

## **Shanghai Haixin Group Co., Ltd.**

### **Annual Report 2016 (Abstract)**

#### **I Important information**

1. The abstract of the 2016 Annual Report is based on the full text of the 2016 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 disclosed at the same time with this Abstract on the website of the Shanghai Stock Exchange and other 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.

2. The Board of Directors, Supervisory Committee, directors, supervisors and senior management of Shanghai Haixin Group Co., Ltd. (hereinafter referred to as the “Company”) hereby guarantee that the information presented in this Annual Report is factual, accurate and complete, and shall be jointly and severally liable for any false information, misleading statements or material omissions carried in this Annual Report.

3. All directors attended the board meeting for the review of this Annual Report.

4. Zhonghua Certified Public Accountants LLP has issued an auditor’s report with standard unqualified opinion for the Company.

5. The Company’s profit distribution preplan or capital reserve turned into share capital preplan upon review and approval of this board meeting for the Reporting Period

Upon audit by the CPAs firm, for the year 2016, we achieved net profit of RMB89,965,290.04 attributable to our shareholders. Based on that amount, after withdrawing 10% (equal to RMB21,407,426.59) for statutory surplus reserves, plus the opening undistributed profit of RMB261,185,939.84 and minus the dividends of RMB84,493,968.44 payable to our common shareholders for the year 2015, our closing undistributed profit was RMB245,249,834.85. As the preliminary plan for the 2016 annual profit distribution, we intend to, based on our total shares of 1,207,056,692 on December 31, 2016, distribute a cash dividend of RMB0.23 (tax inclusive) per 10

shares, with the total cash to be distributed amounting to RMB27,762,303.92.

Up to the end of 2016, our statutory capital reserves stood at RMB435,329,474.75. Therefore, as a preliminary plan, we intend not to convert our capital reserves into share capital for the year.

## II Corporate profile

### 1. Stock profile

Stock profile				
Variety	Stock exchange	Name	Code	Previous name
A-share	Shanghai Stock Exchange	Haixin A	600851	
B-share	Shanghai Stock Exchange	Haixin B	900917	

Contact information	Board Secretary	Securities Representative
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### 2. Brief introduction to the main business in the Reporting Period

We are mainly engaged in the production and sale of plush & garments and medicine, financial investment, leasing & management of industrial premises, etc.

Different business models for different divisions:

- Textile division— we specialize in the production (through independent product development and OEM) and sale (at both the domestic and overseas markets) of plush and garments;
- Medicine division— including pharmaceutical manufacturing and marketing. Our pharmaceutical manufacturing subsidiaries mainly produce medicine and sell them through own sales platform and commercial agents from different places; our medicine marketing subsidiaries purchase medicine from pharmaceutical production company or other pharmaceutical commercial enterprises, then expand the business through sales channels, such as direct selling and distribution. They get the profit through purchase and sale price difference.
- Financial investment division— securities companies and fund companies where we hold a stake operate independently and we take part in their decision-making through appointed directors (and supervisors) in them;

●Leasing of industrial premises——we lease out the plants of our shutdown subsidiaries, and our Office of Property Operation and Management manages all of such plants and collects the rents.

The plush sector where we belong is a small sub-sub-sector under the textile & garments industry. After more than three decades of development, the plush sector has grown mature with overcapacity and fierce market competition. Fortunately, our plush products enjoy a high reputation in the sector.

The pharmaceuticals industry where we belong is considered an important part of China's economy, which keeps developing with a sound industrial system in shape. Now, the industry is in a stage of sustainable development in general. In our medicine division, we control small- and medium-sized medicine production and marketing enterprises, which have some brand recognition and marketing channels.

