

Stock Code: 000505, 200505

Stock Name: Pearl River A, Pearl River B

Announcement No.: 2017-068

HAINAN PEARL RIVER HOLDINGS CO., LTD.
THIRD QUARTER REPORT 2017 (SHORT FORM)

Section I Important Statements

The Board of Directors, the Supervisory Committee, directors, supervisors and senior management staff of HaiNan Pearl River Holdings Co., Ltd. (hereinafter referred to as “the Company”) warrant that the information carried in this report is factual, accurate and complete, without any false record, misleading statement or material omission. And they shall be jointly and severally liable for that.

Director Xue Chunlei didn't attend the board session in person due to the cause of work, authorizing director Zhao Yinhu to attend and vote. Other directors have attended the board session for reviewing this report in person.

Wang Chunli, Company Principal, Guan Ying, chief of the accounting work and Guan Ying, head of the accounting department (head of accounting) of the Company, hereby confirm that the Financial Report carried in this Report is factual, accurate and complete.

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

Section II Company Fundamentals

I Key Consolidated Operating Results

Indicate by tick mark whether the Company needs to retrospectively restate any of its accounting data.

√Yes □No

Reason:

Business merger under the same control

	September 30, 2017	December 31, 2016		Change
		Before adjustment	After adjustment	After adjustment
Total assets (RMB)	4,747,421,920.84	1,385,469,635.17	5,007,343,324.00	-5.19%
Equity attributable to owners of the parent (RMB)	1,680,315,717.61	65,088,302.88	2,032,242,890.44	-17.32%
	July-September 2017	YoY change	January-September 2017	YoY change
Net sales (RMB)	2,232,700,520.70	-22.04%	5,515,262,797.63	-7.79%
Net margin attributable to shareholders of the Company (RMB)	42,164,080.63	14.41%	113,833,212.48	60.02%
Net margin attributable to shareholders of the Company before exceptional gains and losses (RMB)	-18,544,858.72	-148.90%	5,766,539.70	116.35%
Net cash from operating activities (RMB)	--	--	-1,071,443,766.31	-278.96%
Basic earnings per share (RMB/share)	0.07	16.67%	0.18	63.64%
Diluted earnings per share (RMB/share)	0.07	16.67%	0.18	63.64%
Weighted average return on equity (%)	2.05%	-0.08%	5.45%	1.38%

Exceptional gains and losses:

√Applicable □ Not applicable

Unit: RMB

Item	January-September 2017	Note
Capital occupation charges on non-financial enterprises that are charged to the profit/loss for the Reporting Period	16,810,053.35	
Reporting Period net profit/loss of subsidiaries acquired through business mergers under the same control from period-beginnings to merger dates	117,422,986.25	
Non-operating income and expense other than above	-1,007,624.03	
Minority interests effects (after tax)	25,158,742.79	
Total	108,066,672.78	--

Explanation of why the Company classified an item as an exceptional gain/loss according to the definition in the Explanatory

Announcement No. 1 on Information Disclosure for Companies Offering Their Securities to the Public—Exceptional Gains and Losses, or reclassified any exceptional gain/loss item given as an example in the said explanatory announcement as a recurrent gain/loss:

Applicable Not applicable

No such cases in the Reporting Period.

II Total Number of Shareholders and Shareholdings of Top 10 Shareholders at Period-End

1. Numbers of Common Shareholders and Preference Shareholders with Resumed Voting Rights, and Shareholdings of Top 10 Shareholders

