—	—
Currency Funds		97,404,192.62	62,362,242.69
Provision of settlement fund			
Funds lent			
Financial assets at fair value through profit or loss			
Derivative financial assets			
Notes receivable			
Accounts receivable		12,378,292.44	13,143,175.36
Advances to suppliers		128,625,359.78	91,018,812.99
Interest receivable			
Dividends receivable		260,015.00	260,015.00
Other receivables		238,352,004.55	287,625,206.34
Buying back the sale of financial assets			
Inventories		386,635,994.05	118,546,684.93
Including:Raw material			
Finished goods			
Reclassified to assets held for sale			
Current portion of non-current assets			
Other current assets			
<b>Total current assets</b>		863,655,858.44	572,956,137.31
<b>Non-current assets</b>		—	—
Available-for-sale financial assets		184,158,809.90	88,368,809.90
Held-to-maturity investments			
Long-term receivables			
Long-term equity investments		35,961,754.63	36,768,528.23
Investment property		22,228,615.23	23,984,418.97
Fixed assets original cos		436,892,954.81	452,747,443.22
Less:Accumulated depreciation			
Fixed assets--net value		436,892,954.81	452,747,443.22
Less:Fixed assets provision for impairment			
Fixed assets--net book value		436,892,954.81	452,747,443.22
Construction in progress		57,013,898.46	10,188,964.09
Construction materials		393,706.60	606,206.60
Fixed assets pending for disposal			
Productive biological assets			
Oil and gas assets			
Intangible assets		30,660,800.67	31,185,913.86
Development disbursements			
Goodwill			
Long-term prepaid expenses		12,888,406.04	20,907,381.86
Deferred tax assets			
Other non-current assets		1,581,840.00	
<b>Total non-current assets</b>		781,780,786.34	664,757,666.73
<b>Total assets</b>		1,645,436,644.78	1,237,713,804.04

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

Legal representative:Zheng Qing    Principal in charge of accounting:Yang Daoliang    Head of the accounting department: Yang Daoliang

## Hainan Pearl River Holding Company Limited

## Consolidated Balance Sheet

Unit: RMB

ASSETS	Note(VIII)	31 December 2014	31 December 2013
<b>Current liabilities</b>		—	—
Short-term borrowings		19,000,000.00	
Financial liabilities at fair value through profit or loss			
Derivative financial assets			
Notes payable			
Accounts payable		58,578,620.48	34,758,922.28
Advances from customers		28,572,757.37	23,843,858.07
Employee benefits payable		9,689,999.71	10,764,089.33
Including:Accrued payroll		9,689,999.71	10,764,089.33
Taxes payable		4,603,277.48	8,600,877.07
Including:Taxes payable		4,603,277.48	8,600,877.07
Interest payable		122,400,850.73	101,140,724.11
Dividends payable		3,213,302.88	3,213,302.88
Other payables		780,359,522.08	555,911,820.21
Current portion of non-current liabilities		249,471,973.56	228,000,000.00
Other current liabilities			
<b>Total current liabilities</b>		1,275,890,304.29	966,233,593.95
<b>Non-current liabilities</b>		—	—
Long-term borrowings		327,303,532.52	129,000,000.00
Bonds payable			
Long-term payable			
Grants payable			
Provisions			
Deferred income			
Deferred tax liabilities		23,187,756.33	14,512,240.76
Other non-current liabilities			
<b>Total non-current liabilities</b>		350,491,288.85	143,512,240.76
<b>Total liabilities</b>		1,626,381,593.14	1,109,745,834.71
<b>Equity</b>		—	—
Share capital		426,745,404.00	426,745,404.00
Capital reserve		334,690,837.45	334,260,156.98
Less:Treasury Share			
Other comprehensive income		125,127,595.63	53,285,095.63
Surplus reserve		109,487,064.39	109,487,064.39
Including:Statutory surplus reserve			
Provision for general risks			
Retained earnings		-980,486,431.07	-807,063,505.41
Equity attributable to parent company		15,564,470.40	116,714,215.59
*Minority interests		3,490,581.24	11,253,753.74
<b>Total owner's equity</b>		19,055,051.64	127,967,969.33
<b>Total liabilities and owner's equity</b>		1,645,436,644.78	1,237,713,804.04

The accompanying notes form an integral part of the financial

Legal representative:Zheng Qing

Principal in charge of accounting:Yang Daoliang

Head of the accounting department: Yang Daoliang

Hainan Pearl River Holding Company Limited  
Consolidated Income Statement

Unit: RMB

ITEM	Not	2014	2013
I. Revenue		238,904,161.09	225,308,239.00
Including: Operating income		238,904,161.09	225,308,239.00
II. Total cost		438,346,628.78	400,347,446.05
Including: Operating cost		186,863,172.22	166,021,542.25
Interest expenses		13,957,767.42	14,057,037.34
Handling charges and commissions expenses			
Business taxes and surcharges		13,957,767.42	14,057,037.34
Selling expenses		5,532,791.50	7,256,804.24
Administrative expenses		108,926,123.62	109,201,497.32
Including: research and development expenses			
Finance expenses		106,922,352.10	93,614,914.70
Including: Interest expenses			
Interest income			
Net loss on foreign exchange			
Impairment losses of assets		16,144,421.92	10,195,650.20
Others			
Add: Gain on fair-value changes (“-”for loss)			
Investment income (“-”for loss)		4,566,600.41	177,445,214.64
Including: investment income from associates and joint ventures		-806,773.60	-1,171,788.37
Gain or loss on foreign exchange (“-”for loss)			
III. Operating profits (“-”for loss)		-194,875,867.28	2,406,007.59
Add: Non-operating income		1,014,289.20	10,662,348.85
Including: Gains on disposal of non-current assets			
Gains from exchange of non-monetary assets			
Government grants			
Gains from debt restructuring			
Less: Non-operating expenses		1,556,179.43	1,438,350.15
Including: Losses on disposal of non-current assets		314,560.47	18,009.02
Losses from exchange of non-monetary assets			
Losses from debt restructuring			
IV. Profit before tax (“-”for loss)		-195,417,757.51	11,630,006.29
Less: Income tax expenses		-14,662,339.82	2,963,229.37
V. Net profit (“-”for loss)		-180,755,417.69	8,666,776.92
Net profit attributable to owners of the Company		-173,422,925.66	13,489,485.71
*Profit/loss attributable to minority shareholders		-7,332,492.03	-4,822,708.79
VI. Post-tax net value of other comprehensive income		71,842,500.00	-134,400,904.56
Post-tax net value of other comprehensive income attributable to owners of the Company		71,842,500.00	-134,400,904.56
(I) Other comprehensive income that will not be reclassified subsequently to profit or loss			
(II) Other comprehensive income that will be reclassified subsequently to profit or loss		71,842,500.00	-134,400,904.56
i. Other comprehensive incomes that be able to reclassify as profit under equity method.			
ii. Gain or loss from fair-value changes on available for sale financial assets		71,842,500.00	-134,400,904.56
iii. Reclassify held-to-maturity investment to hold-to-sale financial assets gain or loss			
iv. The effective cash flow hedging gain or loss			
v. Translation differences arising on translation of financial statements denominated in foreign			
Post-tax net value of other comprehensive income attributable to minority shareholders			
VII. Total comprehensive income attributable to:		-108,912,917.69	-125,734,127.64
Owners of the Company		-101,580,425.66	-120,911,418.85
*Minority shareholders		-7,332,492.03	-4,822,708.79
VIII. Earnings per share			
i. Basic earnings per share		-0.41	0.03
ii. Diluted earnings per share		-0.41	0.03

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

Legal representative: Zheng Qing

Principal in charge of accounting: Yang Daoliang

Head of the accounting department: Yang Daoliang

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

ITEM	Note (VIII)	2014												
		Attributable to the parent company											Minority interests	Total owner's equity
		Paid-in capital	Other equity instruments	Capital reserve	Less: treasury shares	Other comprehensive income	Specialized reserve	Surplus reserve	Provision for general risks	Retained earnings	Others	Sub-total		
1	2	3	4	5	6	7	8	9	10	11	12	13		
I. Closing balance of the preceding year		426,745,404.00	-	334,260,156.98	-	53,285,095.63	-	109,487,064.39	-	-807,063,505.41	-	116,714,215.59	11,253,753.74	127,967,969.33
Add: Changes in accounting policies		—	—	—	—	—	—	—	—	—	—	—	—	—
Corrections of errors in Prior Period		—	—	—	—	—	—	—	—	—	—	—	—	—
Others		-	-	-	-	-	-	-	-	-	-	-	-	-
II. Opening balance of the current year		426,745,404.00	-	334,260,156.98	-	53,285,095.63	-	109,487,064.39	-	-807,063,505.41	-	116,714,215.59	11,253,753.74	127,967,969.33
III. Changes for the year		-	-	430,680.47	-	71,842,500.00	-	-	-	-173,422,925.66	-	-101,149,745.19	-7,763,172.50	-108,912,917.69
(I) Total comprehensive income		-	-	-	-	71,842,500.00	-	-	-	-173,422,925.66	-	-101,580,425.66	-7,332,492.03	-108,912,917.69
(II) Capital contribution and withdrawals by owners		-	-	430,680.47	-	-	-	-	-	-	-	430,680.47	-430,680.47	-
i. Capital contributions from owners		-	-	-	-	-	-	-	-	-	-	-	-430,680.47	-430,680.47
ii. Capital contribute from other equity instrument holders		-	-	-	-	-	-	-	-	-	-	-	-	-
iii. Share-based payment recorded in owner's equity		-	-	-	-	-	-	-	-	-	-	-	-	-
iv. Others		-	-	430,680.47	-	-	-	-	-	-	-	430,680.47	-	430,680.47
(III). Profits distribution		-	-	-	-	-	-	-	-	-	-	-	-	-
i. Appropriation to surplus reserve		-	-	-	-	-	-	-	-	-	-	-	-	-
Including: Statutory surplus reserve		-	-	-	-	-	-	-	-	-	-	-	-	-
Optional surplus reserve		-	-	-	-	-	-	-	-	-	-	-	-	-
ii. Appropriation of provision for general risks		-	-	-	-	-	-	-	-	-	-	-	-	-
iii. Profit distribution to equity owners		-	-	-	-	-	-	-	-	-	-	-	-	-
iv. Others		-	-	-	-	-	-	-	-	-	-	-	-	-
(V). Transfer within owner's equity		-	-	-	-	-	-	-	-	-	-	-	-	-
i. Capital reserve transferred to paid-in capital		-	-	-	-	-	-	-	-	-	-	-	-	-
ii. Surplus reserve transferred to paid-in capital		-	-	-	-	-	-	-	-	-	-	-	-	-
iii. Recover of loss by surplus reserve		-	-	-	-	-	-	-	-	-	-	-	-	-
iv. Others		-	-	-	-	-	-	-	-	-	-	-	-	-
IV. Closing balance of the year		426,745,404.00	-	334,690,837.45	-	125,127,595.63	-	109,487,064.39	-	-980,486,431.07	-	15,564,470.40	3,490,581.24	19,055,051.64

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

Legal representative: Zheng Qing

Principal in charge of accounting: Yang Daoliang

Head of the accounting department: Yang Daoliang



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

ITEM	Note (VIII)	2013												Minority interests	Total owner's equity
		Attributable to the parent company													
		Paid-in capital	Other equity instru- ments	Capital reserve	Less :treas- ury shar- es	Other comprehensive income	Speciali- zed reserve	Surplus reserve	Provisi- on for general risks	Retained earnings	O th- er s	Sub-total			
1	2	3	4	5	6	7	8	9	10	11	12	13			
I.Closing balance of the preceding year		426,745,404.00		521,946,157.17				109,487,064.39		-820,552,991.12		237,625,634.44	13,976,462.53	251,602,096.97	
Add:Changes in accounting policies		-	-	-187,686,000.19	0.00	187,686,000.19	-	-	-	-	-	-	-	-	
Corrections of errors in Prior Period		-	-	-	-	-	-	-	-	-	-	-	-	-	
Others		-	-	-	-	-	-	-	-	-	-	-	-	-	
II.Opening balance of the current year		426,745,404.00	-	334,260,156.98	-	187,686,000.19	-	109,487,064.39	-	-820,552,991.12	-	237,625,634.44	13,976,462.53	251,602,096.97	
III.Changes for the year		-	-	-	-	-134,400,904.56	-	-	-	13,489,485.71	-	-120,911,418.85	-2,722,708.79	-123,634,127.64	
(I) Total comprehensive income		-	-	-	-	-134,400,904.56	-	-	-	13,489,485.71	-	-120,911,418.85	-4,822,708.79	-125,734,127.64	
(II) Capital contribution and withdrawals by owners		-	-	-	-	-	-	-	-	-	-	-	2,100,000.00	2,100,000.00	
i.Capital contributions from owners		-	-	-	-	-	-	-	-	-	-	-	2,100,000.00	2,100,000.00	
ii.Capital contribute from other equity instrument holders		-	-	-	-	-	-	-	-	-	-	-	-	-	
iii.Share-based payment recorded in owner's equity		-	-	-	-	-	-	-	-	-	-	-	-	-	
iv.Others		-	-	-	-	-	-	-	-	-	-	-	-	-	
( III).Profits distribution		-	-	-	-	-	-	-	-	-	-	-	-	-	
i.Appropriation to surplus reserve		-	-	-	-	-	-	-	-	-	-	-	-	-	
Including:Statutory surplus reserve		-	-	-	-	-	-	-	-	-	-	-	-	-	
Optional surplus reserve		-	-	-	-	-	-	-	-	-	-	-	-	-	
ii.Appropriation of provision for general risks		-	-	-	-	-	-	-	-	-	-	-	-	-	
iii.Profit distribution to equity owners		-	-	-	-	-	-	-	-	-	-	-	-	-	
iv.Others		-	-	-	-	-	-	-	-	-	-	-	-	-	
(V).Transfer within owner's equity		-	-	-	-	-	-	-	-	-	-	-	-	-	
i.Capital reserve transferred to paid-in capital		-	-	-	-	-	-	-	-	-	-	-	-	-	
ii.Surplus reserve transferred to paid-in capital		-	-	-	-	-	-	-	-	-	-	-	-	-	
iii.Recover of loss by surplus reserve		-	-	-	-	-	-	-	-	-	-	-	-	-	
iv.Others		-	-	-	-	-	-	-	-	-	-	-	-	-	
IV. Closing balance of the year		426,745,404.00	-	334,260,156.98	-	53,285,095.63	-	109,487,064.39	-	-807,063,505.41	-	116,714,215.59	11,253,753.74	127,967,969.33	

