

Stock symbol: 600851
900917

Stock name: Haixin A
Haixin B

Shanghai Haixin Group Co., Ltd.
Annual Report 2017 (Abstract)

Part I Important Notes

1. This Abstract is based on the full text of the Annual Report of Shanghai Haixin Group Co., Ltd. (inclusive of its consolidated subsidiaries, the “Company”, “Haixin Group” or “we”, except where the context otherwise requires). In order for a full understanding of the Company’s operating results, financial condition and future development planning, investors should carefully read the full text, which has been disclosed together with this Abstract on the website of the Shanghai Stock Exchange and other media designated by the China Securities Regulatory Commission (the “CSRC”).

This 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 versions shall prevail.

2. The Board of Directors (or the “Board”), the Supervisory Board as well as the Directors, Supervisors and senior management of the Company hereby guarantee the factuality, accuracy and completeness of the contents of this Report and its abstract, and shall be jointly and severally liable for any misrepresentations, misleading statements or material omissions in this Report and its abstract.

3. All the Company’s Directors have attended the Board meeting for the review of this Report and its abstract.

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

5. The Board has considered and approved the following dividend payout proposal for common shareholders for the Reporting Period:

Upon audit by the CPA firm, for the year 2017, the Company recorded net income attributable to the shareholders of the Company as the parent company of RMB105,299,012.35. Based on the net income recorded by the Company as the parent company, after withdrawing 10% (equal to RMB12,946,344.31) for statutory surplus reserves, plus the opening undistributed profit of RMB245,249,834.85 and minus the dividends of RMB27,762,303.92 payable to the common shareholders for the year 2016, the closing

undistributed profit was RMB309,840,198.97. As the proposal for the 2017 annual profit distribution, the Company intends to, based on the total shares of 1,207,056,692 on December 31, 2017, distribute a cash dividend of RMB0.30 (tax inclusive) per 10 shares, with the total cash to be distributed amounting to RMB36,211,700.76.

Up to the end of 2017, the statutory capital reserves stood at RMB434,300,720.03. Therefore, it has been proposed not to distribute share dividend converted from capital reserves for the year.

Part II Key Corporate Information

1. Stock Profile

Stock profile				
Variety	Stock exchange	Name	Symbol	Previous name
A-stock	Shanghai Stock Exchange	Haixin A	600851	
B-stock	Shanghai Stock Exchange	Haixin B	900917	

Contact information	Board Secretary	Securities Representative
Name	He Lili	Pan Ronghui
Address	18/F, Huaxin Haixin Building, 666 Fuzhou Road, Shanghai	18/F, Huaxin Haixin Building, 666 Fuzhou Road, Shanghai
Tel.	021-63917000	021-63917000
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2. Brief Introduction to Main Business Scope in Reporting Period

We are mainly engaged in the production and sale of plush & garments and medicine, financial investment, leasing & management of industrial premises, etc. No significant changes occurred to our main business cope and models during the Reporting Period.

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;
- Pharmaceutical 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, then expand the business through sales channels. 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 we manage all of such plants and collects the rents on a unified basis.

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 Information

3.1 Key Financial Information of Past Three Years

Unit: RMB

	2017	2016	2017-over-2016 change (%)	2015
Total assets	4,892,139,818.15	5,427,974,742.45	-9.87	6,044,342,463.10
Sales revenue	1,000,436,800.19	1,011,809,610.66	-1.12	1,051,820,178.86
Net income attributable to shareholders of the listed company	105,299,012.35	89,965,290.04	17.04	157,430,118.58
Net income attributable to shareholders of the listed company before nonrecurring gains and losses	96,581,607.15	65,511,135.63	47.43	106,745,408.91
Equity attributable to shareholders of the listed company	3,781,691,536.26	4,147,101,532.58	-8.81	4,574,393,741.57
Net cash flows from operating activities	13,312,981.56	-19,841,495.31	N/A	-117,880,560.27

Basic earnings per share (RMB/share)	0.0872	0.0745	17.05	0.1304
Diluted earnings per share (RMB/share)	0.0872	0.0745	17.05	0.1304
Weighted average return on equity (%)	2.67	2.06	Up by 0.61 percent age point	3.17

3.2 Key Financial Information by Quarter

Unit: RMB

	Q1 (January-March)	Q2 (April-June)	Q3 (July-September)	Q4 (October-December)
Sales revenue	185,101,988.16	260,340,296.36	290,104,920.29	264,889,595.38
Net income attributable to shareholders of the listed company	10,183,515.57	51,206,944.27	34,360,382.60	9,548,169.91
Net income attributable to shareholders of the listed company before nonrecurring gains and losses	10,593,138.11	53,959,052.62	35,487,779.69	-3,458,363.27
Net cash flows from operating activities	-46,511,103.70	17,762,318.22	8,314,822.70	33,746,944.34

Differences between the quarterly data above and what have been disclosed in the previous periodic reports:

☐ Applicable ☒ Not applicable

4. Share Capital and Shareholder Information

4.1 Numbers of Common Shareholders and Preferred Shareholders with Resumed Voting Rights as well as Holdings of Top 10 Shareholders