Unit: share

Total number of common shareholders at period-end		30,806		Total number of preference shareholders with resumed voting rights at period-end (if any)		0	
Top 10 shareholders							
Name of shareholder	Nature of shareholder	Shareholding percentage	Total shares held at period-end	Restricted shares held at period-end	Pledged or frozen shares		
					Status	Number	
BEIJING GRAIN GROUP CO., LTD.	State-owned corporation	28.95%	123,561,963				
LI SHERYN ZHAN MING	Foreign individual	4.99%	21,282,800				
MEI JIANYING	Domestic individual	0.61%	2,583,803				
YAO LIYUAN	Foreign individual	0.46%	1,950,000				
ZHANG XIAOXIA	Domestic individual	0.46%	1,949,250				
WANG XIAOXING	Domestic individual	0.43%	1,836,500				
CHEN OUQIN	Domestic individual	0.39%	1,652,679				
WANG DAO	Domestic individual	0.38%	1,633,300				
ZHONG YI	Domestic individual	0.38%	1,604,283				
XU ZHEN	Domestic individual	0.37%	1,595,000				
Top 10 non-restricted shareholders							
Name of shareholder	Non-restricted shares held at period-end	Type of stock					
		Type	Number				
BEIJING GRAIN GROUP CO., LTD.	123,561,963	RMB common stock	123,561,963				
LI SHERYN ZHAN MING	21,282,800	Domestically listed stock for foreign investors	21,282,800				
MEI JIANYING	2,583,803	RMB common stock	2,583,803				

YAO LIYUAN	1,950,000	Domestically listed stock for foreign investors	1,950,000
ZHANG XIAOXIA	1,949,250	Domestically listed stock for foreign investors	1,949,250
WANG XIAOXING	1,836,500	RMB common stock	1,836,500
CHEN OUQIN	1,652,679	RMB common stock	1,652,679
WANG DAO	1,633,300	RMB common stock	1,633,300
ZHONG YI	1,604,283	RMB common stock	1,604,283
XU ZHEN	1,595,000	RMB common stock	1,595,000
Related or acting-in-concert parties among shareholders above	Among shareholders above, there exists no related-party relationship between the principal shareholder and other shareholders of the Company. Nor they are parties with concerted action as prescribed in the Information Disclosure Administrative Methods for Changes in Shareholding of Shareholders of Listed Companies. And it is unknown whether there is related-party relationship among other shareholders and whether they are prescribed parties with concerted action.		
Top 10 common shareholders conducting securities margin trading (if any)	Shareholder Wang Xiaoxing held 1,836,500 shares in the Company through the account of collateral securities for margin trading in Soochow Securities Co., Ltd. Shareholder Zhong Yi held 1,604,283 shares in the Company through the account of collateral securities for margin trading in Eastmoney Securities Co., Ltd. Shareholder Wang Dao held 301,900 shares in the Company through his account of collateral securities for margin trading and held 1,331,400 shares in the Company through his common stock account in Cinda Securities Co., Ltd.		

Indicate by tick mark whether any of the top 10 common shareholders or the top 10 non-restricted common shareholders of the Company conducted any promissory repo during the Reporting Period.

Yea No

No such cases in the Reporting Period.

2. Total Number of Preference Shareholders and Shareholdings of Top 10 of Them at Period-End

Applicable Not applicable

Section III Significant Events

I Changes in Key Consolidated Financial Statement Items and Reasons for Such Changes

