

Stock code: 600851

900917

Stock name: Haixin

Haixin-B

**Shanghai Haixin Group Co., Ltd.**  
**Annual Report 2019 (Summary)**

## **Part I Important Notes**

1. This Summary 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”; exclusive of subsidiaries, the “Company as the parent”, 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 Summary on the website of the Shanghai Stock Exchange and other media designated by the China Securities Regulatory Commission (the “CSRC”).

This Summary 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 (or the “Board”), the Supervisory Committee 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 summary, and shall be jointly and severally liable for any misrepresentations, misleading statements or material omissions in this Report and its summary.

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

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 ordinary shareholders for the Reporting Period:

Upon audit by the CPA firm, for the year 2019, the Company recorded a net profit attributable to the listed company’s shareholders of RMB103,940,134.72. Based on the net profit of the Company as the parent, after withdrawing 10% (equal to RMB9,421,124.55) for statutory surplus reserves, plus the beginning undistributed profit of RMB399,235,999.72, the adjustment of RMB-2,073,831.97 to undistributed profit due to the adoption of new accounting standards at the beginning of the period, and minus the dividends of RMB42,246,984.22 payable to the ordinary shareholders for the year 2018, the ending undistributed profit was RMB449,434,193.70.

As the proposal for the 2019 annual profit distribution, the Company intends to, based on the total shares of 1,207,056,692 on 31 December 2019, 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 2019, the statutory capital reserves stood at RMB429,388,003.41. 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	Code	Previous name
A-stock	Shanghai Stock Exchange	Haixin	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
E-mail address	hxsecretary@haixin.com	prh@haixin.com

### 2. Brief Introduction to Main Business Scope 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 and property, 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, with the latter as the focus) 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 and property——we lease out the plants of our shutdown subsidiaries and vacant properties of subsidiaries in normal operation, and we manage all of such properties and collect 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 Information

#### 3.1 Key Financial Information of Past Three Years

Unit: RMB

	2019	2018	2019-over-2018 change (%)	2017
Total assets	5,158,500,594.34	4,509,445,358.47	14.39	4,892,139,818.15
Operating revenue	1,111,742,408.11	1,098,675,770.39	1.19	1,000,436,800.19
Net profit attributable to shareholders of the listed company	103,940,134.72	135,250,355.63	-23.15	105,299,012.35
Net profit attributable to shareholders of the listed company before exceptional gains and losses	42,660,472.74	123,216,108.42	-65.38	96,581,607.15
Equity attributable to shareholders of the listed company	3,848,709,791.06	3,420,684,395.47	12.51	3,781,691,536.26

Net cash generated from/used in operating activities	-26,015,409.43	55,503,931.33	-146.87	13,312,981.56
Basic earnings per share (RMB/share)	0.0861	0.1120	-23.13	0.0872
Diluted earnings per share (RMB/share)	0.0861	0.1120	-23.13	0.0872
Weighted average return on equity (%)	3.01	3.75	Down by 0.74 percentage point	2.67

### 3.2 Key Financial Information by Quarter

Unit: RMB

	Q1 (January-March)	Q2 (April-June)	Q3 (July-September)	Q4 (October-December)
Operating revenue	224,896,589.82	278,149,788.42	366,723,095.67	241,972,934.20
Net profit attributable to shareholders of the listed company	22,754,351.90	46,985,052.47	26,197,754.12	8,002,976.23
Net profit attributable to shareholders of the listed company before exceptional gains and losses	20,824,633.76	6,497,547.77	24,560,016.96	-9,221,725.75
Net cash generated from/used in operating activities	-37,280,013.78	7,442,455.34	-73,421,175.72	77,243,324.73

