

Stock Code: 000505, 200505

Stock Name: Pearl River A, Pearl River B

Announcement No. 2016-013

HaiNan Pearl River Holdings Co., Ltd.

The Abstract of the 2015 Annual Report

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 Abstract has 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 reviewing this Report.

The investors should carefully read about the audit report without unqualified opinion on the events-focused phase which issued by Zhongxinghua CPAs (LLP) that the Board of Directors as well as the Board of Supervisors had specifically stated on the relevant events.

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

Company profile

Stock name	Pearl River A, Pearl River B	Stock code	000505, 200505
Stock exchange	Shenzhen Stock Exchange		
Contact information	Company Secretary	Securities Affairs Representative	
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II Brief introduction to the main business or products in the Reporting Period

At present, we are mainly engaged in real estate development, hotels & tourism and property management. We have 18 subsidiaries, 2 branch companies and 3 business divisions, namely property management, real estate and hotels & tourism. The property management division contributes approximately 70% of our operating revenues. Since it is a low-profit sector without significant changes to the relevant operating activities, the property management division can only manage to break even due to the continuously, rigidly rising labor cost, without being able to generate profit for the Company.

The real estate business mainly came from Phase III of the Hubei Meilin Qingcheng project and to 31 December 2015, which had completed the construction area of the major structure about 73,000 square meter during Y2015 that developed by the Company with the accumulative completed construction and installation engineering volume of RMB203.42 million, the accumulative construction investment of RMB487.71 million, the sales area of the houses and buildings of 5,000 square meter as well as the sales volume of RMB602 million (subscription). It was estimated that, in Y2016, the real estate business could contribute about RMB0.1 billion profits for the Company.

The service business of the Company mainly came from Sanya Days Hotel & Suites and China Snow Country Scenic which operated by Mutankiang Pearl River Wanjia Tourism Group. There

were 180 guest rooms in Sanya Days Hotel & Suites, which located at the seaside of the Sanya Bay with favorable geographic position as well as five star standard facilities. However, owing to the influences such as the slowly grown domestic economic growth in the recent years and the depressed real estate economy, the tourism market in Sanya also appeared successive downturn; while the intensive opening of the high-end hotels led the market competition increasing, and the facilities aging of the guest rooms as well as the rise of the labor costs, prices and energy cost, which all directly caused the increase of the operating cost of the hotel. Since Y2014, the operating income of the hotel declined obviously with rather large reduction of the gross profit rate. In 2015, the operating income decreased continuously, thus the operating of the hotel faced with rather big difficulties in a short time. And at the same time the depreciation led the continuously adverse since the opening, the Company had decided to executed the public listing to transfer the equities of the hotel for recollecting the funds for solving the Company's debts as well as decreasing the losses on the consolidated statements level.

The controlling subsidiary of the Company, Mutankiang Pearl River Wanjia Tourism Group Company (hereinafter referred to as Mutankiang Company), mainly in charge of the construction and operating of the China Snow Country. Nowadays had accumulatively invested of RMB0.4 billion in promoting the construction work of the Snow Country Scenic and successively completed the work such as the Overall Development Planning from Snow Country to Taipinggou, purchase of the Xuesongge Hotel and Xueyuan Guesthouse, the L. Chinensis Mountain road construction, the transportation vehicles acquisition for scenic area tourist entertainment, Yong'an staff living area construction and the ski resort equipment hall, which greatly improved and perfected each tourism and basic facilities of Snow Country that led the passenger flow volume of Snow Country ascending rapidly year by year. Since Y2012, the operating income had been increased year after year which was of RMB31.87 million in Y2015. However, owing to the rather big investment on each basic and tourism facilities construction of Snow Country and the rather high financing cost as well as the successively transfer from the progress in construction to the fixed assets that caused great depreciated expenses, to see from the current revenues scale, the Company only could strive for the realizing of the profit and loss balance in a short time. While as the continuously enhance of the popularity of the Snow Country tourism brand, the tourists in future will still increase progressively year by year. The majority assets of the previous investment of the Company would reached rather great appreciation owing to the continuously increase of the market-heat of the Snow Country tourism. And as a long-term investment strategy, the construction and operating of the Snow Country needed to adjust the strategies in due time, to adjust measures to local conditions, to avoid cutthroat competition, to harmonious coexist with the local people, to quit the low-end operating field in due time, and could adopt the sublease to contract part of the low-efficient operating projects to acquire the co-existing and co-winning, as well as at the same time accelerate the construction planning of the high-end tourism property, to make great efforts to forge the holiday boutique by exerting the own advantages.

