

# HAINAN PEARL RIVER HOLDINGS CO., LTD.

## ANNUAL REPORT 2016 (ABSTRACT)

### I Important information

**This Abstract is based on the full text of the Annual Report. In order for a full understanding of the operating results, financial condition and future development planning of the Company, investors are kindly reminded to read the full text carefully on the media designated by the China Securities Regulatory Commission (the “CSRC”).**

**This Annual Report and its abstract have been prepared in both Chinese and English. Should there be any discrepancies or misunderstandings between the two versions, the Chinese version shall prevail.**

**All directors attended in person the board meeting for the review of this Report.**

**The Board of Directors and the Supervisory Board have given a detailed explanation on the relevant matters, which investors are kindly reminded to read carefully.**

**The Company plans not to distribute cash dividends or bonus shares or convert capital reserve into share capital.**

### II Company profile

#### 1. Stock profile

Stock Name	*ST Pearl River A, *ST Pearl River B	Stock code	000505, 200505
Stock Exchange	Shenzhen Stock Exchange		
Contact information	Board Secretary	Securities Representative	
Name	Zhao Yinhu		
Office Address	Jing Liang Building, 16 East Third Ring Middle Road, Chaoyang District, Beijing		
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#### 2. Brief introduction to the main business or products in this Reporting Period

The Company's main business includes real estate development, hotel tourism, property management. It has a total of 15 subsidiaries and 2 branches.

Real estate development business: in 2016, the country's macroscopic environment had a good trend as a whole, which effectively promoted the rise of both volume and price of the national real estate market. In 2016, although the growth rate of the domestic economy slowed down, but the overall trend was stable, and the fundamental indicators performed well. The supply side of the real estate

industry had outstanding reform achievements. Under such situation, the Company's real estate development business was progressed smoothly. By 31 Dec. 2016, Meilin Qingcheng Phase III project achieved to contract 699 orders, with contracted area of 67,417.31 square meters; real estate development business achieved operating income of RMB 661,692,200, with net profit of RMB 88,625,600.

Property management business: in 2016, the market competition of property management industry is fierce. Under the situation that there was no large rising space for property costs and there was a rapid growth for management cost, the profit margin of property management was low generally. In 2016, the Company's property management business operated smoothly. The property company achieved the operating income of RMB 260,442,100 and the net profit of RMB -2,644,800. By now, the regions of projects under the Company's management have involved Haikou, Qionghai, Wenchang, Lingao, Baoting, Sanya, Changsha, Wuhan, Nanning, Zhengzhou, etc. The main serving project types involve residence, office buildings, passenger stations of high-speed railway, schools, government compound, shopping malls, gymnasiums and so on. Among them, there are 67 residential projects, 14 office projects and 3 other types. Seen from the project structure, residential projects accounts for 80%. Under the situation that the property costs have not been raised for many years and the operating costs increase rapidly, the profitable space of residential projects is increasingly tight or even in a loss state.

Hotel tourism business: the Company's holding subsidiary, Mudanjiang Pearl River Wanjia Tourism Group Co., Ltd is mainly responsible for the construction and operation of Chinese snow village. At present, it has invested a total of RMB 400 million to promote the scenic spot construction work of the snow village, and it has completed the work successively, such as the "Overall Development Plan from Snow Village to Taipinggou", acquisition of Xuesongge Hotel, acquisition of Xueyuan Hotel, construction of Yangcaoshan highway, scenic sightseeing entertainment and other traffic vehicle acquisition, construction of Yongan staff's living area, construction of ski equipment hall for the skiing resort and other work. It has greatly improved and perfected each tourism and basic facility of the snow village, and the passenger flow of the snow village has been rapidly increased year by year. However, in recent years, because that the Company invests too much for the construction of each basic and tourism facility of the snow village, and the financing cost is higher, and the projects in construction are gradually converted into fixed assets, which generate larger depreciation expense, it is difficult to achieve profitability from the current income scale.