Unit: share

Common shareholders at period-end					74,710		
Common shareholders at month-end prior to disclosure of this Report					72,774		
Top 10 shareholders							
Full name of shareholder	Shareholding change in Reporting Period	Closing shareholding	Percentage (%)	Restricted shares	Pledged or frozen shares		Nature of shareholder
					Status	Shares	
1. SHANGHAI SONGJIANG	0	82,082,000	6.80	0	Pledged	70,000,000	Domestic non-state-ow

DONGJING INDUSTRIAL CORP.							ned juridical person
2. SHENZHEN NINGRUI INVESTMENT MANAGEMENT CO., LTD. (LIMITED PARTNERSHIP)	0	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 juridical person
4. SHENZHEN HUIHE INVESTMENT FUND MANAGEMENT CO., LTD.—SHENZHEN HUIHE FUND—HUIHE SECURITIES INVESTMENT FUND NO. 2	0	39,288,210	3.25	0	N/A		Other
5. HONG KONG SHENHAI LIMITED	-1,926,000	29,749,458	2.46	0	N/A		Foreign juridical person
6. HUANENG GUICHENG TRUST CORP., LTD. — HUANENG TRUST·JINSHA ASSEMBLED FUNDS TRUST PLAN NO. 1	23,377,260	23,377,260	1.94	0	N/A		Unknown
7. CENTRAL HUIJIN ASSET MANAGEMENT CO., LTD.	0	23,085,700	1.91	0	N/A		Unknown
8.	0	21,680,04	1.80	0	N/A		Unknown

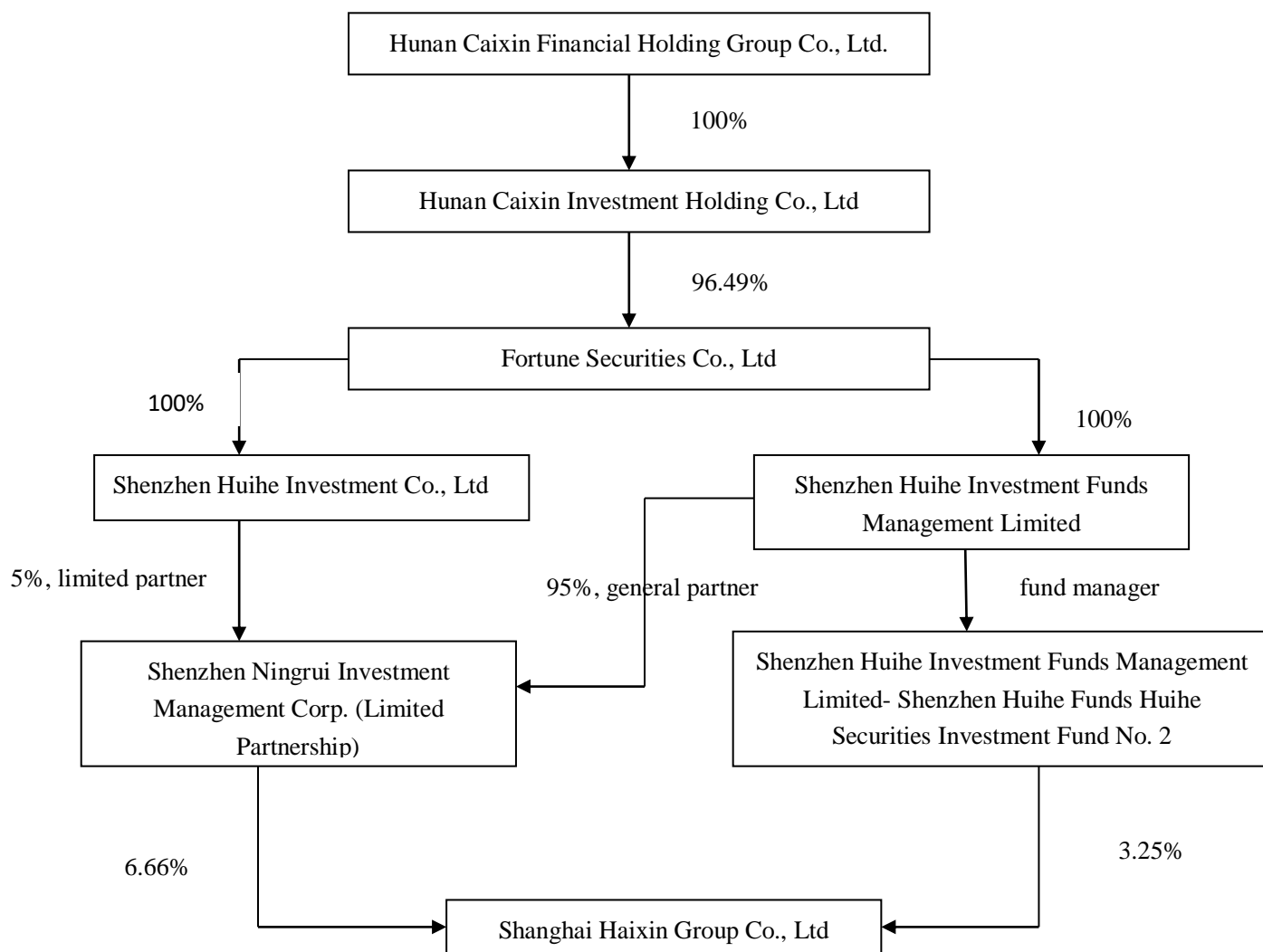
CHONGQING INTERNATION AL TRUST CO., LTD.—XINGG UO ASSEMBLED FUNDS TRUST PLAN NO. 1		9					
9. CHONGQING INTERNATION AL TRUST CO., LTD.—XINGG UO ASSEMBLED FUNDS TRUST PLAN NO. 2	0	16,268,70 7	1.35	0	N/A		Unknown
10. NINGBO MEISHAN BONDED PORT EXCHANGE AND INVESTMENT CO., LTD.	16,219,67 2	16,219,67 2	1.34	0	N/A		Unknown
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 Securities Investment Fund No. 2 are acting-in-concert parties.					