The Company will positively explore the business mode that fit for the own development, and to regard which as the unequivocal strategic goal that invest the limited funds to the key business fields for constantly enhancing the sustainable operating ability of the Company.

III Accounting and financial results

1. Accounting and financial results for the past three years

Whether the Company performed a retroactive adjustment to or restatement of accounting data due to changes of accounting policies or correction of accounting errors

☐ Yes ☒ No

Unit: RMB

	2015	2014	Increase/decrease in the current year from last year (%)	2013
Operating revenues	267,068,750.88	238,904,161.09	11.79%	225,308,239.00
Net profit attributable to shareholders of the Company	-107,573,743.92	-173,422,925.66	37.97%	13,489,485.71
Net profit attributable to shareholders of the Company after exceptional profit and loss	-237,953,658.00	-179,382,026.46	-32.65%	-175,455,431.84
Net operating cash flow	259,599,625.38	-243,681,708.74	206.53%	-45,736,703.09
Basic EPS (RMB/share)	-0.25	-0.41	39.02%	0.03
Diluted EPS (RMB/share)	-0.25	-0.41	39.02%	0.03
Weighted average ROE (%)	0.00%	-262.21%	262.21%	7.61%
	31 December 2015	31 December 2014	Increase/decrease at the current year-end from the last year-end (%)	31 December 2013
Total assets	1,714,444,000.65	1,645,436,644.78	4.19%	1,237,713,804.04
Net assets attributable to shareholders of the Company	-217,136,869.15	15,564,470.40	-1,495.08%	116,714,215.59

2. Financial results by quarter

Unit: RMB

	1Q	2Q	3Q	4Q
Operating revenues	78,326,856.68	136,117,829.19	52,075,049.26	267,068,750.88
Net profit attributable to shareholders of the Company	69,940,735.03	21,492,625.03	-55,679,400.37	-107,573,743.92
Net profit attributable to shareholders of the Company after exceptional profit and loss	-55,022,579.89	-103,796,313.13	-58,786,624.64	-237,953,658.00
Net operating cash flow	-48,534,275.41	-94,962,794.82	149,194,827.78	259,599,625.38

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

IV Share capital and shareholders

1. Numbers of common shareholders and preference shareholders with resumed voting rights as well as the shareholdings of top ten shareholders

Unit: share

Total number of common shareholders at the period-end	39,996	Total number of common shareholders at the month-end prior to the disclosure of this Report	40,864	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 of the disclosure of this Report	0
Shareholdings of top ten shareholders							
Name of shareholder	Nature of shareholder	Shareholding percentage	Total shares held at period-end	Number of restricted shares held	Pledged or frozen shares		
					Status of shares	Number of shares	

Beijing Wanfa Real Estate Development Co., Ltd.	State-owned corporation	26.36%	112,479,478			
Li Leon Zhan Wei	Foreign individual	2.41%	10,279,606			
Yao Xiu Guang	Foreign individual	2.28%	9,732,328			
Yao Liyuan	Foreign individual	0.47%	2,005,600			
Zhang Xiaoxia	Domestic individual	0.46%	1,949,250			
Fan Suyue	Domestic individual	0.42%	1,805,517			
Bank Of Communications Co., Ltd. - Chang Xin Quantization Pioneer Hybrid Securities Investment Funds	Other	0.39%	1,684,600			
Zhong Yi	Domestic individual	0.37%	1,572,052			
Xu Zhen	Domestic individual	0.31%	1,314,300			
Cofco Futures Co., Ltd. - Cofco Ruixinchangying No. 1 Grading Asset Management Plan	Other	0.31%	1,305,400			
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.					
Shareholders conducting securities margin trading (if any)	Shareholder Zhong Yi holds 1,572,052 shares of the through a client account of collateral securities for margin trading in Fortune Securities Co., Ltd..					