Days Hotel and Suites Sanya Resort has 180 rooms totally. It is located in the seaside of Sanya coast and has superior geographical position. However, under the impact of slowdown in domestic economic growth, downturn of Sanya tourism market, fierce market competition and other factors,

as well as the aging of the hotel's room facilities, the rise of labor costs and commodity prices, the rise of energy costs, etc., it directly causes the increase of the hotel's operating costs. Considering the financial pressure and the subsequent development of the Company, the Company has sold 100% of the stock right of Sanya Wanjia Hotel Management Co., Ltd which the Company holds and sold 3 villa real estates which are under its name and are located in No. 212, Sanya Bay Road, Sanya City, Hainan province. The transfer registration formality was completed on 26 Dec. 2016. Considering the predicament and financial pressure of the subsequent development of the Company's real estate business, the Company will actively promote asset restructuring to achieve the transformation and upgrading.

### 3. Key financial results

#### (1) Key financial results for the past three years

Indicate by tick mark whether the Company performed any retroactive adjustments to or restatement of its accounting data due to changes of accounting policies or correction of accounting errors.

Yes  No

Unit: RMB

	2016	2015	+/-%	2014
Operating revenues	969,140,915.32	267,068,750.88	262.88%	238,904,161.09
Net profit attributable to shareholders of the Company	73,300,570.54	-107,573,743.92	168.14%	-173,422,925.66
Net profit attributable to shareholders of the Company before exceptional profit and loss	-134,994,571.34	-237,953,658.00	43.27%	-179,382,026.46
Net cash flows from operating activities	257,914,814.62	259,599,625.38	-0.65%	-243,681,708.74
Basic earnings per share (RMB/share)	0.17	-0.25	168.14%	-0.41
Diluted earnings per share (RMB/share)	0.17	-0.25	168.14%	-0.41
Weighted average return on equity (%)	0.00%	0.00%		-262.21%
	December 31, 2016	December 31, 2015	+/-%	December 31, 2014
Total assets	1,385,469,635.17	1,714,444,000.65	-19.19%	1,645,436,644.78
Net assets attributable to shareholders of the Company	65,088,302.88	-217,136,869.15	129.98%	15,564,470.40

#### (2) Key financial results by quarter

Unit: RMB

	1Q	2Q	3Q	4Q
Operating revenues	80,025,245.10	69,007,283.30	68,143,078.33	751,965,308.60
Net profit attributable to shareholders of the Company	-38,541,192.11	-8,829,402.77	-43,420,775.53	164,091,941.00
Net profit attributable to shareholders of the Company before exceptional profit and loss	-38,415,455.62	-47,349,050.05	-44,205,595.65	-5,024,470.02
Net cash flows from operating activities	124,823,160.50	36,522,405.02	11,839,497.76	84,729,751.32

Indicate by tick mark whether there are any material differences between the financial indicators above or their summations and those which have been disclosed in quarterly or semi-annual reports.

Yes  No

#### 4. Share capital and shareholders

##### (1) Numbers of common shareholders and preference shareholders with resumed voting rights as well as shareholdings of top ten shareholders