√ Applicable □ Not applicable

1. Accounts receivable on September 30, 2017 (3.68% of the net sales during the period from July to September 2017) increased by RMB0.12 billion (143.50%) from the December 31, 2016 due to RMB0.12 billion of accounts receivables recognized in September 2017 from new strategic customers in the southern markets. As of October 19, 2017, these accounts receivable had all been settled.
2. Prepayments on September 30, 2017 increased by RMB0.25 billion (187.2%) from the December 31, 2016 due primarily to the arrival at the end of September 2017 of the two shipments of soybean purchased by the subsidiary Jingliang (Tianjin) Grain & Oil Industry CO. Ltd, which has all been accepted by the end of October 2017 and is being processed for sale.
3. Interest receivable on September 30, 2017 decreased 67.83% from the December 31, 2016 due primarily to the interest receivable at the end of 2016 along with the Assets Transfer.
4. Dividends receivable on September 30, 2017 decreased 100% from the December 31, 2016 due primarily to the dividends receivable at the end of 2016 along with the Assets Transfer.
5. Other current assets on September 30, 2017 decreased 62.66% from the December 31, 2016 due primarily to decrease in bank wealth management products.
6. Available-for-sale financial assets on September 30, 2017 decreased by RMB10.82 million (35.12%) from the December 31, 2016 due primarily to the Assets Transfer.
7. Construction in progress on September 30, 2017 decreased 88.99% from the December 31, 2016 due primarily to the transfer of assets and the shift of Zhejiang Xiaowangzi Food Share Co., Ltd. (“Xiaowangzi Food”)’ s completed production line to fixed assets.
8. Other non-current assets on September 30, 2017 decreased by RMB 4.52 million (100%) from the December 31, 2016 due primarily to the Assets Transfer.
9. Short-term borrowings on September 30, 2017 increased 2113.90% from the December 31, 2016 due primarily to the borrowings obtained for the purchases in the grease business line for the second half of the year according to production needs and the market situation.
10. Notes payable on September 30, 2017 increased 66.87% from the December 31, 2016 due primarily to more letters of credit issued for the more imports’ .
11. Accounts payable on September 30, 2017 decreased 84.92% from the December 31, 2016 due primarily to a decrease of approximately RMB80 million in accounts payable along with the transfer of the related assets, as well as caused by RMB0.31 billion of accounts payable to suppliers.
12. Advances received on September 30, 2017 decreased 47.01% from the December 31, 2016 amount due primarily to the Assets Transfer.
13. Payroll payable on September 30, 2017 decreased 90.65% from the December 31, 2016 due primarily to a decrease in payroll payable along with the Assets Replacement, as well as the payment of last year’ s annual performance salaries in the current year.
14. Taxes payable on September 30, 2017 decreased 96.64% from the December 31, 2016 amount due primarily to payment of taxes in the current year.
15. Non-current liabilities due within one year on September 30, 2017 decreased 100% from the December 31, 2016 due primarily to repayment of due long-term bank loans.
16. Long-term borrowings on September 30, 2017 decreased 100% from the December 31, 2016 due primarily to the early repayment of long-term bank loans.

17. The year-over-year decrease of 7.79% in net sales during the period, primarily because the net sales during the corresponding period of last year had included combined revenue of RMB1.997 billion from 14 trade subsidiaries, which were all transferred in the current period. Regardless of the effects of the said trade subsidiaries, net sales increased by RMB1.530 billion (38.46%) during the period January through September 2017 compared to the same period of last year.

18. The year-over-year increase of 97.25% in taxes and surtaxes during the period primarily resulted from the reclassification of taxes under “administrative expense” as “taxes and surtaxes” according to the Notice of the Ministry of Finance (Financial Accounting [2016] No. 22) on Printing and Issuing of VAT Accounting Rules.

19. The year-over-year decrease of 71.11% in finance costs compared to the same period of last year primarily resulted from significantly decreased loan interest as a result of the repayment of loans with high interest rates.

20. The year-over-year increase of RMB21.90 million (1356.34%) in asset impairment losses during the period January through September 2017 primarily resulted from the bad-debt provisions made, out of prudence, for the creditor’s rights associated with the assets transferred by the Company during the transition period, as well as the reversal into capital reserve at the time of the Asset Transfer.

21. The year-over-year decrease of 86.79% in investment income during the period January through September 2017 primarily resulted from the transfer of equity interests in Heilongjiang Longshi Pearl River Media Co., Ltd. by the Company and the transfer of 14 trade subsidiaries by BGG Food in last year.

22. The year-over-year decrease of 66.27% in non-operating income during the period January through September 2017 primarily resulted from last year’s relocation compensation income.

23. The year-over-year decrease of 70.66% in non-operating expense during the period January through September 2017 primarily resulted from last year’s relocation expense.

24. The year-over-year decrease of 278.96% in net cash from operating activities during the period January through September 2017 primarily resulted from the cash used for the purchases in the grease business line for the second half of the year according to production needs and the market situation.