2. Number of preference shareholders and shareholdings of top ten of them

☐ Applicable ☒ Not applicable

No preference shareholders in the Reporting Period.

3. Relationship between the Company and its actual controller in the form of diagram



V Management discussion and analysis

1. Business review for the Reporting Period

In 2015, the performance of our subsidiaries did not improve markedly, with a consolidated operating loss of RMB110 million, net assets of RMB-217 million and a serious liquidity problem. We are now on the verge of a debt crisis due to running out of cash. The real estate development business, part of our main business, went on well, with the main construction of the Phase III of the Meilin Qingcheng project completed and the project open for early sale as scheduled. The hotel division mainly broke even, but asset depreciation led to a continuous loss. The property management division contributed approximately 70% of our operating revenues, but with a low profit margin. For the year 2015, we achieved operating revenues of RMB267,068,750.88 and net profit of RMB-127,121,382.41. At the end of 2015, our total assets stood at RMB1.714 billion and our net assets at RMB-217 million. According to the stock listing rules of the Shenzhen Stock Exchange, in 2016, the Company will be placed on alert for possible de-listing.

Operating review and analysis of the Company in 2015

1. The Company faced with serious debt crisis. In Y2015, the operating had not received efficient improve, with the unusual difficult circulating fund, the Company already faced by the debt crisis caused by the broken capital chain and up to 31 December 2015, the total overdue debt was of RMB0.3 billion. For solving the debt crisis, the management level of the Company put forward several measures including the proposal on transferring the equities of Sanya Hotel and Selling Three Villas, and recently the proposal of which was under constructin.
2. Situation of the real estate sales: up to 31 December 2015, the whole year accumulative completed work amount of Phase III of the Hubei Meilin Qingcheng project was of RMB203.42 million with the accumulative construction investment of RMB487.71 million. The main construction had totally completed on 28 Aug. 2015 and 510 sets of the houses and buildings sold with the sales amount of 602 million as well as the sales rate reached 70% and the actual returned money of RMB396 million. The progress of the recoup funds was favorable that guaranteed the projects constructino progress and the repayments of part of the development loans.
3. As for the property management: the market competition was still fierce. The property company positively executed the market development and had undertook the projects such as the staff quarter of the Baoting Sandao Farm, Phase III of the Wuhan Meilin Qingcheng project and Haikou Fudi International

that increased the management area of about 0.42 million square meter and successively bid for the housing construction inspection business of Xihuan high-speed rail project. However, owing to the greatly uprise of the labor and the materials cost, the operating of the Company faced with rather great financial risks and capital pressure. In Y2015, the Company completed the operating income of RMB199.6697 million with the total operating cost of RMB198.0652 million as well as the net profits of RMB0.1341 million. Up to present, the management project field of the property company involved with Haikou, Qionghai, Wenchang, Lingao, Baoting, Sanya, Changsha, Wuhan, Nanning and Zhengzhou. The major service project type involved with residences, office buildings, high-speed rail passenger depots, schools, government compounds, shopping malls, stadiums and so on. There were 86 management projects with the comprehensive management area of about 7.50 million square meter, of which there were 67 residence projects and 14 office projects. To see from the project structure, the residence projects covered 80% and under the circumstances of the unchanged property fee for decades while the operating cost increased with duplication that led the residence projects faced with smaller profit sources even at a loss.

For guarantee the efficient enhance and the development demands of the quality system of the property company, in July 2015, Pearl Real Estate acquired the certification confirmation of ISO14000 Environment Management System and OSHMS18000 Occupation Health Safety Management System issued by CQM Group, which stood for the staged achievements of the “three-in-one” international management system performing standard work in the quality, the environment and the occupational health and safety.