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

Ordinary shareholders at period-end		68,650				
Ordinary shareholders at month-end prior to disclosure of this Report		72,031				
Top 10 shareholders						
Full name of shareholder	Shareholding change	Ending shareholding	Percentage (%)	Restricted shares	Pledged or frozen shares	Nature of shareholder

	in Reporting Period	ng			Statu s	Share s	
1. SHENZHEN NINGRUI INVESTMENT MANAGEMENT CO., LTD. (LIMITED PARTNERSHIP)	37,518,741	131,358,292	10.88	0	N/A		Other
2. SHANGHAI SONGJIANG DONGJING INDUSTRIAL CORP.		82,082,000	6.80	0	N/A		Domestic non-state-owned legal person
3. SHENZHEN UNION DEVELOPING INVESTMENT CO., LTD		60,005,808	4.97	0	N/A		Unknown
4. SHANGHAI TOYS IMPORT & EXPORT CO., LTD.		39,300,000	3.26	0	N/A		State-owned legal person
5. SHENZHEN HUIHE INVESTMENT FUND MANAGEMENT CO., LTD.—SHENZHEN HUIHE FUND—HUIHE SECURITIES INVESTMENT FUND NO. 2		39,288,210	3.25	0	N/A		Other
6. HONG KONG SHENHAI LIMITED		29,749,458	2.46	0	N/A		Foreign legal person
7. CENTRAL HUIJIN ASSET MANAGEMENT CO., LTD.		23,085,700	1.91	0	N/A		Unknown
8. CHONGQING		21,680,049	1.80	0	N/A		Unknown

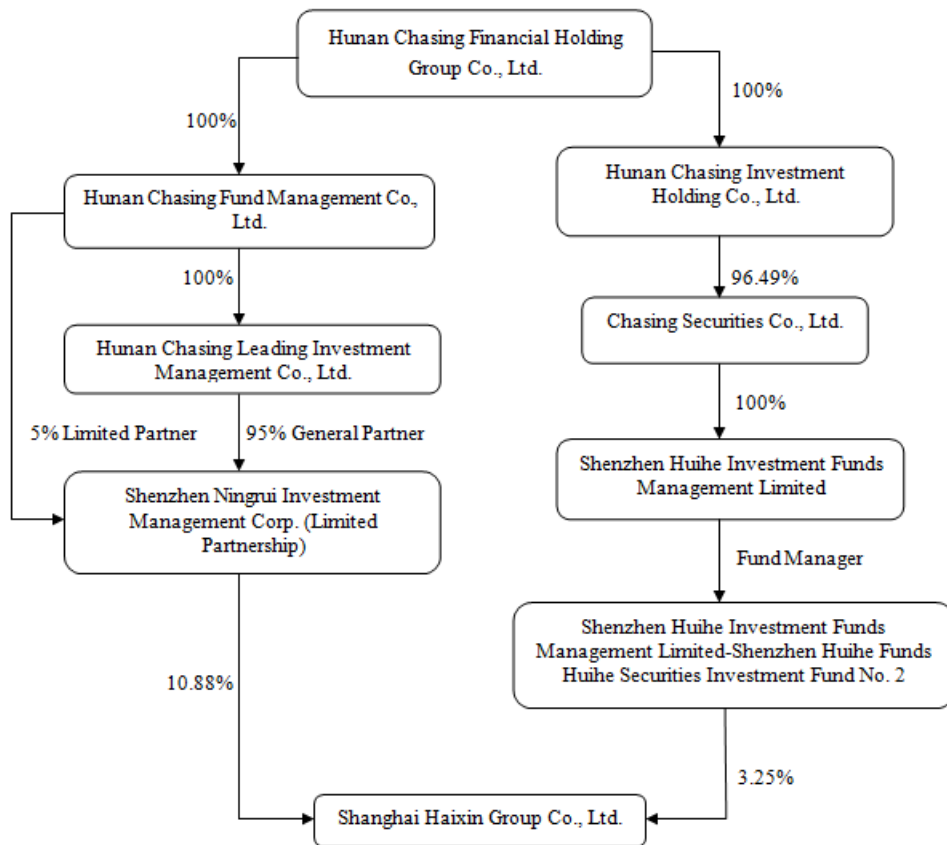
INTERNATIONAL TRUST CO., LTD.—XINGGUO ASSEMBLED FUNDS TRUST PLAN NO. 1							
9. CHONGQING INTERNATIONAL TRUST CO., LTD.—XINGGUO ASSEMBLED FUNDS TRUST PLAN NO. 2		16,268,707	1.35	0	N/A		Unknown
10. NINGBO MEISHAN BONDED AREA CONVECTION INVESTMENT CO., LTD.	-1,004,778	14,037,604	1.16	0	N/A		Unknown
Related 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 De Facto Controller