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

Principal in charge of accounting: Yang Daoliang

Legal representative: Zheng Qing

Head of the accounting department: Yang Daoliang

**Hainan Pearl River Holding Company Limited**

**Consolidated Cash Flow Statement**

Unit: RMB

ITEM	Note(VIII)	2014	2013
<b>I .Cash flows from operating activities:</b>		—	—
Cash received from sales and services		242,740,543.68	216,684,103.91
Tax refunds			
Net cash from other operating activities		95,644,924.36	64,985,965.71
<b>Sub-total of cash inflows from operating activities</b>		338,385,468.04	281,670,069.62
Cash paid for goods and services		298,350,762.55	81,772,936.47
Cash paid to and on behalf of employees		147,535,288.28	121,229,824.66
Payment of taxes and surcharges		19,013,112.31	24,887,599.64
Other cash payments relating to operating activities		117,168,013.64	99,516,411.94
<b>Sub-total of cash outflows from operating activities</b>		582,067,176.78	327,406,772.71
<b>Net cash flows from operating activities</b>		-243,681,708.74	-45,736,703.09
<b>II .Cash flows from investing activities:</b>		—	—
Cash receipts from withdraw of investments		44,600,000.00	257,860,540.56
Cash received from investment income		1,017,004.08	2,382,247.88
Net cash from disposal of fixed assets, intangible assets and other long-term assets		2,506,367.50	630,157.00
Net cash received from disposal of subsidiaries and other business units			
Other cash receipts relating to investing activities		13,871.23	647,661.11
<b>Sub-total of cash inflows from investing activities</b>		48,137,242.81	261,520,606.55
Cash paid for fixed assets, intangible assets and other long-term assets		83,252,664.02	40,931,550.93
Cash payments for investments		15,220,000.00	33,000,000.00
Net cash paid for acquiring subsidiaries and other business units			
Net cash used in other investing activities			
<b>Sub-total of cash outflows from investing activities</b>		98,472,664.02	73,931,550.93
<b>Net cash flows from investing activities</b>		-50,335,421.21	187,589,055.62
<b>III.Cash flows from financing activities:</b>		—	—
Cash proceeds from investments by others		7,220,000.00	2,100,000.00
Including: cash received by subsidiaries from minority shareholders' investment		7,220,000.00	2,100,000.00
Cash received from borrowings		964,013,532.50	456,000,000.00
Cash received from issuance of bonds			
Cash receipts related to other financing activities			
<b>Sub-total of cash inflows from financing activities</b>		971,233,532.50	458,100,000.00
Cash repayments for debts		547,257,893.34	490,500,000.00
Cash payments for distribution of dividends, profit and interest expenses		63,220,486.27	98,278,608.77
Including: dividends or profit paid by subsidiaries to minority shareholders			
Other cash payments relating to financing activities		51,696,073.01	14,574,372.40
<b>Sub-total of cash outflows from financing activities</b>		662,174,452.62	603,352,981.17
<b>Net cash flows from financing activities</b>		309,059,079.88	-145,252,981.17
<b>IV.Effect of foreign exchange rate changes on cash and cash equivalents</b>		-	-
<b>V .Net increase in cash and cash equivalents</b>		15,041,949.93	-3,400,628.64
Add: beginning balance of cash and cash equivalents		62,362,242.69	65,762,871.33
<b>VI. Ending balance of cash and cash equivalents</b>		77,404,192.62	62,362,242.69

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

Legal representative:Zheng Qing

Principal in charge of accounting:Yang Daoliang

Head of the accounting department: Yang Daoliang

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

Unit: RMB

ASSETS	Note(XIII)	31 December 2014	31 December 2013
<b>Current assets:</b>		—	—
Cash and cash equivalent		2,034,649.76	1,650,620.37
Provision of settlement fund			
Funds lent			
Financial assets at fair value through profit or loss			
Derivative financial assets			
Notes receivable			
Accounts receivable		3,435,478.16	2,437,957.05
Advances to suppliers		50,240,000.00	50,000,000.00
Interest receivable			
Dividends receivable		260,015.00	260,015.00
Other receivables		818,584,850.46	599,990,581.53
Buying back the sale of financial assets			
Inventories		4,824,035.45	4,824,035.45
Including:Raw material			
Finished goods			
Reclassified to assets held for sale			
Current portion of non-current assets			
Other current assets			
<b>Total current assets</b>		879,379,028.83	659,163,209.40
<b>Non-current assets:</b>		—	—
Available-for-sale financial assets		184,158,809.90	88,368,809.90
Held-to-maturity investments			
Long-term receivables			
Long-term equity investments		293,884,905.62	287,503,889.28
Investment property		6,988,540.73	7,290,977.33
Fixed assets original cos			
Less:Accumulated depreciation			
Fixed assets--net value			
Less:Fixed assets provision for impairment			
Fixed assets--net book value		14,623,874.13	16,056,715.04
Construction in progress			
Construction materials			
Fixed assets pending for disposal			
Productive biological assets			
Oil and gas assets			
Intangible assets		1,457,713.32	1,505,376.96
Development disbursements			
Goodwill			
Long-term prepaid expenses		855,107.00	9,127,521.96
Deferred tax assets			
Other non-current assets			
<b>Total non-current assets</b>		501,968,950.70	409,853,290.47
<b>Total assets</b>		1,381,347,979.53	1,069,016,499.87

The accompanying notes form an integral part of the financial statements

Legal representative:Zheng Qing

Principal in charge of accounting:Yang Daoliang

Head of the accounting department: Yang Daoliang

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

Unit: RMB

ASSETS	Note(XIII)	31 December 2014	31 December 2013
<b>Current liabilities:</b>		—	—
Short-term borrowings			
Financial liabilities at fair value through profit or loss			
Derivative financial assets			
Notes payable			
Accounts payable		2,482,949.70	2,482,949.70
Advances from customers		98,945.30	61,875.00
Financial assets sold for repurchase			
Employee benefits payable		674,051.54	781,412.78
Including: Accrued payroll		674,051.54	781,412.78
Welfare benefits payable			
Including: Staff and workers' bonus and selfare			
Taxes and surcharges payable		2,995,939.00	6,966,593.30
Including: Taxes payable		2,995,939.00	6,966,593.30
Interest payable		75,566,328.92	61,988,940.20
Dividends payable		3,213,302.88	3,213,302.88
Other payables		576,422,782.11	403,455,124.29
Cession insurance premiums payable			
Provision for insurance contracts			
Funds received as agent of stock exchange			
Funds received as stock underwrite sale			
Reclassified to liabilities held for sale			
Current portion of non-current liabilities		196,805,306.92	197,000,000.00
Other current liabilities			
<b>Total current liabilities</b>		858,259,606.37	675,950,198.15
<b>Non-current liabilities:</b>		—	—
Long-term borrowings		130,303,532.50	
Bonds payable			
Long-term payable			
Grants payable			
Provisions			
Deferred tax liabilities		22,512,854.23	13,775,625.00
Other non-current liabilities			
<b>Total non-current liabilities</b>		152,816,386.73	13,775,625.00
<b>Total liabilities</b>		1,011,075,993.10	689,725,823.15
<b>Equity:</b>		—	—
Share capital		426,745,404.00	426,745,404.00
Capital reserve		337,276,496.52	337,276,496.52
Less: Treasury Share			
Other comprehensive income		125,127,595.63	53,285,095.63
Surplus reserve		109,487,064.39	109,487,064.39
Including: Statutory surplus reserve			
Provision for general risks			
Retained earnings		-628,364,574.11	-547,503,383.82
<b>Total owner's equity</b>		370,271,986.43	379,290,676.72
<b>Total liabilities and owner's equity</b>		1,381,347,979.53	1,069,016,499.87

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

Legal representative: Zheng Qing

Principal in charge of accounting: Yang Daoliang

Head of the accounting department: Yang Daoliang

Hainan Pearl River Holding Company Limited

Income Statement of the Company

Unit: RMB

ITEM	Note(XIII)	2014	2013
<b>I. Revenue</b>		1,170,529.02	1,335,418.83
Including: Operating income		1,170,529.02	1,335,418.83
<b>II.Total cost</b>		101,671,194.21	93,064,115.85
Including: Operating cost		355,593.60	355,593.60
Business taxes and surcharges		52,109.68	74,783.46
Selling expenses			
Administrative expenses		18,696,095.68	21,150,728.97
Including:research and development expenses			
Finance expenses		70,619,920.31	71,860,389.01
Including: Interest expenses			
Interest income			
Net loss on foreign exchange			
Impairment losses of assets		11,947,474.94	-377,379.19
Others			
Add: Gain on fair-value changes (“-”for loss)			
Investment income (“-”for loss)		4,436,304.21	177,249,555.80
Including: Investment income from associates and joint ventures		-838,983.66	-1,192,993.46
Gain or loss on foreign exchange (“-”for loss)			
<b>III.Operating profits (“—”for loss)</b>		-96,064,360.98	85,520,858.78
Add: Non-operating income		33.04	10,411,437.80
Including: Gains on disposal of non-current assets			
Gains from exchange of non-monetary assets			
Government grants			
Gains from debt restructuring			
Less: Non-operating expenses		7,133.12	9,223.61
Including: Losses on disposal of non-current assets			
Losses from exchange of non-monetary assets			
Losses from debt restructuring			
<b>IV.Profit before tax (“—”for loss)</b>		-96,071,461.06	95,923,072.97
Less: Income tax expenses		-15,210,270.77	
<b>V.Net profit (“—”for loss)</b>		-80,861,190.29	95,923,072.97
<b>VI.Post-tax net value of other comprehensive income</b>		71,842,500.00	-134,400,904.56
(I) Other comprehensive income that will not be reclassified subsequently to profit or loss			
(II) Other comprehensive income that will be reclassified subsequently to profit or loss		71,842,500.00	-134,400,904.56
i.Other comprehensive incomes that be able to reclassify as profit under equity method			
ii.Gain or loss from fair-value changes on available for sale financial assets		71,842,500.00	-134,400,904.56
iii.Reclassify held-to-maturity investment to hold-to-sale financial assets gain or loss			
iv. The effective cash flow hedging gain or loss			
v. Translation differences arising on translation of financial statements denominated in foreign currencies			
<b>VII.Total comprehensive income</b>		-9,018,690.29	-38,477,831.59

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

Legal representative:Zheng Qing

Principal in charge of accounting:Yang Daoliang

Head of the accounting department: Yang Daoliang

**Hainan Pearl River Holding Company Limited**

**Cash Flow Statement of the Company**

Unit: RMB

ITEM	Note(XIII)	2014	2013
<b>I .Cash flows from operating activities:</b>		—	—
Cash received from sales and services		1,241,995.25	2,410,071.58
Tax refunds			
Net cash from other operating activities		135,557,245.09	71,274,469.92
<b>Sub-total of cash inflows from operating activities</b>		136,799,240.34	73,684,541.50
Cash paid for goods and services			
Cash paid to and on behalf of employees		5,679,506.41	5,818,377.14
Payment of taxes and surcharges		613,301.23	1,849,946.66
Other cash payments relating to operating activities		436,181,501.92	25,179,516.14
<b>Sub-total of cash outflows from operating activities</b>		442,474,309.56	32,847,839.94
<b>Net cash flows from operating activities</b>		-305,675,069.22	40,836,701.56
<b>II .Cash flows from investing activities:</b>		—	—
Cash receipts from withdraw of investments		81,800,000.00	254,860,540.56
Cash received from investment income		930,000.00	2,300,704.29
Net cash from disposal of fixed assets, intangible assets and other long-term assets			
Net cash received from disposal of subsidiaries and other business units			
Other cash receipts relating to investing activities			
<b>Sub-total of cash inflows from investing activities</b>		82,730,000.00	257,808,905.96
Cash paid for fixed assets, intangible assets and other long-term assets			
Cash payments for investments		828,000.00 76,320,000.00	277,002.00 126,205,500.00
Net increase of pledged loans			
Net cash paid for acquiring subsidiaries and other business units			
Net cash used in other investing activities			
<b>Sub-total of cash outflows from investing activities</b>		76,328,828.00	126,482,502.00
<b>Net cash flows from investing activities</b>		6,401,172.00	131,326,403.96
<b>III.Cash flows from financing activities:</b>		—	—
Cash proceeds from investments by others			
Including: cash received by subsidiaries from minority shareholders' investment			
Cash received from borrowings		600,203,532.50	344,500,000.00
Cash received from issuance of bonds			
Cash receipts related to other financing activities			
<b>Sub-total of cash inflows from financing activities</b>		600,203,532.50	344,500,000.00
Cash repayments for debts		263,574,560.00	424,000,000.00
Cash payments for distribution of dividends, profit and interest expenses		24,769,812.88	83,379,410.20
Including: dividends or profit paid by subsidiaries to minority shareholders			
Other cash payments relating to financing activities		12,201,233.01	10,274,372.40
<b>Sub-total of cash outflows from financing activities</b>		300,545,605.89	517,653,782.60
<b>Net cash flows from financing activities</b>		299,657,926.61	-173,153,782.60
<b>IV.Effect of foreign exchange rate changes on cash and cash equivalents</b>			
<b>V .Net increase in cash and cash equivalents</b>		384,029.39	990,677.08
Add: beginning balance of cash and cash equivalents		1,650,620.37	2,641,297.45
<b>VI. Ending balance of cash and cash equivalents</b>		2,034,649.76	1,650,620.37

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

Legal representative: Zheng Qing

Principal in charge of accounting: Yang Daoliang

Head of the accounting department: Yang Daoliang

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

Unit  
:

ITEM	Note(XIII )	2014										
		Paid-in capital	Other equity instruments	Capital reserve	Less:treasury shares	Other comprehensive income	Specialized reserve	Surplus reserve	Provision for general risks	Retained earnings	Others	Total owner's equity
		1	2	3	4	5	6	7	8	9	10	11
I.Closing balance of the preceding year		426,745,404.00	-	337,276,496.52	-	53,285,095.63	-	109,487,064.39	-	-547,503,383.82	-	379,290,676.72
Add:Changes in accounting policies		—	—	—	—	—	—	—	—	—	—	—
Corrections of errors in Prior Period		—	—	—	—	—	—	—	—	—	—	—
Others		-	-	-	-	-	-	-	-	-	-	-
II.Opening balance of the current year		426,745,404.00	-	337,276,496.52	-	53,285,095.63	-	109,487,064.39	-	-547,503,383.82	-	379,290,676.72
III.Changes for the year		-	-	-	-	71,842,500.00	-	-	-	-80,861,190.29	-	-9,018,690.29
(I) Total comprehensive income		-	-	-	-	71,842,500.00	-	-	-	-80,861,190.29	-	-9,018,690.29
(II) Capital contribution and withdrawals by owners		-	-	-	-	-	-	-	-	-	-	-
i.Capital contributions from owners		-	-	-	-	-	-	-	-	-	-	-
ii.Capital contribute from other equity instrument holders		-	-	-	-	-	-	-	-	-	-	-
iii.Share-based payment recorded in owner's equity		-	-	-	-	-	-	-	-	-	-	-
iv.Others		-	-	-	-	-	-	-	-	-	-	-
( III).Profits distribution		-	-	-	-	-	-	-	-	-	-	-
i.Appropriation to surplus reserve		-	-	-	-	-	-	-	-	-	-	-
Including:Statutory surplus reserve		-	-	-	-	-	-	-	-	-	-	-
Optional surplus reserve		-	-	-	-	-	-	-	-	-	-	-
ii.Appropriation of provision for general risks		-	-	-	-	-	-	-	-	-	-	-
iii.Profit distribution to equity owners		-	-	-	-	-	-	-	-	-	-	-
iv.Others		-	-	-	-	-	-	-	-	-	-	-
(V).Transfer within owner's equity		-	-	-	-	-	-	-	-	-	-	-
i.Capital reserve transferred to paid-in capital		-	-	-	-	-	-	-	-	-	-	-
ii.Surplus reserve transferred to paid-in capital		-	-	-	-	-	-	-	-	-	-	-
iii.Recover of loss by surplus reserve		-	-	-	-	-	-	-	-	-	-	-
iv.Others		-	-	-	-	-	-	-	-	-	-	-
IV. Closing balance of the year		426,745,404.00	-	337,276,496.52	-	125,127,595.63	-	109,487,064.39	-	-628,364,574.11	-	370,271,986.43