4. The operating season of the Snow Country in Y2015 of the controlling shareholder Mutankiang Tourism Group was January – March, and shut down the business after the end of the snow season since April with the realized operating income of RMB31.75 million and the operating income maintained year-by-year increase. In Y2015, the Company continued to invest on the construction of the comprehensive service center project of Days Hotel of Snow Country and recently had completed the capping of the main structure that estimated to put into operation on 31 Oct. 2016. For forging the brand image of the Snow Country, the Company continuous to invest on the infrastructure construction which had reached certain results, while the forging of the brand of the tourism scenic and the continuous maintenance were long-term job and the follow-up development still need to be constantly invested with the construction funds. Owing to the fund shortage of the Company, the investment progress had correspondingly slowed down.

5. Operating situation of Sanya Days Hotel & Suites: in Y2015, the annual realized operating income was of RMB27.1650 million and the operating gross profits of RMB4.1543 million. Since Y2014, the operating income of the hotel had appeared the year-by-year decline tendency with the main reason was the aging hotel hardware and the old-fashioned facilities that led the insufficient competitiveness when compared with the newly open hotels, especially the intensively open of the multiple five-star or the super five-star hotels in Sanya district in the recent two years that led the obvious buyer's market of the Hainan holiday leisure market; the constantly rise of the energy expenditures and the labor cost directly led to the increase of the operating cost of the hotel.

6. The project progress of the Company's previous investment:

(1) The coal logistics project of Mulin Town: The coal logistics project of Mulin Town cooperated by Pearl River Holdings and Zhonghe Investment Co., Ltd. in 2012 was unable to continue, due to the change of state policies to the energy and significant change in the coal market, at present, RMB100 million investment to the energy was not been recovered, the both party ever negotiated that develop solar energy and photovoltaic agricultural projects basing on the land of original project. However, it had not been approved, the follow-up cooperation remained great uncertainty.

(2) Yunxi iron mines project: Due to the price of powdered iron continuing go-down, the original plan of construction of mining area production line and equipment installation slowed down. During Reporting Period, the Company and its cooperation party strengthen the mine area management, contact, investigate straighten out and set up distribution channel with several steel mill. And in line with the market situation to adjust the mining area production line and progress of detailed exploration to the mine of mining area electric power modification works of Zhao courtyard and Du bay. Due to the grade of iron ore of Zhao courtyard was lower than that of Du bay, and analyze the market situation, the Company planned to transfer the production equipment to Du bay. The grade of iron ore in this mine area had bigger competitiveness. Meanwhile, considering the influence of probably continuing go-down of domestic iron ore market, the Company actively found project transfer or introduced strategy investors to development the project in common.

(3) The real estate development project on a former tubular pile factory, the Company had obtained the

land certificate for the industrial land and paid RMB20 million share equity agreed by the contract, and obtained 80% equity of the project in line with the original contract. However, due to the original big shareholder of the project was the foreign investment enterprise, the transfer of share equity involving special approval procedures of foreign investment enterprise, so far, the transfer had not been completed, the planning and design of the project still waited for implementation after the control stipulation of the project located made by the Sanya government.

(4) The Shijiazhuang Luquan new countryside construction project. In 2015, the project suspend due to meeting overall planning adjustment of “City transfer into District” in Luquan. Luquan original belongs to county-level city with an independent approval right and operated independent from Shijiazhuang in each aspect. After the adjustment of administrative subordination relations, though the administrative level did not adjusted, but the planning shall wait for the overall re-adjustment of Shijiazhuang. The situation had great influence to the project, and the overall planning approval stagnated for about one year. So far, the Company is actively coordinating. Meanwhile, due to the big scope of the project, which need lots of initial capital; the project in pre-stage need start to move back to the development land of commercial houses 1# which in total covered 200 acres. Due to the requirement of the project surrounding maturity and actual removing situation, land 1# started in same period, which demand RMB100-200 million to actually conduct the start of the project. Considering the capital investment of the follow-up construction was extremely large, and the financial situation of the Company was tight and cannot support the start of the project in a short time. So far, the Company was readjusting the project construction plan and speeded up the financing work of the project; after the relevant pre-stage work had been finished, submitted the overall construction and investment plan to the Board of Directors of the Company estimated in September 2016. If the project restarts in 2016, after three years’ construction, it can realize to sell, and make profits to the Company.