4.2 Relationship between the Company and Its Controlling Shareholder

☐ Applicable ☒ Not applicable

4.3 Relationship between the Company and Its Biggest Shareholder

√ Applicable ☐ Not applicable



Note: The partnership structure of Shenzhen Ningrui Investment Management Corp. (Limited Partnership) has changed, but its actual controller remains the same. For further information, see the Indicative Announcement of Shanghai Haixin Group Co., Ltd. on Change in Partnership Structure of Shenzhen Ningrui Investment Management Corp. (Limited Partnership) disclosed on February 5, 2018 on Shanghai Securities News, China Securities Journal, Securities Times, Ta Kung Pao (HK) and the website of the Shanghai Stock Exchange (<http://www.sse.com.cn>).

4.4 Number of Preferred Shareholders and Top 10 of Them at Period-End

☐ Applicable ☒ Not applicable

5. Corporate Bonds

☐ Applicable ☒ Not applicable

Part III Company Performance Discussion and Analysis

1. Business Overview of Reporting Period

For the year 2017, the Company recorded sales revenue of RMB1 billion, down 1.12% from last year, with the cost of sales being RMB694 million, a year-over-year decline of 9.73%. For the year, net income attributable to the Company (as the parent company) reached RMB105.299 million, expanding 17.04% on a year-over-year basis. Allowance for asset impairments was down by RMB109.9651 million compared to 2016.

As of the end of 2017, the Company's total assets stood at RMB4.892 billion, down 9.87% from last year, mainly because the price of the Changjiang Securities stock held by the Company dropped by RMB2.36/share from last year, reducing the Company's total assets by RMB586 million. And the Company's net asset value stood at RMB3.782 billion, representing a year-over-year decline of 8.81%.

A total of 52 enterprises were included in the Company's final financial accounts for the year 2017, including the Company as the parent company and 34 controlled subsidiaries (included in the consolidated financial statements), 8 jointly-run companies and associates (accounted for using the equity method) and 9 joint stock companies (accounted for using the cost method).

In the year, the textile division recorded sales revenue of RMB453 million, with operating income of RMB6.05 million excluding non-comparable factors such as the shutdown Nanhai Plush and Haixin Lining Garments.

The pharmaceutical division recorded sales revenue of RMB567 million and contributed consolidated net income of RMB8.16 million.

The financial investment division created net proceeds of RMB107 million, decreasing 41.86% as compared to the prior year.

The real estate and property management division (including the shutdown subsidiaries) recorded sales revenue of RMB51.15 million and contributed consolidated net income of RMB35.3912 million.

2. Suspension of Listing and Explanation of why

☐ Applicable ☒ Not applicable

3. Termination of Listing and Explanation of why

☐ Applicable ☒ Not applicable

4. Changes in Accounting Policies and Estimates, as well as Reasons and Influence

☒ Applicable ☐ Not applicable

As per the Ministry of Finance's Notice of Issuing and Printing Accounting Standard No. 42 for Business Enterprises—Non-Current Assets and Disposal Groups Held for Sale and Discounted Operations (CK [2017] No. 13), the Company adopts the new standard starting from May 28, 2017. And the Company had no matters related to non-current assets and disposal groups held for sale and discontinued operations in 2017.

As per the Ministry of Finance's Notice of Issuing and Printing Revised Accounting Standard No. 16 for Business Enterprises—Government Subsidies (CK [2017] No. 15), the Company adopts the revised standard starting from June 12, 2017. This accounting policy change only affected how financial statement items were presented and had no impact on the Company's profit/loss, total assets or net asset value in 2017, and did not involve any retrospective restatements of profit/loss.

5. Correction of Material Accounting Errors, as well as Reasons and Influence

☐ Applicable ☒ Not applicable

6. YoY Changes in Scope of Consolidated Financial Statements

☐ Applicable ☒ Not applicable

No changes occurred to the scope of the consolidated financial statements of 2017.