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

Legal representative:Zheng Qing

Principal in charge of accounting:Yang Daoliang

Head of the accounting department:Yang Daoliang

## Hainan Pearl River Holding Company Limited

## Statement of Changes in Owners' Equity of the Company

ITEM	Note(XIII )	2013										
		Paid-in capital	Other equity instruments	Capital reserve	Less:treasurv shares	Other comprehensive	Specialized reserve	Surplus reserve	Provision for general	Retained earnings	Others	Total owner's equity
		1	2	3	4	5	6	7	8	9	10	11
I.Closing balance of the preceding year		426,745,404.00		524,962,496.71				109,487,064.39		-643,426,456.79		417,768,508.31
Add:Changes in accounting policies		-	-	-187,686,000.19	-	187,686,000.19	-	-	-	-	-	-
Corrections of errors in Prior Period		-	-	-	-	-	-	-	-	-	-	-
Others		-	-	-	-	-	-	-	-	-	-	-
II.Opening balance of the current year		426,745,404.00	-	337,276,496.52	-	187,686,000.19	-	109,487,064.39	-	-643,426,456.79	-	417,768,508.31
III.Changes for the year		-	-	-	-	-134,400,904.56	-	-	-	95,923,072.97	-	-38,477,831.59
(I) Total comprehensive income		-	-	-	-	-134,400,904.56	-	-	-	95,923,072.97	-	-38,477,831.59
(II) Capital contribution and withdrawals by owners		-	-	-	-	-	-	-	-	-	-	-
i.Capital contributions from owners		-	-	-	-	-	-	-	-	-	-	-
ii.Capital contribute from other equity instrument holders		-	-	-	-	-	-	-	-	-	-	-
iii.Share-based payment recorded in owner's equity		-	-	-	-	-	-	-	-	-	-	-
iv.Others		-	-	-	-	-	-	-	-	-	-	-
( III).Profits distribution		-	-	-	-	-	-	-	-	-	-	-
i.Appropriation to surplus reserve		-	-	-	-	-	-	-	-	-	-	-
Including:Statutory surplus reserve		-	-	-	-	-	-	-	-	-	-	-
Optional surplus reserve		-	-	-	-	-	-	-	-	-	-	-
ii.Appropriation of provision for general risks		-	-	-	-	-	-	-	-	-	-	-
iii.Profit distribution to equity owners		-	-	-	-	-	-	-	-	-	-	-
iv.Others		-	-	-	-	-	-	-	-	-	-	-
(V).Transfer within owner's equity		-	-	-	-	-	-	-	-	-	-	-
i.Capital reserve transferred to paid-in capital		-	-	-	-	-	-	-	-	-	-	-
ii.Surplus reserve transferred to paid-in capital		-	-	-	-	-	-	-	-	-	-	-
iii.Recover of loss by surplus reserve		-	-	-	-	-	-	-	-	-	-	-
iv.Others		-	-	-	-	-	-	-	-	-	-	-
IV. Closing balance of the year		426,745,404.00	-	337,276,496.52	-	53,285,095.63	-	109,487,064.39	-	-547,503,383.82	-	379,290,676.72

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

Legal representative:Zheng Qing

Principal in charge of accounting:Yang Daoliang

Head of the accounting department:Yang Daoliang



# Hainan Pearl River Holding Company Limited

**Notes on the Financial Statements for the Year ended 31 December 2014**  
**(All amounts are stated in RMB Yuan unless otherwise stated)**

## General information

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

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

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

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

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

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

August 17, 2006, with the implementation of equity division reform, an incremental of share capital to the total amount of 49.094604 million shares took place since additional shares were delivered to all shareholders based on a 10: 1.3 (1.3 free new shares for every 10 held) distribution regime. The total amount of shares outstanding was thus increased to 426,745,404 shares with the Wanfa Real Estate Development Company occupying 107,993,698 shares, taking up the ownership percentage of 25.31%. In 2007 and 2009, non-circulation stock shareholders paid back consideration for reform of the shareholder structure; the corresponding value was respectively 3,289,780 and 1,196,000 shares of stock. Beijing Wanfa Real Estate Development Company held an amount of 112,479,478 shares at the end of 2009, which was equivalent to an equity stake of 26.36%. In 2010, the controlling shareholder Beijing Wanfa Real Estate Development Stock Limited Company changed its name to Beijing Wanfa Real Estate Development Limited Liability Company. At the end of 2011, this dominant shareholder held an amount of 112,479,478 shares, equivalent to an ownership percentage of 26.36%.

Registered capital: RMB 426,745,400 Yuan

The business license number: 4600001006830

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

Corporate representative: Zheng Qing

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

mainly engaged in real estate development and property management, which belong to real estate aspect.

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

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

### **Preparation basis of simulated 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.

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

### **1. Announcement about compliance with Accounting Standards for Business Enterprises**

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

### **2. Accounting year**

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

### **3. Reporting currency**

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

### **4. Business combinations**

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

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

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

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

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

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

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

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

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

## (2) consolidated financial statements

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

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

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

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

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

The cost of combination is the aggregate of the fair values, at the acquisition date, of the assets given, liabilities incurred or assumed, and equity securities issued by the acquirer in exchange for control of the acquiree.

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

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

Where a business combination not involving enterprises under common control is achieved in stages that involve multiple transactions, the cost of combination is the sum of the consideration paid at the acquisition date and the fair value of the equity in the acquiree held before the acquisition. The equity held in the acquiree before the acquisition date is remeasured at its fair value at the acquisition date, with any difference between its fair value and its carrying amount being recognized as investment income, and the other comprehensive income relating to the equity held in the acquiree before the acquisition date being transferred to investment income.

## **5. Preparation of consolidated financial statements**

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

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

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

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

When the amount of loss for the period attributable to the minority shareholders of a subsidiary exceeds the minority shareholders' portion of the opening balance of shareholders' equity of the subsidiary, the excess amount is still allocated against minority interests.

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

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

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

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

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

## **6. 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.

## **7. Foreign currency transactions**

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

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

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

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

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

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

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

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

## **8. Financial Instruments**

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

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

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

### 9.2. Recognition and measurement

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

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

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

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

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

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

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

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

#### (4) Receivables

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

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

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

#### (5) Entrusted loans

Entrusted loans are recognized at the actual amounts that lent out by financial institutes as an agent. And the interest is accounted on the accrual basis. If the previously recognized interest is overdue but not recover, cease to accrue and reverse it.

Entrusted loans are subsequently measured at lower of carrying amount and recoverable amount on the individual basis at the half year or whole year ended date.

## (6) Held-to-maturity investments

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

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

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

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

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

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

### 9.3. Transfer of financial assets

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

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

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

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

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

### 9.4. Derecognition of financial liabilities

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

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

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

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

with generally accepted pricing models based on

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

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

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

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

- (1) Significant financial difficulty of the issuer or obligor;
- (2) A breach of contract by the borrower, such as a default or delinquency in interest or principal payments;
- (3) The Company, for economic or legal reasons relating to the borrower's financial difficulty, granting a concession to the borrower;
- (4) It becoming probable that the borrower will enter bankruptcy or other financial reorganizations;
- (5) The disappearance of an active market for that financial asset because of financial difficulties of the issuer;
- (6) Upon an overall assessment of a group of financial assets, observable data indicates that there is a measurable decrease in the estimated future cash flows from the group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the group. Such observable data includes: -Adverse changes in the payment status of borrower in the group of assets; Economic conditions in the country or region of the borrower which may lead to a failure to pay the group of assets;
- (7) Significant adverse changes in the technological, market, economic or legal environment in which the issuer operates, indicating that the cost of the investment in the equity instrument may not be recovered by the investor;
- (8) A significant or prolonged decline in the fair value of an investment in an equity instrument below its cost;

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

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

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

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

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

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

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

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

impairment not been recognized.

### 9.7. Offsetting financial assets and financial liabilities

Where the Company has a legal right that is currently enforceable to set off the recognized financial assets and financial liabilities, and intends either to settle on a net basis, or to realize the financial asset and settle the financial liability simultaneously, a financial asset and a financial liability shall be offset and the net amount is presented in the balance sheet. Except for the above circumstances, financial assets and financial liabilities shall be presented separately in the balance sheet and shall not be offset.

## 9. Receivables

### (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.

## 10. 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.



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

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

- (1) For a long-term equity investment acquired through a business combination, please refer to Notes“ IV-4” in detail.
- (2) Long-term equity investment acquired through other ways

The initial cost of a long-term equity investment obtained by making payment in cash shall be the purchase cost which is actually paid. The initial cost consists of the expenses directly relevant to the obtainment of the long term equity investment, taxes and other necessary expenses.

The initial cost of a long-term equity investment obtained on the basis of issuing equity securities shall be the fair value of the equity securities issued. Transaction cost of issuing or obtaining equity directly attributed to equity transaction can subtract from equity.

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

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

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

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

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

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

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

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

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

### **12.3. Basis for determining existence of control, jointly control or significant influence over investees**

Control is the power to govern the financial and operating policies of the investee so as to obtain benefits from its operating activities. In determining whether the Company is able to exercise control over the investee, the effect of potential voting rights over the investee is considered, such as convertible debts and warrants currently exercisable, etc.

Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

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

According to CAS No.22 – Financial Instrument Recognition and Measurement, if the investor can exert significant influence on the investee or implement co-control but not solely-control, the cost of long-term investment shall be the fair value plus the newly invested cost.

Where equity investment disposed part of equity and lose control over investee, the investor can exert significant influence on the investee or implement co-control but not solely-control, the cost of long-term investment shall be changed to use equity-method and adjust the residual equity investments as accounted with equity-method from acquisition date.

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

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

### **12.6. Impairment of long-term equity investments**

The Group reviews the long-term equity investments at each balance sheet date to determine whether there is any indication that they have suffered an impairment loss. If an impairment indication exists, the recoverable amounts are estimated. Recoverable amount refers to the higher of net realizable value (fair value less disposal cost) and present value of expected future cash flow. If such recoverable amount is less than its carrying amount, a provision for impairment losses in respect of the deficit is recognized in profit or loss for the period.

Once an impairment loss is recognized for a long-term equity investment, it will not be reversed in any subsequent period.

## **12. 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.

## **13. Fixed assets**

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

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

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

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

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

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

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

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

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

### **(3) Idle fixed assets**

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

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

### **(4) Fixed assets under financing lease**

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

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

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

### **14. 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.

### **15. 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.

## **16. 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.

## **17. Long-term prepaid expenses**

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

## **18. 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.

## **19. Revenue recognition**

### **20.1. Revenue from sale of goods**

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

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

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

### **Revenue from rendering of services**

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

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

the amount of revenue can be measured reliably;

it is probable that the associated economic benefits will flow to the enterprise;

the stage of completion of the transaction can be measured reliably;

the costs incurred and to be incurred for the transaction can be measured reliably

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

The revenue of property management service is recognized when following conditions are satisfied: the property management service

has been offered; the associated economic benefits will flow to the enterprise; the associated costs can be measured reliably.

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

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

#### Government grants

Government grants shall be recognized at fair value on the conditions that the Company can receive the grant and comply with the conditions attaching to the grant. For a government grant related to income, if the grant is a compensation for related expenses or losses to be incurred by the Company in subsequent period, the grant shall be recognized as deferred income, and recognized in profit or loss over the periods in which the related costs are recognized. A government grant related to an asset shall be recognized as deferred income, and evenly amortized to profit or loss over the useful life of the related asset.

#### Recognition of deferred income tax assets and liabilities

(1) The Company shall recognize the deferred income tax assets arising from a deductible temporary difference to the extent of the amount of the taxable income which it is most likely to obtain and which can be deducted from the deductible temporary difference. However, the deferred income tax assets, which are arising from the initial recognition of assets or liabilities during a transaction which is simultaneously featured by the following, shall not be recognized:

- (i) This transaction is not business combination; and
  - (ii) At the time of transaction, the accounting profits will not be affected, nor will the taxable amount (or the deductible loss) be affected.
- (2) Where the deductible temporary difference related to the investments of the subsidiary companies, associated enterprises and joint enterprises can meet the following requirements simultaneously, the enterprise shall recognize the corresponding deferred income tax assets:
- (i) The temporary differences are likely to be reversed in the expected future; and
  - (ii) It is likely to acquire any amount of taxable income tax that may be used for making up the deductible temporary differences.
  - (iii) As for any deductible loss or tax deduction that can be carried forward to the next year, the corresponding deferred income tax assets shall be determined to the extent that the amount of future taxable income to be offset by the deductible loss or tax deduction to be likely obtained.

#### (3) Recognition of deferred income tax liabilities

Except for the deferred income tax liabilities arising from the following transactions, an enterprise shall recognize the deferred income tax liabilities arising from all taxable temporary differences:

- (i) The initial recognition of business reputation;
- (ii) The initial recognition of assets or liabilities arising from the following transactions which are simultaneously featured by the following:
  - (a) The transaction is not business combination;
  - (b) At the time of transaction, the accounting profits will not be affected, nor will the taxable amount (or the deductible loss) be affected.
- (4) The income taxes of the current period and deferred income tax of an enterprise shall be treated as income tax expenses or incomes, and shall be recorded into the current profits and losses, excluding the income taxes incurred under the following circumstances:
  - (i) The business combination; and
  - (ii) The transactions or events directly recognized as the owner's rights and interests.

#### (5) Impairment on the deferred income tax assets

On the balance sheet date, the carry amounts of the deferred income tax assets shall be reviewed.

#### Maintenance fund

The Company's property management company receives and manages public maintenance fund consigned by owners, and charges to "agency fund". The fund is used in the maintenance and update of the common apparatus and common position of the house and communal facilities of property management region.

#### Quality assurance reserve funds

Construction party should remain quality assurance reserve funds according to the amount in the construction contract, and list in "accounts payable". The funds should be paid according to the actual conditions and contract after guarantee period.

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

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

#### 1. Changes of accounting policies

The Company has adopted the new standards ,which is the *Long-Term Equity Investments* revised by Ministry of Finance of the PRC,to prepare the financial statements for the year ended 31 December 2014.

Prior to the adoption of CAS NO.2 (Revised), an investment over which the Company does not exercise control, joint control or significant influence are accounted for long-term equity investments using the cost method. As from the adoption of CAS 2 (Revised), such investments without quoted prices in an active market and of which the fair value cannot be reliably measured are recognised as financial assets available-for-sale and measured at cost. Otherwise measured at fair value.

The amount of cumulative effects under the retrospective restatement method are as follow.

Investee	Proportion of ownership	Equity attributable to	31 December 2013
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			long-term equity investments	financial assets available-for-sale	Equity attributable to parent company
Hainan Pearl River Guanzhuang Co., Ltd	1.33		426,315.00	426,315.00	
Hainan Huadi Pearl River Foundation Engineering Co., Ltd.	2.00		160,000.00	160,000.00	
Guangzhou Pearl River Investment Management Co., Ltd	9.4785		10,824,994.90	10,824,994.90	
Total			11,411,309.90	11,411,309.90	

The Company has adopted the new standards, which is the *Presentation of Financial Statements* revised by Ministry of Finance of the PRC, to prepare the financial statements for the year ended 31 December 2014.

Prior to the adoption of CAS NO.30 (Revised), the other comprehensive income was included in Capital reserve. And after the new CAS NO.30 (Revised) adopted, the comprehensive income is recorded separately in financial statements, and the amount of cumulative effects under the retrospective restatement method are as follow.

Item	1 January 2013		31 December 2013	
	Before adjustment	After adjustment	Before adjustment	After adjustment
Capital reserve	521,946,157.17	334,260,156.98	387,545,252.61	334,260,156.98
Other comprehensive income		187,686,000.19		53,285,095.63
Total	521,946,157.17	521,946,157.17	387,545,252.61	387,545,252.61

## 2. Changes in accounting estimations

No alteration of accounting estimations occurred in the report period.

## 3. Corrections of previous period critical errors

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

## Taxation

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

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

Note: For the year 2014, except that income tax of companies in Mudanjiang Jingbohu Wanjia Hotel Co., Ltd is levied at 10% of taxable income, the income tax of other companies is levied at 25% of taxable income.