7. In order to relieve the capital pressure of loan maturity and repaying capital with interest, the Company sold its holding of 7,750,000 shares of Southwest Securities, obtained investment RMB120 million, which was the main profit resource of the Company in 2015.

8. In order to solve the serious difficulty of operation capital, the Company transfer share equity of its controlling subsidiary Heilongjiang Loong Media Group Co., Ltd. with RMB20 million, at present, the procedure of transfer had been processing by each party.

2. Significant changes in the main business in the 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	1,040,000.00	-59,398,973.27	58.56%	-64.35%	49.15%	0.69%
Property management services	202,558,443.00	1,737,425.14	10.78%	20.32%	40.57%	-0.29%
Tourism hotel service	46,521,538.00	-53,936,126.41	48.64%	-21.39%	31.16%	4.95%

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

6. Possibility of listing suspension or termination

☐ Applicable ☒ Not applicable

VI Issues related to the financial report

1. YoY changes in accounting policies, accounting estimations and measurement methods

☐ Applicable ☒ Not applicable

No changes.

2. Retroactive restatements due to correction of significant accounting errors in the Reporting Period

☐ Applicable ☒ Not applicable

No such cases.

3. YoY changes in the scope of the consolidated financial statements

☐ Applicable ☒ Not applicable

No changes.

4. Explanation by the Board of Directors and the Supervisory Committee concerning the “auditor’s report with non-standard opinion” issued by the CPAs firm for the Company in the Reporting Period

☒ Applicable ☐ Not applicable

1. Notes made by the Board of Directors: Zhongxinghua Certificated Public Accountants (LLP) had issued audit report with emphasis on events-focused phase and without reservations, which understood and accepted by the Board of Directors of HaiNan Pearl River Holdings Co., Ltd. (“the Company”). The Board believed that the reasons of the accountants’ issue of audit report with emphasis on events-focused phase and without reservations were: as of 31 December 2015, the net asset of consolidated report was RMB-233,193,926.40, the continuous operation capability was uncertain. Specific to the events-focused in the audit report, the Board of the Company and management will timely adjust the operation strategy and business structure, speed up the schedule of the development of the project, dispose the available for sale financial assets, expend financing channels, strive for the continuous support of the big shareholder to improve the profit capability and enhance the future continuous operation ability of the Company.

2. Notes made by the Board of Supervisors: after inspected the financial report on 31 December 2015 and reviewed the audit report issued by Zhongxinghua Certificated Public Accountants (LLP), the events-focused in audit report of 2015: we remind the user of financial report, as said in Note XIII, as of 31 December 2015, the net assets of consolidated report of the Company was RMB-233,193,926.40, the continuous operation capability may existing uncertainty. “The content of this phase had no influence to the audit report had issued”. The Board of Supervisors accepted audit report with emphasis on events-focused phase and without reservations made by accountants upon the aforesaid issues and believed that the event confirmed with the principle of fair, objective and seeking truth from facts. Meanwhile, the Board of Supervisors agreed the Board of Directors made special note to the aforesaid event. Hope the Board of the Company and management actively conduct effective methods to reduce the influence of events-focused, safeguard the investors’ interests.

3. Notes made by Independent Directors: Zhongxinghua Certificated Public Accountants (LLP) had issued audit report with emphasis on events-focused phase and without reservations which we believed that it truly and objectively reflected the actual situation of the Company in 2015.

HaiNan Pearl River Holdings Co., Ltd.
23 April 2016