

HaiNan Pearl River Holdings Co., Ltd.

Abstract of the 2015 Semi-annual Report

1. Important reminders

This abstract is based on the full text of the semi-annual report. For more details, investors are suggested to read the full text disclosed at the same time with this abstract on <http://www.cninfo.com.cn>, the website of Shenzhen Stock Exchange or any other website designated by CSRC.

This report is prepared in both Chinese and English. Should there be any 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		
For contact	Company Secretary	Securities Affairs Representative	
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2. Financial highlights and changes in 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

	Reporting period	Same period of last year	YoY +/-
Operating revenues (RMB Yuan)	136,117,829.19	124,684,500.79	9.17%
Net profit attributable to shareholders of the Company (RMB Yuan)	21,492,625.03	-76,849,759.83	127.97%
Net profit attributable to shareholders of the Company after extraordinary gains and losses (RMB Yuan)	-103,796,313.13	-77,979,104.27	-33.11%
Net cash flows from operating activities (RMB Yuan)	-94,962,794.82	-156,748,554.81	39.42%
Basic EPS (RMB Yuan/share)	0.05	-0.18	127.98%
Diluted EPS (RMB Yuan/share)	0.05	-0.18	127.98%
	As at the end of the reporting period	As at the end of last year	YoY +/-
Total assets (RMB Yuan)	1,588,084,330.14	1,645,436,644.78	-3.49%
Net assets attributable to shareholders of the Company (RMB Yuan)	-88,070,500.20	15,564,470.40	-665.84%

(2) Shareholdings of the top 10 common shareholders

Unit: share

Total number of common shareholders at the end of the reporting period		40,122				
Shareholdings of the top 10 common shareholders						
Name of shareholder	Nature of shareholder	Shareholding percentage	Total common shares held at the period-end	Number of restricted common 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	2.38%	10,158,806			
Yao Xiu Guang	Foreign individual	2.06%	8,777,329			
Yao Liyuan	Domestic individual	0.46%	1,963,376			
Zhang Xiaoxia	Domestic individual	0.46%	1,949,250			
Lu Yusheng	Domestic individual	0.39%	1,649,750			
Wang Jianjun	Domestic individual	0.37%	1,599,910			
Chen Mingwei	Domestic individual	0.36%	1,523,704			
Zhongrong International Trust Co., Ltd.-Rongxiang No. 4 Structural Securities Investment Assembled Funds Trust	Other	0.34%	1,440,800			
South China Financial Holdings Limited	Domestic non-state-owned corporation	0.30%	1,299,500	1,299,500		
Explanation on associated relationship or persons acting in concert among the		Among the 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				

above-mentioned shareholders	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 1,599,910 shares in the Company through a client account of collateral securities for margin trading in Nanjing Securities Co., Ltd. And shareholder Ren Yuhua holds a total of 1,230,700 shares in the Company, with 30,700 shares through a common securities account and 1,200,000 shares through a client account of collateral securities for margin trading in China Galaxy Securities Co., Ltd.

(3) Shareholdings of the top 10 preference shareholders

☐ Applicable ☒ Inapplicable

No preference shares in the reporting period.

(4) Change of the controlling shareholder or the actual controller

Change of the controlling shareholder in the reporting period

☐ Applicable ☒ Inapplicable

The controlling shareholder did not change in the reporting period.

Change of the actual controller in the reporting period

☐ Applicable ☒ Inapplicable

The actual controller did not change in the reporting period.

3. Discussion and analysis by the management

In the first half of 2015, we still faced great difficulties in our operation due to the strong pressure for us to repay the principals and interest of the mature loans previously secured, the rising labor cost in our property and hotel services, the fierce competition on the regional market, etc.

Up to 30 Jun. 2015, our un-audited total assets were RMB 1,588,084,330.14 and net assets attributable to our shareholders were RMB -88,070,500.20. For Jan.-Jun. 2015, we achieved operating revenues of RMB 136,117,829.19 and net profits of RMB 18,641,274.06, of which the net profits attributable to the owners of the Company (without subsidiaries) were RMB 21,492,625.03 and the minority shareholders' income was RMB -2,851,350.97.

I. Operation review for the reporting period

1. During the reporting period, the progress of the major structures of the 38# building, 39# building and 40# building of Phase III of Hubei Meiling Qingcheng Project had respectively reached the 27th floor, 24th floor and 21st floor; the progress of the brickwork and the secondary structure had respectively reached the 15th floor, 10th floor and 8th floor; the waterproof engineering and backfill engineering of the basement had completed; the completed amount of the main project was of RMB 63 million and the accumulative completed amount was of RMB 93 million. There were 446 sets of the residences of 41,950 square meters in the 39th building and 40th building of the opening quotation of the first period and there were 234 sets completed the subscription on the day of opening as well as the amount of the tentative contract of the purchase letter was about of RMB 230 million that acquired the favorable performance of the opening quotation.

2. The business season of the Snow Town of the controlling shareholder, Mudanjiang Tourist Development Group in 2015 was from Jan. to Mar. and since Apr., the Group went out of business after the snow season. The realized operating income of the business season of the first half year was of RMB 22.5036 million with the realized net profits of RMB 12.5404 million and within the reporting period, the Group continued to invest of about RMB 30

million for the construction of the comprehensive service center project of the Days Resort in Snow Town which had not completed the capping of the major structures with the secondary structure being executing.

3. Property management: the property management company the Company attributed to was facing larger financial risks and capital pressure. Owing to part of the “migrant bird type” project was in the property income recycling slack season, part of the income of the first half year delayed the recycling. Meanwhile the lowest wage standards and the payment base of the employees' social security had constantly been up-regulated, which caused the labor cost of the employees increased sharply compared to the same period of the previous years. The property company of the first half year of 2015 had completed the operating income of RMB 94.1058 million, the expense of operating cost of RMB 94.5869 million, the paid business tax of RMB 5.4576 million and the realized profits of RMB -0.4852 million as well as there were 86 management projects of the property company and its subsidiaries and branch companies with the comprehensive management area of about 7.50 million square meter, of which there were 67 residence projects and 14 office projects. In terms of the structure of the project, the percentage of the residence projects was of 80%, while under the situation of the unraised property fee of more than ten years but the operating cost increased by twofoldness, the profit sources of the residence projects became smaller even was in the loss state.

4. Progress of the projects invested in previous period:

The coal logistics project of Mulin Town had changed the plan as used the land lot for developing the solar power generation and the greenhouse agriculture projects, during the reporting period, had completed project approval, now the Company is applying project approval procedures, etc to the relevant departments.

Yunxi iron mines project: Owing to the continuous low level of the market price of the powdered iron, the Company temporary slowed down the original plan of mining area production line construction and equipment installation. During the reporting period, the Company and the cooperation party strengthen the management of mining area, contacted with many steel mills, inspection, straighten out and establish sales channel. In line with the market condition, adjusted production line construction and mineral detailed survey schedule of mining area of Zhao courtyard and Dujiawan. Due to the iron ores grade of Zhao courtyard was lower than Dujiawan, in line with the analysis of market condition, planed to transfer the production equipment invested to Dujiawan, the iron ore grade had larger competitiveness in the market. Meanwhile, considering the influence of the continuous low level of the domestic market price of iron ore, the Company actively seeks project transfer or introduces strategic investors to develop the project in common.

During the reporting period, the land certificate for the industrial land of the Real Estate Development Project on a Former Tubular Pile Factory had been completed, so far, the Company is waiting for the land certificate issued by Land Departments. The planning and design of project will be conducted after the adjustment of regulatory detailed planning in the area issued by the Sanya government.

5. During the reporting period, in order to relieve capital pressure of repaying capital with interest of the loan in previous period due in reporting period, the Company had sold its holding of 7,750,000 shares of Southwest Securities which obtained investment income RMB 120 million, which was the Company's main profit sources in the first half of the year .

4. Matters related to financial reporting

(1) Explain any changes in the accounting policies, accounting estimates and measurement methods as compared with the financial reporting of last year

☐ Applicable ☒ Inapplicable

No such cases in the reporting period.

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

☐ Applicable ☒ Inapplicable

No such cases in the reporting period.

(3) Explain any changes in the consolidation scope as compared with the financial reporting of last year

☐ Applicable ☒ Inapplicable

No such cases in the reporting period.

(4) Explanation of the Board of Directors and the Supervisory Committee concerning the “non-standard audit report” issued by the CPAs firm for the reporting period

☐ Applicable ☒ Inapplicable

Hainan Pearl River Holding Company Limited
Consolidated Balance Sheet

Unit: RMB

ASSETS	Note(VIII)	30 June 2015	1 January 2015
Current assets		—	—
Currency Funds		136,016,986.29	97,404,192.62
Provision of settlement fund			
Funds lent			
Financial assets at fair value through profit or loss			
Derivative financial assets			
Notes receivable			
Accounts receivable		14,168,842.98	12,378,292.44
Advances to suppliers		136,033,295.38	128,625,359.78
Interest receivable			
Dividends receivable		260,015.00	260,015.00
Other receivables		261,993,360.85	238,352,004.55
Buying back the sale of financial assets			
Inventories		439,605,383.59	386,635,994.05
Including:Raw material			
Finished goods			
Reclassified to assets held for sale			
Current portion of non-current assets			
Other current assets		3,000,000.00	
Total current assets		991,077,884.09	863,655,858.44
Non-current assets		—	—
Available-for-sale financial assets		11,411,309.90	184,158,809.90
Held-to-maturity investments			
Long-term receivables			
Long-term equity investments		35,756,366.33	35,961,754.63
Investment property		21,446,645.11	22,228,615.23
Fixed assets original cos		425,779,641.92	436,892,954.81
Less:Accumulated depreciation			
Fixed assets--net value		425,779,641.92	436,892,954.81
Less:Fixed assets provision for impairment			
Fixed assets--net book value		425,779,641.92	436,892,954.81
Construction in progress		60,094,357.34	57,013,898.46
Construction materials		393,706.60	393,706.60
Fixed assets pending for disposal			
Productive biological assets			
Oil and gas assets			
Intangible assets		30,076,762.69	30,660,800.67
Development disbursements			
Goodwill			
Long-term prepaid expenses		10,465,816.16	12,888,406.04
Deferred tax assets			
Other non-current assets		1,581,840.00	1,581,840.00
Total non-current assets		597,006,446.05	781,780,786.34
Total assets		1,588,084,330.14	1,645,436,644.78

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: wuxiukun

Hainan Pearl River Holding Company Limited
Consolidated Balance Sheet

Unit: RMB

ASSETS	Note(VIII)	30 June 2015	1 January 2015
Current liabilities		—	—
Short-term borrowings		19,000,000.00	19,000,000.00
Financial liabilities at fair value through profit or loss			
Derivative financial assets			
Notes payable			
Accounts payable		22,096,077.65	58,578,620.48
Advances from customers		25,640,247.62	28,572,757.37
Employee benefits payable		11,018,533.61	9,689,999.71
Including:Accrued payroll		11,018,533.61	9,689,999.71
Taxes payable		7,662,634.49	4,603,277.48
Including:Taxes payable		7,662,634.49	4,603,277.48
Interest payable		147,867,697.79	122,400,850.73
Dividends payable		3,213,302.88	3,213,302.88
Other payables		598,376,630.20	780,359,522.08
Current portion of non-current liabilities		386,098,907.05	249,471,973.56
Other current liabilities			
Total current liabilities		1,220,974,031.29	1,275,890,304.29
Non-current liabilities		—	—
Long-term borrowings		453,866,666.68	327,303,532.52
Bonds payable			
Long-term payable			
Grants payable			
Provisions			
Deferred income			
Deferred tax liabilities		674,902.10	23,187,756.33
Other non-current liabilities			
Total non-current liabilities		454,541,568.78	350,491,288.85
Total liabilities		1,675,515,600.07	1,626,381,593.14
Equity		—	—
Share capital		426,745,404.00	426,745,404.00
Capital reserve		334,690,837.45	334,690,837.45
Less:Treasury Share			
Other comprehensive income			125,127,595.63
Surplus reserve		109,487,064.39	109,487,064.39
Including:Statutory surplus reserve			
Provision for general risks			
Retained earnings		-958,993,806.04	-980,486,431.07
Equity attributable to parent company		-88,070,500.20	15,564,470.40
*Minority interests		639,230.27	3,490,581.24
Total owner's equity		-87,431,269.93	19,055,051.64
Total liabilities and owner's equity		1,588,084,330.14	1,645,436,644.78

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: wu xiu kun

Hainan Pearl River Holding Company Limited
Consolidated Income Statement

Unit: RMB

ITEM	Note	30 June 2015	30 June 2014
I. Revenue		136,117,829.19	124,684,500.79
Including: Operating income		136,117,829.19	124,684,500.79
II.Total cost		226,073,509.86	204,537,920.01
Including: Operating cost		100,737,341.87	91,756,158.00
Interest expenses			
Handling charges and commissions expenses			
Business taxes and surcharges		7,631,999.47	7,305,149.15
Selling expenses		2,806,121.97	2,422,952.48
Administrative expenses		48,527,378.52	54,558,020.91
Including:research and development expenses			
Finance expenses		65,550,902.11	50,842,648.58
Including: Interest expenses			
Interest income			
Net loss on foreign exchange			
Impairment losses of assets		819,765.92	-2,347,009.11
Others			
Add: Gain on fair-value changes ("—"for loss)			
Investment income ("—"for loss)		124,137,366.75	393,349.34
Including: investment income from associates and joint ventures		-205,388.30	-588,160.16
Gain or loss on foreign exchange ("—"for loss)			
III.Operating profits ("—"for loss)		34,181,686.08	-79,460,069.88
Add: Non-operating income		508,533.86	71,348.21
Including: Gains on disposal of non-current assets		12,073.95	1,163.87
Gains from exchange of non-monetary assets			
Government grants			
Gains from debt restructuring			
Less: Non-operating expenses		194,835.62	503,810.93
Including: Losses on disposal of non-current assets			453.21
Losses from exchange of non-monetary assets			
Losses from debt restructuring			
IV.Profit before tax ("—"for loss)		34,495,384.32	-79,892,532.60
Less: Income tax expenses		15,854,110.26	135,935.72
V.Net profit ("—"for loss)		18,641,274.06	-80,028,468.32
Net profit attributable to owners of the Company		21,492,625.03	-76,849,759.83
*Profit/loss attributable to minority shareholders		-2,851,350.97	-3,178,708.49
VI.Post-tax net value of other comprehensive income			
Post-tax net value of other comprehensive income attributable to owners of the Company		-125,127,595.63	-8,021,250.00
(I) Other comprehensive income that will not be reclassified subsequently to profit or loss		-125,127,595.63	-8,021,250.00
(II) Other comprehensive income that will be reclassified subsequently to profit or loss			
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		-125,127,595.63	-8,021,250.00
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			
Post-tax net value of other comprehensive income attributable to minority shareholders			
VII.Total comprehensive income attributable to:		-106,486,321.57	-88,049,718.32
Owners of the Company		-103,634,970.60	-84,871,009.83

*Minority shareholders		-2,851,350.97	-3,178,708.49
VIII.Earnings per share			
i.Basic earnings per share		0.05	-0.18
ii.Diluted earnings per share		0.05	-0.18

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: wu xiu kun

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

ITEM	Note (VIII)	2015-6-30												
		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		334,690,837.45		125,127,595.63		109,487,064.39		-980,486,431.07		15,564,470.40	3,490,581.24	19,055,051.64
Add: Changes in accounting policies		—	—	—	—	—	—	—	—	—	—	—	—	—
Corrections of errors in Prior Period		—	—	—	—	—	—	—	—	—	—	—	—	—
Others		-	-	-	-	-	-	-	-	-	-	-	-	-
II. Opening balance of the current year		426,745,404.00		334,690,837.45		125,127,595.63		109,487,064.39		-980,486,431.07		15,564,470.40	3,490,581.24	19,055,051.64
III. Changes for the year						-125,127,595.63				21,492,625.03		-103,634,970.60	-2,851,350.97	-106,486,321.57
(I) Total comprehensive income						-125,127,595.63				21,492,625.03		-103,634,970.60	-2,851,350.97	-106,486,321.57
(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		334,690,837.45				109,487,064.39		-958,993,806.04		-88,070,500.2	639,230.27	-87,431,269.93

Head of the accounting department: wu xiu kun

[illegible]

iv.Others		-	-	-	-	-	-	-	-	-	-	-	-	-
IV. Closing balance of the year		426,745,404.00	-	334,260,156.98	-	45,263,845.63	-	109,487,064.39	-	-884,872,463.42	-	30,884,007.58	19,034,243.43	49,918,251.01

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: wu xiu kun

Hainan Pearl River Holding Company Limited

Consolidated Cash Flow Statement

Unit: RMB

ITEM	Note(VIII)	30 June 2015	30 June 2014
I .Cash flows from operating activities:		—	—
Cash received from sales and services		131,025,358.54	129,259,671.62
Tax refunds			
Net cash from other operating activities		23,284,389.75	17,928,270.73
Sub-total of cash inflows from operating activities		154,309,748.29	147,187,942.35
Cash paid for goods and services		108,549,739.93	181,406,361.68
Cash paid to and on behalf of employees		84,422,863.01	77,094,698.25
Payment of taxes and surcharges		13,664,710.40	11,079,690.36
Other cash payments relating to operating activities		42,635,229.77	34,355,746.87
Sub-total of cash outflows from operating activities		249,272,543.11	303,936,497.16
Net cash flows from operating activities		-94,962,794.82	-156,748,554.81
II .Cash flows from investing activities:			—
Cash receipts from withdraw of investments		139,371,794.42	36,060,000.00
Cash received from investment income			37,638.27
Net cash from disposal of fixed assets, intangible assets and other long-term assets		439,810.00	1,301,297.50
Net cash received from disposal of subsidiaries and other business units			
Other cash receipts relating to investing activities			13,871.23
Sub-total of cash inflows from investing activities		139,811,604.42	37,412,807.00
Cash paid for fixed assets, intangible assets and other long-term assets		5,131,894.84	72,778,177.60
Cash payments for investments		3,000,000.00	24,700,000.00
Net cash paid for acquiring subsidiaries and other business units			
Net cash used in other investing activities			
Sub-total of cash outflows from investing activities		8,131,894.84	97,478,177.60
Net cash flows from investing activities		131,679,709.58	-60,065,370.60
III.Cash flows from financing activities:			—
Cash proceeds from investments by others			10,000,000.00
Including: cash received by subsidiaries from minority shareholders' investment			10,000,000.00
Cash received from borrowings		380,748,000.00	301,650,000.00
Cash received from issuance of bonds			
Cash receipts related to other financing activities			
Sub-total of cash inflows from financing activities		380,748,000.00	311,650,000.00
Cash repayments for debts		327,745,062.26	43,394,693.08
Cash payments for distribution of dividends, profit and interest expenses		39,602,363.55	18,338,912.26
Including: dividends or profit paid by subsidiaries to minority shareholders			
Other cash payments relating to financing activities		11,504,695.28	16,472,500.00
Sub-total of cash outflows from financing activities		378,852,121.09	78,206,105.34
Net cash flows from financing activities		1,895,878.91	233,443,894.66
IV.Effect of foreign exchange rate changes on cash and cash equivalents		-	
V.Net increase in cash and cash equivalents		38,612,793.67	16,629,969.25
Add: beginning balance of cash and cash equivalents		97,404,192.62	62,362,242.69
VI. Ending balance of cash and cash equivalents		136,016,986.29	78,992,211.94

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: wu xiu kun

Hainan Pearl River Holding Company Limited
Balance Sheet of the Company

Unit: RMB

ASSETS	Note(XIII)	30 June 2015	1 January 2015
Current assets:		—	—
Cash and cash equivalent		2,050,073.81	2,034,649.76
Provision of settlement fund			
Funds lent			
Financial assets at fair value through profit or loss			
Derivative financial assets			
Notes receivable			
Accounts receivable		3,250,306.83	3,435,478.16
Advances to suppliers		50,555,660.00	50,240,000.00
Interest receivable			
Dividends receivable		260,015.00	260,015.00
Other receivables		739,888,971.54	818,584,850.46
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			
Total current assets		800,829,062.63	879,379,028.83
Non-current assets:			—
Available-for-sale financial assets		11,411,309.90	184,158,809.90
Held-to-maturity investments			
Long-term receivables			
Long-term equity investments		293,759,491.38	293,884,905.62
Investment property		6,837,322.43	6,988,540.73
Fixed assets original cos			
Less:Accumulated depreciation			
Fixed assets--net value			
Less:Fixed assets provision for impairment			
Fixed assets--net book value		14,014,760.68	14,623,874.13
Construction in progress			
Construction materials			
Fixed assets pending for disposal			
Productive biological assets			
Oil and gas assets			
Intangible assets		1,433,881.50	1,457,713.32
Development disbursements			
Goodwill			
Long-term prepaid expenses		745,790.84	855,107.00
Deferred tax assets			
Other non-current assets			
Total non-current assets		328,202,556.73	501,968,950.70
Total assets		1,129,031,619.36	1,381,347,979.53