## 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

## 1. Subsidiaries established by the Company

Subsidiary's name	Registered address	Registered capital (RMB 0'000)	Principal activities	Holding proportion	Voting rights proportion	Amount invested by the Company (RMB 0'000)
Hainan Pearl River Properties and Hotels Management Co., Ltd.	Hainan Haikou	500	Properties and Hotels Management	98%	98%	490
Hainan Pearl River Environmental Projects Co.,Ltd.	Hainan Haikou	100	Gardens engineering construction	100%	100%	100
Hainan Pearl River Estate Cleaning Company	Hainan Haikou	50	Cleaning projects	100%	100%	50
Hainan Pearl River Estate Machine Engineering Company	Hainan Haikou	150	Mechanical and electrical products sales	100%	100%	150
Hainan Pearl River Estate Marketing Co., Ltd.	Hainan Haikou	100	Real Estate Marketing Planning	100%	100%	100
Sanya Wanjia Hotel Management Co., Ltd.	Hainan Sanya	12,000	Hotel service	100%	100%	12,000
Hubei Pearl River Real Estate Development Co., Ltd.	Hubei Wuhan	7,222	Real estate development and management	89.2%	89.2%	6,442
Wuhan Pearl River Meilin Hotels Management Co., Ltd.	Hubei Wuhan	50	Service	100%	100%	50
Hainan Pearl River Holding( Shanghai )Real Estate Co.,Ltd.	Shanghai	4,000	Real estate development and management	100%	100%	4,000
Beijing Jiubo Culture Development Co., Ltd.	Beijing	500	Cultural and sports services	100%	100%	500
Mudanjiang Pearl River Wanjia Tourism Investment Development Group	Mudanjiang	6,000	Hotel management	100%	100%	6,000
Mudanjiang Wanjia Star Hotel Co., Ltd.	Mudanjiang	50	Hotel service	100%	100%	50
Mudanjiang Jingbohu Wanjia Hotel Co., Ltd.	Mudanjiang	50	Hotel service	100%	100%	50
Heilongjiang Longshi Pearl River Culture Communication Co., Ltd	Harbin	700	Operation of Movie and TV base	70%	70%	490
Harbin Wanjia Travel Agent	Harbin	30	touring	100%	100%	30
Shanghai Sea Pearl Property Management Co., Ltd.	Shanghai	US \$ 20	Property management	50%	50%	83
Hebei Zhengshi Qinghui Real Estate Development Co., Ltd.	Hebei Shijiazhuang	1,000	Real estate development and property services	51%	51%	510

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

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

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

### 1. Currency Funds

Items	31 December 2014	31 December 2013
Cash	1,255,008.79	1,846,467.14
Bank deposit	96,091,882.06	60,472,057.43
Other monetary funds	57,301.77	43,718.12
Total	97,404,192.62	62,362,242.69

The funds whose remittance is restricted are as follows:

Items	31 December 2014	31 December 2013
Fixed deposit or call deposit used for guarantee	20,000,000.00	
Total	20,000,000.00	

As of December 31, 2014, the Company pledge a fixed deposit of RMB20,000,000.00 to obtain a short-term borrowing of RMB19,000,000, which is from December 3, 2014 to December 3, 2015.

## 2. Accounts receivable

### (1) Disclosure of accounts receivable by categories:

Categories	December 31, 2014				January 1, 2014			
	Amounts		Bad Debt Provision		Amounts		Bad Debt Provision	
	Amounts	Ratio (%)	Amounts	Ratio (%)	Amounts	Ratio (%)	Amounts	Ratio (%)
1. Significant accounts receivable and bad debts accounted individually	7,761,707.60	33.54	7,761,707.60	100.00	7,761,707.60	32.68	7,761,707.60	100.00
2. Bad debt accounted by the combinations	13,384,482.99	57.83	1,012,770.55	7.57	13,992,481.70	58.91	855,886.34	6.12
3. Other unimportant receivables but bad debts accounted individually	1,997,260.02	8.63	1,990,680.02	99.67	1,997,260.02	8.41	1,990,680.02	99.67
Total	23,143,450.61	100.00	10,765,158.17	—	23,751,449.32	100.00	10,608,273.96	—

### (2) Accounts receivable for which bad debt provision has been assessed by portfolios:

Accounts receivable portfolios for which bad debt provision has been assessed using the aging analysis approach:

Ages	31 December 2014			31 December 2013		
	Balance	Proportion (%)	Bad debts	Balance	Proportion (%)	Bad debts
Within 1 year	7,894,072.87	58.98	157,881.46	9,883,909.62	70.64	197,678.20
1-2 years	2,455,484.98	18.35	122,774.26	1,999,315.02	14.29	99,965.75
2-3 years	1,381,714.43	10.32	138,171.44	1,109,412.49	7.93	110,941.25
3-4 years	705,715.14	5.27	141,143.03	104,737.15	0.75	20,947.43
4-5 years	104,737.15	0.78	31,421.15	106,000.00	0.76	31,800.00
Over 5 years	842,758.42	6.30	421,379.21	789,107.42	5.64	394,553.71
Total	13,384,482.99	100.00	1,012,770.55	13,992,481.70	100.00	855,886.34

### (3) Accounts receivable for which bad debt provision has been assessed individually

Accounts receivable that are individually significant and for which bad debt provision has been assessed individually

Name	Ending Balance	Bad Debt Provision	Proportion (%)	Reason
Hainan racing entertainment Co., LTD	2,406,158.00	2,406,158.00	100	Irrecoverable
Hainan Baoping company	2,218,494.43	2,218,494.43	100	Irrecoverable
Hainan centaline property agency	2,090,069.77	2,090,069.77	100	Irrecoverable
Hainan dragon film studio	1,046,985.40	1,046,985.40	100	Irrecoverable
Total	7,761,707.60	7,761,707.60		

Accounts receivable that are individually insignificant and for which bad debt provision has been assessed individually

Name	Ending Balance	Bad Debt Provision	Proportion (%)	Reason
Haikou Peijie clothing company	497,520.00	497,520.00	100	Irrecoverable
Hainan International silver city Real estate company	451,712.00	451,712.00	100	Irrecoverable
Haikou Jingye trading development company	250,000.00	250,000.00	100	Irrecoverable
Hainan Jinhe Real estate company	119,446.00	119,446.00	100	Irrecoverable
Hainan Qiongsan Tianxin Pawn Investment	112,116.50	112,116.50	100	Irrecoverable



Name	Ending Balance	Bad Debt Provision	Proportion (%)	Reason
company				
Amount less than one hundred thousand yuan ( total of 19 )	566,465.52	559,885.52	98.84	Irrecoverable
Total	1,997,260.02	1,990,680.02		

(4) Bad debt provision in this year is RMB156,884.21.

(5) As at 31 December 2014, the top 5 accounts receivable by customer are summarised as below:

Name	Owned amount	Proportion of total accounts receivable (%)	Bad Debt Provision
Hainan racing entertainment Co., LTD	2,406,158.00	10.40	2,406,158.00
Hainan Baoping company	2,218,494.43	9.59	2,218,494.43
Hainan Zhongyuan tenement agency company	2,090,069.77	9.03	2,090,069.77
Hainan Canglong market managment Co., LTD	2,070,502.75	8.95	46,188.17
Xinhe(Zhengzhou) home buying Co., LTD	1,554,951.00	6.72	31,099.02
Total	10,340,175.95	44.69	6,792,009.39

### 3. Advances to suppliers

#### (1) Aging analysis

Ages	31 December 2014		31 December 2013	
	Balance	Proportion (%)	Balance	Proportion (%)
Within 1 year	64,433,201.92	50.09	31,811,764.68	34.95
1-2 years	6,456,359.45	5.02	6,424,312.00	7.06
2-3 years	5,907,269.00	4.59	421,412.00	0.46
Over 3 years	51,828,529.41	40.29	52,361,324.31	57.53
Total	128,625,359.78	100.00	91,018,812.99	100.00

#### (2) Top five units of prepayments

Company's Name	Amounts	Proportion of total prepayments	Ages	Unsettled reason
Haikou Hongzhou Real Estate Development Unrelated Client	50,000,000.00	38.87	4-5 years	Pre-paid property purchase payment
Hubei Tianxiang Geotechnical engineering Co., LTD	31,494,546.06	24.49	Within 1 year	The project is not complete yet.
Hubei Changyou home buying Co., Ltd.	21,826,808.40	16.97	Within 1 year	The project is not complete yet.
Mudanjiang in heilongjiang province forestry engineering company	5,812,912.33	4.52	Within 1 year	The project is not complete yet.
Dahailin Forestry Bureau	4,596,469.00	3.57	2-3years	Pre-paid compensation for demolition
Total	113,730,735.79	—		

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

### 4. Dividend receivable

Items	31 December 2013	Increases	Decreases	31 December 2014
Within 1 year				
Over 1 year	260,015.00			260,015.00

Items	31 December 2013	Increases	Decreases	31 December 2014
Hainan Pearl River Guanzhuang Co., Ltd.	260,015.00			260,015.00
合计	260,015.00			260,015.00

## 5. Other receivables

### (1) Disclosure of other receivables by categories:

Categories	31 December 2014				31 December 2013			
	Amounts		Bad Debt Provision		Amounts		Bad Debt Provision	
	Amounts	Ratio (%)	Amounts	Ratio (%)	Amounts	Ratio (%)	Amounts	Ratio (%)
1. Significant others receivable and bad debts accounted individually	25,978,479.90	8.44	25,978,479.90	100.00	25,978,479.90	7.55	25,978,479.90	100.00
2. Bad debt accounted by the combinations	273,693,362.45	88.93	39,026,674.80	14.26	306,993,480.14	89.23	25,980,046.96	8.46
3. Other unimportant receivables but bad debts accounted individually	8,106,146.85	2.63	4,420,829.95	54.54	11,091,693.24	3.22	4,479,920.08	40.39
Total	307,777,989.20	100.00	69,425,984.65	22.56	344,063,653.28	100.00	56,438,446.94	—

### (2) Other receivables for which bad debt provision has been assessed by portfolios:

Other receivables portfolios for which bad debt provision has been assessed using the aging analysis approach:

Ages	31 December 2014			31 December 2013		
	Balance	Proportion (%)	Bad debts	Balance	Proportion (%)	Bad debts
Within 1 year	16,615,861.48	332,317.22	2.00	45,511,171.10	14.82	910,223.54
1-2 years	40,137,294.33	2,006,864.72	5.00	82,995,640.54	27.04	4,149,782.03
2-3 years	80,522,251.84	8,052,225.18	10.00	163,181,682.67	53.15	16,318,168.27
3-4 years	125,133,739.57	25,026,747.92	20.00	10,167,939.34	3.31	2,033,587.87
4-5 years	10,167,939.34	3,050,381.80	30.00	1,190.00	0.01	357.00
Over 5 years	1,116,275.89	558,137.95	50.00	5,135,856.49	1.67	2,567,928.25
Total	273,693,362.45	39,026,674.79		306,993,480.14	100.00	25,980,046.96

### (3) Other receivables for which bad debt provision has been assessed individually

Other receivables that are individually significant and for which bad debt provision has been assessed individually

Name	Closing Balance	Bad Debt Provision	Proportion (%)	Reason
Shenzhen Yinxiang computer Co., LTD	6,482,625.00	6,482,625.00	100	Irrecoverable
Dingjia International Co., LTD	2,725,702.71	2,725,702.71	100	Irrecoverable
Hainan Enxin Industry Co., LTD	2,314,592.00	2,314,592.00	100	Irrecoverable
Hainan Zhongda Industrial Corporation	2,210,779.10	2,210,779.10	100	Irrecoverable
Dabao cement plant	1,901,383.56	1,901,383.56	100	Irrecoverable
Golden light industrial Corporation	1,752,100.00	1,752,100.00	100	Irrecoverable
Shenzhen city Zhuze Real estate company	1,550,278.23	1,550,278.23	100	Irrecoverable
Shenzhen State Development& Investment Corporation	1,409,934.28	1,409,934.28	100	Irrecoverable
Haikou city industrial development trading company	1,392,430.00	1,392,430.00	100	Irrecoverable
Xinhua dawn Airline decoration company	1,208,804.70	1,208,804.70	100	Irrecoverable
Hainan deepsea Real Estate Co., LTD	1,029,850.32	1,029,850.32	100	Irrecoverable
Sanya city land and property management Authority	1,000,000.00	1,000,000.00	100	Irrecoverable

Name	Closing Balance	Bad Debt Provision	Proportion (%)	Reason
HainanYangtz River travel industry	1,000,000.00	1,000,000.00	100	Irrecoverable
Total	25,978,479.90	25,978,479.90		

**Other receivables that are individually insignificant and for which bad debt provision has been assessed individually**

Name	Closing Balance	Bad Debt Provision	Proportion (%)	Reason
Staff reserve fund	3,441,353.37	68,827.07	100	Irrecoverable
Hainan Development Bank	440,000.00	440,000.00	100	Irrecoverable
Hainan Sanli Industrial and Trading Company	283,478.62	283,478.62	100	Irrecoverable
Others	3,941,314.86	3,628,524.26	100	Irrecoverable
Total	8,106,146.85	4,420,829.95		

(4) Bad debt provision in this year is RMB12,987,537.71.

**(5) Top five units of others receivable**

Name	Relationship with the company	Owned amount	Ages	Proportion of total Other receivable (%)	Bad Debt Provision
Public Investment Co., Ltd	Unrelated Party	100,400,000.00	2-4years	32.62	16,380,000.00
Beijing Kangtai Xingye Investment Co.,Ltd	Unrelated Party	100,000,000.00	2-4years	33.30	16,250,000.00
Singapore Great land holdings Co.,Ltd	Unrelated Party	30,000,000.00	1-2years	9.75	1,500,000.00
Hainan Pearl River Guanzhuang Co., Ltd	Unrelated Party	9,635,731.68	1-5years	3.13	2,210,359.17
Shenzhen Yinxiang Computer Co., Ltd	Unrelated Party	6,482,625.00	Over 5 years	2.11	6,482,625.00
Total		249,018,356.68		80.91	42,822,984.17

Note: On 3rd January 2011, the proposal of ‘the private railway sidings for Mulin town as well as coal wholesale market construction cooperation project’ was signed between Public Investment Co., Ltd and the Company. On 28th June 2011, the project supplementary agreement was signed, which stipulates the joint investment of the the private railway sidings for Mulin town as well as coal wholesale market construction project. Under the agreement, staged financing is required from both parties while the upper limit investment amount for the Pearl River Holding is RMB140 million. The Beijing branch investment & consultation firm which belongs to the Company will supervise the use of the funds all the way from the project approval, construction to project management. As the project is not carried out as planned, the Company withdraw the investment of RMB 40 million and RMB36.6 million in 2013 and 2014 respectively.