### 3. Key financial results

#### 3.1 Key financial results in recent 3 years

	2016	2015	+/-%	2014
Total assets	5,427,974,742.45	6,044,342,463.10	-10.20	7,265,711,536.56
Operating revenues	1,011,809,610.66	1,051,820,178.86	-3.80	1,110,193,673.88
Net profit attributable to shareholders of the Company	89,965,290.04	157,430,118.58	-42.85	290,932,918.64
Net profit attributable to shareholders of the Company before exceptional profit and loss	65,511,135.63	106,745,408.91	-38.63	-28,281,146.11
Net assets attributable to shareholders of the Company	4,147,101,532.58	4,574,393,741.57	-9.34	5,327,380,205.93
Net operating cash flow	-19,841,495.31	-117,880,560.27	N/A	31,335,340.67
Basic earnings per share (RMB/share)	0.0745	0.1304	-42.87	0.241
Diluted earnings per share (RMB/share)	0.0745	0.1304	-42.87	0.241
Weighted average return on equity (%)	2.06	3.17	Down by 1.11 percentage points	6.99

### 3.2 Key financial results by quarter

Unit: RMB

	1Q (January-March)	2Q (April-June)	3Q (July-September)	4Q (October-December)
Operating revenues	200,115,522.75	244,826,793.45	288,399,353.69	278,467,940.77
Net profit attributable to shareholders of the Company	9,473,465.93	110,862,318.97	39,249,289.64	-69,619,784.50
Net profit attributable to shareholders of the Company before exceptional profit and loss	9,154,818.86	110,074,030.13	18,811,164.67	-72,528,878.03
Net operating cash flow	-39,906,984.29	-7,758,916.71	-18,758,982.40	46,583,388.09

Explanation for the difference between quarters data and disclosed Periodical Report data

Applicable  Inapplicable

### 4. Share capital and shareholders

4.1 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					82,073		
Total number of common shareholders at the prior month-end before the disclosure of this Report					80,283		
Shareholdings of top ten shareholders							
Full name of shareholder	Increase/decrease in the Reporting Period	Total shares held at the period-end	Shareholding percentage (%)	Number of restricted shares held	Pledged or frozen shares		Nature of shareholder
					Status of shares	Number of shares	
1. SHANGHAI SONGJIANG DONGJING INDUSTRIAL CORP.	0	82,082,000	6.80	0	Pledged	70,000,000	Domestic non-state-owned corporation
2. SHENZHEN NINGRUI INVESTMENT MANAGEMENT CORP.(LIMITED PARTNERSHIP)	80,394,367	80,394,367	6.66	0	Pledged	80,394,367	Other

3. SHANGHAI TOYS IMPORT & EXPORT CO., LTD.	0	39,300,000	3.26	0	N/A		State-owned corporation
4. SHENZHEN HUIHE INVESTMENT FUNDS MANAGEMENT LIMITED—SHENZHEN HUIHE FUNDS HUIHE NO. 2 SECURITIES INVESTMENT FUNDS	39,288,210	39,288,210	3.25	0	N/A		Other
5. HONG KONG SHENHAI LIMITED	-3,174,449	31,675,458	2.62	0	N/A		Foreign corporation
6. CENTRAL HUIJIN ASSET MANAGEMENT CO., LTD.	0	23,085,700	1.91	0	N/A		Unknown
7. CHONGQING INTERNATIONAL TRUST CO., LTD.—XINGGUO NO. 1 AGGREGATE FUNDS TRUST SCHEME	0	21,680,049	1.80	0	N/A		Unknown
8. CHONGQING INTERNATIONAL TRUST CO., LTD.—XINGGUO NO. 2 AGGREGATE FUNDS TRUST SCHEME	16,268,707	16,268,707	1.35	0	N/A		Unknown
9. GUOTAI JUNAN SECURITIES (HONGKONG) LIMITED	13,131,364	13,131,364	1.09	0	N/A		Foreign corporation