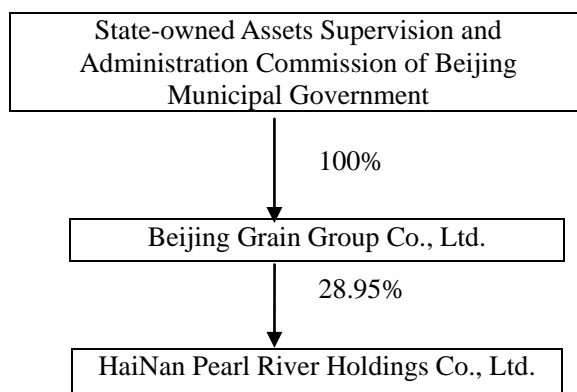
Unit: share

Total number of common shareholders at the period-end	33,468	Total number of common shareholders at the prior month-end before the disclosure of this Report	31,930	Total number of preference shareholders with resumed voting rights at the period-end	0	Total number of preference shareholders with resumed voting rights at the prior month-end before the disclosure of this Report	0
Top 10 shareholders							
Name of shareholder	Nature of shareholder	Shareholding percentage (%)	Total shares held at the period-end	Number of restricted shares held	Pledged or frozen shares		
					Status	Number	
Beijing Grain Group Co., Ltd.		28.95%	123,561,963				
Li Sheryn Zhan Ming	Foreign individual	2.90%	12,380,000				
Li Leon Zhan Wei	Foreign individual	1.98%	8,455,000				
Bank of China—Harvest Service Value-added Industry Securities Investment Fund	Domestic non-state-owned corporation	0.61%	2,595,200				
Dong Xueliang	Domestic individual	0.60%	2,560,400				
Xu Zhen	Domestic individual	0.58%	2,478,000				
Yang Shuling	Domestic individual	0.57%	2,449,100				
Yao Liyuan	Foreign individual	0.46%	1,953,100				
Zhang Xiaoxia	Foreign individual	0.46%	1,949,250				
Fenghe Value Securities Investment Fund	Domestic non-state-owned corporation	0.45%	1,904,300				
Related or acting-in-concert parties among the shareholders above	Among shareholders above, there exists no related-party relationship between the principal shareholder and other shareholders of the Company. Nor they are parties with concerted action as prescribed in the Information Disclosure Administrative Methods for Changes in Shareholding of Shareholders of Listed Companies. And it is unknown whether there is related-party relationship among other shareholders and whether they are prescribed parties with concerted action.						
Shareholders conducting securities margin trading (if any)	N/A						

##### (2) Number of preference shareholders and shareholdings of top ten of them

Applicable  Not applicable

No preference shareholders in this Reporting Period.

**(3) Ownership and control relations between the actual controller and the Company****5. Corporate bonds**

Does the Company have any corporate bonds publicly offered and listed on the stock exchange, which were undue before the approval date of this Report or were due but could not be redeemed in full?

No.

**III Performance discussion and analysis****1. Performance review for this Reporting Period**

Is the Company subject to any disclosure requirements for special industries?

Yes. For the Company engages in real estate, it is subject to the Guideline No. 3 of the Shenzhen Stock Exchange on Information Disclosure by Industry—for Listed Companies Engaging in Real Estate.

**A. Promoted the restructuring work solidly**

The Company's audited net profit was negative in two consecutive fiscal years of 2014 and 2015. Until 31 Dec. 2015, the audited net asset was negative, and the Company's stock had implemented the delisting risk warning since April 26 Apr. 2016. Considering the subsequent development dilemma of the Company's real estate development business and the fund pressure brought by the huge borrowings, the Company made the operation and management, actively promoted the major asset restructuring work with BGG, and tried to realize the transformation and upgrading.

The Company received *China Securities Regulatory Commission (CSRC) Administrative Licensing Application Acceptance Notice* issued by CSRC (hereinafter referred to as "CSRC") on 30 Nov. 2016, CSRC reviewed the administrative licensing application material of *Hainan Pearl River Holdings Co., Ltd. Listed Company Issuing Stock Buying Asset Approval* submitted by the Company legally, and accepted the administrative licensing application; For the *CSRC Administrative Licensing Project Review One Feedback Opinion Notice* issued by CSRC received on 23 Dec. 2016, the Company gradually implemented the related problems according to the requirement in the

notice along with the related intermediary agency, and submitted the related materials to CSRC Administrative Licensing Accepting Department within the prescribed term.

## **B. Business operating situation**

**Firstly, the real estate sales went well.** The Company's real estate development business mainly came from Hubei Wuhan Meilin Qingcheng Project Phase III. There were 725 sets of housing with the area of 69993.64 m<sup>2</sup>. Until 31 Dec. 2016, 699 sets had been signed for purchase with the signing area of 67417.31m<sup>2</sup>, and the housing sales rate reached 97%; The contract signing amount was RMB 858.41 million, and the actual total collection was RMB 839.68 million with the collecting rate of 98%; 545 sets of housing had been transferred with the area of 52656 m<sup>2</sup>. In 2016, the real estate development business realized the business income of RMB 661.6922 million with the net profit of RMB 88.6256 million.