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

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

**6. Inventories**

**(1) Inventories category**

Items	31 December 2014			31 December 2013		
	Closing Balance	Provision for Inventory	Book value	Closing Balance	Provision for Inventory	Book value
Raw materials	3,598,674.74		3,598,674.74	3,118,811.25		3,118,811.25
Low-value consumption	579,452.60		579,452.60	659,503.83		659,503.83

Items	31 December 2014			31 December 2013		
	Closing Balance	Provision for Inventory	Book value	Closing Balance	Provision for Inventory	Book value
goods:						
Finished goods	594,248.15		594,248.15	647,642.85		647,642.85
Constructing development product	338,221,729.16		338,221,729.16	69,126,316.25		69,126,316.25
Development products	65,330,786.48	21,726,889.27	43,603,897.21	66,559,549.10	21,726,889.27	44,832,659.83
Consumptive biological assets	37,992.19		37,992.19	161,750.92		161,750.92
Total	408,362,883.32	21,726,889.27	386,635,994.05	140,273,574.20	21,726,889.27	118,546,684.93

## (2) Inventories impairment provision

Items	31 December 2013	Increment	Decrement		31 December 2014
			Transfer back	Write off	
Development product	21,726,889.27				21,726,889.27
Total	21,726,889.27				21,726,889.27

## 7. Available-for-sale financial assets

### (1) Categories of available-for-sale financial assets

Items	Dec 31, 2014	Jan 1, 2014
Available for sales equity instrument:		
Measured at fair value model	172,747,500.00	76,957,500.00
Measured at cost model	11,411,309.90	11,411,309.90
Total	184,158,809.90	88,368,809.90

Note: The Company holds 7,750,000 shares of stock of Southwest Securities.

## 8. Long-term Equity Investment

Item	Accounting Method	Initial investment Cost	Beginning Balance	Increase or decrease	Closing Balance
Investments in joint venture					
Sanya Wanjia Enterprises Holding Co., Ltd.	Equity Method	40,000,000.00	35,303,889.28	-838,983.66	34,464,905.62
Beijing Found Vision Media Co., Ltd.	Equity Method	1,470,000.00	1,464,638.95	32,210.06	1,496,849.01
Total		41,470,000.00	36,768,528.23	-806,773.60	35,961,754.63

## 9. Investment property

Items	31 December 2014	Increment	Decrement	31 December 2014
I. Original value	33,921,871.40		1,209,942.83	32,711,928.57
Buildings and structures	33,921,871.40		1,209,942.83	32,711,928.57
II. Accumulated depreciation and amortization	6,504,524.83	1,147,701.38	250,112.28	7,402,113.93
Buildings and structures	6,504,524.83	1,147,701.38	250,112.28	7,402,113.93
III. Impairment provision	3,432,927.60		351,728.19	3,081,199.41
Buildings and structures	3,432,927.60		351,728.19	3,081,199.41

Items	31 December 2014	Increment	Decrement	31 December 2014
IV. Book value	23,984,418.97	—	—	22,228,615.23
Buildings and structures	23,984,418.97	—	—	22,228,615.23

Note: The depreciation of this period was RMB 1,147,701.38.

## 10. Fixed assets

Items	31 December 2013	Increment	Decrement	31 December 2014
I. Original value	628,211,096.49	21,428,498.59	5,118,300.59	644,521,294.49
Buildings and structures	463,351,301.88	19,162,540.80	2,909,713.04	479,604,129.64
Vehicles	69,078,962.65	400,023.19	764,164.00	68,714,821.84
General equipments	41,609,833.29	604,652.00	918,219.00	41,296,266.29
Other equipments	54,170,998.67	1,261,282.60	526,204.55	54,906,076.72
II. Accumulated depreciation	167,964,357.35	33,652,356.45	1,487,670.04	200,129,043.76
Buildings and structures	72,686,693.91	17,851,926.05	—	90,538,619.96
Vehicles	33,879,252.88	4,979,435.78	538,355.31	38,320,333.35
General equipments	20,901,662.70	6,075,838.44	491,157.49	26,486,343.65
Other equipments	40,496,747.86	4,745,156.18	458,157.24	44,783,746.80
III. Impairment provision	7,499,295.92	—	—	7,499,295.92
Buildings and structures	7,499,295.92	—	—	7,499,295.92
Vehicles	—	—	—	—
General equipments	—	—	—	—
Other equipments	—	—	—	—
IV. Book value	452,747,443.22	—	—	436,892,954.81
Buildings and structures	383,165,312.05	—	—	381,566,213.76
Vehicles	35,199,709.77	—	—	30,394,488.49
General equipments	20,708,170.59	—	—	14,809,922.64
Other equipments	13,674,250.81	—	—	10,122,329.92

Note: The depreciation of this period was RMB 33,652,356.45 Yuan.

The construction in progress is transferred to fixed assets of RMB980,690.00 for this period.

## 11. Construction in progress

Project name	31 December 2014			31 December 2013		
	Closing Balance	Impairment loss provision	Book value	Closing Balance	Impairment loss provision	Book value
Little Train 550	5,648,964.09	1,800,000.00	3,848,964.09	5,648,964.09	—	5,648,964.09
Little Train 400	4,180,000.00	1,200,000.00	2,980,000.00	4,180,000.00	—	4,180,000.00
Earlier stage of Snow town Project	360,000.00	—	360,000.00	360,000.00	—	360,000.00
Comprehensive service center of Snow Town	49,824,934.37	—	49,824,934.37	—	—	—
Total	60,013,898.46	3,000,000.00	57,013,898.46	10,188,964.09	—	10,188,964.09

### The changes of major construction in progress

Project name	Beginning balance	Increment	Transferred to fixed assets	Other decrement	Closing Balance
Comprehensive service center of Snow Town	—	49,824,934.37	—	—	49,824,934.37
Total	—	49,824,934.37	—	—	49,824,934.37

## 12. Construction materials

Items	31 December 2013	31 December 2014
Special equipment	606,206.60	393,706.60
Total	606,206.60	393,706.60

### 13. Intangible assets

Items	31 December 2013	Increment	Decrement	31 December 2014
I. Original value	39,513,463.93	682,402.00		40,195,865.93
Software	1,858,978.28	147,220.00		2,006,198.28
Land use right	35,567,353.65	441,282.00		36,008,635.65
trademark right		93,900.00		93,900.00
other	2,087,132.00			2,087,132.00
II. Accumulative amortization	7,416,150.07	1,207,515.19		8,623,665.26
Software	1,023,717.33	250,610.33		1,274,327.66
Land use right	6,020,961.88	917,014.44		6,937,976.32
trademark right		5,477.50		5,477.50
other	371,470.86	34,412.92		405,883.78
III. Total impairment loss provision	911,400.00			911,400.00
other	911,400.00			911,400.00
IV. Carrying amount	31,185,913.86	—	—	30,660,800.67
Software	835,260.95	—	—	731,870.62
Land use right	29,546,391.77	—	—	29,070,659.33
trademark right		—	—	88,422.50
other	804,261.14	—	—	769,848.22

Note: The amortization of this year is 1,207,515.19Yuan.

### 14. Long-term prepaid expenses

Items	31 December 2013	Increment	Amortization	Other decrements	31 December 2014
Decoration	5,733,050.18	6,088,479.79	4,109,211.09		7,712,318.88
Ski rental fee	3,000,000.00		900,000.00		2,100,000.00
Technical service fee	233,321.33		140,004.00		93,317.33
Financial consulting fee	7,998,594.64		7,998,594.64		
Advertisement fee of Snow town	189,933.41		156,825.92		33,107.49
Rental fee of fishpond	1,115,537.23		228,999.79	13,000.21	873,537.23
Use fee of Ski Course	1,566,945.07		410,819.96		1,156,125.11
Facility of Yangcao mountain	590,000.00		120,000.00		470,000.00
Er'long Mountain Compensation fee of Movie city Entertainment Area	480,000.00		30,000.00		450,000.00
Total	20,907,381.86	6,088,479.79	14,094,455.40	13,000.21	12,888,406.04

### 15. Deferred tax asset and deferred tax liability

(1) Deferred tax assets or deferred tax liabilities that are presented at the net amount after offset and correspondingly deductible or taxable temporary differences

Items	Taxable temporary differences at the end of the reporting period	Deferred tax liabilities at the end of the reporting period	Taxable temporary differences at the beginning of the reporting period	Deferred tax liabilities at the beginning of the reporting period
Changes in fair value			55,102,500.00	13,775,625.00

Items	Taxable temporary differences at the end of the reporting period	Deferred tax liabilities at the end of the reporting period	Taxable temporary differences at the beginning of the reporting period	Deferred tax liabilities at the beginning of the reporting period
The difference between the carrying amount of the net assets and the fair value of the identifiable net assets which recognized in business combinations	2,699,608.38	674,902.10	2,946,463.04	736,615.76
Total	2,699,608.38	674,902.10	58,048,963.04	14,512,240.76

(2) Details of offsetting deferred tax assets and deferred tax liabilities

Items	31 December 2014		31 December 2013	
	Offset amount of deferred tax assets and liabilities	Deferred tax assets or liabilities	Deferred tax assets and liabilities at the beginning	Offset deferred tax assets or liabilities
Deferred tax assets	15,210,270.77			
Deferred tax liabilities	15,210,270.77	23,187,756.33		

(3) Details of unrecognized deferred tax assets

Items	31 December 2014	31 December 2013
Deductible temporary differences	141,942,172.81	126,149,479.08
Deductible losses	380,511,206.66	291,107,451.18
Total	522,453,379.47	417,256,930.26

(4) Deductible losses for which no deferred tax assets are recognized will expire in the following

Years

Item	31 December 2014	31 December 2013	Notes
2015	44,225,740.37	44,225,740.37	
2016	56,453,161.41	56,680,492.69	
2017	98,393,343.38	98,916,398.69	
2018	89,577,493.21	91,284,819.43	
2019	91,861,468.29		
Total	380,511,206.66	291,107,451.18	

16. Other non-current assets

Item	31 December 2014	31 December 2013
Properties	1,581,840.00	
Total	1,581,840.00	

17. Provision of asset impairment

Items	31 December 2013	Current year increases		Current year decreases			31 December 2014
		Current year accrued	Others	Reversal	Write off	Others	
Bad debt provision	67,046,720.90	13,144,421.92					80,191,142.82
Provision for decline in value of inventories	21,726,889.27						21,726,889.27
Provision for impairment losses of available-for-sale financial assets	25,532,245.39						25,532,245.39
Provision for impairment losses of investment properties	3,432,927.60					351,728.19	3,081,199.41

Items	31 December 2013	Current year increases		Current year decreases			31 December 2014
		Current year accrued	Others	Reversal	Write off	Others	
Provision for impairment losses of fixed assets	7,499,295.92	16,144,421.92					7,499,295.92
Provision for impairment losses of construction in progress		3,000,000.00					3,000,000.00
Provision for impairment losses of intangible assets	911,400.00						911,400.00
Total	126,149,479.08	16,170,240.98				351,728.19	141,942,172.81

## 18. Short-term borrowings

### (1) Short-term loan disclosed by categories

Category	31 December 2014	31 December 2013
Pledged loans	19,000,000.00	
Total	19,000,000.00	

### (2) Pledge loans

loan enterprise	Loan balance	抵押物
Xingye International Trust Co., Ltd	19,000,000.00	Mudanjiang Pearl River Wanjia Tourism Investment Development Group pledge the deposits certificate of RMB20 million as security for this loans.
Total	19,000,000.00	

## 19. Accounts payable

### (1) Details of accounts payable are as follows:

Item	31 December 2014	31 December 2013
Construction	45,579,235.43	23,726,432.01
Materials	1,496,150.14	1,484,038.04
Tourism	1,245,815.50	
Investments	5,000,000.00	5,000,000.00
Deposits	574,545.37	574,545.37
Suppliers	602,405.96	659,931.36
Others	4,080,468.08	3,313,975.50
Total	58,578,620.48	34,758,922.28

### (2) Significant accounts payable aging more than a year

Company name	Closing Balance	The reason of outstanding borrowings
Lin Deying、Chen Guanwen	5,000,000.00	Acquisitions of Snow Days hotel
Supervision company	3,572,235.33	The company not request
Total	8,572,235.33	

## 20. Advances from customers

### (1) Details of advances are as follows:



Item	31 December 2014	31 December 2013
The rents of garage	13,904,770.50	14,538,254.68
Tourism	2,447,854.00	21,110.00
Heating fees	2,699,451.17	
Cooperative operation	2,579,910.00	
Advances from customers	133,353.85	1,105,203.05
Property fees	3,959,916.97	4,155,233.93
Others	2,847,500.88	4,024,056.41
Total	28,572,757.37	23,843,858.07

(2) Significant advances aging more than a year

Item	Closing Balance	The reason of outstanding borrowings
The rents of garage	11,003,374.68	Hubei Pearl River Real Estate Development Co., Ltd. receive carport rents in advance.
Total	11,003,374.68	

## 21. Employee benefits payable

(1) Details of employee benefits payable are as follows

Items	31 December 2013	Increment	Decrement	31 December 2014
Short term employee benefits payable	10,764,089.33	137,056,029.75	138,136,541.06	9,683,578.02
Defined contribution plans payable		10,408,666.06	10,402,244.37	6,421.69
Termination benefits payable		115,200.00	115,200.00	
Total	10,764,089.33	147,579,895.81	148,653,985.43	9,689,999.71

(2) Short term employee benefits payable

Items	Opening balance	Increment	Decrement	Closing Balance
Salary, bonus, allowance	3,974,036.99	122,788,594.51	124,632,397.40	2,130,234.10
Employee Welfare expenses		5,321,696.31	5,321,696.31	
Social insurance		5,182,929.87	5,180,585.55	2,344.32
Including: Medical insurance		4,544,948.61	4,542,910.09	2,038.52
Employment injury insurance		302,281.96	302,103.54	178.42
Maternity insurance		335,699.30	335,571.92	127.38
Housing accumulation fund		1,322,384.38	1,311,410.38	10,974.00
Labor union fees& Employee education fees	6,789,134.86	2,324,180.48	1,573,289.74	7,540,025.60
Other short-term payment	917.48	116,244.20	117,161.68	
Total	10,764,089.33	137,056,029.75	138,136,541.06	9,683,578.02

(3) Defined contribution plans payable

Items	Opening balance	Increment	Decrement	Closing Balance
Basic endowment insurance		9,679,849.61	9,673,937.55	5,912.06
Unemployment insurance		728,816.45	728,306.82	509.63
Total		10,408,666.06	10,402,244.37	6,421.69

## 22. Taxes payable

Items	31 December 2014	31 December 2013
VAT		-1,050.00
Individual income tax	175,810.93	106,398.68
City construction and maintenance tax	430,008.45	670,388.88
Corporate income tax	-39,062.10	106,407.40
Property tax	-141,625.39	59,855.90
Business tax	5,757,820.60	9,174,503.29
Land use tax	170,091.31	104,086.03
Increment tax on land value	-2,126,579.42	-2,179,863.60
Educational surtax	75,613.91	173,862.51
Others	301,199.19	386,287.98
Total	4,603,277.48	8,600,877.07

### 23. Interest payable

Item	31 December 2014	31 December 2013
Interests on long-term loans	18,376,036.74	
Interests on loans from other companies	93,156,857.01	90,514,702.62
Interests on entrusted loans	58,979,609.28	10,449,888.49
Interests on personal loans	241,935.49	
Others	176,133.00	176,133.00
Total	123,206,157.65	101,140,724.11

### 24. Dividend payable

Investor	31 December 2014	31 December 2013
Payable to institutional shareholders	3,213,302.88	3,213,302.88
Total	3,213,302.88	3,213,302.88

### 25. Other payables

Items	31 December 2014	31 December 2013
Borrowings	627,784,756.31	435,643,309.87
Land transfer payment	43,000,000.00	28,000,000.00
Agency fund from properties management	26,485,268.25	20,205,674.07
Suppliers	12,280,414.57	8,798,509.86
accrued expenses	7,916,400.00	1,700,000.00
Decoration quality warranty	5,167,661.14	6,633,922.14
Maintenance funds	2,559,260.74	2,241,372.74
Others	55,165,761.07	52,689,031.53
Total	780,359,522.08	555,911,820.21

### 26. Current portion of non-current liabilities

Category	31 December 2014	31 December 2013
Long-term loans due within one year	249,471,973.56	228,000,000.00
Total	249,471,973.56	228,000,000.00