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: wu xiu kun

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

Unit: RMB

ASSETS	Note(XIII)	30 June 2015	1 January 2015
Current liabilities:		—	—
Short-term borrowings			
Financial liabilities at fair value through profit or loss			
Derivative financial assets			
Notes payable			
Accounts payable		2,482,949.70	2,482,949.70
Advances from customers		37,790.04	98,945.30
Financial assets sold for repurchase			
Employee benefits payable		715,232.26	674,051.54
Including:Accrued payroll		715,232.26	674,051.54
Welfare benefits payable			
Including:Staff and workers' bonus and selfare			
Taxes and surcharges payable		8,263,087.21	2,995,939.00
Including:Taxes payable		8,263,087.21	2,995,939.00
Interest payable		89,539,512.11	75,566,328.92
Dividends payable		3,213,302.88	3,213,302.88
Other payables		364,990,503.55	576,422,782.11
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		326,908,839.42	196,805,306.92
Other current liabilities			
Total current liabilities		796,151,217.17	858,259,606.37
Non-current liabilities:			—
Long-term borrowings		34,200,000.00	130,303,532.50
Bonds payable			
Long-term payable			
Grants payable			
Provisions			
Deferred tax liabilities			22,512,854.23
Other non-current liabilities			
Total non-current liabilities		34,200,000.00	152,816,386.73
Total liabilities		830,351,217.17	1,011,075,993.10
Equity:		—	—
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
Surplus reserve		109,487,064.39	109,487,064.39
Including:Statutory surplus reserve			
Provision for general risks			
Retained earnings		-574,828,562.72	-628,364,574.11

Total owner's equity		298,680,402.19	370,271,986.43
Total liabilities and owner's equity		1,129,031,619.36	1,381,347,979.53

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: wu xiu kun

Hainan Pearl River Holding Company Limited
Income Statement of the Company

Unit: RMB			
ITEM	Note(XIII)	30 June 2015	30 June 2014
I. Revenue		512,071.26	508,457.76
Including: Operating income		512,071.26	508,457.76
II.Total cost			
Including: Operating cost		177,796.80	177,796.80
Business taxes and surcharges		21,956.02	21,753.66
Selling expenses			
Administrative expenses		8,057,788.45	9,340,894.41
Including:research and development expenses			
Finance expenses		47,714,085.92	31,069,436.77
Including: Interest expenses			
Interest income			
Net loss on foreign exchange			
Impairment losses of assets		10,925.50	-5,803,950.68
Others			
Add: Gain on fair-value changes (“-”for loss)			
Investment income (“-”for loss)		124,217,340.81	583,357.52
Including: Investment income from associates and joint ventures		-125,414.24	-346,642.48
Gain or loss on foreign exchange ("-"for loss)			
III.Operating profits (“—”for loss)		68,746,859.38	-33,714,115.68
Add: Non-operating income			
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		577.22	673.48
Including: Losses on disposal of non-current assets			
Losses from exchange of non-monetary assets			
Losses from debt restructuring			
IV.Profit before tax (“—”for loss)		68,746,282.16	-33,714,789.16
Less: Income tax expenses		15,210,270.77	
V.Net profit (“—”for loss)		53,536,011.39	-33,714,789.16
VI.Post-tax net value of other comprehensive income		-125,127,595.63	-8,021,250.00
(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			
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			
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			
VII.Total comprehensive income		-71,591,584.24	-41,736,039.16

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: wu xiu kun

Hainan Pearl River Holding Company Limited			
Cash Flow Statement of the Company			
		Unit: RMB	
ITEM	Note(XIII)	30 June 2015	30 June 2014
I .Cash flows from operating activities:		——	——
Cash received from sales and services		1,269,936.85	787,456.75
Tax refunds			
Net cash from other operating activities		152,644,738.55	4,830,485.21
Sub-total of cash inflows from operating activities		153,914,675.40	5,617,941.96
Cash paid for goods and services			
Cash paid to and on behalf of employees		3,092,486.56	3,061,780.17
Payment of taxes and surcharges		258,008.24	444,798.05
Other cash payments relating to operating activities		55,872,045.25	8,511,195.12
Sub-total of cash outflows from operating activities		59,222,540.05	12,017,773.34
Net cash flows from operating activities		94,692,135.35	-6,399,831.38
II .Cash flows frow investing activities:		——	——
Cash receipts from withdraw of investments		139,371,794.42	36,060,000.00
Cash received from investment income			
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			
Sub-total of cash inflows from investing activities		139,371,794.42	36,060,000.00
Cash paid for fixed assets, intangible assets and other long-term assets		6,199.00	
Cash payments for investments		30,066,000.00	28,200,000.00
Net increase of pledged loans			
Net cash paid for acquiring subsidiaries and other business units			
Net cash used in other investing activities			
Sub-total of cash outflows from investing activities		30,072,199.00	28,200,000.00
Net cash flows from investing activities		109,299,595.42	7,860,000.00
III.Cash flows from financing activities:		——	——
Cash proceeds from investments by others			
Including: cash received by subsidiaries from minority shareholders' investment			
Cash received from borrowings		80,748,000.00	21,300,000.00
Cash received from issuance of bonds			
Cash receipts related to other financing activities			
Sub-total of cash inflows from financing activities		80,748,000.00	21,300,000.00
Cash repayments for debts		260,505,000.00	9,394,693.08
Cash payments for distribution of dividends, profit and interest expenses		18,880,311.44	9,970,306.92
Including: dividends or profit paid by subsidiaries to minority shareholders			

Other cash payments relating to financing activities		5,338,995.28	4,752,500.00
Sub-total of cash outflows from financing activities		284,724,306.72	24,117,500.00
Net cash flows from financing activities		-203,976,306.72	-2,817,500.00
IV.Effect of foreign exchange rate changes on cash and cash equivalents		-	
V.Net increase in cash and cash equivalents		15,424.05	-1,357,331.38
Add: beginning balance of cash and cash equivalents		2,034,649.76	1,650,620.37
VI. Ending balance of cash and cash equivalents		2,050,073.81	293,288.99
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: wu xiu kun	

Hainan Pearl River Holding Company Limited

Statement of Changes in Owners' Equity of the Company

Unit
:

ITEM	Note(XIII)	2015-6-30										
		Paid-in capital	Other equity instruments	Capital reserve	Less:treasury shares	Other comprehensive income	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		337,276,496.52		125,127,595.63		109,487,064.39		-628,364,574.11		370,271,986.43
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		125,127,595.63		109,487,064.39		-628,364,574.11		370,271,986.43
III.Changes for the year						-125,127,595.63				53,536,011.39		-71,591,584.24
(I) Total comprehensive income						-125,127,595.63				53,536,011.39		-71,591,584.24
(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		-	-	-	-	-	-		-		-	-

Head of the accounting department:: wu xiu kun

Statement of Changes in Owners' Equity of the Company

[illegible]

iv.Others		-	-	-	-	-	-	-	-	-	-	-
IV. Closing balance of the year		426,745,404.00	-	337,276,496.52	-	45,263,845.63	-	109,487,064.39	-	-581,218,172.98	-	337,554,637.56

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: : wu xiu kun

Hainan Pearl River Holdings Limited.

Foot-notes to Financial Statements

(January 1—June 30, 2015)

I. Basic Information of the Company

(1) Registered address, history of the Company and address of its headquarters

Hainan Pearl River Holdings Limited. (hereinafter referred to as “the Company ” or “Company” or “Pearl River Holdings”) is a limited liability company reincorporated by Hainan Pearl River Industrial Corporation on January 11, 1992, in accordance with No.1 Document of the People's Government of Hainan Province (1992), and No.6 Document of Hainan People's Bank of China (1992), with total stocks issued of 81,880,000 shares, among which, total stocks exchanged from former net assets of 60,793,600 shares, and total newly-issued stocks of 21,086,400 shares. The Company is named as Hainan Pearl River Industrial Holdings Co., Ltd. Registration number of the Company’s business license is 20128455-6. The parent company, Guangzhou Pearl River Industrial Co., Ltd., holds 36,393,600 shares, occupying 44.45%. In accordance with the No.83 document issued by Securities Management Office of People's Bank of China in December, 1992, newly-issued 21,086,400 shares came on the market at Shenzhen Securities Exchange. The Company is engaged in real estate.

On March 25, 1993, in accordance with No.28 document of Hainan Stock-holding System Pilot Leading Group and No.99 document of Shenzhen Special Economic Zone Branch of People's Bank of China, the Company increases its equities according to the ratio of 10:5:2. After transfer, its capital stock is 139,196,000 shares. At the end of 1993, its shareholder, Guangzhou Pearl River Industrial Company held 48,969,120 shares, occupying 35.18%.

In 1994, equities were increased according to the ratio of 10:10, after transfer, its total amount of capital stock is 278,392,000 shares. Its shareholder, Guangzhou Pearl River Industrial Development Co., Ltd., held 97,938,240 shares, occupying 35.18%.

In 1995, share B of 50,000,000 shares was issued upon approval in accordance with No.45 and No.12 document of Shenzhen Securities Office (1995). Equities were increased according to the shareholding ratio of 10:1.5 based on the increased share B. After transfer, the Company held 377,650,800 shares, its parent company, Guangzhou Pearl River Industrial Company held 112,628,976 shares, occupying 29.82%.

In 1999, Guangzhou Pearl River Group Co., Ltd transferred 112,628,976 shares to Beijing Wanfa Real Estate Development Co., Ltd. After the stock transfer in June, 1999, Beijing Wanfa Real Estate Development Co., Ltd. held 112,628,976 shares of the Company, occupying 29.82% of total shares of the Company, and became a shareholder of the Company.

On January 10, 2000, the Company was renamed as Hainan Pearl River Holdings Limited., and was issued the business license by Industrial & Commercial Administration Bureau of Hainan Province.

On August 17, 2006, an equity reform program of the Company was executed, the Company increased its equities according to the ratio of 10:1.3 to all shareholders, with increased equities of 49,094,604 shares. Former holders of non-tradable shares assigned the increased equities to shareholders of circulation stock A. Beijing Wanfa Real Estate Development Co., Ltd paid advanced money for consideration shares of non-circulation shareholders whose opinions were not given explicitly. After transfer, total amount of capital stock was 426,745,404 shares, the shareholder, Beijing Wanfa Real Estate Development Co., Ltd., held 107,993,698 shares, occupying 25.31%. In 2007, holders of non-tradable shares repaid equity division consideration of 3,289,780 shares. In 2009, holders of non-tradable shares repaid equity division consideration of 1,196,000 shares. In 2010, the shareholder, Beijing Wanfa Real Estate Development Co., Ltd., was renamed as Beijing Wanfa Real Estate Development Co., Ltd., and held 112,479,478 shares of the Company on June 30, 2015, occupying 26.36%.

Registered capital: 42,674,540,000 yuan

Enterprise Registration number: 460000000159355

Legal representative: Zheng Qing

Registered address: 29/F, Dihao Building, Pearl River Square, Binhai Street, Haikou

Office address: 29/F, Dihao Building, Pearl River Square, Binhai Street, Haikou

Parent company is Beijing Wanfa Real Estate Development Co., Ltd., the final actual controller is Beijing Xinxing Real Estate Development Company.

(2) Business scope

Industrial investment; real estate development; hotel investment and management; material supply; construction equipment procurement, leasing; investment consultation.

(3) Nature of businesses and main business activities of the Company

The Company and its subsidiaries are mainly engaged in real estate development, hotel management and property management.

(4) Corporate architecture

Basic organizational structure of the Company: General meeting of stockholders shall be the high authority of Company. Board of directors shall be the executive body of general meeting of stockholders. Board of supervisors shall be internal supervision body of the Company. General manager is responsible for the Company’s daily operation and management. The Company is divided into departments like general manager office, bond department, tourism and real estate department, financial department, management department and audit department.

On May 6, 2010, Beijing Investment Consultation Branch of Hainan Pearl River Holdings Limited was incorporated, with a registration number of 110107012835520. Address: Suite 5078, Block 3, 3 Xijing Road, Badachu High-tech Park, Shijingshan District, Beijing. Business scope includes investment consultation, hotel investment and management.

On October 22, 2012, Heilongjiang Subsidiary of Hainan Pearl River Holdings Limited was incorporated, with a registration number of 2301016100100936. Address: 34 Nongxiao Street, Xiangfang District, Harbin. Business scope: industrial investment, hotel investment and management, construction equipment procurement, leasing, indoor and outdoor decoration, high-tech project investment, computer network investment, communication project investment, high-tech technical product development and application, environmental project investment.

(5) Approval and issuance of financial statement

The financial statement was approved by all directors of the Company and issued on August 27, 2015.

II. Scope of merger financial statement

There are 18 subjects incorporated to the merger financial statement in this period, including:

Subsidiary’s name	Subsidiary type	Order	Holding proportion (%)	Voting rights proportion (%)
Hainan Pearl River Properties and Hotels Management Co., Ltd.	Holding	2	98	98
Hainan Pearl River Environmental Projects Co.,Ltd.	Holding	3	100	100
Hainan Pearl River Estate Cleaning Company	Wholly	3	100	100
Hainan Pearl River Estate Machine Engineering Company	Wholly	3	100	100
Hainan Pearl River Estate Marketing Co., Ltd.	Wholly	3	100	100
Sanya Wanjia Hotel Management Co., Ltd.	Wholly	2	100	100

Subsidiary's name	Subsidiary type	Order	Holding proportion (%)	Voting rights proportion (%)
Hubei Pearl River Real Estate Development Co., Ltd.	Holding	2	89.2	89.2
Wuhan Pearl River Meilin Hotels Management Co., Ltd.	Wholly	3	100	100
Hainan Pearl River Holding(Shanghai)Real Estate Co.,Ltd.	Wholly	2	100	100
Beijing Jiubo Culture Development Co., Ltd.	Wholly	2	100	100
Mudanjiang Pearl River Wanjia Tourism Investment Development Group	Wholly	2	100	100
Hailin Wanjia Xuexiang holiday Hotel Plaza Limited	Wholly	3	100	100
Mudanjiang Jingbohu Wanjia Hotel Co., Ltd.	Wholly	3	100	100
Mudanjiang Wanjia Star Hotel Co., Ltd.	Wholly	3	100	100
Heilongjiang Longshi Pearl River Culture Communication Co., Ltd	Holding	3	70	70
Harbin Wanjia Travel Agent	Wholly	3	100	100
Hebei Zhengshi Qinghui Real Estate Development Co., Ltd.	Holding	2	51	51
Shanghai Sea Pearl Property Management Co., Ltd.	Holding	2	50	50

There is no change in subjects incorporated into the merger financial statement in this period, compared to the previous period.

III. Compiling foundation of the financial statement

(1) Compiling foundation of the financial statement

The Company affirms and calculate, based on continuous operation, in accordance with actual transaction and matters, *Accounting Standards for Business Enterprises——Basic Principles* and *Detailed Accounting Standards for Business Enterprises, Application Guide to Accounting Standards for Business Enterprises, Interpretation of Accounting Standards for Business Enterprises* and other related regulations issued by the Ministry of Finance (hereinafter collectively referred to as “*Accounting Standards for Business Enterprises*”), on this basis, in accordance with *No.15 Company Information Disclosure, Preparation and Reporting Standard of Securities Issuance——General Provisions of the Financial Statement* issued by China Securities Regulatory Commission (revised in 2014), the financial statement is prepared.

(2) Continuous operation

There is not major doubt about sustainable operation capacity of the Company within 12 months from the end of the report period.

IV. Important accounting policies and accounting estimate

(1) Comply with *Accounting Standards for Business Enterprises*

The financial statement prepared by the Company complies with requirements of *Accounting Standards for Business Enterprises*, reflects related information like financial condition, operating results and cash flow during the report period of the Company in a true and complete manner.

(2) Accounting period

The accounting fiscal year of the Company begins on January 1 and ends on December 31 of the Gregorian calendar.

(3) Bookkeeping base currency

The Company shall adopt Renminbi as its bookkeeping base currency.

(4) Accountant arrangement method of business merger under the same control and under different controls

1. That articles, principles and economic influences of all deals during business merger are in line with the one or several

cases listed as follows shall be realized in steps, accounting treatment shall be conducted by taking several transactions as package deals:

- i. These transactions are concluded by taking influences into consideration;
- ii. These transactions, on the whole, may realize a complete business result;
- iii. The occurrence of a transaction lies in that of at least a transaction;
- iv. A transaction is not economic when it is taken into consideration alone, but it is economic when it is taken into consideration

with other dealings.

2. Business merger under the same control

1) Individual financial statement

Where the merger consideration consists of paying cash, transferring non-cash assets, assumption of debts or issuing equity securities, on the merger date, shares stated in the book value in the merger financial statement of the final controller in accordance with ownership interests of the party to be merged shall be the initial cost of investment of long-term equity investment. Based on balance between initial cost of investment of long-term equity investment and merger consideration, capital reserves are adjusted; where capital reserves are not sufficient for writing-off, retained earnings will be adjusted. Where there is any contingent consideration, and estimated liabilities or assets shall be affirmed. Based on the balance between the amount of estimated liabilities or assets and subsequent contingent consideration, capital reserves (capital premium or capital stock premium) shall be adjusted. Where capital reserves are insufficient, retained earnings shall be adjusted.

Where business merger is realized through several sales which belong to package deals, all deals shall be regarded as that of obtaining the right of control, and accounting treatment shall be executed; where sales are not package deals, at the date of obtaining the right of control, initial cost of investment of long-term equity investment, balance between long-term equity investment book value before the merger and sums of book value when new payment consideration of stocks is obtained on the merger date, capital reserves shall be adjusted; where capital reserves are insufficient for writing-off, retained earnings shall be adjusted. In respect of the equity investment held before the merger date, other comprehensive incomes ascertained through business accounting pursuant to equity law or determined by financial instruments and checked through measurement standards would not immediately be handled through accounting treatment method. They would be handled through accounting treatment method on the same basis of handling related capital or liability of the unit to be invested; Other changes in ownership interests except for net profit or loss, other comprehensive incomes and profits among net capital of the unit to be invested determined through accounting pursuant to equity law, shall not be handled through accounting method immediately, and shall be transferred to profit and loss in the current period.

All related fees incurred during the merger, including audit fee, appraisal fee and legal service fee paid for sake of merger, shall be calculated into current profits and losses during the merger; capital reserves shall be written off based on transaction fee related to equity instruments which are deemed as merger consideration. Where capital reserves are not sufficient for the writing off, surplus public accumulation and undistributed profit shall be written off in succession; transaction fee related to equity instruments which are deemed as merger consideration, shall be calculated to initial affirmation amount of debt instruments.

Where there is merger financial statement among combined parties, based on ownership interests owned by the parent company in merger financial statement of the combined parties on the merger date, initial cost of investment of long-term equity investment shall be determined.

2) Merger financial statement

Assets and liabilities obtained by combining parties in business merger shall be calculated, in accordance with the book value of ownership interests of combined parties in the merger financial statement of the final controller on the merger date.

Where business merger is realized through several times of deals which belong to package deal, all deals shall be deemed as those of obtaining the right of control for the accounting treatment; where deals do not belong to the package deal, in respect of long-term equity

investment held by the combining parties before the business merger, on the date when it is obtained, in consideration of related profit and loss, other comprehensive incomes and change in other ownership interests when combining parties and combined parties are under the same final control before the merger date, retained earnings or current profits and losses at the beginning of the term shall be written off in the period of comparative statement.

Where accounting policy adopted by all the parties to be merged is not in consistency with that of the Company, the Company on the merger date shall, in accordance with the Company accounting policy, adjust and ascertain pursuant to *Accounting Standards for Business Enterprises*.

3. Business merger under different controls

In consideration of business merger under different controls, combined cost refers to assets paid, liabilities incurred or assumed and issued equity instruments or fair value of debt instruments for sake of obtaining the right of control of the acquiree on the purchase date. Where future matters which may influence combined cost may be arranged in the merger contract, and the estimated matters on the purchase date are likely to happen and influenced amount of the combined cost may be reliably calculated, they shall also be calculated to combined cost.