**Secondly, the property management business was operated steadily.** The Company's property management business was steady with increase, while the profit margin was low. In 2016, the property company completed the business income of RMB 260.4421 million with the net profit of RMB -2.6448 million. Until now, the Company's management project region involved Haikou, Qionghai, Wenchang, Lingao, Baoting, Sanya, Changsha, Wuhan, Nanning, Zhengzhou and others. The main served project type involved residential, office building, high-speed passenger station, school, government agency compound, shopping mall, stadium and others. 67 residential projects, 14 office projects and 3 other types were included. Seen from the project structure, the residential projects accounted for 80%. Under the situation that the property management fee was not increased for many years and the operating cost was increased rapidly, the profit space of residential project was tighter even it was in a loss. Due to the market competition motivation, the Company's advantage was faded gradually, the market development was stagnated, the structural adjustment was slow, and it influenced the Company's business profitability. In recent three years, although the Company's scale and income were increased, the profitability was low, and the Company's business prospect was poor.

**Thirdly, the hotel service business was continued in downturn.** The Company's subsidiary Mudanjiang Pearl River Wanjia Tourism Group Company was mainly responsible for the construction and operation of Chinese snow hometown. In 2016, it completed the business income of RMB 19.8894 million with the net profit of RMB 4.6188 million (including disposing 70% equity return of Heilongjiang Longshi Pearl River Media Co., Ltd.). In order to mitigate the fund pressure, Mudanjiang Pearl River Wanjia Tourism Group Company and Harbin Jiangshan International Travel Service Co., Ltd. reached the cooperation operating agreement of Erlongshan Film and Television Base and "Snow Hometown Impression" restaurant, and realized the

continuous operation of two projects; strengthened the propaganda force with the use of Ctrip, Tongcheng Net and other online recruiting platform, improved the occupancy rate and market awareness. However, for the Company invested great on the infrastructure and tourism facility construction in Snow Hometown in recent years, the financing cost was higher, the transferring of projects being built successively into the fixed asset generated large depreciation cost, and it was hard to realize the profit seen from the current income scale.

Although Sanya Wanjia Hotel was located in Sanya Bay Beach with the superior location, the hotel's operating cost was increased influenced by the downturn tourism market and fierce market competition and other factors in Sanya added with the aging facility in the guest room and rising management fee in the hotel. Considering the Company's fund pressure and subsequent development, the Company sold all holding 100% equity of Sanya Wanjia Hotel Management Co., Ltd. and three villa properties located in No.212, Sanya Bay Road, Sanya City, and completed the transfer registration procedure on 26 Dec. 2016.

### **C. Invested project progress situation**

**a. Mulin Town Coal Logistics Project:** In 2011, the Company and Zhonghe Investment Co.,Ltd. Signed Cooperation Agreement on the *Construction of Daqin Railway Mulin Town Railway Special Line and Coal Wholesale Market* and project supplementary agreement, and agreed that both parties shall invest and cooperate to develop and construct Daqin railway Mulin Town Railway special line and coal wholesale market construction project. For the project establishment and production line construction were not carried out, RMB 40 million were collected in 2013, and RMB 36.6 million were collected in 2014. In 2014, Zhonghe Investment Co., Ltd. mortgaged the project land and property to the Company, while the mortgage registration formality was not handled. On 31 Dec. 2016, both parties signed the agreement, terminated the cooperation of the project and collected the investment fund. Until the date of the report, the phase-I fund of RMB 10 million had been collected according to the agreement.

**b. Yunxi Iron Ore Project:** In 2011, the Company signed Cooperation Agreement with Kangtai Xingye and natural person Gu Liyun to set up a project Company jointly and responsible for the development and sales of the iron ore resources in Dujiawan magnetite ore located in Cangfang Village, Xiangkou Town, Yunxi County, Shiyan City, Hubei Province and Zhaojiayuan iron ore in southwestern part. In recent years, for the price of iron essence pink was not stable, the Company's original mining production line construction and equipment installation plan did not achieve great progress. Currently, the Company is actively handling the mining license.