Applicable  Not applicable



#### 4.4 Number of Preferred Shareholders and Shareholdings of Top 10 of Them at the Period-end

Applicable  Not applicable

#### 5. Corporate Bonds

Applicable  Not applicable

### Part III Operating Performance Discussion and Analysis

#### 1. Business Overview of the Reporting Period

For the year 2019, the Company recorded consolidated operating revenue of RMB1.112 billion with a year-on-year increase of 1.19%; cost of sales of RMB0.653 billion with a year-on-year decline of 0.10%; allowance for asset impairment of RMB32.709 million with a year-on-year increase of 164.17%; and a net profit attributable to the Company as the parent of RMB103.9401 million with a year-on-year decrease of 23.15%.

As of the end of 2019, the Company's total assets stood at RMB5.158 billion with a year-on-year growth of 14.39%, mainly because the market price of the Changjiang Securities stock held by the Company increased by RMB0.494 billion; the net assets stood at RMB3.849 billion with a year-on-year increase of 12.52%.



A total of 52 enterprises were included in the Company's final financial accounts for the year 2019, including the Company as the parent and 34 majority-owned subsidiaries which were 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 the operating revenue of RMB0.464 billion and consolidated net profit of RMB-4.9416 million;

The pharmaceutical division recorded the operating revenue of RMB0.629 billion and consolidated net profit of RMB38.8842 million;

The financial investment division created net proceeds of RMB53.9739 million with a year-on-year decline of 37%;

The real estate and property management division recorded the operating revenue of RMB77.827 million and consolidated net profit of RMB48.3546 million (of which, RMB27.6451 million was generated from Jinxin United and RMB21.9531 million was from shutdown subsidiaries).

## 2. Reason for Suspension of Listing

Applicable  Not applicable

## 3. Possibility of Listing Termination and Reason Thereof

Applicable  Not applicable

## 4. Analysis on Reasons for and Influence of Changes in Accounting Policies and Accounting Estimates

Applicable  Not applicable

On 31 March 2017, the Ministry of Finance issued the revised versions of the Accounting Standard No. 22 for Business Enterprises—Recognition and Measurement of Financial Instruments, the Accounting Standard No. 23 for Business Enterprises—Transfer of Financial Assets, and the Accounting Standard No. 24 for Business Enterprises—Hedge Accounting; and on 2 May 2017, the Ministry of Finance issued the revised version of the Accounting Standard No. 37 for Business Enterprises—Presentation of Financial Instruments (collectively referred to as the “New Accounting Standards Governing Financial Instruments”). Companies listed both domestically and overseas are required to adopt the New Accounting Standards Governing Financial Instruments from 1 January 2018, and other domestically listed companies from 1 January 2019.

The Company has adopted the New Accounting Standards Governing Financial Instruments since 1 January 2019. As per the regulations regarding the transition from the old to the new accounting standards in the New Accounting Standards Governing Financial Instruments, the Company did not retrospectively restate the comparative statements of 2018, but just adjusted retained earnings or other comprehensive income on 1 January 2019.

5. Analysis on Reasons for and Influence of Correction of Material Accounting Errors

Applicable  Not applicable

6. YoY Changes in the Scope of Consolidated Financial Statements

Applicable  Not applicable