## 29. Capital reserve

Items	31 December 2013	Increase	Decrease	31 December 2014
Capital premium	224,960,139.16	430,680.47		225,390,819.63
Others capital reserve	162,585,113.45			109,300,017.82
Total	387,545,252.61	430,680.47		334,690,837.45

## 30. Other comprehensive income

Item	31 December 2013	Amount for the current period					31 December 2014
		Before-tax amount for the current period	Less: Net amount included in other comprehensive income in the prior periods that is transferred to profit or loss for the period	Less: income tax	Post-tax net amount belonging to parent company owners	Post-tax net amount belonging to minority shareholders	
I. Net amount included in other comprehensive income that can be transferred to profit or loss in the future							
Including : Gains (losses) arising from available-for-sale financial assets	53,285,095.63	95,790,000.00		23,947,500.00	71,842,500.00	125,127,595.63	
Total	53,285,095.63	95,790,000.00		23,947,500.00	71,842,500.00	125,127,595.63	

## 31. Surplus reserves

Items	31 December 2014	31 December 2013
Statutory surplus reserve	71,852,236.46	71,852,236.46
General surplus reserve	37,634,827.93	37,634,827.93
Total	109,487,064.39	109,487,064.39

## 32. Retained earnings

Items	Amounts	allocation proportion
Non-adjusted Closing Balance of the year 2013	-807,063,505.41	
Adjusted opening balance of the year 2014		
Add: Net profit attributed to the owners of the parent company	-173,422,925.66	
Less: Statutory surplus reserve		
Random surplus reserve		
Common risk provision		
Dividend payable of Ordinary shares		
Share capital converted from dividend of ordinary shares		
Undistributed profit at the end of period	-980,486,431.07	

## 33. Operating income and operating costs

### (1) Operating income

Items	Year 2014	Year 2013
Principal operating income	230,442,582.68	221,087,738.55
Other operating income	8,461,578.41	4,220,500.45
Total	238,904,161.09	225,308,239.00

### (2) Operating costs

Items	Year 2014	Year 2013
Principal operating costs	184,265,537.43	164,292,800.54
Other operating cost	2,597,634.79	1,728,741.71
Total	186,863,172.22	166,021,542.25

**(3) Income and costs of principal operations analysed by industries are set out below:**

Items	Year 2014		Year 2013	
	Main operating business income	Main operating business costs	Main operating business income	Main operating business costs
Real estate sales	2,916,880.00	1,228,762.62	14,885,058.00	4,853,614.26
Property management services	168,344,979.51	149,709,944.44	150,895,030.25	132,509,072.38
Tourism and hotel services	59,180,723.17	33,326,830.37	55,307,650.30	26,930,113.90
Total	230,442,582.68	184,265,537.43	221,087,738.55	164,292,800.54

**(4) Income and costs of principal operations analysed by regions are set out below:**

Location	Year 2014		Year 2013	
	Main operating business income	Main operating business costs	Main operating business income	Main operating business costs
Hainan	195,296,038.73	165,368,492.96	186,641,095.95	149,288,990.43
Heilongjiang	28,571,229.35	15,413,974.94	17,026,312.10	8,208,931.18
Hubei	3,858,341.00	1,862,499.95	12,425,058.00	4,329,275.06
Shanghai	2,716,973.60	1,620,569.58	4,995,272.50	2,465,603.87
Total	230,442,582.68	184,265,537.43	221,087,738.55	164,292,800.54

**34. Business taxes and surcharges**

Items	Year 2014	Year 2013
Business tax	12,028,796.67	11,428,445.35
City construction and maintenance tax	728,059.68	649,303.43
Education fee	583,936.78	525,026.12
Land value-added tax	456,009.90	1,252,894.73
Others	160,964.39	201,367.71
Total	13,957,767.42	14,057,037.34

**35. Selling expenses**

Items	Year 2014	Year 2013
Payroll expense	2,641,596.75	3,929,171.85
Advertising fees	1,690,187.00	637,569.00
Insurance expenses	130,001.88	351,407.90
Maintenance expense	68,150.30	398,130.00
Other selling expenses	1,002,855.57	1,940,525.49
Total	5,532,791.50	7,256,804.24

**36. Administrative expenses**

Items	Year 2014	Year 2013
Payroll expense	29,161,235.76	27,911,861.37

Items	Year 2014	Year 2013
Depreciation cost	32,585,691.55	29,939,918.99
Entertainment expenses	7,634,087.68	8,739,203.68
Travel expense	3,476,906.21	4,496,640.07
Taxations	3,075,654.76	4,265,821.46
The amortization of intangible assets	1,614,285.95	1,182,122.36
Insurance expenses	1,277,889.45	656,719.17
Maintenance expense	1,135,693.29	2,820,260.28
Intermediation service fee	1,271,000.00	1,316,532.50
Other expenses	27,693,678.97	27,872,417.44
Total	108,926,123.62	109,201,497.32

### 37. Finance expenses

Items	Year 2014	Year 2013
Interest exchange	80,763,270.20	74,861,941.21
Less: interest revenue	1,512,655.73	1,333,307.97
Foreign exchange loss		285.55
Finance consult fees	11,114,994.64	11,033,737.42
Financing fees	16,001,233.01	8,549,515.34
Others	555,509.98	502,743.15
Total	106,922,352.10	93,614,914.70

### 38. Impairment Loss of Assets

Items	Year 2014	Year 2013
Bad debts impairment loss	13,144,421.92	10,195,650.20
Impairment in construction in process	3,000,000.00	
Total	16,144,421.92	10,195,650.20

### 39. Investment income

Items	Year 2014	Year 2013
Long-term equity investment income accounted by Equity Method	-806,773.60	-1,171,788.37
Investment income of disposal Long-term equity investment		92,910.16
Investment income accounted by held for trading financial assets		93,040.00
Investment income accounted by available for sale financial assets	930,000.00	3,064,013.00
Investment income of disposal held for trading financial assets		-856,348.71
Investment income of disposal available for sale financial assets	4,345,287.87	176,141,844.97
Others	98,086.14	81,543.59
Total	4,566,600.41	177,445,214.64

### 40. Non-operating income

Items	Year 2014	Year 2013
Gain on disposal of non-current assets	130,579.48	198,132.54
Gains on debt restructure		7,411,437.43

Items	Year 2014	Year 2013
Default compensation income	100.00	3,015,368.46
Others	883,609.72	37,410.42
Total	1,014,289.20	10,662,348.85

#### 41. Non-operating expenses

Items	Year 2014	Year 2013
Losses on disposal of non-current assets	314,560.47	18,009.02
Including: Losses on disposal of fixed assets	314,560.47	18,009.02
Donation		10,000.00
Losses on retirement and damage of AssetS	23,624.79	25,525.26
Fine expenditures	200.00	2,787.05
Expenditure for breach of contract	29,630.23	15,422.64
Others	1,188,163.94	1,366,606.18
Total	1,556,179.43	1,438,350.15

#### 42. Income tax expenses

Items	Year 2014	Year 2013
Current tax expense calculated according to tax laws and relevant requirements	609,644.61	3,025,004.38
Deferred income tax	-15,271,984.43	-61,775.01
Total	-14,662,339.82	2,963,229.37

#### 43. Notes to cash flow statements

##### (1) Cash received relating to other operating activities

Items	Year 2014	Year 2013
Funds received from Beijing Yuan Rong Tong Asset Management Ltd	14,900,000.00	21,500,000.00
Funds received from Tanlu		10,000,000.00
Funds received from Beijing Found Vision Media Co., Ltd.		5,385,618.91
Funds received from Hebei Qinhuigui chemical fertilizer Co.,Ltd.		2,000,000.00
Funds received from Heilongjiang province jingpo Lake nature protection area management committee		1,937,500.00
Funds received from Henan Waterproof Anti-corrosion Co., Ltd	10,000,000.00	
Funds received from personals	34,000,000.00	
Funds received from Beijing North Xilin Curtain Wall Engineering Co. Ltd	2,030,000.00	
Funds received from Beijing Kai LAN Express Building Material Co. Ltd	1,950,000.00	
Funds received from Nanan Zhicheng Stone Craft Co. Ltd	1,380,000.00	
Cash deposits	4,000,000.00	
Funds received from Heilongjiang Mudanjiang Forestry Engineering Co. Ltd	8,000,000.00	
Funds received from Beijing New Network Communication Technology Co., Ltd.	1,120,000.00	
Other monetary exchanges between enterprises	22,643,469.78	20,876,831.47
Non-operating income	41,330.91	3,022,867.11
Interest income	487,934.04	263,148.22
Others	5,092,189.63	
Total	95,644,924.36	64,985,965.71

##### (2) Cash paid relating to other operating activities

Items	Year 2014	Year 2013
Funds paid to Beijing Yuan Rong Tong Asset Management Ltd	33,100,000.00	32,500,000.00
Funds paid to Beijing Found Vision Media Co., Ltd		5,385,618.91
Funds paid to Tanlu	4,000,000.00	4,100,000.00
Funds paid to Kunzhida consulting service Co., Ltd		3,200,000.00
Funds paid to Zhong Shi Investment Co., Ltd		3,000,000.00
Funds paid to bank of communications for mortgage guarantees		2,500,000.00
Funds paid to Hubei Tianxiang Geotechnical Engineering Co., Ltd	2,000,000.00	
Funds paid to Beijing Boyilai Film and Media Co., Ltd	1,500,000.00	
Funds paid to personals	24,000,000.00	
Payment of other transactions	12,084,962.17	6,398,882.66
Administrative expenses	29,410,047.98	33,160,204.39
Operating expenses	3,521,731.93	3,223,726.61
Non-operating expense	171,653.46	239,103.25
Fund paid to petty cash	4,443,550.29	5,367,257.57
Bank charge	545,756.16	441,618.55
Other	2,390,311.65	
Total	117,168,013.64	99,516,411.94

### (3) Cash received relating to other investing activities

Items	Year 2014	Year 2013
Interest income		647,661.11
Other	13,871.23	
Total	13,871.23	647,661.11

### (4) Cash paid relating to other financing activities

Items	Year 2014	Year 2013
Financing fees	31,696,073.01	14,574,372.40
Pledged certificate of deposit	20,000,000.00	
Total	51,696,073.01	14,574,372.40

## 44. Supplementary information of cash flow statement

### (1) Supplementary information

Items	Year 2014	Year 2013
1. Reconciliation of net profit to cash flows from operating activities:		
Net profit	-180,613,138.29	8,666,776.92
Add: Provision for assets impairment	16,144,421.92	10,195,650.20
Depreciation of fixed assets, production biological assets, petroleum and natural gas	34,800,057.83	32,105,617.55
Amortization of intangible assets	1,207,515.19	1,196,037.00
Amortization of long-term prepayments	14,107,455.61	13,209,334.08
Losses on disposal of fixed assets, intangible assets and other long-term assets	-1,483,502.42	-333,311.89
Losses on scrapping of fixed assets	4,313.06	25,525.26
Losses on fair value change		
Financial expenses	97,031,894.02	93,733,610.14
Investment losses	-4,566,600.41	-177,445,214.64



Items	Year 2014	Year 2013
Decrease in deferred income tax assets	-15,162,844.30	
Increase in deferred income tax liabilities	-61,713.66	-61,775.01
Decrease in inventories	-268,089,309.12	-8,797,512.12
Decrease in operating receivables	-189,678,755.43	21,467,824.94
Increase in operating payables	252,691,497.47	-39,699,265.52
Others		
Net cash flows from operating activities	-243,681,708.74	-45,736,703.09
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	77,404,192.62	62,362,242.69
Less: Cash at the beginning of the period	62,362,242.69	65,762,871.33
Add: Cash equivalents at the end of the period		
Less: Cash equivalents at the beginning of the period		
Net increase in cash and cash equivalents	15,041,949.93	-3,400,628.64

## (2) Cash and cash equivalents

Items	Year 2014	Year 2013
1. Cash	77,404,192.62	62,362,242.69
Including: Cash on hand	1,255,008.79	1,846,467.14
Bank deposit paid at any time	76,091,882.06	60,472,057.43
Other monetary funds paid at any time	57,301.77	43,718.12
2. cash equivalents		
3. Cash and cash equivalents at the end of year	77,404,192.62	62,362,242.69

## 45. Assets with ownership restricted

Assets by categories	Closing Balance	Restricted reasons
Monetary fund	29,805,826.29	Security for borrowings
Inventory	17,000,289.68	Security for borrowings
Investment real estates	284,269,784.38	Security for borrowings
Fixed assets	27,352,615.39	Security for borrowings
Intangible assets	172,747,500.00	Security for borrowings
Available for sales financial assets	551,176,015.74	Security for borrowings
Total	29,805,826.29	

## II. Shares and rights in other companies

### 1. Subsidiaries

#### (1) Group Composition

Company name	Place of operation	Place of registration	Nature of business	Equity interest held (%)		Accounting method
				Direct	Indirect	
Hainan Pearl River Properties and Hotels Management Co., Ltd.	Hainan, Zhenzhou	Haikou, Hainan	Property management	98.00		set-up

Company name	Place of operation	Place of registration	Nature of business	Equity interest held (%)		Accounting method
				Direct	Indirect	
Hainan Pearl River Environmental Projects Co.,Ltd.	Haikou,Hainan	Haikou,Hainan	Property management	100.00		set-up
Hainan Pearl River Estate Cleaning Company	Haikou,Hainan	Haikou,Hainan	Property management	100.00		set-up
Hainan Pearl River Estate Machine Engineering Company	Haikou,Hainan	Haikou,Hainan	Property management	100.00		set-up
Hainan Pearl River Estate Marketing Co., Ltd.	Haikou,Hainan	Haikou,Hainan	Real estate development	100.00		set-up
Sanya Wanjia Hotel Management Co., Ltd.	Sanya,Hainan	Sanya,Hainan	Hotel service	100.00		set-up
Hubei Pearl River Real Estate Development Co., Ltd.	Wuhan, Hubei	Wuhan, Hubei	Real estate development	89.20		set-up
Wuhan Pearl River Meilin Hotels Management Co., Ltd.	Wuhan, Hubei	Wuhan, Hubei	Hotel service	100.00		set-up
Hainan Pearl River Holding( Shanghai )Real Estate Co.,Ltd.	Shanghai	Shanghai	Real estate development	100.00		set-up
Beijing Jiubo Culture Development Co., Ltd.	Beijing	Beijing	Cultural and sports services	100.00		set-up
Mudanjiang Pearl River Wanjia Tourism Investment Development Group	Mudanjiang City	Mudanjiang City	Hotel service、tourism	100.00		set-up
Hailin Wanjia Snowtown Holiday Hotel Management Co., Ltd.	Mudanjiang City	Mudanjiang City	Hotel service	100.00		Business combinations involving enterprises not under common control
Mudanjiang Jingbohu Wanjia Hotel Co., Ltd.	Mudanjiang City	Mudanjiang City	Hotel service	100.00		set-up
Mudanjiang Wanjia Star Hotel Co., Ltd.	Mudanjiang City	Mudanjiang City	Hotel service	100.00		set-up
Heilongjiang Longshi Pearl River Culture Communication Co., Ltd	Harbin	Harbin	Operation of Movie and TV	70.00		set-up
Harbin Wanjia Travel Agent	Harbin	Harbin	Tourism	100.00		set-up
Hebei Zhengshi Qinghui Real Estate Development Co., Ltd.	Shijiazhuang	Shijiazhuang	Real estate development	51.00		set-up
Shanghai Sea Pearl Property Management Co., Ltd.	Shanghai	Shanghai	Property management	50.00		set-up