25. The year-over-year increase of 52.42% in net cash from investing activities during the period January through September 2017 primarily resulted from BGG Food’s acquisition of a 19% stake in Xiaowangzi Food.

26. The year-over-year increase of 250.43% in net cash from financing activities during the period January through September 2017 primarily resulted from the borrowings obtained from bank for the purchases in the grease business line for the second half of the year according to production needs and the market situation.

II Progress, Influence and Solutions Associated with Significant Events

√ Applicable □ Not applicable

Announcement of significant event	Disclosure date	Disclosure website
The major assets restructuring of the Company got <i>Reply from China Securities Regulatory Commission to HaiNan Pearl River Holdings Co., Ltd.’s Issuing Shares, Purchasing Assets and Raising Supporting Funds to Beijing Grain Group Co., Ltd. etc.</i> on July 28, 2017.	08/01/2017	Announcement No. 2017-047 on www.cninfo.com.cn
On September 14, 2017, Beijing Grain Food Co., Ltd. became the wholly-owned subsidiary of the Company after completing the transfer procedures of assets planned to be put in the major assets restructuring. As of September 30, 2017, the delivery of assets	09/30/2017	Announcement No. 2017-059 on www.cninfo.com.cn

planned to be put out excluding a small number of assets whose transfer procedures are still in progress has been finished. The total amount of assets that have been settled (including liabilities) accounts for 93.46% of that of assets (including liabilities) planned to be put out at this time.		
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III Commitments that the Company's Actual Controller, Shareholders, Related Parties and Acquirers, as well as the Company and Other Commitment Makers, Failed to Fulfill on Time during Reporting Period

Applicable Not applicable

No such cases in the Reporting Period.

IV Forecast of 2017 Annual Operating Results

Warning of a possible loss on or a significant year-over-year change in accumulative net margin during the period the beginning of

the current year through the end of the next reporting period, as well as the reasons:

Applicable Not applicable

V Securities Investments

Applicable Not applicable

No such cases in the Reporting Period.

VI Investments in Derivative Financial Instruments

Applicable Not applicable

Unit: RMB'0,000

Type of derivative investment	Beginning date	Ending date	Closing investment amount	Proportion of closing investment amount in the Company's closing net assets (%)	Actual gain/loss in Reporting Period
Futures of agricultural products	01/01/2017	09/30/2017	30,241.88	18.00%	7,161.1
Capital source for derivative investment	Self-raised funds				
Lawsuit (if applicable)	Naught				
Analysis on risks and control measures of derivative products held in the Reporting Period (including but not limited to market risk, liquidity risk, credit risk, operation risk, law risk, etc.)	In the Reporting Period, the Company possessed the cash for hedging in futures. All cash has the physical correspondence which is distributed in forward contracts with good liquidity. The credit risk is low and there will be no default risk. In addition, there will be no risk concerning operation and laws because of regulated transactions, rigorous decisions on futures and strict operation process.				
Changes of market prices or fair values in the Reporting Period of the invested derivatives. And the analysis on the fair value of the derivatives should include the specific use methods and the relevant assumptions and parameters.	The value of futures contracts held by the Company is changing with the price of the futures exchange. The price of the futures exchange is broadly representative. And the fair value of futures contracts will be measured in strict accordance with the settlement methods issued by the exchange.				

VII Visits Paid to the Company for Purposes of Research, Communication, Interview, etc. during Reporting Period

Applicable Not applicable

No such cases in the Reporting Period.

VIII Irregularities Arising from Provision of Guarantees for Third Parties

Applicable Not applicable

No such cases in the Reporting Period.

IX Occupation of the Company's Funds by Its Controlling Shareholder or Related Parties for Non-Operating Purposes

Applicable Not applicable

No such cases in the Reporting Period.

X Targeted Measures Taken to Help People Lift Themselves out of Poverty

The Company did not take such measures in the third quarter of the year and has no such plans for now.