**c. Sanya Pearl River Pile Project:** The Company signed the agreement with China Great Land Holdings Ltd.( D 50). in May and August, 2013 and intended to cooperate to develop the plots in

No.20, Hairun Road, Lizhigou Industrial Park, Sanya City owed by Sanya Pearl River Pile Co., Ltd., a subsidiary of China Great Land Holdings Ltd. The Company has paid 50 million yuan to transfer 80% equity of the project Company held by China Great Land Holdings Ltd.. In June, 2015, the land using right certificate of the project plot had been obtained. Currently, the project Company's equity held by China Great Land Holdings Ltd.had been transferred to Shijing International Investment Co., Ltd., Shijing International Investment Co., Ltd. bears the transferring obligation of the equity, and the equity transferring procedure had been started.

**d. Shijiazhuang Luquan Luoling Community Project:** For Luquan was transferred from city to district, the approval authority was adjusted, and the whole planning shall be conducted according to the overall arrangement of Shijiazhuang. The change had a huge impact on Luquan Luoling Community project. Added with the huge project scale and huge starting fund demand, the project had been suspended.

#### **D. Asset disposal situation**

Considering the Company's subsequent development and fund demand, the Company had disposed part asset: In order to reduce the operating fund pressure, the Company completed the transferring of 70% equity of the subsidiary Company of Heilongjiang Longshi Pearl River Cultural Communication Co., Ltd. in May 2016; To alleviate the fund pressure to pay the principal and interests of the loan in the early stage, the Company sold 100% equity of Sanya Wanjia Hotel Management Co., Ltd. and three villas property located in No.212, Sanya Bay Road, Sanya City, Hainan Province. The net income of RMB 152.85 million was obtained to dispose the two above assets.

#### **2. Significant changes in the main business in this Reporting Period**

Yes  No

#### **3. Products contributing over 10% of the main business revenue or profit**

Applicable  Not applicable

Unit: RMB

Product	Operating revenue	Operating profit	Gross profit margin	Operating revenue: YoY +/-%	Operating profit: YoY +/-%	Gross profit margin: YoY +/-%
Sale of real estate	659,767,504.00	143,335,532.14	34.33%	63,339.18%	341.31%	-24.23%
Property management services	263,353,193.00	-1,725,490.81	5.64%	30.01%	-199.31%	-5.14%
Tourism hotel service	32,576,252.00	-14,293,480.59	40.54%	-29.98%	73.50%	-8.10%

#### **4. Seasonal or periodic characteristics in the operating performance that need special attention**

Yes  No



**5. Significant YoY changes in the operating revenues, operating costs and net profit attributable to the common shareholders or their composition**

√ Applicable   □ Not applicable

The operating revenues, operating costs and total net profit attributable to common shareholders of this Reporting Period changed significantly from last year mainly because of the property sales revenue from the Wuhan Meilin Qingcheng Phase III project of controlled subsidiary Hubei Pearl River Real Estate Development Co., Ltd., as well as the transfer of the 100% equity interests of Sanya Wanjia Hotel Management Co., Ltd. and the three villas at 212 Sanya Bay Road, Sanya City, Hainan Province.

**6. Possibility of listing suspension or termination**

□ Applicable   √ Not applicable

**7. Issues related to the financial report****(1) YoY changes in accounting policies, accounting estimations and measurement methods**

No changes.

**(2) Retroactive restatements due to correction of significant accounting errors in this Reporting Period**

No such cases.

**(3) YoY changes in the scope of the consolidated financial statements**

√ Applicable   □ Not applicable

Three entities were excluded from the consolidated financial statements for this Reporting Period, namely, Sanya Wanjia Hotel Management Co., Ltd., Heilongjiang Longshi Pearl River Media Co., Ltd. and HaiNan Pearl River Real Estate Marketing Co., Ltd. The formalities for the transfer of equity interests of Sanya Wanjia Hotel Management Co., Ltd. were went through on December 15, 2016; the formalities for the transfer of equity interests of Heilongjiang Longshi Pearl River Media Co., Ltd. were went through on May 16, 2016; and the cancellation of HaiNan Pearl River Real Estate Marketing Co., Ltd. was registered with the industrial and commercial administration on March 9, 2016.

**HaiNan Pearl River Holdings Co., Ltd.**

**April 28, 2017**