## (2) Significant non wholly owned subsidiaries

Company name	Proportion of minority(%)	Current P/L attributable to minority shareholders	Current dividend payments to minority	Closing balance of minority interest
Hainan Pearl River Properties and Hotels Management Co., Ltd.	2.00	14,115.73		202,323.38
Hubei Pearl River Real Estate Development Co., Ltd.	10.80	-259,128.43		11,418,188.64
Heilongjiang Longshi Pearl River Culture Communication Co., Ltd	30.00	-4,424,069.89		-3,478,978.73
Hebei Zhengshi Qinghui Real Estate Development Co., Ltd.	49.00	-2,712,865.79		-4,817,635.42
Shanghai Sea Pearl Property Management Co., Ltd.	50.00	49,456.35		166,683.37
Total	---	-7,332,492.03		3,490,581.24

## (3) The financial information of significant non wholly owned subsidiaries

Company name	Closing balance					
	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities
Hainan Pearl River Properties and Hotels Management Co., Ltd.	75,411,751.89	3,661,263.74	79,073,015.63	68,956,846.41		68,956,846.41
Hubei Pearl River Real Estate Development Co., Ltd.	400,473,121.91	7,384,351.67	407,857,473.58	302,136,757.70		302,136,757.70
Heilongjiang Longshi Pearl River Culture Communication Co., Ltd	4,159,517.17	5,830,346.04	9,989,863.21	21,586,458.98		21,586,458.98
Hebei Zhengshi Qinghui Real Estate Development Co., Ltd.	27,955,312.68	936,459.15	28,891,771.83	38,723,680.86		38,723,680.86
Shanghai Sea Pearl Property Management Co., Ltd.	1,848,964.75	7,276.92	1,856,241.67	1,522,874.93		1,522,874.93

Continued:

Company name	Opening balance				
	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities

Company name	Opening balance					
	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities
Hainan Pearl River Properties and Hotels Management Co., Ltd.	64,403,084.91	3,848,392.81	68,251,477.72	58,841,095.19		58,841,095.19
Hubei Pearl River Real Estate Development Co., Ltd.	145,513,292.48	7,882,638.90	153,395,931.38	52,495,952.00		52,495,952.00
Heilongjiang Longshi Pearl River Culture Communication Co., Ltd	4,025,330.91	2,921,834.84	6,947,165.75	3,796,861.89		3,796,861.89
Hebei Zhengshi Qinghui Real Estate Development Co., Ltd.	28,137,440.30	1,354,122.15	29,491,562.45	33,787,010.68		33,787,010.68
Shanghai Sea Pearl Property Management Co., Ltd.	1,405,847.55	11,588.49	1,417,436.04	1,182,981.99		1,182,981.99

Continued:

Company name	Year 2014			
	Operating income	Net profit	Total comprehensive income	Net cash flows from investing activities
Hainan Pearl River Properties and Hotels Management Co., Ltd.	165,550,353.14	705,786.69	705,786.69	10,871,096.55
Hubei Pearl River Real Estate Development Co., Ltd.	4,832,945.18	-2,399,263.50	-2,399,263.50	42,573,357.30
Heilongjiang Longshi Pearl River Culture Communication Co., Ltd	1,254,352.58	-14,746,899.63	-14,746,899.63	6,454,746.32
Hebei Zhengshi Qinghui Real Estate Development Co., Ltd.		-5,536,460.80	-5,536,460.80	-564,498.43
Shanghai Sea Pearl Property Management Co., Ltd.	2,710,773.60	98,912.69	98,912.69	443,117.20

Continued:

Company name	Year 2013			
	Operating income	Net profit	Total comprehensive income	Net cash flows from investing activities
Hainan Pearl River Properties and Hotels Management Co., Ltd.	148,549,350.68	417,440.92	417,440.92	7,711,514.12
Hubei Pearl River Real Estate Development Co., Ltd.	13,034,112.99	-444,039.10	-444,039.10	-12,044,666.74
Heilongjiang Longshi Pearl River Culture Communication Co., Ltd	225,018.00	-3,849,696.14	-3,849,696.14	-5,560,804.95
Hebei Zhengshi Qinghui Real Estate Development Co., Ltd.		-7,073,685.58	-7,073,685.58	-24,604,512.08
Shanghai Sea Pearl Property Management Co., Ltd.	2,535,272.50	-313,516.30	-313,516.30	-2,022.46

## 2. Details of transactions which the subsidiaries still be controlled although proportion of minority changed

(1) The details of change in proportion of minority

For the current year, the Company acquired 1.2% of interest of subsidiary, Hubei Pearl River Real Estate Development Co., Ltd.

(2) The effect of equity attributable to parent company and minority interests

Item	Hubei Pearl River Real Estate Development Co., Ltd.
Cash	7,220,000.00
Total of acquisition cost	7,220,000.00
Less: the share of net assets calculated by proportion of interest acquired	1,268,297.26
Difference	5,951,702.74
Including: adjustment of capital reserve	5,951,702.74

## 3. Equity in joint ventures or associates

(1) Significant associates

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

(2) Financial information of Significant associates

Item	31 December 2014	31 December 2013
	Sanya Wanjia Industrial Co. Ltd	Sanya Wanjia Industrial Co. Ltd
Current asset	86,917,723.70	88,598,178.52
Non-current asset	583,410.85	902,676.73
Total asset	87,501,134.55	89,500,855.25
Current liability	1,338,870.51	1,241,132.06
Non-current liability		
Total liability	1,338,870.51	1,241,132.06
Minority interests		
Equity attributable to parent company	86,162,264.04	88,259,723.19
Net assets share calculated according to proportion of shareholding	34,464,905.62	35,303,889.28
Net book value of the equity investment in associates	34,464,905.62	35,303,889.28

Continued:

Item	Year 2014	Year 2013
	Sanya Wanjia Industrial Co. Ltd	Sanya Wanjia Industrial Co. Ltd
Operating income	14,166.66	28,333.34
Net profit	-2,097,459.15	-2,982,483.66
Other comprehensive income		
Total comprehensive income	-2,097,459.15	-2,982,483.66

(3) Financial information of not significant associates

Item	31 December 2014/ Year 2014	31 December 2013/ Year 2013
Net book value of the equity investment in associates	1,496,849.01	1,464,638.95
calculated according to proportion of shareholding:	—	—
Net profit	32,210.06	21,205.09
Other comprehensive income		
Total comprehensive income	32,210.06	21,205.09

**Financial instrument and risk**

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

**1. Credit risk**

Credit risk mainly arises from cash at bank and on hand, accounts receivable, other receivables, notes receivable etc.

The Company expects that there is no significant credit risk associated with cash at bank since they are deposited at state-owned banks and other medium or large size listed banks. Management does not expect that there will be any significant losses from non-performance by these counterparties.

In addition, the Company has policies to limit the credit exposure on accounts receivable and other receivables. The Company assesses the credit quality of and sets credit limits on its customers by taking into account their financial position, the availability of guarantee from third parties, their credit history and other factors such as current market conditions. The Company will confirm with its client for the accounts receivable annually, and assess the recoverability of each account receivable, by using individual evaluation and similar credit risk group method. The credit history of the customers is regularly monitored by the Company. In respect of customers with a poor credit history, the Company will use written payment reminders, or shorten or cancel credit periods, to ensure the overall credit risk of

the Company is limited to a controllable extent.

## 2. Liquidity risk

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

As at 31 December 2014, the financial assets and liabilities of the Company are analyzed by their maturity date below at their undiscounted contractual cash flows :

Item	31 December 2014					
	Net book value	Carrying amount	Within 1 year	1 to 2 years	2 to 5 years	Over 5 years
Currency Funds	97,404,192.62	97,404,192.62	97,404,192.62			
Accounts receivable	12,378,292.44	23,143,450.61	23,143,450.61			
Other receivables	238,352,004.55	307,777,989.20	307,777,989.20			
Available-for-sale financial assets	184,158,809.90	209,691,055.29	209,691,055.29			
Subtotal	532,293,299.51	638,016,687.72	638,016,687.72			
Short-term borrowings	19,000,000.00	19,000,000.00	19,000,000.00			
Accounts payable	58,578,620.48	58,578,620.48	58,578,620.48			
Other payables	780,359,522.08	780,359,522.08	780,359,522.08			
Long-term borrowings	576,775,506.08	576,775,506.08	249,471,973.56	183,970,199.18	135,000,000.04	8,333,333.30
Subtotal	1,434,713,648.64	1,434,713,648.64	1,107,410,116.12	183,970,199.18	135,000,000.04	8,333,333.30

Continued:

Item	31 December 2013					
	Net book value	Carrying amount	Within 1 year	1 to 2 years	2 to 5 years	Over 5 years
Currency Funds	62,362,242.69	62,362,242.69	62,362,242.69			
Accounts receivable	13,143,175.36	23,751,449.32	23,751,449.32			
Other receivables	287,625,206.34	344,063,653.28	344,063,653.28			
Available-for-sale financial assets	88,368,809.90	113,901,055.29	113,901,055.29			
Subtotal	451,499,434.29	544,078,400.58	544,078,400.58			
Short-term borrowings						
Accounts payable	34,758,922.28	34,758,922.28	34,758,922.28			
Other payables	555,911,820.21	555,911,820.21	552,411,820.21	3,500,000.00		
Long-term borrowings	357,000,000.00	357,000,000.00	228,000,000.00	28,000,000.00	90,000,000.00	11,000,000.00
Subtotal	947,670,742.49	947,670,742.49	815,170,742.49	31,500,000.00	90,000,000.00	11,000,000.00

## 3. Market risk

Interest rate risk

The Company's interest rate risk arises from long-term borrowings from bank. Financial liabilities issued at floating rates expose the Company to cash flow interest rate risk. The Company determines the relative proportions of its fixed rate and floating rate contracts depending on the prevailing market conditions.

For the year ended 31 December 2014, if interest rates on the floating rate long-term borrowings amounted to RMB249,666,666.66, interest rates on the fixed rate long-term borrowings amounted to RMB732,316,622.48.

### Estimation of Fair Value

The available for sale financial assets are measured at fair value. The fair value is determined by quoted price in active market.

Financial assets and liabilities not measured at fair value mainly represent receivables, short-term loans, payables and long-term loans.

The management considers that the carrying amounts of financial assets and financial liabilities measured at amortized cost the financial statements are approximate to their fair values.

## Related party relationship and transactions

### 1. Parent company and ultimate controller:

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

### 2. Information about subsidiaries

Details refer to "Note X. 1. Subsidiaries".

### 3. Information about joint venture and associates of the Company

Details refer to "Note X. 2. Equity in joint ventures or associates".

### 4. Other related parties

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

### 5. Transactions of related parties

(1) Internal transactions have already been offset.

(2) Rendering services

Related party	Nature of related transaction	Year 2014	Year 2013
Beijing Zhongjia Sunny Energy Technology (Company) Co., Ltd.	Rent services	240,000.00	240,000.00
Total		240,000.00	240,000.00

(3) Guarantees provided

Guarantor	Amount	Beginning date of guarantee contract	Maturity date of guarantee contract	Guarantee obligation expired
Beijing Xinxing Real Estate Development corporation	130,303,532.50	2014/9/15	2018/5/28	No
Beijing Zhongjia Sunny Energy Technology (Company) Co., Ltd.	27,000,000.00	2013/9/12	2016/9/12	No
Total	157,303,532.50			

(4) Fund calling between related parties

As at 31 December 2014, the total amount of loan principal that Beijing Xinxing Real Estate Development corporation has been made to the Pearl River Holding has a balance of RMB108,967,912.90 with interest payable of RMB 22,999,717.49.

As at 31 December 2014, the total amount of loan principal that the controlling shareholder Beijing Wanfa Real Estate Development Corporation has been made to the Pearl River Holding has a balance of RMB 58,825,000.00 with interest payable of RMB25,530,003.30.

As at 31 December 2014, the total amount of loan principal that Beijing Xinxing Real Estate Development general company has been made to Sanya Wanjia Hotel Management Co., Ltd has a balance of RMB 32,030,000.00 with interest payable of RMB33,254,185.80.

The total amount of loan principal that Beijing Wanfa Real Estate Development corporation has been made to Sanya Wanjia Hotel Management Co., Ltd has a balance of RMB 19,700,000.00 with interest payable of RMB11,372,950.42.

For the loans listed between related parties, the total amount of interest carried for this reporting period was RMB10,977,154.39, and the balance of interest payable is RMB93,156,857.01 Yuan. The interest rate of the loans listed above is based on 3%.

### (3) Balances of related party receivable and payable

Items	Company Name	31 December 2014	31 December 2013
Other payables	Beijing Xinxing Real Estate Development General company	140,997,912.90	200,997,912.90
Other payables	Beijing Wangfa Real Estate Development Holdings Co., Ltd	78,525,000.00	78,525,000.00
Other payables	Beijing Zhongjia Yangguang energy technology (Company) Co., Ltd.	3,054,060.35	2,079,419.19
	Total	222,576,973.25	281,602,332.09
Interest payable	Beijing Xinxing Real Estate Development General company	56,253,903.29	51,035,217.65
Interest payable	Beijing Wangfa Real Estate Development Holdings Co., Ltd.	36,902,953.72	34,514,484.97
	Total	93,156,857.01	85,549,702.62

## I. Commitments and Contingency

As at 31 December 2014, the Company has no Commitments and Contingency.

## II. Events after the balance sheet date

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

According to the seventh board resolution of the seventh session of the company, there was no profit distribution plan.

### (2) Other events after the balance sheet date

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

## V. Other significant events

As at 31 December 2014, working capital, interest attributable to parent company and net profit attributable to parent company of the Company is RMB-412 million, RMB15.56 million and RMB-173.42 million respectively. The Company will improve profitability and the ability to continuous operation through following ways: to speed up the development of real estates, dispose the available-for sale financial assets, exploit the financing channel and obtain financial support of parent company and ultimate controller.

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

### 1. Accounts receivable

#### (1) Disclosure of accounts receivable by categories:

Items	31 December 2014				31 December 2013			
	Balance	Proportion (%)	Bad debts	Bad debt ratio (%)	Balance	Proportion (%)	Bad debts	Bad debt ratio (%)
1. Significant accounts receivable and bad debts accounted individually	7,761,707.60	56.89	7,761,707.60	100.00	7,761,707.60	61.71	7,761,707.60	100.00
2. Bad debt accounted by the combinations	3,983,002.62	29.19	547,524.46	13.75	2,917,008.79	23.19	479,051.74	16.42
3. Other unimportant receivables but bad debts accounted individually	1,898,690.60	13.92	1,898,690.60	100.00	1,898,690.60	15.10	1,898,690.60	100.00
Total	13,643,400.82	100.00	10,207,922.66	—	12,577,406.99	100.00	10,139,449.94	—

#### (2) Accounts receivable for which bad debt provision has been assessed by portfolios:

Accounts receivable portfolios for which bad debt provision has been assessed using the aging analysis approach:

Age	31 December 2014		January 1, 2014	
	Amounts	Bad Debts Provision	Amounts	Bad Debts Provision
Within 1 year	2,007,232.28	40,144.65	1,754,901.37	35,098.03
1 to 2 years	866,011.92	43,300.60	102,000.00	5,100.00
2 to 3 years	102,000.00	10,200.00	100,000.00	10,000.00
3 to 4 year	100,000.00	20,000.00	100,000.00	20,000.00
4 to 5 years	100,000.00	30,000.00	106,000.00	31,800.00
5 years and more	807,758.42	403,879.21	754,107.42	377,053.71
Total	3,983,002.62	547,524.46	2,917,008.79	479,051.74

(3) Accounts receivable for which bad debt provision has been assessed individually

Accounts receivable that are individually significant and for which bad debt provision has been assessed individually

Name	Ending Balance	Bad Debt Provision	Proportion (%)	Reason
Hainan racing entertainment Co., LTD	2,406,158.00	2,406,158.00	100	Irrecoverable
Hainan Baoping company	2,218,494.43	2,218,494.43	100	Irrecoverable
Hainan centaline property agency	2,090,069.77	2,090,069.77	100	Irrecoverable
Hainan dragon film studio	1,046,985.40	1,046,985.40	100	Irrecoverable
Total	7,761,707.60	7,761,707.60		

Accounts receivable that are individually insignificant and for which bad debt provision has been assessed individually

Name	Ending Balance	Bad Debt Provision	Proportion (%)	Reason
Haikou Peijie clothing company	497,520.00	497,520.00	100	Irrecoverable
Hainan International silver city Real estate company	451,712.00	451,712.00	100	Irrecoverable
Haikou Jingye trading development company	250,000.00	250,000.00	100	Irrecoverable
Hainan Jinhe Real estate company	119,446.00	119,446.00	100	Irrecoverable
Hainan Qiongsan Tianxin Pawn Investment company	112,116.50	112,116.50	100	Irrecoverable
Amount less than one hundred thousand yuan ( total of 19 )	467,896.10	467,896.10	98.84	Irrecoverable
Total	1,898,690.60	1,898,690.60		

(4) Bad debt provision in this year is RMB68,472.72.