Brokerage fees like audit, legal service and evaluation and consultation and other relevant management fees incurred for sake of business merger of the Company, when they are incurred, shall be calculated to current profits and losses; transaction cost of equity instruments or debt instruments issued as merger consideration by the Company, shall be calculated to initial affirmation amount of equity instruments or debt instruments.

The difference between the cost of acquisition and fair value of net assets of business share is confirmed as purchased goodwill. Where the cost of acquisition is less than fair value of net assets of the party to be purchased, after rechecking, the difference between the cost of acquisition and fair value of net assets of the party to be purchased, shall be calculated to current profits and losses.

Where the business combinations not under the same control realized in steps through several swap transactions belong to package deal, all deals which shall be deemed as those of obtaining right of control and shall be handled through accounting treatment method; where the deals do not belong to package deal, relevant accounting treatment shall be conducted by separating individual financial statement from merger financial statement:

(1) In respect of individual financial statements, where equity investment held before the merger date is calculated in accordance with the equity law, sum of book value of equity investment held by the acquiree before the purchase date and newly increased cost of investment on the purchase date, shall be deemed as initial cost of investment; where other comprehensive incomes from equity investment held before the purchase date is calculated and ascertained based on equity law. The investment would be handled through accounting treatment method on the same basis of handling related capital or liability of the unit to be invested.

Where equity investment held before the merger date is ascertained through financial instruments and calculated based on calculation principles, sum of fair value of equity investment on the merger date and newly increased cost of investment, shall be deemed as initial cost of investment on the merger date. Balance between fair value of the originally held equity rights and the book value as well as accumulated changes in fair value calculated to other comprehensive incomes shall be transferred to the current income from investment on the merger date.

(2) When merging the financial statement, the acquiree's stock rights owned before the purchase date shall be recalculated according to the fair value of the stock rights on the purchase date. Balance between fair value and its book value shall be calculated to the current income from investment; where equity rights held by the acquiree before the purchase date refer to other comprehensive incomes checked pursuant to the equity law, they, together with relevant other comprehensive incomes, shall be transferred to the income from investment in the period to which the purchase date is subordinate.

(5) Preparation method of merger financial statement

Merger range of merger financial statement of the Company shall be determined based on the control and all the subsidiaries (including

a body controlled by the parent company) shall be incorporated to the merger financial statement.

All the subsidiaries' accounting policy and accounting period incorporated to merger scope of the financial statement shall be in line with those of the Company. Where there is any inconsistency of accounting policy and accounting period adopted by subsidiaries with those of the Company, when preparing merger financial statement, necessary adjustment shall be conducted in accordance with the Company's accounting policy and accounting period.

Merger financial statement shall be prepared by the Company according to other related documents, based on financial statement of the Company and its subsidiaries.

When merging the financial statement, influence of internal dealings between the Company and its subsidiaries and among all subsidiaries on merger balance sheet, consolidated statement of income, consolidated statement of cash flow and statement of changes in stockholders' equity accounts, shall be offset.

Where the losses of the current period of minority shareholders at the subsidiaries exceed shares of ownership interests owned by minority shareholders at the beginning of the term of subsidiaries, the balance still shall write off minority equity.

During the report period, where subsidiaries and businesses are increased due to business merger under the same control, opening balance of the merger balance sheet shall be adjusted; subsidiaries' income, fee and profit from the beginning of business merger to the end of report period shall be incorporated to consolidated statement of income; subsidiaries' cash flow from the beginning of business merger to the end of report period shall be incorporated to consolidated statement of cash flow.

During the report period, where subsidiaries and businesses are increased due to business merger not under the same control, opening balance of the merger balance sheet shall not be adjusted; subsidiaries' income, fee and profit from the purchase date of businesses to the end of report period shall be incorporated to consolidated statement of income; subsidiaries' cash flow from the purchase date of businesses to the end of report period shall be incorporated to consolidated statement of cash flow.

During the report period, the Company may handle its subsidiaries and businesses, subsidiaries' income, fee and profit from the beginning of businesses to the treatment date shall be incorporated to consolidated statement of income; the subsidiaries' cash flow from the beginning of businesses to the treatment date shall be incorporated to consolidated statement of cash flow.

Where the Company, due to handling part of equity investment, loses right of control for former subsidiaries, when merging financial statement, residual equity shall be recalculated, in accordance with the fair value at the date when right of control is lost. Sum of consideration obtained when handling equity rights and residual equity fair value, minuses the balance of shares of net assets owned by the former subsidiaries calculated from the purchase date in accordance with the former proportion of shareholding. The final value shall be calculated to income from investment when right of control is lost. Other comprehensive incomes related to equity investment for the former subsidiaries, shall be transferred as the current income from investment when right of control is lost.

(6) Classification of joint venturing arrangement and accountant arrangement method of joint operation

1. Classification of joint venturing arrangement

The Company, in accordance with structure, form of law as well as articles and other related truths and circumstances in the joint venturing arrangement, divides joint venturing arrangement into joint operation and cooperative enterprises.

Joint venturing arrangement which is not realized through individual subjects, shall be classified as joint operation; joint venturing arrangement realized through individual subjects, shall be often classified as cooperative enterprises; joint venturing arrangement which meets one of the following requirements and is in compliance with relevant laws and regulations as proven by hard evidences, shall be classified as joint operation:

(1) Form of law in the joint venturing arrangement shows that, the party of joint venturing is entitled to rights and shall assume obligations for related assets and liabilities in the arrangement.

(2) In accordance with contract articles provided in the joint venturing arrangement, the party of joint venturing is entitled to rights and shall assume obligations for related assets and liabilities in the arrangement.

(3) Other related truths and circumstances show that, the party of joint venturing is entitled to rights and shall assume obligations for related assets and liabilities in the arrangement, for example, the party of joint venturing is entitled to almost all the output related to joint venturing arrangement, and the clearing off of liabilities in the arrangement shall continue to rely on the support from the party of joint venturing.

2. Accountant arrangement method of joint operation

The Company determines the following items related to the Company in profit shares in joint operation, accounting treatment shall be conducted in accordance with relevant *Accounting Standards for Business Enterprises*:

- (1) Assets solely owned, and assets jointly owned according to the shares;
- (2) Liabilities solely owned, and liabilities jointly assumed according to the shares;
- (3) Ascertain to sell income from shares of joint operation;
- (4) Income from selling output of joint operation according to its shares;
- (5) Fee incurred alone, and fee incurred in joint operation according to its shares.

Where the Company invests or sell assets during the period of joint operation, the Company, before selling the assets during the period of joint operation (except for businesses facilitated by the assets) to a third party, shall ascertain part of profits and losses which are owned by other participants of the joint operation. In respect of the loss in impairment of asset, where assets invested or sold are in line with *No.8 Document of Accounting Standards for Business Enterprises—Impairment of Asset*, the Company shall ascertain the loss in full.

The Company, before selling the assets purchased during the period of joint operation (except for businesses facilitated by the assets) to a third party, shall ascertain part of profits and losses which are owned by other participants of the joint operation. In respect of the loss in impairment of asset, where assets purchased are in line with *No.8 Document of Accounting Standards for Business Enterprises—Impairment of Asset*, the Company shall ascertain the losses based on its shares.

The Company shall not be entitled to joint control of common operation. Where the Company is entitled to relevant assets under the joint operation and assumes related liabilities under the joint operation, accounting treatment shall be carried out in accordance with the aforesaid principles, otherwise, accounting treatment shall be carried out in accordance with related regulations of *Accounting Standards for Business Enterprises*.

(7) Determination standard of cash and cash equivalents

When preparing the cash flow statement, cash on hand and deposits which can be paid at any time shall be affirmed as cash. The term "cash equivalents " refers to short-term (begin from the purchase date and due within 3 months) and highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value.

(8) Discounting of foreign currency transaction and foreign currency statements

1. foreign currency transaction

When foreign currency transaction is initially ascertained, it shall be discounted to Renminbi according to the spot rate on the transaction date which is deemed as discounting exchange rate.

Foreign currency monetary items shall be discounted based on the sport rate on the balance sheet date, exchange balance incurred shall be calculated to current profits and losses, except for exchange balance incurred due to foreign currency loans related to construction capital in line with capitalization which shall be handled according to the principle of capitalization of borrowing costs. Foreign currency non-monetary items calculated based on historic cost, shall be discounted based on the sport rate on the transaction date, and its bookkeeping base currency amount shall not be changed.

Foreign currency non-monetary items calculated based on fair value, shall be discounted based on the sport rate on the date when fair value is determined. Exchange balance incurred shall be deemed as profit or loss from changes in fair value and shall be calculated to

current profits and losses. Where they belong to foreign currency non-monetary items available for sale, exchange balance incurred shall be calculated to other comprehensive incomes.

2. Discounting of foreign currency financial statement

Assets and liabilities stated in the balance sheet shall be discounted based on the sport rate on the balance sheet date; in respect of ownership interests, except for “undistributed profit”, other projects shall be discounted according to the sport rate when they are incurred. Income and fee stated in the income statement shall be discounted based on the sport rate on the transaction date. Discounting balance in the foreign currency financial statement incurred according to the aforesaid discounting method, shall be calculated to other comprehensive incomes.

When handling overseas operation, discounting balance in the foreign currency financial statement related to overseas operation and listed in items of other comprehensive incomes in the balance sheet, shall be transferred to current profits and losses from items of other comprehensive incomes; in case of overseas operation, according to the ratio of treatment, discounting balance in the foreign currency financial statement shall be calculated and transferred to current profits and losses.

(9) Financial instruments

Financial instruments consist of financial assets, financial liability and equity instrument.

1. Classification of financial instruments

Managers, in accordance with contract articles of the issued financial instruments and economic essence reflected therefrom rather than form of law, based on purposes of obtaining financial assets and assuming financial liability, divide financial assets and financial liability into different types: financial assets calculated based on fair value and whose changes shall be calculated into current profits and losses (or financial liability); held-to-maturity investment; receivables; financial assets available for sale; other financial liability.

2. Recognition basis and calculation methods of financial instruments

(1) financial assets calculated based on fair value and whose changes shall be calculated into current profits and losses (or financial liability)

(1) financial assets or financial liability calculated based on fair value and whose changes shall be calculated into current profits and losses (or financial liability), consist of tradable financial assets or financial liability, and financial assets or financial liability calculated based on fair value and whose changes shall be calculated into current profits and losses (or financial liability).

Tradable financial assets or financial liability refers to those meeting one of the following requirements:

- 1) The purpose of obtaining financial assets or financial liability is to sell, repurchase and redeem within a short period;
- 2) Belong to part of identifiable financial instrument portfolio under centralized management. Any objective evidence proves that the Company recently manages the portfolio through profiting method in the short term;
- 3) Belong to derivative financial instruments, except for derivatives which are designated as effective hedging instruments, which are under financial guarantee contract, which are related to equity investment that is not quoted on an active market and whose fair value cannot be measured reliably and shall go through to the settlement of derivative financial instruments.

Only by meeting one of the following requirements, can financial assets or financial liability be referred to as financial assets or financial liability: financial assets or financial liability calculated based on fair value and whose changes shall be calculated into current profits and losses at the beginning of the calculation.

1) The regulation can remove or obviously reduce inconsistency of related profits or losses in terms of affirmation or calculation, due to different calculation basis of financial assets or financial liability;

2) As stated in official written documents related to risk management or investment strategy, the financial assets portfolio, financial liability portfolio, or portfolio of financial assets and financial liability, shall be managed, estimated and reported to key managers based on fair value;

3) mixed tools including one or several embedded derivatives, only when there is no important change in cash flow of mixed tools caused by embedded derivatives, or embedded derivatives shall not be separated from related mixed tools;

4) including mixed tools of embedded derivatives which require separation but fail to be calculated separately when they are obtained or at the subsequent balance sheet date.

In respect of financial assets or financial liability calculated based on fair value and whose changes shall be calculated into current profits and losses when they are obtained, fair value shall be (deducting cash dividends which are reported but fail to be issued or debenture interests which are not obtained during the period of interest payment) regarded as initial affirmation amount. Relevant transaction cost shall be calculated to current profits and losses. When holding such amount, interests or cash dividends obtained shall be affirmed as the income from investment, changes in fair value shall be calculated to current profits and losses at the end of the term. Balance between fair value and initial amount when entering an item in an account shall be confirmed as income from investment, while profit and loss of changes in fair value shall be adjusted.

(2) receivables

In respect of obligation receivable formed when the Company sells products or provides service, and creditor's rights of debt instrument of other enterprises held by the Company, excluding those have quoted price on the active market, including receivables and other receivables, contract or agreement amount collected from the buyer shall be deemed as initial affirmation amount; in respect of those with the nature of financing, they shall be affirmed in accordance with their present values.

When redeeming or treating such receivables, balance of amount obtained and receivables book value shall be calculated to current profits and losses.

(3) Held-to-maturity investment

Held-to-maturity investment refers to non-derivative financial assets featured by fixed due date, fixed recoverable amount which may be affirmed, while the Company has specific intentions and capacity to hold it to maturity.

When obtaining held-to-maturity investment, sum of fair value (deducting debenture interests which are not obtained during the period of interest payment) and relevant transaction cost shall be deemed as initial affirmation amount. When holding such investment, interests income shall be calculated in accordance with amortized cost and actual interest rate, and shall be calculated to income from investment. Actual interest rate shall be affirmed when it is obtained, and shall not be changed during the expected period of existence or suitable shorter period. When treating such investment, balance between amount obtained and book value shall be calculated to income from investment.

Where the amount after treatment or reclassification of held-to-maturity investment to other types of financial assets is larger than the total amount of all held-to-maturity investment before it is sold or reclassified, the Company, after the treatment or reclassification, shall immediately reclassify remaining held-to-maturity investment as financial assets available for sale; at the date of reclassification, balance between the invested book value and the fair value shall be calculated to other comprehensive incomes, and shall be transferred when there is a decrease in value of financial assets available for sale or determination is terminated, it shall be calculated to current profits and losses, except for the following circumstances:

1) Sales date and reclassification date is close to due date or redemption date of the investment (for example, within 3 months before maturity), and changes in market interest rate have not remarkable influence on fair value of the investment.

2) In accordance with the mode of payment as stated in the contract, the enterprise has already taken back all initial principals.

3) Sales or reclassification are caused by independent events which are not controlled by the Company, whose repeated events would not occur and which are difficult to estimate in a reasonable way.

(4) Financial assets available for sale

Financial assets available for sale refer to financial assets which are deemed as non-derivative financial assets available for sale when they are initially affirmed, and those excluding other financial assets.

In respect of financial assets available for sale, sum of fair value (deducting cash dividends which are reported but fail to be issued or debenture interests which are not obtained during the period of interest payment) and relevant transaction cost shall be deemed as initial affirmation amount when they are obtained. Interests obtained when holding such financial assets or cash dividends shall be affirmed as income from investment. Profit or loss formed by changes in fair value of financial assets available for sale, except for balance of exchanges formed by impairment loss and monetary financial assets of foreign currency, shall be directly calculated to other comprehensive incomes. When treating financial assets available for sale, balance between amount obtained and financial assets book value shall be calculated to profit and loss on investments; meanwhile, amount related to accumulated amount of changes in fair value which shall be directly calculated to other comprehensive incomes shall be transferred, and shall be calculated to profit and loss on investments.

In respect of equity instrument investment which has no quoted price at the active market and whose fair value may not be reliably calculated, and derivative financial assets which are related to the equity instrument and shall be calculated through paying the equity instrument, shall be calculated based on the cost.

(5) Other financial liability

Sum of fair value and relevant transaction cost shall be deemed as initial affirmation amount. Subsequent calculation shall be carried out based on the amortized cost.

3. Recognition basis and calculation method of financial assets transfer

When transfer of financial assets occurs at the Company, if almost all the risks and rewards under the financial assets ownership are transferred to the party to be transferred, determination of the financial assets shall be terminated; if almost all the risks and rewards under the financial assets ownership are reserved, determination of the financial assets shall not be terminated.

When judging whether transfer of financial assets meets the aforesaid requirements of termination of determination of financial assets, principle that substance is more important than the form shall be utilized. The Company shall divide transfer of financial assets into overall and partial transfer of financial assets. Where transfer of financial assets meets the requirements of termination of affirmation, balance of the following two amounts shall be calculated to current profits and losses:

(1) Book value of the transferred financial assets;

(2) Sum of consideration received due to transfer and accumulated amount of changes in fair value which shall be directly calculated to ownership interests (involving the transferred financial assets are financial assets available for sale).

Where partial transfer of financial assets meets requirements of termination of determination, financial assets overall book value of financial assets transferred whose recognition has yet to be stopped, shall be amortized according to respective relative fair value, and balance of the following two amounts shall be calculated to current profits and losses:

(1) Book value stated in the part of termination of determination;

(2) Sum of consideration whose recognition has stopped and amount (involving the transferred financial assets are financial assets available for sale) whose recognition has stopped in the accumulative amount of changes in fair value which shall be directly calculated to ownership interests.

Where the transfer of financial assets may not meet the requirements of termination of determination, determination of the financial assets shall be continued, consideration received shall be determined as a financial liability.

4. Requirements for termination of determination of financial liability

Where all or part of current obligations under financial liability are terminated, determination of all or part of financial liability shall be terminated; where the Company signs an agreement with a creditor, it shall assume a new financial liability in lieu of the current financial liability. Where there is substantial change in contract articles of new financial liability and current financial liability, determination of current financial liability shall be terminated, new financial liability shall be, at the same time, determined.

Where there is substantial modification in all or part of contract articles of the current financial liability, determination of all or part of

current financial liability shall be terminated. Meanwhile, financial liability after articles are modified shall be determined as a new financial liability .

Where financial liability terminates its affirmation completely or partly, balance between financial liability book value which terminates the affirmation and paid consideration (including the transferred non-cash assets or new financial liability), shall be calculated to current profits and losses.

Where the Company may repurchase part of financial liability, at the repurchase date, in accordance with relative fair values which continue to be affirmed or terminate to be affirmed, book value of the financial liability shall be allotted. Balance between book value assigned to the part of termination of affirmation and the paid consideration (including the transferred non-cash assets or new financial liability), shall be calculated to current profits and losses.

5. Determination method of financial assets and financial liability fair value

In respect of financial assets and financial liability which are measured through fair value and financial assets or financial liability on the active market, the fair value shall be ascertained based on the quoted price at the active market; in respect of financial assets or financial liability which are not on the active market, the fair value shall be ascertained through the valuation technique (including referring to prices in recent market dealings of all parties who are familiar with the situations and are willing to trade, current fair value of other financial instruments which are same on the substantial basis, cash flow discounting method and options pricing model); in respect of initial obtained or derivative financial assets or assumed financial liability, market transaction price shall be deemed as the basis for ascertaining the fair value.

6. Calculation and withdrawal of financial assets (excluding receivables) provision for diminution in value

Book value shall be checked of financial capitals measured through fair value except for financial capitals whose changes are calculated to current profit and loss, where any objective evidence proves that there is decrease in value of the financial assets, provision for diminution in value shall be withdrawn.

Objective basis of decrease in value of financial assets includes but not limited to:

- (1) the issuer or the debtor has serious financial difficulties;
- (2) the debtor breaches contract articles, including paying interests or any infringement of agreement or overdue principal;
- (3) The creditor, in consideration of economic or legal factors, makes a concession to the debtor who has financial difficulties;
- (4) the debtor may go bankrupt or carry out other financial recombination;
- (5) Where there are important financial difficulties for the issuer, financial assets failed to be transacted at the active market;
- (6) Whether cash flow of certain assets in one group of financial assets decreases could not be identified, but it is found after comprehensive evaluation based on open data, estimated cash flow in the group of financial assets decreases and can be calculated, for example, the debtor's payment capacity in the group of financial assets gradually worsens, or unemployment rate in the country or area where the debtor is seated increases, price of guaranty at the area obviously declines and industry is sluggish;
- (7) Due to remarkable changes in technical, market, economic or legal environment of equity instrument issued and managed, investors of equity instrument may fail to withdraw cost of investment;
- (8) There is serious or non-temporary fall in fair value invested by the equity instrument;

Detailed methods of decrease in value of financial assets are listed as follows:

(1) Provision for diminution in value of financial assets available for sale

The Company evaluates impairment loss in all financial assets available for sale based on specific identification method on the balance sheet date, of which: objective evidence of decrease in value of investment in equity instrument available for sale includes serious or non-temporary fall in fair value invested by the equity instrument. Detailed quantitative criteria are: where the fair value of equity instrument investment on the balance sheet date is 50% (including 50%) lower than its cost, or the phenomena that the value is lower

than its initial cost of investment lasts for more than 1 year (including 1 year), decrease in value occurs; where the fair value of equity instrument investment on the balance sheet date is 20% (including 20%) higher than its cost, but fails to reach 50% of the cost, the Company may take into overall consideration other relevant factors like price volatility, and judges whether there is decrease in value in investment of the equity instrument.

The aforesaid “cost ” shall be determined in accordance with initial cost obtained from equity instrument investment available for sale, deducting the principal withdrawn and amortization amount, impairment loss calculated to profits and losses; “fair value ” shall be determined in accordance with closing price of securities exchange at the end of the term.

When there is decrease in value of financial assets available for sale, even though the financial assets do not terminate the affirmation, the Company transfers accumulating losses which shall be directly calculated to other comprehensive incomes caused by the decrease in fair value, they shall be calculated to current profits and losses. The transferred accumulating losses equal to initial cost obtained from financial assets available for sale, deducting balance among the principal withdrawn and amortization amount, current fair value, and impairment loss calculated to profits and losses.

(2) Provision for diminution in value of held-to-maturity investment

In respect of held-to-maturity investment, where a decrease in value can be ascertained according to objective evidences, impairment loss shall be calculated and determined in accordance with balance between the book value and the present value of the estimated cash flow in the future; after withdrawing, if any evidence shows that its value is restored, the former impairment loss ascertained shall be withdrawn, and calculated to current profits and losses, but the book value withdrawn shall not exceed amortized cost of the financial assets at the date of withdrawal, suppose provision for diminution in value may not be withdrawn.

(10) Receivables

1. Receivables in which bad-debt provision shall be calculated and withdrawn and their single amount is major

Determination standard of receivables in which single amount is major and bad-debt provision shall be calculated and withdrawn in single amount: detailed standard of major single amount: balance at the end of the term surpasses 1 million yuan (including 1 million yuan).

Methods of calculation of bad-debt provision of receivables in which single amount is large: when test of decrease in value is conducted in a single manner, bad-debt provision shall be calculated and withdrawn in accordance with the balance between estimated cash flow value and the book value, and shall be calculated to current profits and losses. Where decrease in value of receivables doesn’t occur after the single test, bad-debt provision shall be calculated and withdrawn based on the related portfolio.

2. Receivables in which bad-debt provision shall be calculated and withdrawn based on the portfolio

(1) Determination basis of characteristic portfolio of credit risks

In respect of receivables of related parties among enterprises in the business merger range of Pearl River Holdings, bad-debt provision shall not be withdrawn according to the principle, where any hard evidence proves that it shall not be withdrawn or the possibility to withdraw is small, bad-debt provision shall be withdrawn according to its unrecoverable amount.

In respect of receivables whose single amount is not major at the end of the term, and not in the merger financial statement scope of Pearl River Holdings merger financial statement, bad-debt provision shall be calculated and withdrawn based on aging analysis method, together with receivables whose values are not decreased after single testing.

(2) Methods of calculation determined in accordance with characteristic portfolio of credit risks

Bad-debt provision shall be withdrawn based on the aging analysis method:

Ages	Percentage of Accounts Receivable (%)	Percentage of Others Receivable (%)
Within 1 year (including 1 year, same as following)	2	2
1 year to 2 years	5	5

Ages	Percentage of Accounts Receivable (%)	Percentage of Others Receivable (%)
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

1. Receivables in which their single amount is not major but bad-debt provision shall be calculated and withdrawn in single amount

Reasons for calculating and withdrawing bad-debt provision in single amount are: objective evidences show that the Company may not collect the fund in accordance with former articles of receivables.

Methods of calculation of bad-debt provision: it shall be calculated and withdrawn in accordance with balance between estimated cash flow value of receivables in the future and the book value.

(11) Inventory

1. Classification of inventories

Inventories mainly include real estate development project, development cost, raw materials, goods in stock, low-value consumables, and others.

Real estate development products include real estate product under construction and development, completed product, and proposed development land. The actual cost of real estate development is composed by land transfer fee, expenditure of infrastructure, expenditure of construction and installation engineering, borrowing cost incurred before the completion of the development project, and other relevant costs incurred in the process of development.

Development cost refers to the property that has not been built based on the purpose of sales; proposed development land refers to purchased land that will be developed into a completed development product; development product refers to the property that has been completed and is ready for sales. When the project is developed overall, the proposed land is transferred into the development cost; when the project is developed in stages, such land is transferred into the development cost and the undeveloped land is recognized as proposed development land.

2. Valuation method of inventory

Specific identification method is used to recognize the actual cost of inventory when the real estate development product inventory is sold. Other inventories are accounted by weighted average method.

3. Determination basis of inventory net realizable value and provision method of inventory provision for loss

At the end of the period, inventory is measured based on the costs and net realizable value, whichever is lower. The provision of allowance of inventory valuation is made on the basis a single inventory cost is higher than the difference of its net realizable value. Net realizable value, according to the daily activities, is recognized by deducting the to-be incurred costs, estimated sales costs, and relevant taxes from the estimated sales price of inventory.

When factors that caused deduction of prior inventory value disappear, the deducted amount is resumed, and originally accrued depreciation provision is returned. The amount returned is recorded into current income statement.

4. Inventory system

Perpetual inventory system is used.

5. Amortization method of low-value consumption goods and packing materials

One-off write-off method is used.

6. Accounting method for developed land

Together with the entire real estate development project, the costs may distinguish the object of burden sharing. Generally, it is

recognized as commercial housing cost based on the actual shared area.

7. Accounting method for public facility costs

Public facility unavailable for involuntary transfer: the standard distribution is recognized as commercial housing cost subject to the benefit ratio.

Public facility available for involuntary transfer: each facility project is recognized as the object of cost accounting. All costs incurred are accumulated.

8. Accounting method for maintenance fund

According to the relevant provisions of the site the development project is located, when selling (pre-selling) the development product, the maintenance fund collected from the purchaser are recognized as the development cost of the project and paid to the fund administrative department.

9. Accounting method for quality bond

Quality bond refers to fees reserved from the construction cost of the contractor according to the provisions of the construction contract. The maintenance fees incurred from the warranty period of the development product are written down as quality bond; upon the expiration of the agreed warranty period, the balance of the quality bond is returned to the contractor.

(12) Long-term equity investment

1. Recognition of investment costs

(a) The accounting policies for long-term equity investment formed from enterprise consolidation are listed in Appendix IV/ (IV) accounting method for enterprise consolidation under the same or not under the same control.

(2) Long-term equity investment acquired by other methods

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

The initial investment cost of a long-term equity investment obtained on the basis of issuing equity securities is the fair value of the equity securities issued; the trading costs incurred from the issuance or acquisition of equity instrument that can be directly attributed to equity transaction are deducted from equity.

On the premise that the non-monetary asset swap is provided with commercial substance and the fair value of swap-in asset or swap-out asset can be reliably measured, the long-term equity investment from non-monetary asset swap is recognized as its initial investment cost based on the fair value of its swap-out asset, unless otherwise the convincing evidence provides that the fair value of swap-in asset is more reliable; the non-monetary asset swap failed to meet the above premises are recognized as the initial investment cost of swap-in long-term equity investment by the book value of the swap-in asset and relevant taxes payable.

The initial investment cost of long-term equity investment acquired from debt reorganization is recognized based on the fair value.

2. Recognition of subsequent measurement and profit and loss

(1) Cost method

Cost method is used for long-term equity investment that the company is able to control the investee. The price of a long-term equity investment measured by employing the cost method is included at its initial investment cost. If there are additional investments or disinvestments, the cost of the long-term equity investment is adjusted.

The dividends in cash or profits declared to distribute by the investee are recognized as the investment income of the current period except for the dividends in cash or profits that have been declared but not issued in the actually paid payment or consideration upon acquisition of the investment.

(2) Equity method

Equity method is used to measure the long-term equity investment in joint ventures and associates; for equity investment in the joint

venture that indirectly held by risk investment institutions, mutual funds, trust companies or similar subject including unit-linked insurance funds, the fair value is used for measurement and its change is recognized as profit or loss.

Where the initial investment cost of a long-term equity investment is larger than the investing enterprise' attributable share of the fair value of the investee's identifiable net assets for the investment, the initial cost of the long-term equity investment may not be adjusted; where the initial cost of a long-term equity investment is smaller than the investing enterprise' attributable share of the fair value of the investee's identifiable net assets for the investment, the difference is recognized at profits and losses of the current period.

After acquisition of long-term equity investment, the profit or loss on investment and other comprehensive income are recognized as investment income and other comprehensive income, respectively, according to net profit or loss of the investee that should be entitled to or shared and the book value of the long-term equity investments is adjusted. The company calculates its share according to the profits and cash dividends distribution declared by investee and writes off against the book value of long-term equity investments accordingly; for other changes in shareholders equity of the investee except for net income, other comprehensive income and profit distribution, the book value of long-term equity investment is adjusted and recognized as shareholders equity.

The company, on the ground of the fair value of all identifiable assets of the investee when it obtains the investment, recognizes the identifiable asset of the net profit and loss of the investee after it adjusts the net profit of the investee. The unrealized internal transactions between the company and its joint ventures or associates are calculated based on the share ratio. The part attribute to the company is written down. The investment profit and loss is recognized based on it.

Where the company intends to share the losses of the investee, the following sequence is followed: first of all, write-down the book value of long-term equity investment; secondly, if the book value of long-term equity investment is insufficient to write-down, further recognize the investment loss subject to the limitation of the book value of long-term equity investment of net investment contributed by the investee substantively and write-down the book value of long-term payable; lastly, based on the above mentioned methods, according to the investment contract or agreement, where the company is still required to undertake additional obligations, recognize the estimated debt subject to the expected obligations and record it in the investment loss of the current period.

Where profit is realized by the investee in future period, after deduction of the share amount of unconfirmed loss by the company, write-down the book balance of the confirmed estimated liability in contrary to the above order processing, recover the book value of the long-term equity and long-term equity investment that substantially from the net investment made to the investee, and recover the recognition of investment returns.

3. Conversion of accounting method for long-term equity investment

(1) Conversion from fair value measurement to equity accounting method

Where the equity investment, originally holding by the company in the investee that has not control, joint control or significant influence and recognized and measured based on financial instrument, is able to levy significant influence on the investee or implement joint control but not constitute control due to additional investment and other reasons, the sum obtained by plus the newly increased investment cost to the fair value of the originally held equity investment recognized in accordance with the provisions of *Accounting Standards for Enterprises No. 22—Recognition and Measurement of Financial Instruments* is regarded as the initial investment cost for conversion of equity method.

Where the originally held equity investment is classified as available-for-sale financial asset, the difference between its fair value and the book value as well as the accumulated change in fair value that originally recognized as other comprehensive income is measured using equity method.

Where the initial investment cost is less than the difference of the fair value share of net identifiable asset on the additional investment date in the investee recognized based on the calculation of new shareholding ratio after additional investment, adjust the book value of long-term equity investment and recognize it as non-operating revenue in the current period.

(2) Conversion from fair value measurement or equity method to cost method

Where the equity investment originally holding by the company in the investee that has not control, joint control or significant influence and recognized and measured based on financial instrument, or the original long-term equity investment in joint ventures and associates are able to implement control on the investee not under the same control due to additional investment and other reasons, when formulating the individual financial statements, the sum obtained by plus the newly increased investment cost to the book value of original equity investment is regarded as the initial investment cost for cost method.

For other comprehensive income measured and recognized by using equity method, the disposal of the equity investment that originally held before the acquisition date is measured subject to the accounting method for the directly disposal of the related assets and liabilities by the investee.

The equity investment that originally held before the acquisition date is measured according to the relevant provisions of *Accounting Standards for Enterprises No. 22—Recognition and Measurement of Financial Instruments*. The accumulative change in fair value originally recognized as other comprehensive income is transferred into the profit and loss of the current period by using cost method.

(3) Conversion from equity method to fair value measurement

Where the joint control or significant influence on the investee is lost due to the disposal of partial equity investment, the residual equity after such disposal is measured in accordance with the provisions of *Accounting Standards for Enterprises No. 22—Recognition and Measurement of Financial Instruments*. The difference between the fair value on the date of losing and the book value is recognized as the profit and loss of the current period.

The original equity investment's other comprehensive income, measured and confirmed by using equity method, is measured on the same basis that the investee directly disposes the relevant assets and liabilities upon the termination of the use of equity method.

(4) Conversion from cost method to equity method

Where the company loses its control of an investee due to the disposal of partial equity investment, when formulating the individual financial statements, if the residual equity after such disposal is able to implement common control or levy significant influence on the investee, the equity method is used for measurement. Accordingly, such residual equity is deemed as being adjusted by using equity method upon acquisition.

(5) Conversion from cost method to fair value measurement

Where the company loses its control of an investee due to the disposal of partial equity investment, when formulating the individual financial statements, if the residual equity after such disposal is unable to implement common control or levy significant influence on the investee, the relevant provisions of *Accounting Standards for Enterprises No. 22 – Recognition and Measurement of Financial Instruments* are applied as the accounting method. Accordingly, difference between the fair value on the date of losing and the book value is recognized as the profit and loss of the current period.

4. Disposal of long-term equity investment

For the disposal of the long-term equity investment, the difference between the book value and the actual acquisition price is recognized as the profit and loss of the current period. The long-term equity investment measured by using equity method, when disposal such investment, is measured on the same basis that the investee directly disposes the relevant assets and liabilities subject to the part of other comprehensive income originally recognized according to the corresponding ratio.

Where the disposal of the equity investment of the company's subsidiaries in aspects of the terms, conditions and economic effect of all transactions meets one or more conditions listed below, the multiple deal matters are measured as package deals:

- (1) These deals are established simultaneously or taking into consideration of the mutual influence;
- (2) These deals may entirely realize complete commercial results;
- (3) The occurrence of a deal depends on the occurrence of at least one deal;
- (4) A deal itself is not economic but is economic when considering it jointly with other deals.

If the loss of the controlling of an original subsidiary due to the disposal of partial equity investment or other reasons is not classified as

package deal, the accounting methods for individual financial statements and consolidated financial statements are distinguished:

(1) In individual financial statements, the difference between the book value of the disposed equity and its actual acquisition price is recognized as the profit and loss of the current period. If the residual equity after such disposal is able to implement common control or levy significant influence on the investee, such residual equity is deemed as being adjusted by using equity method upon acquisition; if the residual equity after such disposal is unable to implement common control or levy significant influence on the investee, the relevant provisions of *Accounting Standards for Enterprises No. 22 – Recognition and Measurement of Financial Instruments* are applied as the accounting method. Accordingly, the difference between the fair value on the date of losing and the book value is recognized as the profit and loss of the current period.

(2) In consolidated financial statements, for all deals concluded before losing controlling in a subsidiary, where there is a difference between each disposal price and the disposal of the share of net assets that continuously calculated from the purchase date or consolidation date of the long-term equity investment corresponding to the investment, the capital reserve (equity premium) is adjusted. If the capital reserve is insufficient to write-down, adjust the retained earnings; when losing the control in a subsidiary, the residual equity is re-measured subject to the fair value on the date of losing. The difference, obtained from deducting the share of net assets continuously calculated from the purchase date of the original subsidiary subject to the original shareholding ratio from the sum between the consideration acquired from disposal of equity and the fair value of the residual equity, is recorded as the investment income of the current period when the control is lost. At the same time, the goodwill is written down. Other comprehensive income relating to original subsidiary equity investment is transferred into the investment income of the current period when the control is lost.

If the deals of disposal of the equity investment of a subsidiary company until the loss of the control are package deals, all deals are regarded as one to dispose the equity investment of the subsidiary and cause accounting processing against the deals losing the control. Distinguish the individual financial statements and the consolidated financial statements for relevant accounting process:

(1) In individual financial statements, the difference between each disposal price before losing the control and the disposal of book value of the long-term equity investment corresponding to the investment is recognized as other comprehensive income and transferred into the profit and loss of the current period when the control is lost.

(2) In consolidated financial statements, the difference between each disposal price before losing the control and the disposal of the share of net assets of the subsidiary corresponding to the investment is recognized as other comprehensive income and transferred into the profit and loss of the current period when the control is lost.

5. Criterion for common control and significant influence

If the company participants in the arrangement of collective control with other parties in accordance with the relevant agreement and has the right to make decisions on significant influence regarding to the return of the arrangement, and it is only regarded as existence upon the approval by the participating party through sharing the controlling, in this case, the company is deemed as common control of a certain arrangement with other parties. Such arrangement is joint arrangement.

Joint arrangement is achieved through sole subject. When judging the company has rights against the net assets of such sole subject according to the relevant agreement, such sole subject, as a joint venture, is measured by using equity method. If the company has not rights against the net assets of such sole subject according to the relevant agreement, on the basis that such sole subject acts as a joint operation party, the company recognizes the items relating to joint operation benefits and causes accounting process according to relevant provisions of the accounting standards for enterprises.

The term "significant influences" refers to the power to participate in making decisions on the financial and operating policies of an enterprise, but not to control or do joint control together with other parties over the formulation of these policies. The company judges the significant influence on the investee by one or more following circumstances and comprehensively considering all facts and conditions: (1) Representative has been designated to the board of directors or similar authority of the investee; (2) participating in the process of investee in financial and operating policy formulation; (3) any significant deal has been established with the investee; (4)

management personnel has been designated to the investee; (5) has provided key technical data to the investee.

(13) Investment real estate

The term "investment real estate" refers to the real estate held for generating rent and/or capital appreciation, or a combination of both. It includes 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 investment real estates of the company are recognized subject to its costs. The cost of an investment real estate by acquisition consists of the acquisition price, relevant taxes, and other expenses directly relegated to the asset; the cost of a self-built investment real estate composes of the necessary expenses for building the asset to the hoped condition for use.

The subsequent measurement of the investment real estate by using cost method is depreciated or amortized subject to its estimated service life and net residual rate against the constructions and land use right. Its estimated service life, net residual rate, and annul depreciation (amortization) rate are as below:

Category	Estimated useful lives (years)	Expected residual value (%)	Annual depreciation rate (%)
Buildings and structures	25	5.00%	3.80%

If the usages of an investment real estate are for self-use, from the date of change, the company converses the investment real estate into fixed assets or intangible assets. If the usages changes into generating rent or capital appreciation, from the date of change, the company converses the fixed assets or intangible assets into investment real estate. When conversing, the book value before such conversion is recognized as the value after conversion.

If an investment real estate is disposed of, or if it withdraws permanently from use and if no economic benefit will be obtained from the disposal, the recognition of it as an investment real estate is terminated. When the company sells, transfers or discards any investment real estate, or when any investment real estate of the company is damaged or destroyed, the company deducts the book value of the investment real estate as well as the relevant taxes from the disposal income, and recognizes it as the profit and loss of the current period.

(14) Fixed assets

1. Recognition conditions for fixed assets

The term "fixed assets" refers to the tangible assets held for the sake of producing commodities, rendering labor service, renting or business management and their useful life is in excess of one fiscal year. No fixed asset may be recognized unless it simultaneously meets the conditions as follows:

- (1) The economic benefits pertinent to the fixed asset are likely to flow into the enterprise; and
- (2) The cost of the fixed asset can be measured reliably.

2. Initial Measurement

The initial measurement of a fixed asset is made at its cost. Of which, the cost of a purchased fixed asset consists of the purchase price, the relevant taxes, and other expenses that bring the fixed asset to the expected conditions for use and that may be relegated to the fixed asset. The cost of a self-constructed fixed asset is formed by the necessary expenses incurred for bringing the asset to the expected conditions for use. The cost invested to a fixed asset by the investor is ascertained in accordance with the value as stipulated in the investment contract or agreement, other than those of unfair value as stipulated in the contract or agreement. If the payment for a fixed asset is delayed beyond the normal credit conditions and it is of financing nature in effect, the cost of the fixed asset is ascertained based on the current value of the purchase price. The difference between the actual payment and the current value of the purchase price is recognized as the profit and loss of the current period within the credit period, unless it is capitalized.

3. Subsequent measurement and disposal

- (1) Depreciation

Provision of depreciation of fixed assets is provided subject to the deduction of estimated residual value from its recorded value within the estimated useful life period. The depreciation amount of the fixed assets that the provision of impairment reserve was provided is recognized in the future period by deduction the book value of impairment reserve in accordance with the available service years.

The service life and estimated residual value of fixed assets are recognized subject to the nature and use of its. At the end of each year, the service life, estimated residual value, and depreciation of the fixed assets are checked. If it has difference with the original forecast amount, the corresponding adjustment is made.

The depreciation method, life, and annual depreciation rate of fixed assets are as below:

Category	Depreciation method	Estimated useful lives (years)	Expected residual value (%)	Annual depreciation rate (%)
Buildings and structures	Life average method	25	5.00%	3.80%
Vehicles	Life average method	5	5	19.0
General equipments	Life average method	10	5	9.5
Other equipments	Life average method	5	5	19.0

(2) Subsequent expenses

If the subsequent expenses related to a fixed asset meet the recognition conditions of these Standards, they are recognized as the cost of fixed asset; otherwise, they are recognized as the profit and loss of the current period.

(3) Disposal

If the fixed assets that have been disposed or will not be expected to generate economic benefit through its use or disposal, the fixed assets are derecognized. When the company sells, transfers or discards any fixed asset, or when any fixed asset of the company is damaged or destroyed, the company deducts the book value and relevant taxes from the disposal income, and recognizes it as the profit and loss of the current period.

(15) Construction in process

1. Category

The construction in process constructed by the company is measured based on the actual cost. Actual cost is composed by all necessary expenses incurred before the constructions are ready for its intended use, including cost of construction, material cost, labor cost, relevant taxes, capitalized borrowing costs and indirect costs that should be distributed. The company's construction in process is measured based on project classification.

2. Standard and time of conversion of construction in process into fixed asset

The construction in process project is recognized as fixed asset subject to all expenses incurred before the constructions are ready for its intended use. Where a fixed asset built by the company has reached the expected use condition but the final accounts of the as-built project have not been settled, from the day when the fixed asset reaches the expected use condition, values estimated according to the construction budget and cost or the actual construction cost is assigned to the fixed asset, and the fixed asset is depreciated under the fixed asset depreciation provisions of these Rules. The adjustment of original temporary estimation value is made after the final accounts of the as-built project are settled according to the actual costs. The amount of depreciation already made may not be adjusted.

(16) Borrowing costs

1. Recognition principle of capitalization of borrowing costs

The company's borrowing costs incurred are directly attributable to the construction production of assets eligible for capitalization. The capitalization of borrowing costs is initiated when the conditions are met and it is recognized as the relevant asset costs; other borrowing costs are recognized as the profit and loss of the current period upon occurrence based on the costs incurred.

Capitalization-based eligible asset refers to the fixed assets, investment in real estate, inventory and other assets that could only reach the estimated state of use or sales after a long period of time construction or production activity.

Capitalization is made when the following conditions are met:

- (1) The asset disbursements have already incurred, which shall include the cash, transferred non-cash assets or interest bearing debts paid for the acquisition and construction or production activities for preparing assets eligible for capitalization;
- (2) The borrowing costs has already incurred; and
- (3) The acquisition and construction or production activities which are necessary to prepare the asset for its intended use or sale have already started.

2. Period of capitalization

The capitalization period refers to the period from the commencement to the cessation of capitalization of the borrowing costs, excluding the period of suspension of capitalization of the borrowing costs.

When the qualified asset under acquisition and construction or production is ready for the intended use or sale, the capitalization of the borrowing costs is ceased.

When the qualified asset under construction or production is completed respectively and can be used independently, the capitalization of such borrowing costs is ceased.

When each part of the asset under and construction or production is completed respectively, but could only be ready for the intended use or sale after the complete of the overall construction, the capitalization of the borrowing costs is ceased upon the completion of the overall construction.

3. Period of capitalization cease

Where the acquisition and construction or production of a qualified asset is interrupted abnormally and the interruption period lasts for more than three months, the capitalization of the borrowing costs is suspended; if the interruption is a necessary step for making the qualified asset under acquisition and construction or production ready for the intended use or sale, the capitalization of the borrowing costs is continued. The borrowing costs incurred during such period are recognized as expenses, and recorded into the profit and loss of the current period, till the acquisition and construction or production of the asset restarts.

4. Calculation method for capitalization amount

For the interest (less revenue from interest of unused borrowing costs deposited in the bank or investment income from temporary investment) ancillary expense incurred to a specifically borrowed loan, construction or production is ready for the intended use or sale are capitalized at the incurred amount upon occurrence.

Where a general borrowing is used for the acquisition and construction or production of assets eligible for capitalization, the company calculates and determines the to-be-capitalized amount of interests on the general borrowing by multiplying the weighted average asset disbursement of the part of the accumulative asset disbursements (based on the average amount at the end of each month) minus the general borrowing by the capitalization rate of the general borrowing used.

Where there is any discount or premium, the amount of discounts or premiums that shall be amortized during each accounting period are determined by the real interest rate method, and an adjustment is made to the amount of interests in each period.

(17) Biological assets

Biological assets are classified into consumptive biological assets and productive biological assets. The term “consumptive biological asset” includes edible biological asset and animal feeding.

No biological asset may be recognized unless it satisfies the following conditions simultaneously:

- (1) The enterprise possesses or controls this biological asset due to past transaction or event;
- (2) The economic benefits or service potential related to this biological asset is likely to flow into the company; and
- (3) The cost of this biological asset can be measured reliably.

(18) Intangible assets and development expenditure

Intangible assets refer to identifiable non-monetary assets without physical form holding or controlled by the company, including the

purchased software, and land use right, etc.

1. Initial measurement

The cost of outsourcing intangible assets includes the purchase price, relevant taxes and other necessary expenditures directly attributable to intangible assets for the expected purpose. Where the payment of purchase price for intangible assets is delayed beyond the normal credit conditions, which is of financing intention, the cost of intangible assets is recognized on the basis of the current value of the purchase price.

2. Subsequent measurement

The company analyzes and judges the service life of intangible assets, when it obtains intangible assets. The intangible assets with limited service life are amortized by using straight line method during the period of bringing economic benefits to the company. The year of land use right is subject to the content stated on the Land Certificate.

The company checks the service life and the amortization method of intangible assets with limited service life at the end of each year. Where the service life and the amortization method of intangible assets are different from those before, the years and method of the amortization is changed.

After checking, the service life and the amortization method of intangible assets at the end of the period has no difference.

(19) Long-term asset impairment

The company, on the day of balance sheet, makes a judgment on whether there is any sign of possible assets impairment. Where any evidence shows that there is possible assets impairment, the recoverable amount of the assets is estimated on the basis of a single asset; if such estimation is difficult, the recoverable amount of the assets is estimated on the basis of the asset group.

The recoverable amount is determined in light of the higher one of the net amount of the fair value of the assets minus the disposal expenses and the current value of the expected future cash flow of the assets.

Where the measurement result of the recoverable amount indicates that an asset's recoverable amount is lower than its book value, the book value of the asset is written down to the recoverable amount, and the reduced amount is recognized as the loss of asset impairment and be recorded as the profit or loss of the current period. Simultaneously, a provision for the asset impairment is made accordingly. Once any loss of asset impairment is recognized, it shall not be reversed in the future accounting periods.

After the loss of asset impairment has been recognized, the depreciation or amortization expenses of the impaired asset is adjusted accordingly in the future periods so as to amortize the post-adjustment book value of the asset systematically (deducting the expected net salvage value) within the residual service life of the asset.

The intangible assets with uncertained goodwill and service life formed from enterprise consolidation are tested of the impairment annually regardless of any sign of impairment.

Goodwill combination and other related asset combination or asset group combination are tested of the impairment. When making an impairment test on the relevant asset groups or combination of asset groups containing goodwill, if any evidence shows that the impairment of asset groups or combinations of asset groups is possible, the company first makes an impairment test on the asset groups or combinations of asset groups not containing goodwill, calculates the recoverable amount, compares it with the relevant book value and recognize the corresponding impairment loss. The company then further makes an impairment test of the asset groups or combinations of asset groups containing goodwill, and compares the book value of these asset groups or combinations of asset groups (including the book value of the goodwill apportioned thereto) with the recoverable amount. Where the recoverable amount of the relevant assets or combinations of the asset groups is less than the book value thereof, it recognizes the impairment loss of the goodwill.

(20) Long-term deferred costs

Long-term deferred costs refer to all costs incurred which will be borne in the current period and the future periods with over one year of attribution period. It is amortized by using natural method.

(21) Employee benefits

The term "employee benefits" refers to all kinds of remunerations and other relevant disbursements given by the company in exchange of the employees' services. It consists with short-term remuneration, welfare issued after dismiss, dismiss welfare, and other long-term employee welfare.

1. Short-term remuneration

Short-term remuneration refers to employee benefits which shall be paid in full within twelve months after the end of the annual reporting period of the related services provided by the employees, except for welfare issued after dismiss and dismiss welfare. During the accounting period the service is provided, the company recognizes the short-term remuneration payable as liability and stated it into the relevant asset costs and fees according to the beneficiary of such service.

2. Welfare issued after dismiss

Welfare issued after dismiss refers to all kinds of remuneration and welfare provided by the company after employee's retirement or the termination of the labor relations in order to acquire employee's service, except for short-term remuneration and dismiss welfare. It is classified as defined contribution plan and defined benefit plan.

The defined contribution plan mainly refers to basic social endowment insurance and unemployment insurance implemented by local labor and social security offices. During the accounting period the service is provided by the employees, the amounts payable calculated based on defined contribution plan is recognized as liability and stated into the profit and loss of the current period or the relevant asset costs.

The company will have no other payment obligation after the regular payment of the above mentioned items in according with the national standards.

3. Dismiss welfare

Dismiss welfare refers to the compensation paid by the company to the employee who terminates the labor relations with the company before the expiration of the labor contract or in order to encourage the employee to accept downsizing. It is recognized as the profit and loss of the current period upon occurrence.

4. Other long-term employee welfare

Other long-term employee welfare refers to all other employee benefits beyond short-term remuneration, welfare issued after dismiss and dismiss welfare.

The accounts payable of other long-term employee welfare meeting the conditions of defined contribution plan is recognized as liability during the accounting period the service is provided by the employees and stated as the profit and loss of the current period or the relevant asset costs.

(22) Estimated liabilities

1. Recognition standard

The obligation pertinent to contingencies is recognized as an estimated debt when the following conditions are satisfied simultaneously:

That obligation is a current obligation of the enterprise;

It is likely to cause any economic benefit to flow out of the enterprise as a result of performance of the obligation; and

The amount of the obligation can be measured in a reliable way.

2. Measurement method

The estimated debts are initially measured in accordance with the best estimate of the necessary expenses for the performance of the current obligation.

To determine the best estimate, the company takes into full consideration of the risks, uncertainty, time value of money, and other factors pertinent to the contingencies. If the time value of money is of great significance, the best estimate is recognized after discounting the relevant future outflow of cash.

The best estimate is conducted in accordance with the following situations, respectively:

If there is a sequencing range (or sequencing range) for the necessary expenses and if all the outcomes within this range are equally likely to occur, the best estimate shall be determined in accordance with the middle estimate within the range.

If there is not a sequencing range (or sequencing range) for the necessary expenses, or although there is a sequencing range and all the outcomes within this range are not likely to occur, when the contingencies concern a single item, it is recognized in the light of the most likely outcome; when the contingencies concern two or more items, the best estimate is calculated and determined in accordance with all possible outcomes and the relevant probabilities.

When all or some of the expenses necessary for the liquidation of an estimated debts of an enterprise is expected to be compensated by a third party, the compensation is separately recognized as an asset only when it is virtually certain that the reimbursement will be obtained.

(23) Revenue

1. Specific standards of judgement for recognition time of revenue from selling goods

The realization of revenues from selling goods is recognized, if the company has transferred to the buyer the significant risks and rewards of ownership of the goods; the company retains neither continuing managerial involvement which usually relates to the ownership nor exerts effective control over the goods sold; the relevant amount of revenue can be measured reliably; the economic benefits related to the transaction will flow into the company; and the relevant costs incurred or to be incurred can be measured reliably.

Revenue from real estate sales: where the real estate is completed and passes the acceptance, and the sales contract is signed, the revenue from sales is achieved when purchase certificate of the buyer is acquired and the project is delivered for use. The buyer has no reason to refuse to accept the house upon the receipt of the house deliver notice. The revenue is recognized as realization after the completion of the deliver use period as described in the written notice.

2. Recognition basis for revenue from alienation of assets use right

When the relevant economic benefits are likely to flow into the company and the amount of revenues can be measured in a reliable way, the revenue from alienation of assets use right may be recognized, if:

(1) Interest revenue: it is measured and confirmed in accordance with the length of time for which the company's cash is used by others and the actual interest rate;

(2) Revenue from property lease: it is measured by using straight line method within the effective release period according to the contract or agreement signed between the company with the lessee.

3. Recognition basis and method of revenue from labor

If the property management is provided in property management service, on the balance sheet date, and the results of labor deal can be reliably estimated, the total revenue from labor is recognized according to the received or receivable price as prescribed in contract or agreement.

The reliable estimation of the results of labor deal means satisfying the following conditions:

(1) The relevant amount of revenue can be measured in a reliable way;

(2) The relevant economic benefits may flow into the enterprise;

(3) The schedule of completion under the transaction can be confirmed in a reliable way; and

(4) The costs incurred or to be incurred in the transaction can be measured in a reliable way.

If the company cannot, on the date of the balance sheet, measure the result of a transaction concerning the providing of labor services in a reliable way, it is conducted in accordance with the following circumstances, respectively:

(1) If the cost of labor services incurred is expected to be compensated, the revenue from the providing of labor services is recognized in accordance with the amount of the cost of labor services incurred, and the cost of labor services shall be carried forward at the same amount; or

(2) If the cost of labor services incurred is not expected to compensate, the cost incurred are included in the current profits and

losses, and no revenue from the providing of labor services may be recognized.

(24) Deferred income tax assets and deferred income tax liability

The deferred income tax assets and deferred income tax liability are recognized based on the difference (temporary difference) of book value according to the tax bases of assets and liabilities. On the balance sheet date, the applicable tax rate of deferred income tax assets and deferred income tax liability are measured during the liability period of estimated recovery of such assets or liabilities.

1. Recognition basis of deferred income tax assets

The company recognizes the deferred income tax liabilities 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, are not recognized: (1) this transaction is not business combination; (2) at the time of transaction, the accounting profits will not be affected, nor will the taxable amount be affected.

Where the deductible temporary difference related to the investments in joint enterprises can meet the following requirements simultaneously, the company recognizes the corresponding deferred income tax assets: the temporary differences are likely to be reversed in the expected future; and it is likely to acquire any amount of taxable income tax that may be used for making up the deductible temporary differences.

2. Recognition basis of deferred income tax liability

The company recognizes the taxable temporary difference in the current period and previous period that is payable but not been paid as the deferred income tax liability, including but not limited to:

(1) It is formed from the initial recognition of business reputation;

(2) The transaction is not business combination, and at the time of transaction, the accounting profits will not be affected, nor will the taxable amount (or the deductible loss) be affected;

(3) The taxable temporary differences related to the investments of subsidiary companies and joint enterprises are recognized as corresponding deferred income tax liabilities. However, those that can simultaneously meet the following conditions shall be excluded: the investing enterprise can control the time of the reverse of temporary differences; and the temporary differences are unlikely to be reversed in the expected future.

3. The net amount of deferred income tax assets and deferred income tax liabilities are listed after offset when the following conditions are met:

(1) The company has the legal rights of income tax assets and income tax liabilities of the period settled by net amount;

(2) The deferred income tax assets and deferred income tax liabilities are levied by the same taxation department against the same tax subject or different tax subjects. However, during the reverse period of each important deferred income tax asset and deferred income tax liability in future, the deferred income tax assets and deferred income tax liabilities of the period of all involved tax subject intentions are settled by net amount, or the assets acquisition and liability liquidation are made simultaneously.

(25) Lease

The "finance lease" refers to a lease that has transferred in substance all the risks and rewards related to the ownership of an asset. The ownership of it may or may not eventually be transferred. All others are classified as operating lease.

Accounting process of operating lease:

(1) The rental paid by the company for the assets rented in is recognized as costs of the current period by using straight line method without deduction of the entire rent free period. The initial direct costs paid by the company relating to lease deal are recognized as costs of the current period.

When the lessor bears the costs relating to a lease that should be borne by the company, the company deducts such amount from the total rental. The amount after such deduction is shared within the lease period and recognized as costs of the current period.

(2) The rental paid by the company for the assets rented out is recognized as revenue by using straight line method without deduction of the entire rent free period. The initial direct costs paid by the company relating to lease deal are recognized as costs of the current period; if such amount is large, it is capitalized. During the entire lease period, it is recorded in the profit and loss of the current period on the same basis of the revenue from lease.

When the company bears the costs relating to a lease that should be borne by the lessor, the amount after such deduction is shared within the lease period and distributed within the lease period.

(26) Changes in significant accounting policies and accounting estimates

1. Changes in accounting policies

There is no any change in the applicable accounting policies in this reporting period.

2. Changes in accounting estimates

There is no any change in accounting estimates in this reporting period.

V. Tax

(I) Main tax types and tax rate

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

Statement on tax rate of different income tax payer:

Except for the company subsidiary Mudanjiang City Jingbo Lake Pearl River Wanjia Hotel Co., Ltd, the tax rate of enterprise income tax of the company and its other subsidiaries in the first half year is 25%.

The subsidiary Mudanjiang City Jingbo Lake Pearl River Wanjia Hotel Co., Ltd is a small-scale and low-profit enterprise. Its income tax is recorded based on 50%, less 20% income tax rate for tax payment.

VI. Notes to the main items in the consolidated financial statements

(Unless otherwise indicated, all figures are stated in RMB)

1. Currency Funds

Items	30 June 2015	1 January 2015
Cash	688,023.10	1,255,008.79
Bank deposit	135,302,351.70	96,091,882.06
Other monetary funds	26,611.49	57,301.77
Total	136,016,986.29	97,404,192.62

The funds whose remittance is restricted are as follows:

Items	30 June 2015	1 January 2015
Fixed deposit or call deposit used for guarantee	20,000,000.00	20,000,000.00

Items	30 June 2015	1 January 2015
Total	20,000,000.00	20,000,000.00

As of June 30, 2015, RMB 20 million Yuan bank fixed deposit receipt of the company is mortgaged to acquire RMB 19 million Yuan short-term borrowing from China Industrial International Trust Ltd. The duration is from December 3, 2014 to December 3, 2015.

2. Accounts receivable

(1) Disclosure of accounts receivable by categories:

Categories	30 June 2015				1 January 2015			
	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	31.00	7,761,707.60	100.00	7,761,707.60	33.54	7,761,707.60	100.00
2. Bad debt accounted by the combinations	15,197,409.36	60.69	1,166,087.85	7.67	13,384,482.99	57.83	1,012,770.55	7.57
3. Other unimportant receivables but bad debts accounted individually	2,082,251.02	8.31	1,944,729.55	93.40	1,997,260.02	8.63	1,990,680.02	99.67
Total	25,041,367.98	100.00	10,872,525.00	—	23,143,450.61	100.00	10,765,158.17	—

(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	30 June 2015			1 January 2015		
	Balance	Proportion (%)	Bad debts	Balance	Proportion (%)	Bad debts
Within 1 year	9,323,098.36	61.35	186,461.97	7,894,072.87	58.98	157,881.46
1-2 years	1,638,687.31	10.78	81,934.37	2,455,484.98	18.35	122,774.26
2-3 years	2,342,327.12	15.41	234,232.71	1,381,714.43	10.32	138,171.44
3-4 years	846,083.85	5.57	169,216.77	705,715.14	5.27	141,143.03
4-5 years	146,821.65	0.97	44,046.50	104,737.15	0.78	31,421.15
Over 5 years	900,391.07	5.92	450,195.53	842,758.42	6.30	421,379.21
Total	15,197,409.36	100.00	1,166,087.85	13,384,482.99	100.00	1,012,770.55

(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 centaline property agency	2,406,158.00	2,406,158.00	100	Irrecoverable
Hainan Baoping company	2,218,494.43	2,218,494.43	100	Irrecoverable
Hainan dragon film studio	2,090,069.77	2,090,069.77	100	Irrecoverable
Hainan racing entertainment Co., LTD	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	100.00	Irrecoverable
Hainan International silver city Real estate company	451,712.00	451,712.00	100.00	Irrecoverable
Haikou Jingye trading development company	250,000.00	250,000.00	100.00	Irrecoverable
Hainan Jinhe Real estate company	119,446.00	119,446.00	100.00	Irrecoverable

Name	Ending Balance	Bad Debt Provision	Proportion (%)	Reason
Hainan Qiongsan Tianxin Pawn Investment company	112,116.50	112,116.50	100.00	Irrecoverable
Amount less than one hundred thousand yuan	651,456.52	513,935.05	78.89	Irrecoverable
Total	2,082,251.02	1,944,729.55		

(4) Bad debt provision, recovery or reverse

The provision amount of bad debt is RMB 107,366.83 Yuan.

(5) Outstanding amount due from shareholders holding 5% (including) or more in the account receivable as at the end of the year

(6) As at 30June 2015, 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	9.61	2,406,158.00
Xinhe(Zhengzhou) home buying Co., LTD	2,247,282.00	8.97	44,945.64
Hainan Baoping company	2,218,494.43	8.86	2,218,494.43
Hainan Zhongyuan tenement agency company	2,090,069.77	8.35	2,090,069.77
Hunan railway lianchuang technology development company	2,052,660.68	8.20	41,053.21
Total	11,014,664.88	43.99	6,800,721.05

3. Advances to suppliers

(1) Aging analysis

Ages	30 June 2015		1 January 2015	
	Balance	Proportion (%)	Balance	Proportion (%)
Within 1 year	69,231,626.51	50.89	64,433,201.92	50.10
1-2 years	7,763,757.45	5.71	6,456,359.45	5.02
2-3 years	1,482,058.33	1.09	5,907,269.00	4.59
Over 3 years	57,555,853.09	42.31	51,828,529.41	40.29
Total	136,033,295.38	100	128,625,359.78	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	36.76	4-5 years	Pre-paid property purchase payment
Hubei Tianxiang Geotechnical engineering Co., LTD	32,635,068.94	23.99	Within 1 year	The project is not complete yet.
Wuhan HuaTao real estate brokerage co., LTD	13,000,000.00	9.56	Within 1 year	Sales no settlement fee
Mudanjiang in heilongjiang province forestry engineering company	9,882,912.33	7.27	Within 1 year	The project is not complete yet.
Jiangsu nantong ErJian group co., LTD	8,338,082.92	6.13	Within 1 year	Pre-paid compensation for demolition
Total	113,856,064.19	—		

Note: In accordance with the agreements of *Supplementary Agreement on Implementation of Phase III of Longzhu Project* signed between the company with Haikou Hongzhou Industry Development Co., Ltd (hereinafter referred to as Hongzhou Industry), the company advances the payment of RMB 50 million Yuan as the advance payment for the 15000 m² office building after the qualified acceptance of Longzhu Phase III Project and filing. On August 22, 2013, the company signed *Supplementary Agreement on Original Six*

Agreements of Implementation of Haikou Hongzhou Center Project with Hongzhou Industry, Haikou Hongzhou Binhai Construction Co., Ltd (hereinafter referred to as Binhai Construction), and Haikou Hongzhou Industry Group Co., Ltd (hereinafter referred to as Hongzhou Group) to allow Binhai Construction inherit the powers, obligations and legal liabilities of Haikou Hongzhou Center Project that was shared and borne by Hongzhou Industry. The original Gurantee Agreement signed between the company with Hongzhou Group will be valid further. Hongzhou Group submits the company with the Certificate of Land and House Ownership for the underground land of Hongzhou Eadry Resort Hotel Time Mansion located at Yuya Road, Hedong District, Sanya City for management.

(3) No outstanding amount due from shareholders holding 5% (including) or more in the advanced payment as at the end of the period

4、Dividend receivable

Items	1 January 2015	Increases	Decreases	30 June 2015
Within 1 year				
Over 1 year	260,015.00			260,015.00
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	30 June 2015				1 January 2015			
	Amounts		Bad Debt Provision		Amounts		Bad Debt Provision	
	Amounts	Ratio (%)	Amounts	Ratio (%)	Amounts	Ratio (%)	Amounts	Ratio (%)
1. Significant others receivable and bad debts accounted individually	25,978,479.90	7.82	25,978,479.90	100.00	25,978,479.90	8.44	25,978,479.90	100.00
2. Bad debt accounted by the combinations	295,217,386.00	88.89	40,044,554.83	13.56	273,693,362.45	88.93	39,026,674.80	14.26
3. Other unimportant receivables but bad debts accounted individually	10,935,878.69	3.29	4,115,349.01	37.63	8,106,146.85	2.63	4,420,829.95	54.54
Total	332,131,744.59	100.00	70,138,383.74		307,777,989.20	100.00	69,425,984.65	

(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	30 June 2015			1 January 2015		
	Balance	Proportion (%)	Bad debts	Balance	Proportion (%)	Bad debts
Within 1 year	36,902,935.74	2.00	738,058.71	16,615,861.48	2.00	332,317.22
1-2 years	37,445,821.33	5.00	1,872,291.07	40,137,294.33	5.00	2,006,864.72
2-3 years	80,862,739.18	10.00	8,086,273.92	80,522,251.84	10.00	8,052,225.18
3-4years	128,734,739.57	20.00	25,746,947.91	125,133,739.57	20.00	25,026,747.92
4-5 years	10,172,959.34	30.00	3,051,887.80	10,167,939.34	30.00	3,050,381.80
Over 5 years	1,098,190.84	50.00	549,095.42	1,116,275.89	50.00	558,137.96
Total	295,217,386.00		40,044,554.83	273,693,362.45		39,026,674.80

(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 Zhuce 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
Hainan Yangtz 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	4,553,932.92	91,078.66	2	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	5,658,467.15	3,300,791.73	58.33	Irrecoverable
Total	10,935,878.69	4,115,349.01		

(4) Bad debt provision in this year is RMB712,399.09.

(5) No outstanding amount due from shareholders holding 5% (including) or more in the other receivable as at the end of the period

(6) Top five units of others receivable

Name	Relationship with the company	Owned amount	Ages	Proportion of total Other receivable (%)
Public Investment Co., Ltd	Unrelated Party	100,400,000.00	2-4years	30.23
Beijing Kangtai Xingye Investment Co.,Ltd	Unrelated Party	102,500,000.00	2-4years	30.86
Singapore Great land holdings Co.,Ltd	Unrelated Party	30,000,000.00	1-2years	9.03
Lionview Global Investments Ltd.	Unrelated Party	15,907,437.88	1-4years	4.79
Shenzhen Yinxiang Computer Co., Ltd	Unrelated Party	6,482,625.00	Over 5 years	1.95
Total		255,290,062.88		

Note: In 2011, the company signed *Agreement on Cooperative Construction Project of Special Line of Daqin Railway Mulin County Line and Coal Wholesale Market* and project supplementary agreement with Zhonghe Investment Co., Ltd (hereinafter referred to as Zhonghe Investment) to reach the agreements on jointly investment in development of the special railway line and coal wholesale market. Both parties contribute investment by installments subject to the construction schedule. The company's total investment amount is not more than RMB 140 million Yuan. During the transition period, the company's Beijing investment consulting sub-branch is responsible for supervision Zhonghe Investment in using the certificate and seal. In 2012, a supplementary agreement was signed by

both parties to additionally contribute RMB 37 million Yuan to the project. Since the project initiation and production line construction work have not been developed actually, RMB 40 million Yuan and RMB 36.6 million Yuan were recovered in 2013 and 2014, respectively. In 2014, Zhonghe Investment mortgaged the project land and real estate to the company.

The current account between the company with Beijing Kangtai Industry Investment Co., Ltd (hereinafter referred to as Kangtai Industry) is cooperative project amount. In 2011, the company signed *Cooperation Agreement* with Kangtai Industry and Gu Li, the natural person to agree the contribution of RMB 70 million yuan by Kangtai Industry and Gu Li and not than RMB 64 million Yuan by the company in order to establish a project company in charge of the development and sales of the iron ore resources from two plant, namely Dujiawan magnetite, located at Cangfang Village, Xiangkou Township, Yunxi Town, Shiyan City, Hebei Province, and westsourthen Zhaojiayuan iron ore. The pledge mortgage provided by Kangtai Industry includes 70% equity in Yunxi Shengying Mining Industry Co., Ltd, 10% equity in Zhongjia Sunshine Energy Technology (Group) Co., Ltd as well as 70% equity holding by Gu Li in Yunxi Jinyuan Mining Industry Co., Ltd, to the company. In 2012, the three parties signed supplementary agreement based on the actual investment process to agree an additional investment of RMB 36 million Yuan which will be used for the reconstruction of the production line of the two mining areas and newly construction of more production lines.

The company signed agreements with Singapore Great Land Holdings Ltd (hereinafter referred to as Singapore Great Land) in May and August 2013, respectively to develop No. 20 block located at No. 20, Hairun Road, Lizigou Industry Park Area, Sanya City with the cooperation of the subsidiary of Singapore Great Land, namely Sanyan Pearl River Pipe Pile Co., Ltd. RMB 30 million Yuan paid by the company is assigned to Singapore Great Land for 51% equity in the project company. At present, the certificate of land use right is under processing.

6、Inventories

(1) Inventories category

Items	30 June 2015			1 January 2015		
	Closing Balance	Provision for Inventory	Book value	Closing Balance	Provision for Inventory	Book value
Raw materials	2,233,797.20		2,233,797.20	3,598,674.74		3,598,674.74
Low-value consumption goods:	561,055.58		561,055.58	579,452.60		579,452.60
Finished goods	535,158.48		535,158.48	594,248.15		594,248.15
Constructing development product	397,200,650.93		397,200,650.93	338,221,729.16		338,221,729.16
Development products	60,763,618.48	21,726,889.27	39,036,729.21	65,330,786.48	21,726,889.27	43,603,897.21
Consumptive biological assets	37,992.19		37,992.19	37,992.19		37,992.19
Total	461,332,272.86	21,726,889.27	439,605,383.59	408,362,883.32	21,726,889.27	386,635,994.05

At the end of the period, the book value of inventory used for mortgage is RMB 409,567,152.03 Yuan. See Notes 45.

(2) Inventories impairment provision

Items	1 January 2015	Increment	Decrement		30 June 2015
			Transfer back	Write off	
Development product	21,726,889.27				21,726,889.27
Total	21,726,889.27				21,726,889.27

7、Other current assets

Items	30 June 2015	1 January 2015
Hwabao Trust Co., Ltd.	3,000,000.00	
Total	3,000,000.00	

The subsidiary Hainan Pearl River Industry Co., Ltd Shanghai Real Estate Company signed Contract of Cash Profit Increase Trust Plan with Hwabao Trust Co., Ltd to subscribe RMB 3 million Yuan shares.

8、Available-for-sale financial assets

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

Items	30 June 2015	1 January 2015
Available for sales equity instrument:		
Measured at fair value model		172,747,500.00
Measured at cost model	11,411,309.90	11,411,309.90
Total	11,411,309.90	184,158,809.90

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

9、Long-term Equity Investment

Item	Accounting Method	Beginning Balance	Increase or decrease	Closing Balance
Investments in joint venture				
Sanya Enterprises Co., Ltd. Wanjia Holding	Equity Method	34,464,905.62	-125,414.24	34,339,491.38
Beijing Found Vision Media Co., Ltd.	Equity Method	1,496,849.01	-79,974.06	1,416,874.95
Total		35,961,754.63	-205,388.30	35,756,366.33

The long-term equity investment has no restrains on the ability to transfer funds to the investment enterprise.

10、Investment property

Items	1 January 2015	Increment	Decrement	30 June 2015
I. Original value	32,711,928.57		322,062.78	32,389,865.79
Buildings and structures	32,711,928.57		322,062.78	32,389,865.79
II. Accumulated depreciation and amortization	7,402,113.93	561,964.03	102,056.69	7,862,021.27
Buildings and structures	7,402,113.93	561,964.03	102,056.69	7,862,021.27
III. Impairment provision	3,081,199.41			3,081,199.41
Buildings and structures	3,081,199.41			3,081,199.41
IV. Book value	22,228,615.23	—	—	21,446,645.11
Buildings and structures	22,228,615.23	—	—	21,446,645.11

Note: At the end of the period, the book value of assets used for mortgage is RMB 16,580,622.64 Yuan. See Notes 45.

11、Fixed assets

Items	1 January 2015	Increment	Decrement	30 June 2015
I. Original value	644,521,294.49	5,559,538.84	197,185.68	649,883,647.65

Items	1 January 2015	Increment	Decrement	30 June 2015
Buildings and structures	479,604,129.64	4,567,168.00		484,171,297.64
Vehicles	68,714,821.84	362,163.00	38,534.00	69,038,450.84
General equipments	41,296,266.29	362,704.84	158,651.68	41,500,319.45
Other equipments	54,906,076.72	267,503.00		55,173,579.72
II. Accumulated depreciation	200,129,043.76	16,664,919.15	189,253.10	216,604,709.81
Buildings and structures	90,538,619.96	9,036,577.95		99,575,197.91
Vehicles	38,320,333.35	2,461,611.82	38,534.00	40,743,411.17
General equipments	26,486,343.65	2,128,002.34	150,719.10	28,463,626.89
Other equipments	44,783,746.80	3,038,727.04		47,822,473.84
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	436,892,954.81	—	—	425,779,641.92
Buildings and structures	381,566,213.76	—	—	377,096,803.81
Vehicles	30,394,488.49	—	—	28,295,039.67
General equipments	14,809,922.64	—	—	13,036,692.56
Other equipments	10,122,329.92	—	—	7,351,105.88

Note: The book value of fixed assets used for mortgage at the end of the period is RMB 277,307,830.99 Yuan. See Notes 45.

The original value of fixed assets that have been fully depreciated but is still being used at the end of the period is RMB 72,877,834.86 Yuan.

12、Construction in progress

Project name	30 June 2015			1 January 2015		
	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	1,800,000.00	3,848,964.09
Little Train 400	4,180,000.00	1,200,000.00	2,980,000.00	4,180,000.00	1,200,000.00	2,980,000.00
Earlier stage of Snow town Project	360,000.00		360,000.00	360,000.00		360,000.00
Comprehensive service center of Snow Town	52,905,393.25		52,905,393.25	49,824,934.37		49,824,934.37
Total	63,094,357.34	3,000,000.00	60,094,357.34	60,013,898.46	3,000,000.00	57,013,898.46

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	3,080,458.88			52,905,393.25
Total	49,824,934.37	3,080,458.88			52,905,393.25

13、Construction materials

Items	30 June 2015	1 January 2015
Special equipment	393,706.60	393,706.60
Total	393,706.60	393,706.60

14、Intangible assets

Items	1 January 2015	Increment	Decrement	30 June 2015
I. Original value	40,195,865.93	21,300.00		40,217,165.93
Software	2,006,198.28	21,300.00		2,027,498.28
Land use right	36,008,635.65			36,008,635.65
trademark right	93,900.00			93,900.00
other	2,087,132.00			2,087,132.00
II. Accumulative amortization	8,623,665.26	605,337.98		9,229,003.24
Software	1,274,327.66	124,929.30		1,399,256.96
Land use right	6,937,976.32	458,507.22		7,396,483.54
trademark right	5,477.50	4,695.00		10,172.50
other	405,883.78	17,206.46		423,090.24
III. Total impairment loss provision	911,400.00			911,400.00
other	911,400.00			911,400.00
IV. Carrying amount	30,660,800.67	—	—	30,076,762.69
Software	731,870.62	—	—	628,241.32
Land use right	29,070,659.33	—	—	28,612,152.11
trademark right	88,422.50	—	—	83,727.50
other	769,848.22	—	—	752,641.76

Note: The book value of land use right of the mortgage or pledge at the end of the period is RMB 26,909,936.53 Yuan. See Notes 45.

15、Long-term prepaid expenses

Items	1 January 2015	Increment	Amortization	Other decrements	30 June 2015
Decoration	7,712,318.88	31,950.00	1,454,714.94		6,289,553.94
Ski rental fee	2,100,000.00		450,000.00		1,650,000.00
Technical service fee	93,317.33		70,002.00		23,315.33
Financial consulting fee					
Advertisement fee of Snow town	33,107.49		30,799.98		2,307.51
Rental fee of fishpond	873,537.23		139,413.00		734,124.23
Use fee of Ski Course	1,156,125.11		189,609.96		966,515.15
Facility of Yangcao mountain	560,000.00		60,000.00		500,000.00
Er'long Mountain Compensation fee of Movie city Entertainment Area	360,000.00		60,000.00		300,000.00
Total	12,888,406.04	31,950.00	2,454,539.88		10,465,816.16

16、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				
The difference between the carrying amount of the net assets and the fair value of the identifiable net assets which recognized in	2,699,608.38	674,902.10	2,699,608.38	674,902.10

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
business combinations				
Total	2,699,608.38	674,902.10	2,699,608.38	674,902.10

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

Items	30 June 2015		1 January 2015	
	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		674,902.10	15,210,270.77	23,187,756.33

(3) Details of unrecognized deferred tax assets

Items	30 June 2015	1 January 2015
Deductible temporary differences	142,761,938.73	141,942,172.81
Deductible losses	346,331,500.27	380,511,206.66
Total	489,093,439.00	522,453,379.47

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

Years

Item	30 June 2015	1 January 2015
2015	10,046,033.98	44,225,740.37
2016	56,453,161.41	56,453,161.41
2017	98,393,343.38	98,393,343.38
2018	89,577,493.21	89,577,493.21
2019	91,861,468.29	91,861,468.29
Total	346,331,500.27	380,511,206.66

17、Other non-current assets

Item	30 June 2015	1 January 2015
Properties	1,581,840.00	1,581,840.00
Total	1,581,840.00	1,581,840.00

Note: on September 20, 2014, Mudanjiang Minzhen Real Estate Development Co., Ltd (hereinafter referred to as Minzhen Company), Mudanjiang Jingbo Lake Scenic Environmental Property Management Co., Ltd (hereinafter referred to as Environmental Property Management Company), and the subsidiary Mudanjiang Wan Jia Zhi Xing Hotel Co., Ltd signed debt repayment agreement. Due to the debt relationship among the three parties, through negotiation, the three parties concluded an agreement: RMB 1,581,840.00 Yuan (131.82 m² x 12,000 Yuan) is used to offset RMB 1,019,340.00 Yuan lease compensation amount owned by Environmental Property Management Company against the company's subsidiary by virtue of D12 # brick villa of Shang Jing Chuan Shuo of Jingbo Lake Community developed by Minzhen Company. RMB 562,500.00 Yuan difference is recognized as the profit and loss of the current period.

18、Provision of asset impairment

Items	1 January 2015	Current year increases		Current year decreases			30 June 2015
		Current year accrued	Others	Reversal	Write off	Others	
Bad debt provision	80,191,142.82	833,802.08		14,036.16			81,010,908.74

Items	1 January 2015	Current year increases		Current year decreases			30 June 2015
		Current year accrued	Others	Reversal	Write off	Others	
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	3,081,199.41						3,081,199.41
Provision for impairment losses of fixed assets	7,499,295.92						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	141,942,172.81	833,802.08		14,036.16			142,761,938.73

19、Short-term borrowings

(1) Short-term loan disclosed by categories

Category	30 June 2015	1 January 2015
Pledged loans	19,000,000.00	19,000,000.00
Total	19,000,000.00	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	

20、Accounts payable

(1) Details of accounts payable are as follows:

Item	30 June 2015	1 January 2015
Construction	12,491,318.55	45,579,235.43
Materials	105,344.00	1,496,150.14
Tourism	451,846.00	1,245,815.50
Investments	5,000,000.00	5,000,000.00
Deposits	676,134.45	574,545.37
Suppliers	1,796,795.79	602,405.96
Others	1,574,638.86	4,080,468.08
Total	22,096,077.65	58,578,620.48

(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	

21、Advances from customers

(1) Details of advances are as follows:

Item	30 June 2015	1 January 2015
The rents of garage	13,661,197.50	13,904,770.50
Tourism	31,100.00	2,447,854.00
Heating fees		2,699,451.17
Cooperative operation	50,000.00	2,579,910.00
Advances from customers	1,571,634.57	133,353.85
Property fees	8,066,008.51	3,959,916.97
Others	2,260,307.04	2,847,500.88
Total	25,640,247.62	28,572,757.37

(2) Significant advances aging more than a year

Item	Closing Balance	The reason of outstanding borrowings
The rents of garage	13,661,197.50	Hubei Pearl River Real Estate Development Co., Ltd. receive carport rents in advance.
Total	13,661,197.50	

22、Employee benefits payable

(1) Details of employee benefits payable are as follows

Items	1 January 2015	Increment	Decrement	30 June 2015
Short term employee benefits payable	9,683,578.02	78,695,074.77	77,360,861.18	11,017,791.61
Defined contribution plans payable	6,421.69	5,435,125.69	5,440,805.38	742.00
Termination benefits payable		10,000.00	10,000.00	-
Total	9,689,999.71	84,140,200.46	82,811,666.56	11,018,533.61

(2) Short term employee benefits payable

Items	Opening balance	Increment	Decrement	Closing Balance
Salary, bonus, allowance	2,130,234.10	70,862,111.45	70,038,294.33	2,954,051.22
Employee Welfare expenses		2,820,887.84	2,820,887.84	-
Social insurance	2,344.32	2,754,876.56	2,757,220.88	-
Including: Medical insurance	2,038.52	2,394,723.50	2,396,762.02	-
Employment injury insurance	178.42	170,883.42	171,061.84	-
Maternity insurance	127.38	189,269.64	189,397.02	-

Items	Opening balance	Increment	Decrement	Closing Balance
Housing accumulation fund	10,974.00	863,429.00	828,363.80	46,039.20
Labor union fees& Employee education fees	7,540,025.60	1,353,030.92	879,365.33	8,013,691.19
Other short-term payment		40,739.00	36,729.00	4,010.00
Total	9,683,578.02	78,695,074.77	77,360,861.18	11,017,791.61

(3) Defined contribution plans payable

Items	Opening balance	Increment	Decrement	Closing Balance
Basic endowment insurance	5,912.06	5,077,584.91	5,083,496.97	0.00
Unemployment insurance	509.63	357,540.78	357,308.41	742.00
Total	6,421.69	5,435,125.69	5,440,805.38	742.00

23、Taxes payable

Items	30 June 2015	1 January 2015
VAT	-431,121.60	
Individual income tax	128,893.75	175,810.93
City construction and maintenance tax	751,042.91	430,008.45
Corporate income tax	-350,158.18	-39,062.10
Property tax	-617,237.74	-141,625.39
Business tax	10,132,855.27	5,757,820.60
Land use tax		170,091.31
Increment tax on land value	-2,546,889.32	-2,126,579.42
Educational surtax	438,777.74	75,613.91
Others	156,471.66	301,199.19
Total	7,662,634.49	4,603,277.48

24、Interest payable

Item	30 June 2015	1 January 2015
Interests on long-term loans	36,550,278.36	18,376,036.74
Interests on loans from other companies	99,941,397.94	93,156,857.01
Interests on entrusted loans	10,449,888.49	10,449,888.49
Others	926,133.00	418,068.49
Total	147,867,697.79	122,400,850.73

25、Dividend payable

Investor	30 June 2015	1 January 2015
Payable to institutional shareholders	3,213,302.88	3,213,302.88
Total	3,213,302.88	3,213,302.88

26、Other payables

Items	30 June 2015	1 January 2015
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Items	30 June 2015	1 January 2015
Borrowings	470,885,047.61	627,784,756.31
Land transfer payment	43,000,000.00	43,000,000.00
Agency fund from properties management	14,257,732.10	26,485,268.25
Suppliers	298,790.00	12,280,414.57
accrued expenses	6,031,465.18	7,916,400.00
Decoration quality warranty	4,033,910.69	5,167,661.14
Maintenance funds	260,589.00	2,559,260.74
Others	59,609,095.62	55,165,761.07
Total	598,376,630.20	780,359,522.08

27、Current portion of non-current liabilities

Category	30 June 2015	1 January 2015
Long-term loans due within one year	386,098,907.05	249,471,973.56
Total	386,098,907.05	249,471,973.56

28、Long-term borrowings

(1) Categories of long-term borrowings

Category	30 June 2015	1 January 2015
Pledged loans	164,303,532.50	130,303,532.50
Mortgaged loans	524,805,306.92	277,805,306.92
Guaranteed loans	150,856,734.31	168,666,666.66
Less: Long-term loans due within one year	386,098,907.05	249,471,973.56
Total	453,866,666.68	327,303,532.52

(2) Pledged loans details

Lender	Closing balance	The pledge
Guotai Yuanxin Asset Management Ltd.	164,303,532.50	The Company pledge 79.2% of interest in Hubei Pearl River Real Estate Development Co., Ltd. as a security. The ultimate control party, Beijing Xinxing Real Estate Development Co., Ltd, assume joint and several liability for the loan.
Total	164,303,532.50	

(3) Mortgaged loan details

Lender	Closing balance	Mortgages
Chongqing International Trust Co., Ltd	54,000,000.00	Three properties owned by Sanya Wanjia Hotel Management Co., Ltd
Bank of China, Haikou Yeshumen Branch	196,805,306.92	The same as above
China Citic Bank Haerbin Branch	24,000,000.00	Ten properties owned by Mudanjiang Pearl River Wanjia Tourism Investment Development Group
Pudong Shanghai Development Bank Wuhan branch	250,000,000.00	Merrill lynch qingcheng mountain three phase of the project
Total	524,805,306.92	

(4) Guaranteed loan details

Lender	Closing balance	Guarantor
China construction bank Mudanjiang Branch	67,523,400.99	Heilongjiang Xinzheng Guarantee Co., Ltd.
Industrial and Commercial Bank of China Mudanjiang Branch	83,333,333.32	Mengneng International Energy Exploitation Co., Ltd.
Total	150,856,734.31	

29、Share capital

Items	1 January 2015	Increment or decrement (+,-)					30 June 2015
		issued new shares	Bonus issue	Surplus converted	others	subtotal	
1. Unlisted shares	1,325,131.00						1,325,131.00
State owned shares							
Other domestic shares	1,325,131.00						1,325,131.00
Including: Domestic corporate shares	1,299,500.00						1,299,500.00
Domestic natural person shares	25,631.00						25,631.00
2.Listed shares	425,420,273.00						425,420,273.00
A shares	360,445,273.00						360,445,273.00
B shares	64,975,000.00						64,975,000.00
3. Total shares	426,745,404.00						426,745,404.00

30、Capital reserve

Items	1 January 2015	Increase	Decrease	30 June 2015
Capital premium	225,390,819.63			225,390,819.63
Others capital reserve	109,300,017.82			109,300,017.82
Total	334,690,837.45			334,690,837.45

31、Other comprehensive income

Item	1 January 2015	Amount for the current period					30 June 2015
		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	125,127,595.63		125,127,595.63				
Total	125,127,595.63		125,127,595.63				

32、Surplus reserves

Items	30 June 2015	1 January 2015
Statutory surplus reserve	71,852,236.46	71,852,236.46
General surplus reserve	37,634,827.93	37,634,827.93

Items	30 June 2015	1 January 2015
Total	109,487,064.39	109,487,064.39

33、Retained earnings

Items	Amounts
Non-adjusted Closing Balance of the year 2013	-980,486,431.07
Adjusted opening balance of the year 2014	
Add: Net profit attributed to the owners of the parent company	21,492,625.03
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	-958,993,806.04

34、Operating income and operating costs

(1) Operating income

Items	Jan.–Jun, 2015	Jan.–Jun, 2014
Main operating business income	125,940,552.56	122,167,333.83
Other operating business income	10,177,276.63	2,517,166.96
Total	136,117,829.19	124,684,500.79

(2) Operating costs

Items	Jan.–Jun, 2015	Jan.–Jun, 2014
Main operating business costs	98,834,069.35	90,849,665.61
Other operating business costs	1,903,272.52	906,492.39
Total	100,737,341.87	91,756,158.00

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

Items	Jan.–Jun, 2015		Jan.–Jun, 2014	
	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
Property management services	95,547,448.69	85,885,239.27	80,129,140.46	71,410,997.10
Tourist hotel services	30,393,103.87	12,948,830.08	39,121,313.37	18,209,905.89
Tota	125,940,552.56	98,834,069.35	122,167,333.83	90,849,665.61

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

Location	Jan.–Jun, 2015		Jan.–Jun, 2014	
	Main operating business income	Main operating business costs	Main operating business income	Main operating business costs
Hainan	109,822,764.56	92,811,348.53	96,494,491.74	79,825,294.93

Heilongjiang	14,326,957.30	4,895,210.17	20,929,516.99	8,683,310.54
Hubei	349,224.00	310,731.36	3,409,886.00	1,541,122.05
Hebei	0.00	0.00	0.00	0.00
Shanghai	1,441,606.70	816,779.29	1,327,239.10	799,938.09
Beijing	0.00	0.00	6,200.00	0.00
Total	125,940,552.56	98,834,069.35	122,167,333.83	90,849,665.61

35、Business taxes and surcharges

Items	Jan.–Jun, 2015	Jan.–Jun, 2014
City construction and maintenance tax	476,412.41	436,395.75
Education fee	204,176.76	187,026.75
Business tax	6,805,891.46	6,234,225.04
Land value-added tax	9,200.00	378,202.62
Others	136,318.84	69,298.99
Total	7,631,999.47	7,305,149.15

36、Selling expenses

Items	Jan.–Jun, 2015	Jan.–Jun, 2014
Payroll expense	1,114,145.29	1,691,622.27
Sales agent	0.00	0.00
Hotel operating expense	0.00	68,367.68
Advertising fees	1,144,346.31	127,105.00
other selling expenses	547,630.37	535,857.53
Total	2,806,121.97	2,422,952.48

37、Administrative expenses

Items	Jan.–Jun, 2015	Jan.–Jun, 2014
Payroll expense	15,493,989.52	16,347,061.33
Depreciation expense	16,106,092.25	16,043,305.56
Business entertainment	3,441,034.93	4,674,833.29
Taxation expenses	1,682,603.42	1,548,053.40
Other expenses	11,803,658.40	15,944,767.33
Total	48,527,378.52	54,558,020.91

38、Finance expenses

Items	Jan.–Jun, 2015	Jan.–Jun, 2014
Interest exchange	53,473,422.46	38,522,591.99
Less: interest revenue	1,752,443.40	1,042,636.62
Foreign exchange loss		
Less: exchange gain		
Others	10,325,036.25	13,362,693.21

Items	Jan.–Jun, 2015	Jan.–Jun, 2014
Total	65,550,902.11	50,842,648.58

39、Impairment Loss of Assets

Items	Jan.–Jun, 2015	Jan.–Jun, 2014
Bad debts impairment loss	819,765.92	-2,347,009.11
Inventories impairment loss		
Total	819,765.92	-2,347,009.11

40、Investment income

Items	Jan.–Jun, 2015	Jan.–Jun, 2014
Long-term equity investment income accounted by Costs Method		
Long-term equity investment income accounted by Equity Method	-205,388.30	-588,160.16
Disposal of investment income for the sale of financial assets	124,342,755.05	
Dividend income from available for sale financial assets		930,000.00
Others		51,509.50
Total	124,137,366.75	393,349.34

41、Non-operating income

Items	Jan.–Jun, 2015	Jan.–Jun, 2014
Gain on disposal of non-current assets	12,073.95	1,163.87
Gains on debt restructure		
Liquidated damages	43,773.33	
Others	452,686.58	70,184.34
Total	508,533.86	71,348.21

42、Non-operating expenses

Items	Jan.–Jun, 2015	Jan.–Jun, 2014
Loss on disposal of non-current assets		453.21
Donation	1,100.00	
Losses on write-off of assets		211,311.35
Fine expenditures	175,648.42	6,279.42
Others	18,087.20	285,766.95
Total	194,835.62	503,810.93

43、Income tax expenses

Items	Jan.–Jun, 2015	Jan.–Jun, 2014
Income tax this year	643,839.49	135,935.72
Deferred income tax	15,210,270.77	
Total	15,854,110.26	135,935.72

44、Notes to cash flow statements

(1) Cash received relating to other operating activities

Items	Jan.–Jun, 2015	Jan.–Jun, 2014
Current account received from Harbin Jiangshan International Travel Service	3,642,340.00	
Current account received from Beijing Yuantong Rongtong Asset Management Co., Ltd	2,500,000.00	
Current account received from Beijing Timestar Culture Communication Co., Ltd	205,000.00	
Current account received from Chen Jilin		400,000.00
Current account received from Chen Jiqiang		5,000,000.00
Current account received from Xie Lin	200,000.00	
Other current account	3,680,000.00	1,473,231.00
Deposit of electricity decoration lease, maintenance fund, and customer license handling, and handover tax	4,023,600.00	3,020,058.00
Collection on behalf of customer of water, electricity, waste treatment, gas, heating, and television fees.	7,001,038.50	6,057,527.47
Fund of disbursement returned by employee	436,528.39	240,947.97
Bank deposit interest received	447,100.97	165,489.37
Other	1,148,781.89	1,571,016.92
Total	23,284,389.75	17,928,270.73

(2) Cash paid relating to other operating activities

Items	Jan.–Jun, 2015	Jan.–Jun, 2014
Current account received from Xie Lin	200,000.00	
Current account received from Beijing Yuantong Rongtong Asset Management Co., Ltd	17,300,000.00	
Current account received from Tan Lu		4,000,000.00
Other current account	3,400,000.00	4,471,186.33
Deposit of electricity decoration lease, maintenance fund, and customer license handling, and handover tax	3,023,000.00	2,820,772.64
Collection on behalf of customer of water, electricity, waste treatment, gas, heating, and television fees.	3,619,893.57	5,998,618.25
Management cost expense	12,008,726.54	14,060,931.68
Operating cost expense	1,180,341.32	721,793.47
Non-operating expense	158,017.54	36,388.87
Payment of fund of disbursement	290,735.74	986,964.14
Bank handling fee	280,936.05	197,517.54
Other	1,173,579.01	1,061,573.95
Total	42,635,229.77	34,355,746.87

(3) Cash received relating to other investing activities

Items	Jan.–Jun, 2015	Jan.–Jun, 2014
Interest income		13,871.23
Total		13,871.23

(4) Cash paid relating to other financing activities

Items	Jan.–Jun, 2015	Jan.–Jun, 2014
Financing service fee	11,446,555.28	16,472,500.00
Handling fee of entrusted loan	58,140.00	
Total	11,504,695.28	16,472,500.00

45、Supplementary information of cash flow statement

(1) Supplementary information

Items	Jan.–Jun, 2015	Jan.–Jun, 2014
1. Reconciliation of net profit to cash flows from operating activities:		
Net profit	18,641,274.06	-80,028,468.32
Add: Provision for assets impairment	819,765.92	-2,347,009.11
Depreciation of fixed assets, production biological assets, petroleum and natural gas	17,226,883.18	17,122,168.76
Amortization of intangible assets	605,337.98	613,316.51
Amortization of long-term prepayments	2,454,539.88	7,937,364.55
Losses on disposal of fixed assets, intangible assets and other long-term assets	-204,803.91	-1,062,443.98
Losses on scrapping of fixed assets	-7,067.42	-22,905.82
Losses on fair value change		
Financial expenses	65,403,843.97	45,460,020.20
Investment losses	-124,137,366.75	-393,349.34
Decrease in deferred income tax assets	15,210,270.77	
Increase in deferred income tax liabilities		
Decrease in inventories	-46,689,362.00	-146,004,410.53
Decrease in operating receivables	46,525,715.08	46,247,983.51
Increase in operating payables	-90,811,825.58	-44,270,821.24
Others		
Net cash flows from operating activities	-94,962,794.82	-156,748,554.81
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	136,016,986.29	78,992,211.94
Less: Cash at the beginning of the period	97,404,192.62	62,362,242.69
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	38,612,793.67	16,629,969.25

(2) Cash and cash equivalents

Items	Jan.–Jun, 2015	Jan.–Jun, 2014
1. Cash	116,016,986.29	77,404,192.62
Including: Cash on hand	688,023.10	1,255,008.79
Bank deposit paid at any time	115,302,351.70	76,091,882.06
Other monetary funds paid at any time	26,611.49	57,301.77
2. cash equivalents		
3. Cash and cash equivalents at the end of year	116,016,986.29	77,404,192.62

46、Assets with ownership restricted

Assets by categories	Closing Balance	Restricted reasons
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Assets by categories	Closing Balance	Restricted reasons
Monetary fund	20,000,000.00	Security for borrowings
Inventory	409,567,152.03	Security for borrowings
Investment real estates	16,580,622.64	Security for borrowings
Fixed assets	277,307,830.99	Security for borrowings
Intangible assets	26,909,936.53	Security for borrowings
Total	750,365,542.19	

VII.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
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	-22,430.44		179,892.94
Hubei Pearl River Real Estate Development Co., Ltd.	10.80	-534,855.34		10,883,333.30

Company name	Proportion of minority(%)	Current P/L attributable to minority shareholders	Current dividend payments to minority	Closing balance of minority interest
Heilongjiang Longshi Pearl River Culture Communication Co., Ltd	30.00	-1,035,175.94		-4,514,154.67
Hebei Zhengshi Qinghui Real Estate Development Co., Ltd.	49.00	-1,271,886.66		-6,089,522.08
Shanghai Sea Pearl Property Management Co., Ltd.	50.00	12,997.41		179,680.78
Total	---	-2,851,350.97		639,230.27

(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.	77,712,829.22	3,333,406.73	81,046,235.95	72,051,588.74		72,051,588.74
Hubei Pearl River Real Estate Development Co., Ltd.	674,321,690.86	12,182,974.61	686,504,665.47	335,736,161.53	250,000,000.00	585,736,161.53
Heilongjiang Longshi Pearl River Culture Communication Co., Ltd	6,358,071.23	4,811,948.69	11,170,019.92	26,217,202.16		26,217,202.16
Hebei Zhengshi Qinghui Real Estate Development Co., Ltd.	28,031,088.64	727,627.65	28,758,716.29	41,186,312.37		41,186,312.37
Shanghai Sea Pearl Property Management Co., Ltd.	2,138,742.41	5,385.21	2,144,127.62	1,784,766.07		1,784,766.07

Continued:

Company name	Opening balance					
	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities
Hainan Pearl River Properties and Hotels Management Co., Ltd.	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	30 June 2015			
	Operating income	Net profit	Total comprehensive income	Net cash flows from investing activities
Hainan Pearl River Properties and Hotels Management Co., Ltd.	94,105,841.99	-1,121,522.01	-1,121,522.01	-4,361,051.32
Hubei Pearl River Real Estate Development Co., Ltd.	732,797.00	-4,952,211.94	-4,952,211.94	-203,987,668.35
Heilongjiang Longshi Pearl River Culture Communication Co., Ltd	3,826,013.00	-3,450,586.47	-3,450,586.47	6,086,333.18
Hebei Zhengshi Qinghui Real Estate Development Co., Ltd.		-2,595,687.05	-2,595,687.05	-236,750.04
Shanghai Sea Pearl Property Management Co., Ltd.	1,441,606.70	25,994.81	25,994.81	289,777.66

Continued:

Company name	30 June 2015			
	Operating income	Net profit	Total comprehensive income	Net cash flows from investing activities
Hainan Pearl River Properties and Hotels Management Co., Ltd.	78,801,901.36	-349,464.52	-349,464.52	-3,244,664.90
Hubei Pearl River Real Estate Development Co., Ltd.	3,888,886.00	-3,663,074.53	-3,663,074.53	-146,835,264.80

Company name	30 June 2015			
	Operating income	Net profit	Total comprehensive income	Net cash flows from investing activities
Heilongjiang Longshi Pearl River Culture Communication Co., Ltd	236,435.00	-3,538,712.12	-3,538,712.12	-437,187.95
Hebei Zhengshi Qinghui Real Estate Development Co., Ltd.	-	-2,786,003.77	-2,786,003.77	-348,460.53
Shanghai Sea Pearl Property Management Co., Ltd.	1,327,239.10	33,911.59	33,911.59	221,315.35

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

- (1) The details of change in proportion of minority
- (2) The effect of equity attributable to parent company and minority interests

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	30 Jun 2015	1 Jan 2015
	Sanya Wanjia Industrial Co. Ltd	Sanya Wanjia Industrial Co. Ltd
Current asset	86,539,175.69	86,917,723.70
Non-current asset	581,665.81	583,410.85
Total asset	87,120,841.50	87,501,134.55
Current liability	1,272,113.05	1,338,870.51
Non-current liability		
Total liability	1,272,113.05	1,338,870.51
Minority interests		
Equity attributable to parent company	85,848,728.45	86,162,264.04
Net assets share calculated according to proportion of shareholding	34,339,491.38	34,464,905.62
Net book value of the equity investment in associates	34,339,491.38	34,464,905.62

Continued:

Item	30 Jun 2015	1 Jan 2015
	Sanya Wanjia Industrial Co. Ltd	Sanya Wanjia Industrial Co. Ltd
Operating income	0.00	14,166.66
Net profit	-313,535.59	-866,606.21
Other comprehensive income		
Total comprehensive income	-313,535.59	-866,606.21

- (3) Financial information of not significant associates

Item	30 Jun 2015	1 Jan 2015
Net book value of the equity investment in associates	1,416,874.95	1,496,849.01
calculated according to proportion of shareholding:	—	—
Net profit	-79,974.06	-241,517.68
Other comprehensive income		
Total comprehensive income	-79,974.06	-241,517.68

4、Undetermined warranty relating to joint venture

There is no warranty matter to be disclosed.

5、Contingent liabilities relating to joint venture or associates

There are no contingent matters.

VIII. Disclosure of risk relating to financial instrument

The operating business of the company faces the following financial risks: credit risk, liquidity risk and market risk (mainly of interest rate risk). The company's overall risk management plan is aimed for the unpredictability of financial markets, striving to reduce the potential adverse effects on financial results.

(I) Credit risk

The company's credit risk mainly comes from monetary funds, accounts receivable, other receivables, and financial asset available for sales. The management has formulated appropriate credit policy and continuously monitors the credit risk exposure.

The monetary fund's holding by the company mainly deposit in the commercial banks and other financial institutions. The management believes that such commercial banks have higher goodwill and asset status, and the credit risk is relative low. The company adopts quota policy to evade credit risk to any financial institution.

For accounts receivable and other receivable, the company sets the relevant policies to control credit risk exposure. The company assesses the credit qualification and sets the corresponding credit period based on customer's financial status, from the possibility of a third party to obtain guarantees, credit history and other factors. The company periodically monitors customer credit record. For the customer with bad credit records, the company issues written notice for prompt payment, shortens the credit period or cancel the credit period in order to ensure the company's overall credit risk in the controllable range.

The biggest credit risk exposure the company undertook is the book value of each financial asset in the balance sheet. In addition to the financial guarantee listed in the notes, the company had not provided any guarantee that may generate credit risk to the company.

(II) Liquidity risk

Liquidity risk refers to the risk that the company is unable to timely access to adequate funds, meet the needs of business development or pay debts and other payment obligations.

The company's finance department continuously monitors its short-term and long-term capital requirements in order to ensure the maintenance of sufficient cash reserves; at the same time, supervises the compliance of the provisions of loan agreement, acquires sufficient reserve fund guarantee from major financial institutions in order to meet the demands of short-term and long-term funds.

As at 30 June 2015, the financial assets and liabilities of the Company are analyzed by their maturity date below at their undiscounted contractual cash flows :

Item	30 Jun 2015					
	Net book value	Carrying amount	Within 1year	1 to 2 years	2 to 5 years	Over 5 years
Currency Funds	136,016,986.29	136,016,986.29	136,016,986.29			
Accounts receivable	14,168,842.98	25,041,367.98	25,041,367.98			

Item	30 Jun 2015					
	Net book value	Carrying amount	Within 1year	1 to 2 years	2 to 5 years	Over 5 years
Other receivables	261,993,360.85	332,131,744.59	332,131,744.59			
Available-for-sale financial assets	11,411,309.90	36,943,555.29	36,943,555.29			
Subtotal	423,590,500.02	530,133,654.15	530,133,654.15			
Short-term borrowings	19,000,000.00	19,000,000.00	19,000,000.00			
Accounts payable	22,096,077.65	22,096,077.65	22,096,077.65			
Other payables	598,376,630.20	598,376,630.20	598,376,630.20			
Long-term borrowings	839,965,573.73	839,965,573.73	386,098,907.05	177,866,666.64	276,000,000.04	
Subtotal	1,479,438,281.58	1,479,438,281.58	1,025,571,614.90	177,866,666.64	276,000,000.04	

Continued:

Item	1 Jan 2015					
	Net book value	Carrying amount	Within 1year	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

(III) Market risks

1. Foreign exchange risk

N/A

1. Interest rate risk

The company's interest rate risk is mainly from bank borrowing. The financial liabilities of floating rate make the company to face the interest rate risk of cash flow. The financial liabilities of fixed interest rate make the company to face the interest rate risk of fair value. The ratio of fixed interest rate and floating interest rate contract is recognized according to the market environment. As of June 30, 2015, the long-term debt bearing with interest is Renminbi-denominated floating interest rate contract. The amount is RMB 478,856,734.31 Yuan; the Renminbi-denominated fixed-rate contract is amounted to RMB 705,771,752.32 Yuan.

IX. Fair value

(I) Financial instrument measured by fair value

The overall fair value is classified into three levels on the basis of important input value of the lowest level from the three when measuring the fair value. The definitions of the three levels are:

Level 1: the un-adjusted quotation in the active market of the same assets or liabilities acquired on the measurement date;

Level 2: observable input values, directly or indirectly, relating to the related assets or liabilities beyond the values of the first level;

The input values of the second level include: 1) similar assets or liabilities quotations in the active market; 2) the same or similar assets or liabilities in non-active market; 3) other observable input values other than the quotation, including interest rates, yield curve, implied

volatility and credit spreads that are observable during the normal quotation interval; 4) input values of market validation.
Level 3: non-observable input values of the related assets and liabilities.

(II) Measurement of fair value at the end of period

1. Sustainable measurement of fair value

There is no financial instrument of fair value measurement at the end of this period.

(III) Recognition basis for continuous measurement the market price of fair value of the first level

The continuous measurement of the market price of fair value of the first level is the closing price at the ending time in the active market on the exchange.

(IV) Fair value of financial assets and financial liabilities not measured by fair value

It mainly includes accounts receivable, short-term loan, accounts payable, non-current liabilities due within one year, long-term loan, and equity investment that has no active market, quotation and its fair value cannot be reliably measured.

The company’s management believes that the difference between the book value of the financial assets and liabilities not measured by the fair value and the fair value is small.

X、Related party relationship and transactions

(I).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	28,012.89 million Yuan	26.36%	26.36%

The ultimate controller of the company is Beijing Xinxing Real Estate Development Corporation.

(II)Information about subsidiaries

Details refer to “Note X. 1. Subsidiaries”.

(III) Information about joint venture and associates of the Company

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

(IV)Transactions of related parties

- 1. Internal transactions have already been offset.
- 2. Rendering services

Related party	Nature of related transaction	30 Jun- 2015	30 Jun- 2014
Beijing Zhongjia Sunny Energy Technology (Company) Co., Ltd.	Rent services	120,000.00	120,000.00
Total		120,000.00	120,000.00

3. Guarantees provided

Guarantor	Amount	Beginning date of guarantee contract	Maturity date of guarantee contract	Guarantee obligation expired
Beijing Xinxing Real Estate Development corporation	164,303,532.50	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	191,303,532.50			

4. Interbank borrowing among related parties

(1) As of June 30, 2015, the balance of borrowing principle lent by the company from Beijing Xinxing Real Estate Development Corporation is RMB 123,967,912.9 Yuan and the balance of interest payable is RMB 25,237,119.56 Yuan.

(2) As of June 30, 2015, the balance of borrowing principle lent by the company from Beijing Wanfa Real Estate Development Co., Ltd is RMB 58,825,000.00 Yuan and the balance of interest payable is RMB 27,132,902.85 Yuan.

(3) As of June 30, 2015, the balance of borrowing principle lent by the subsidiary Sanya Wanjia Hotel Management Co., Ltd from Beijing Xinxing Real Estate Development Corporation is RMB 32,030,000.00 Yuan, and the balance of interest payable is RMB 34,201,072.68 Yuan; the balance of borrowing principle lent from Beijing Wanfa Real Estate Development Co., Ltd is RMB 19,700,000.00 Yuan and the balance of interest payable is RMB 11,925,070.3 Yuan.

The one-year RMB loan benchmark interest rate released by the People's Bank of China is applied for the above borrowing interest rate which will be changed along with its alteration. The provision of borrowing interest of the above related parties during the reporting period is RMB 5,339,308.38 Yuan and the balance of interest payable is RMB 98,496,165.39 Yuan.

5. Remuneration of key management (10,000 Yuan)

Item	Amount of this period	Amount of last period
Remuneration of key management	76.47	76.47

6. Balances of related party receivable and payable

Items	Company Name	30 Jun- 2015	1 Jan- 2015
Other payables	Beijing Xinxing Real Estate Development General company	155,997,912.90	140,997,912.90
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.	3,541,380.93	3,054,060.35
	Total	238,064,293.83	222,576,973.25
Interest payable	Beijing Xinxing Real Estate Development General company	59,438,192.24	56,253,903.29
Interest payable	Beijing Wangfa Real Estate Development Holdings Co., Ltd.	39,057,973.15	36,902,953.72
	Total	98,496,165.39	93,156,857.01

XI. Guarantee and contingencies

(I) Key guarantee

The company has not guarantee matters to be disclosed.

(II) Contingencies existing on the balance sheet date

There are no contingencies to be disclosed.

XII. Events after the balance sheet date

(I) Profit distribution

According to the 16th session of the seventh board of meeting, there is no profit distribution plan in the first half year of 2015.

(II) Statement on other events after the balance sheet date

Except for the above mentioned events after the balance sheet date, as of the reporting date, there is no other undisclosed key event after the balance sheet date.

XIII. Other significant matters

The operating funds of the company as of June 30, 2015 are RMB - 229.89 million Yuan. Of which, RMB - 88.07 million Yuan is attributable to shareholders' equity of the parent company; RMB 21.49 million Yuan net profit is attributable to the parent company of the first half year of 2015. The company's will speed up the development progress of the projects in future, dispose existing assets, and expand the financing channels and major shareholder's continued support in order to improve the company's profitability and to enhance the company's future ability to contiguous operation.

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

1. Accounts receivable

(1) Disclosure of accounts receivable by categories:

Items	30 Jun- 2015				1 Jan- 2015			
	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	57.71	7,761,707.60	100.00	7,761,707.60	56.89	7,761,707.60	100.00
2. Bad debt accounted by the combinations	3,789,176.65	28.17	538,869.82	14.22	3,983,002.62	29.19	547,524.46	13.75
3. Other unimportant receivables but bad debts accounted individually	1,898,690.60	14.12	1,898,690.60	100.00	1,898,690.60	13.92	1,898,690.60	100.00
Total	13,449,574.85	100.00	10,199,268.02		13,643,400.82	100.00	10,207,922.66	—

(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	30 Jun- 2015		1 Jan- 2015	
	Amounts	Bad Debts Provision	Amounts	Bad Debts Provision
Within 1 year	1,972,676.78	39,453.54	2,007,232.28	40,144.65
1 to 2 years	706,741.45	35,337.07	866,011.92	43,300.60
2 to 3 years	102,000.00	10,200.00	102,000.00	10,200.00
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	100,000.00	30,000.00
5 years and more	807,758.42	403,879.21	807,758.42	403,879.21
Total	3,789,176.65	538,869.82	3,983,002.62	547,524.46

(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	17.89	Irrecoverable
Hainan Baoping company	2,218,494.43	2,218,494.43	16.49	Irrecoverable
Hainan centaline property agency	2,090,069.77	2,090,069.77	15.54	Irrecoverable
Haikou hidden which stores management company	1,760,515.28	35,210.31	13.09	Irrecoverable
Lionview Global Investments Ltd.	1,118,500.00	354,330.00	8.32	Irrecoverable

Name	Ending Balance	Bad Debt Provision	Proportion (%)	Reason
Total	9,593,737.48	7,104,262.51		Irrecoverable

2. Other receivables

(1) Disclosure of other receivables by categories:

Items	30 Jun- 2015				1 Jan- 2015			
	Balance	Proportion (%)	Bad debts	Bad debt ratio (%)	Balance	Proportion (%)	Bad debts	Bad debt ratio (%)
1. Individual with significant amount	36,793,380.89	4.58	21,378,380.89	58.10	35,343,380.89	4.01	21,378,380.89	60.49
2. Bad debt accounted by the combinations								
Age Combinations	247,279,547.08	30.80	37,537,018.89	15.18	246,340,004.64	27.95	37,512,008.05	15.23
In scope of consolidated statements	514,363,800.05	64.07			595,170,501.36	67.52		
subtotal	761,643,347.13	94.87	37,537,018.89	4.93	841,510,506.00	95.47	37,512,008.05	4.46
3. Other unimportant receivables	4,338,158.93	0.54	3,970,515.63	91.53	4,597,298.84	0.52	3,975,946.33	86.48
Total	802,774,886.95	99.99	62,885,915.41	—	881,451,185.73	100.00	62,866,335.27	—

(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	30 Jun- 2015			1 Jan- 2015		
	Amounts		Bad Debt Provision	Amounts		Bad Debt Provision
	Amounts	Ratio (%)		Amounts	Ratio (%)	
Within 1 year	2,266,314.20	0.92	45,326.28	1,435,771.76	0.58	28,715.44
1 to 2 years	31,443,200.00	12.72	1,572,160.00	31,393,200.00	12.74	1,569,660.00
2 to 3 years	78,693,146.00	31.82	7,869,314.60	78,693,146.00	31.94	7,869,314.60
3 to 4 year	124,496,458.54	50.35	24,893,391.71	124,437,458.54	50.51	24,887,491.71
4 to 5 years	10,166,939.34	4.11	3,050,081.80	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	0.09	106,744.50
Total	247,279,547.08	0.92	37,537,018.89	246,340,004.64	100.00	37,512,008.05

(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
Hainan Pearl River Holding(Shanghai)Real Estate Co.,Ltd	17,297,525.99	1,882,525.99	11%	Estimated
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 Zhuce 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

Name	Closing Balance	Bad Debt Provision	Proportion (%)	Reason
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
HainanYangtz River travel industry	1,000,000.00	1,000,000.00	100%	Irrecoverable
Sanya city land and property management Authority	1,000,000.00	1,000,000.00	100%	Irrecoverable
Total	36,793,380.89	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
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	3,614,680.31	3,247,037.01	89.83	Estimated
Total	4,338,158.93	3,970,515.63		

(4) Bad debt provision in this year is RMB19,580.14.

(5) As at 30 June 2015, 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	247,810,841.55	Within 3years	30.87	
Sanya Wanjia Hotel Management Co., Ltd.	Unrelated Party	128,027,245.51	Within 5years	15.95	
Public Investment Co., Ltd	Related Party	100,400,000.00	2-4years	12.51	16,380,000.00
Beijing Kangtai Xingye Investment Co.,Ltd	Unrelated Party	100,000,000.00	2-4years	12.46	16,000,000.00
Hubei Pearl River Real Estate Development Co., Ltd.	Related Party	94,168,132.42	Within 1year	11.73	
Total		670,406,219.48			32,380,000.00

3. Long-term equity investments

(1) Categories of Long-term equity investments

Item	1 Jan- 2015	Increases	Decreases	30 Jun- 2015
Investments in subsidiaries	299,420,000.00			299,420,000.00
Investments in joint venture				
Investment in associates	34,464,905.62		125,414.24	34,339,491.38
Subtotal	333,884,905.62		125,414.24	333,759,491.38
less: provision for impairment of long-term equity investments	40,000,000.00			40,000,000.00
Total	293,884,905.62			293,759,491.38

(2) Subsidiaries

Name	Original investment cost	1 Jan- 2015	Increases	Decreases	30 Jun- 2015	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		

Name	Original investment cost	1 Jan- 2015	Increases	Decreases	30 Jun- 2015	Provision for impairment	Closing balance on provision
Hubei Pearl River Real Estate Development Co., Ltd.	64,420,000.00	64,420,000.00			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	299,420,000.00	299,420,000.00			299,420,000.00		40,000,000.00

(3) Associates

Name	1 Jan- 2015	Movement			
		Increases in investment	Decreases in investment	Investment income recognized under equity method	Adjustment on other comprehensive income
Sanya Wanjia Industrial Co. Ltd	34,464,905.62			-125,414.24	
Total	34,464,905.62			-125,414.24	

Continued:

Name	Movement				30 Jun- 2015	Closing balance on provision
	other equity changes	Announcing cash dividends or profits	Provision	Others		
Sanya Wanjia Industrial Co. Ltd					34,339,491.38	
Total					34,339,491.38	

4. Operating income and operating costs

(1) Operating income

Items	Jan.–Jun, 2015	Jan.–Jun, 2014
Other operating business income	512,071.26	508,457.76
Total	512,071.26	508,457.76

(2) Operating costs

Items	Jan.–Jun, 2015	Jan.–Jun, 2014
Other operating business costs	177,796.80	177,796.80
Total	177,796.80	177,796.80

5. Investment income

Items	Jan.–Jun, 2015	Jan.–Jun, 2014
Long-term equity investment income accounted by Cost Method		
Long-term equity investment income accounted by Equity Method	-125,414.24	-346,642.48

Items	Jan.–Jun, 2015	Jan.–Jun, 2014
Investment income accounted by held for trading financial assets		
Investment income accounted by available for sale financial assets		930,000.00
Investment income of disposal held for trading financial assets		
Investment income of disposal available for sale financial assets	124,342,755.05	
Other		
Total	124,217,340.81	583,357.52

IV. Supplementary information

1. Breakdown of non-recurring profit or loss

Items	Jan.–Jun, 2015
Profit and loss on disposal of non-current assets	12,073.95
Fund occupation fee from non-financial enterprises included in the current profit and loss	632,253.44
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	124,342,755.05
Investment income from disposal of available-for-sale financial assets	
Others non-operating income and expenses excluded as above	301,624.29
Other non-operating income and costs	
Tax effects	-659.95
Effects attributable to minority interests (after tax)	428.52
Total	125,288,938.16

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	0.00	0.05	0.05
Net profit after deduction of non-recurring profits or losses attributable to ordinary shareholders of the Company	0.00	-0.24	-0.24

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

(1) Balance sheet

Item	30 Jun- 2015	1 Jan- 2015	Rate of change	Explanations
Money funds	136,016,986.29	97,404,192.62	39.64%	Caused by the cash acquired from the borrowing of this period and the increased of the house pre-sale amount of the subsidiary Hubei 珠江
Other operating assets	3,000,000.00	-	100.00%	The purpose of financial products in this period by the main subsidiary Shanghai Real Estate Company
Financial assets available for sales	11,411,309.90	184,158,809.90	-93.80%	Disposal of southwest securities in this period
Accounts payable	22,096,077.65	58,578,620.48	-62.28%	The payment of engineering costs in this period by the subsidiary Hebei 珠江
Tax payable	7,662,634.49	4,603,277.48	66.46%	Provision of the relevant tax due to the disposal of southwest securities in this period
Non-operating liability due within	386,098,907.05	249,471,973.56	54.77%	Long-term borrowing in this period which will be expired within one year

Item	30 Jun- 2015	1 Jan- 2015	Rate of change	Explanations
one year				
Long-term borrowing	453,866,666.68	327,303,532.52	38.67%	The increased in borrowing costs of the subsidiary Hebei 珠江
Deferred income tax liability	674,902.10	23,187,756.33	-97.09%	Transfer of deferred income tax liability to investment income due to the disposal of southwest securities in this period
Other comprehensive income	-	125,127,595.63	-100.00%	Transfer of other comprehensive income to investment income due to the disposal of southwest securities in this period
Minority shareholders income	639,230.27	3,490,581.24	-81.69%	Loss of the subsidiary

(2) Income statement

Item	Jan.–Jun, 2015	Jan.–Jun, 2014	Rate of change	Explanations
Investment income	124,137,366.75	393,349.34	31459.06%	Disposal of southwest securities in this period
Income tax fees	15,854,110.26	135,935.72	11562.95%	Reverse of the profit in this period to the deductible loss deferred income tax asset recognized in last year
Other comprehensive income	-125,127,595.63	-8,021,250.00	-1459.95%	Transfer of other comprehensive income to investment income due to disposal of southwest securities in this period
Net amount of cash flow generated from operating activities	-94,962,794.82	-156,748,554.81	39.42%	Decrease in investment in this period in Phase III of Mei Lin Qing Cheng Project of the subsidiary Hebei Pearl River
Net amount of cash flow generated from investment activities	131,679,709.58	-60,065,370.60	319.23%	Disposal of southwest securities investment in this period
Net amount of cash flow generated from financing activities	1,895,878.91	233,443,894.66	-99.19%	Repayment of the borrowing in this period

Hainan Pearl River Holding Company Limited

29 August 2015