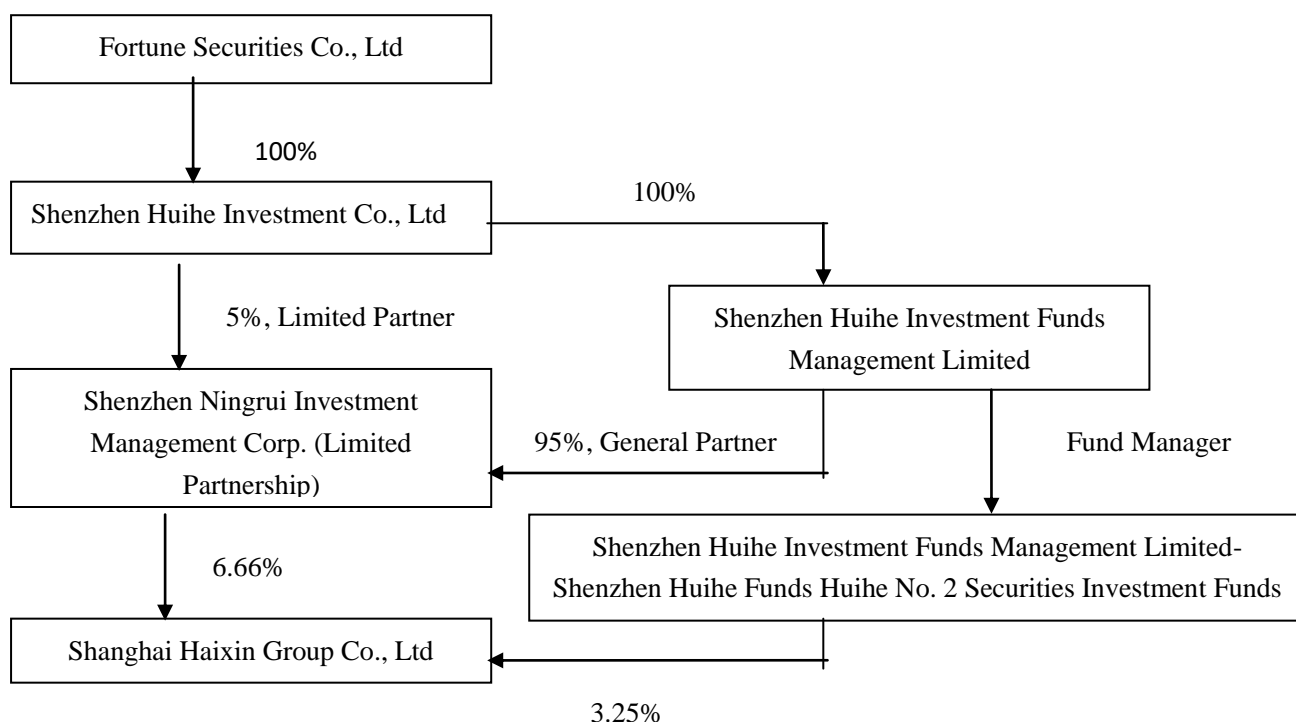
10. YUAN DEZONG	1,131,591	11,653,393	0.97	0	N/A		Domestic individual
Related or acting-in-concert parties among shareholders above		Shenzhen Ningrui Investment Management Corp.(Limited Partnership) and Shenzhen Huihe Investment Funds Management Limited—Shenzhen Huihe Funds Huihe No. 2 Securities Investment Funds are acting-in-concert parties.					

4.2 Relationship between the Company and controlling shareholders in the form of diagram

Applicable  Inapplicable

4.3 Relationship between the Company and its biggest shareholder in the form of diagram

Applicable  Inapplicable



### III Performance discussion and analysis

#### 1. Business review for the Reporting Period

For the year 2016, we achieved operating revenues of RMB1.012 billion, down 3.8% from last year, with our operating costs being RMB769 million, a year-on-year decrease of 3.8%. The selling, administrative and finance expense combined was RMB294 million, representing a rise of 5.8% from the year earlier, with an increase of 11.8%, an increase of 2.6% (down by RMB6.28 million after excluding the compensations paid by shutdown subsidiary Nanhai Haixin Plush to its dismissed employees) and a decrease of 54% respectively in the said three types of expense. For the year, we achieved net profit attributable to the Company as a parent company of RMB89.9653 million, decreasing 42.9% on a year-on-year basis.

The net profit decreased mainly because of the total impairment provisions of RMB127.1353 million made for 2016 (an increase of RMB106.6349 million from 2015), including RMB102.3276 million of inventory falling price provisions, RMB13.5134 million of bad-debt provisions and RMB11.223 million

of fixed asset impairment provisions. And impairment provisions of a large amount are: (1) for the decision made in November 2016 to shut down Nanhai Haixin Plush, an inventory falling price provision of RMB30.8289 million and a fixed asset impairment provision of RMB11.2231 million were made in 2016; (2) for the decision made in March 2017 to shut down Haixin Lining Garments, an inventory falling price provision of RMB46.0788 million and a bad-debt provision of RMB4.1918 million were made in 2016; and (3) as per the accounting policy adopted by the board of Haixin Lining Plush, an inventory falling price provision of RMB19.8911 million was made. And the impairment provisions made on other subsidiaries were of a small amount.

As of the end of 2016, our total assets stood at RMB5.428 billion, down 10.2% from last year, and our net assets stood at RMB4.147 billion, representing a year-on-year decline of 9.3%, mainly because the market price of the Changjiang Securities stock held by the Company dropped by RMB2.19/share from last year, resulting in a loss of RMB540 million on the total worth of our shareholding in Changjiang Securities.

A total of 52 enterprises were included in our final consolidated financial accounts for the year 2016, including the Company as a parent company, 34 controlled subsidiaries, 8 jointly-run companies and associates (accounted at the equity method) and 9 joint stock companies (accounted at the cost method).

In the year, our textile division contributed operating revenue of RMB391 million, with a net loss of RMB116 million, representing a 307% increase in net loss as compared to last year (mainly due to the large-amount provisions for impairment).

Our medicine division generated operating revenue of RMB627 million and net profit of RMB8.15 million, down 44% from last year, mainly because joint venture Xian Haixin Pharmaceutical Co., Ltd. caused an increase of RMB12.32 million in our consolidated loss, increasing RMB11.5 million in loss as compared to the prior year.

The real estate division generated operating revenue of RMB13.9774 million (mainly from operating income of Haixin Logistics and Haixin Construction). The net profit was RMB31.5799 million (including a consolidated net profit of RMB22.47 million from Jinxin United), increasing 37% as compared to the prior year.

The financial investment division created net proceeds of RMB184 million (mainly annual dividends from Changjiang Securities and Chang Xin Fund Management, as well as proceeds from a reduction of 2.8 million shares of Changjiang Securities, etc.), increasing 52% as compared to the prior year.

As for other business, the shutdown subsidiaries combined caused RMB3.3306 million in net loss, a decrease of 116% in profit compared to the prior year (mainly because subsidiary Shanghai Haixin Chemical Fiber Co., Ltd. contributed RMB29.2897 million to our consolidated profit due to relocation compensations in 2015, but there was no such case in 2016) and we achieved revenue of RMB34.28 million from our leased-out industrial premises in the Songjiang area, rising 37% on a year-on-year basis.

## 2. Reason for suspension of listing

Applicable  Not applicable

## 3. Particulars about facing the termination of listing

Applicable  Not applicable

## 4. If there was any change in accounting policies, accounting estimations and measurement methods as

compared to the financial report of last year, the Company shall explain the details, reasons and influence.

Applicable  Not applicable

Reasons for and influence of changes in accounting policies:

- (1) The “business tax and surtaxes” item in the income statement was changed into “taxes and surtaxes”.
- (2) The property tax, land use tax, vehicle and vessel use tax and stamp tax arising from operating activities from May 1, 2016 were reclassified from “administrative expenses” to “taxes and surtaxes”, and those taxes before that date were not restated. And the comparative data were not restated. The said change resulted in an increase of RMB8,078,875.51 in the taxes and surtaxes for 2016, as well as a decrease of the same amount in the administrative expenses for the year.

5. If there was any retroactive restatement due to correction of significant accounting errors in the Reporting Period, the Company shall explain the details, corrected amounts, reasons and influence.

Applicable  Not applicable

6. If there was any change in the scope of the consolidated financial statements as compared to the financial report of last year, the Company shall provide the details.

Applicable  Not applicable