(5) As at 31 December 2014, the top 5 accounts receivable by customer are summarised as below:

Name	Owned amount	Proportion of total accounts receivable (%)	Bad Debt Provision
Hainan racing entertainment Co., LTD	2,406,158.00	17.64	2,406,158.00
Hainan Baoping company	2,218,494.43	16.26	2,218,494.43
Hainan Zhongyuan tenement agency company	2,090,069.77	15.32	2,090,069.77
Hainan Canglong market managment Co., LTD	2,070,502.75	15.18	46,188.17
Hainan Longzhu Movie Town	1,046,985.40	7.67	1,046,985.40
Total	9,832,210.35	72.07	7,807,895.77

## 2. Other receivables

(1) Disclosure of other receivables by categories:



Items	31 December 2014				31 December 2013			
	Balance	Proportion (%)	Bad debts	Bad debt ratio (%)	Balance	Proportion (%)	Bad debts	Bad debt ratio (%)
1. Individual with significant amount	35,343,380.89	4.01	21,378,380.89	60.49	24,178,380.89	3.72	24,178,380.89	100.00
2. Bad debt accounted by the combinations								
Age Combinations	246,340,004.64	27.95	37,512,008.05	15.23	281,636,174.98	43.26	22,814,242.48	8.10
In scope of consolidated statements	595,170,501.36	67.52			339,619,797.96	52.17		
subtotal	841,510,506.00	95.47	37,512,008.05	4.46	621,255,972.94	95.43	22,814,242.48	3.67
3. Other unimportant receivables	4,597,298.84	0.52	3,975,946.33	86.48	5,543,560.75	0.85	3,994,709.68	72.06
Total	881,451,185.73	100.00	62,866,335.27	—	650,977,914.58	100.00	50,987,333.05	—

(2) Other receivables for which bad debt provision has been assessed by portfolios:

Aging analysis Other receivables portfolios for which bad debt provision has been assessed using the aging analysis approach:

Age	31 December 2014			January 1, 2014		
	Amounts		Bad Debt Provision	Amounts		Bad Debt Provision
	Amounts	Ratio (%)		Amounts	Ratio (%)	
Within 1 year	1,435,771.76	0.58	28,715.44	31,441,342.10	11.16	628,826.96
1 to 2 years	31,393,200.00	12.74	1,569,660.00	78,723,146.00	27.95	3,936,157.30
2 to 3 years	78,693,146.00	31.94	7,869,314.60	161,091,258.54	57.20	16,109,125.85
3 to 4 year	124,437,458.54	50.51	24,887,491.71	10,166,939.34	3.61	2,033,387.87
4 to 5 years	10,166,939.34	4.13	3,050,081.80			
5 years and more	213,489.00	0.09	106,744.50	213,489.00	0.08	106,744.50
Total	246,340,004.64	100.00	37,512,008.05	281,636,174.98	100.00	22,814,242.48

(3) Other receivables for which bad debt provision has been assessed individually

Other receivables that are individually significant and for which bad debt provision has been assessed individually

Name	Closing Balance	Bad Debt Provision	Proportion (%)	Reason
Dingjia International Co., LTD	2,725,702.71	2,725,702.71	100	Irrecoverable
Hainan Enxin Industry Co., LTD	2,314,592.00	2,314,592.00	100	Irrecoverable
Hainan Zhongda Industrial Corporation	2,210,779.10	2,210,779.10	100	Irrecoverable
Dabao cement plant	1,901,383.56	1,901,383.56	100	Irrecoverable
Golden light industrial Corporation	1,752,100.00	1,752,100.00	100	Irrecoverable
Shenzhen city Zhuze Real estate company	1,550,278.23	1,550,278.23	100	Irrecoverable
Shenzhen State Development& Investment Corporation	1,409,934.28	1,409,934.28	100	Irrecoverable
Haikou city industrial development trading company	1,392,430.00	1,392,430.00	100	Irrecoverable
Xinhua dawn Airline decoration company	1,208,804.70	1,208,804.70	100	Irrecoverable
Hainan deepsea Real Estate Co., LTD	1,029,850.32	1,029,850.32	100	Irrecoverable
Sanya city land and property management Authority	1,000,000.00	1,000,000.00	100	Irrecoverable
HainanYangtz River travel industry	1,000,000.00	1,000,000.00	100	Irrecoverable
Hainan Pearl River Holding( Shanghai )Real Estate Co.,Ltd	15,847,525.99	1,882,525.99	11.88	Estimated
Total	35,343,380.89	21,378,380.89		

Other receivables that are individually insignificant and for which bad debt provision has been assessed individually

Name	Closing Balance	Bad Debt Provision	Proportion (%)	Reason
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Name	Closing Balance	Bad Debt Provision	Proportion (%)	Reason
Hainan Development Bank	440,000.00	440,000.00	100	Irrecoverable
Hainan Sanli Industrial and Trading Company	283,478.62	283,478.62	100	Irrecoverable
Others	3,873,820.22	3,252,467.71	83.96	Estimated
Total	4,597,298.84	3,975,946.33		

(4) Bad debt provision in this year is RMB11,879,002.22.

(5) As at 31 December 2014, the top 5 other receivables by customer are summarised as below:

Name	Relationship with the company	Owned amount	Ages	Proportion of total Other receivable (%)	Bad Debt Provision
Mudanjiang Pearl River Wanjia Tourism Investment Development Company	Related Party	223,824,841.55	Within 3years	25.39	
Hubei Pearl River Real Estate Development Co., Ltd.	Related Party	206,602,596.12	Within 1year	23.44	
Sanya Wanjia Hotel Management Co., Ltd.	Unrelated Party	123,886,277.73	Within 5years	14.05	
Public Investment Co., Ltd	Related Party	100,400,000.00	2-4years	11.39	16,380,000.00
Beijing Kangtai Xingye Investment Co.,Ltd	Unrelated Party	100,000,000.00	2-4years	11.34	16,250,000.00
Total		754,713,715.40		85.61	32,630,000.00

### 3. Long-term equity investments

(1) Categories of Long-term equity investments

Item	31 December 2013	Increases	Decreases	31 December 2014
Investments in subsidiaries	292,200,000.00	7,220,000.00		299,420,000.00
Investments in joint venture				
Investment in associates	35,303,889.28		838,983.66	34,464,905.62
Subtotal	327,503,889.28	7,220,000.00	838,983.66	333,884,905.62
less: provision for impairment of long-term equity investments	40,000,000.00			40,000,000.00
Total	287,503,889.28	7,220,000.00	838,983.66	293,884,905.62

(2) Subsidiaries

Name	Original investment cost	31 December 2013	Increases	Decreases	31 December 2014	Provision for impairment	Closing balance on provision
Hainan Pearl River Properties and Hotels Management Co., Ltd.	4,900,000.00	4,900,000.00			4,900,000.00		
Hubei Pearl River Real Estate Development Co., Ltd.	57,200,000.00	57,200,000.00	7,220,000.00		64,420,000.00		
Sanya Wanjia Hotel Management Co., Ltd.	120,000,000.00	120,000,000.00			120,000,000.00		
Hainan Pearl River Holding( Shanghai )Real Estate Co.,Ltd.	40,000,000.00	40,000,000.00			40,000,000.00		40,000,000.00
Mudanjiang Pearl River Wanjia Tourism Investment Development Company	60,000,000.00	60,000,000.00			60,000,000.00		
Beijing Jiubo Culture Development Co., Ltd.	5,000,000.00	5,000,000.00			5,000,000.00		
Hebei Zhengshi Qinghui Real Estate Development Co., Ltd.	5,100,000.00	5,100,000.00			5,100,000.00		
Total	292,200,000.00	292,200,000.00	7,220,000.00		299,420,000.00		40,000,000.00

(3) Associates

Name	31 December 2013	Movement			
		Increases in investment	Decreases in investment	Investment income recognized under equity method	Adjustment on other comprehensive income
Sanya Wanjia Industrial Co. Ltd	35,303,889.28			-838,983.66	
Total	35,303,889.28			-838,983.66	

Continued:

Name	Movement				31 December 2013	Closing balance on provision
	other equity changes	Announcing cash dividends or profits	Provision	Others		
Sanya Wanjia Industrial Co. Ltd					34,464,905.62	
Total					34,464,905.62	

#### 4. Operating income and operating costs

##### (1) Operating income

Items	Year 2014	Year 2013
Other operating business income	1,170,529.02	1,335,418.83
Total	1,170,529.02	1,335,418.83

##### (2) Operating costs

Items	Year 2014	Year 2013
Other operating business costs	355,593.60	355,593.60
Total	355,593.60	355,593.60

#### 5. Investment income

Items	Year 2014	Year 2013
Long-term equity investment income accounted by Cost Method		
Long-term equity investment income accounted by Equity Method	-838,983.66	-1,192,993.46
Investment income accounted by held for trading financial assets		93,040.00
Investment income accounted by available for sale financial assets	930,000.00	3,064,013.00
Investment income of disposal held for trading financial assets		-856,348.71
Investment income of disposal available for sale financial assets	4,345,287.87	176,141,844.97
Other		
Total	4,436,304.21	177,249,555.80

#### I. Supplementary information

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

Items	Year 2014
Profit and loss on disposal of non-current assets	-183,980.99
Fund occupation fee from non-financial enterprises included in the current profit and loss	1,267,980.81
In addition to the normal operation of the same business related effective hedging business, holding the fair value of financial assets transaction, transaction financial liabilities generated by the movement of the profit and loss, and the disposal of trading financial assets, financial liabilities held for trading and available for sale financial assets to obtain investment income	5,275,287.87
Investment income from disposal of available-for-sale financial assets	

Items	Year 2014
Others non-operating income and expenses excluded as above	
Other non-operating income and costs	-357,909.24
Tax effects	-41,518.07
Effects attributable to minority interests (after tax)	-759.58
Total	5,959,100.80

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

	Weighted average return on net assets (%)	Earnings per share	
		Basic earnings per share	Diluted earnings per share
Net profit attributable to ordinary shareholders of the Company	-262.21%	-0.41	-0.41
Net profit after deduction of non-recurring profits or losses attributable to ordinary shareholders of the Company	-271.22%	-0.42	-0.42

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

### (1) Balance sheet

Item	31 December 2014	31 December 2013	Rate of change	Explanations
Currency Funds	97,404,192.62	62,362,242.69	56.19%	Mainly due to increase in loans in the current period.
Advances to suppliers	128,625,359.78	91,018,812.99	41.32%	Mainly due to the subsidiary , Hubei Pearl River Real Estate Development Co., Ltd, increase in Prepayments for Meilin Qingcheng 3rd phase project .
Inventories	386,635,994.05	118,546,684.93	226.15%	Mainly due to increase development costs of Meilin Qingcheng 3rd phase project owned by the subsidiary as Hubei Pearl River Real Estate Development Co., Ltd.
Available-for-sale financial assets	184,158,809.90	88,368,809.90	108.40%	Mainly arising from increase in fair value of Southwest Securities.
Construction in progress	57,013,898.46	10,188,964.09	459.57%	Mainly caused by some subsidiaries' construction in progress transferred into fixed assets in current period, such as the Snow Town Construction.
Long term prepaid expenses	12,888,406.04	20,907,381.86	-38.35%	Mainly due to increase in amortization of financing fees.
Short term borrowings	19,000,000.00		Not applicable	Mainly due to the subsidiary obtain a loan from Industrial Trust.
Accounts payable	58,578,620.48	34,758,922.28	68.53%	Mainly due to the subsidiary , Hubei Pearl River Real Estate Development Co., Ltd, increase in payments for Meilin Qingcheng 3rd phase project .
Other payables	780,359,522.08	555,911,820.21	40.37%	Mainly due to the Company and its subsidiaries obtain a loans from non financial institutions n the current period.
Long-term borrowings	327,303,532.52	129,000,000.00	153.72%	Mainly due to the subsidiary obtain loans to develop the Snow Town Construction.
Deferred tax liabilities	23,187,756.33	14,512,240.76	59.78%	Mainly arising from increase in fair value of Southwest Securities and recognized deferred tax liabilities at the end of year 2014.
Other comprehensive income	125,127,595.63	53,285,095.63	134.83%	Mainly due to increase in fair value changes of Southwest Securities.
Minority interests	3,490,581.24	11,253,753.74	-68.98%	Mainly due to increase of some subsidiaries' losses.

### (2) Income statement

Item	Year 2014	Year 2013	Rate of change	Explanations
Impairment Loss of Assets	16,144,421.92	10,195,650.20	58.35%	Mainly due to increase in provision of some significant receivables calculated by aging analysis approach.
Investment income	4,566,600.41	177,445,214.64	-97.43%	Mainly arising from income from disposal of available-for sale financial assets for prior period, but no disposal for the current period.
Non-operating income	1,014,289.20	10,662,348.85	-90.49%	Mainly arising from gains from debt restructuring and default compensation income for the prior period, but no such transactions for the current period.

Item	Year 2014	Year 2013	Rate of change	Explanations
income tax expenses	-14,662,339.82	2,963,229.37	-594.81%	Mainly caused by recognized deferred tax expenses for the current period.
Net Profit/loss attributable to minority shareholders	-7,332,492.03	-4,822,708.79	-52.04%	Mainly due to increase of some subsidiaries' losses i.e. Hubei Pearl River Real Estate Development Co., Ltd and Hebei Zhengshi Qinghui Real Estate Development Co., Ltd.
Other comprehensive income	71,842,500.00	-134,400,904.56	153.45%	Mainly due to increase of changes in fair value of Southwest Securities.
Net cash flows from investing activities	-243,681,708.74	-45,736,703.09	-432.79%	Mainly due to increase of cash payments for Meilin Qingcheng 3rd phase project owned by the subsidiary as Hubei Pearl River Real Estate Development Co., Ltd.
Net cash flows from investing activities	-50,335,421.21	187,589,055.62	-126.83%	Mainly due to increase of cash payments for Snow Town construction.
Net cash flows from financing activities	309,059,079.88	-145,252,981.17	312.77%	Mainly caused by receiving borrowings.

## II. Approval of the financial statements

The financial statements have been approved by the board of directors of the Company on 13 April 2015.

**Hainan Pearl River Holding Company Limited**  
**13 April 2015**

Legal representative:	Principal in charge of accounting:	Head of the accounting department:
Signature:	Signature:	Signature:
Date:	Date:	Date: