

Shanghai Sanmao Enterprise (Group) Co., Ltd. Annual Report 2015

Important Notice

- I. Hereunder, the Board of Directors, the Supervisory Board, directors, supervisors and senior executives of the Company guarantee that the Annual Report is of authenticity, accuracy and integrity; it contains no major omission, false record or serious misleading statement; they will be responsible both individually and jointly for any of above guaranty.
- II. All directors attended the Board meeting.
- III. Shanghai Shu Lun Pan Certified Public Accountants LLP produced for the Company a standard unqualified auditor's report.
- IV. Company responsible person Zou Ning, responsible person for accounting Zhou Zhiyu and Chief of financial department (accounting chief) Zhou Zhiyu hereby declare that the financial report in the annual report is true, accurate and complete.
- V. Report period profit distribution preplan or preplan for capital reserve transfer to increase capital stock as audited by the board
As audited by Shanghai Shu Lun Pan Certified Public Accountants LLP, net profit of the parent company in the year 2015 being -31,379,382.20 yuan.
Undistributed profit of parent company is as follows:
Starting undistributed profit: -61,363,272.07 yuan;
Net profit report year: -31,379,382.20 yuan;
Undistributed net profit at period end 2015: -92,742,654.27yuan
Considering the fact that the undistributed profit of parent company at period end 2015 is negative, it is therefore proposed: for the year 2015 not to distribute profit, or increase capital stock with capital reserve.
- VI. Forward-looking risk statements
Any prospective statement in this report concerning future planning, strategic development etc. shall not constitute any substantial promise of the Company to its investors. Investors please be reminded of such.
- VII. Non-recurring fund occupation by the controller or its related parties exists or not?
No
- VIII. External guaranty violating related procedures exists or not?
No
- IX. Significant Risk Warning
The company has a detailed description of the presence of industry risk, market risk, etc in this report, please check the relevant contents of risk factors in the discussion and analysis that the company may face in the future development and strategies to that in the part of management operation and analysis.
- X. Others
No

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Chapter I Definitions

I. Definitions

Terms used in this report means the following except for otherwise specified:

Definition of frequently used terms		
CSRC	Refers to	China Securities Regulatory Commission
Shanghai Stock Exchange	Refers to	the Shanghai Securities Exchange
The Company, Shanghai Sanmao, Sanmao Group, the Group	Refers to	Shanghai Sanmao Enterprise (Group) Co., Ltd.
The controlling shareholder, Chongqing Textile	Refers to	Chongqing Textile Holdings (Group) Co., Ltd.
Yi Top Company	Refers to	Shanghai Yi Top Textile Co., Ltd.
Jia Yi Venture	Refers to	Shanghai Jia Yi Venture Investment Co., Ltd.
KONAKA	Refers to	Shanghai KONAKA clothing Co., Ltd.
Asahi branch	Refers to	Shanghai Sanmao Enterprise (Group) Co., Ltd. Asahi branch costumes
Sanmao Security	Refers to	Shanghai Sanmao Security Service Co., Ltd.
New Sanjin	Refers to	Shanghai Sanjin Import and Export Co., Ltd.
Baoji Lingyun	Refers to	Shaanxi Baoji Lingyun Wanzheng Circuit Board Co., Ltd.
Sales Branch	Refers to	Shanghai Sanmao Enterprise (Group) Co., Ltd. Sales Branch
yuan	Refers to	RMB yuan

Chapter II Company Profiles & Major Finance Indicators

I. Company information

Statutory company name in Chinese	上海三毛企业（集团）股份有限公司
Statutory Chinese Abbreviation of the Company	上海三毛
English name of the Company	Shanghai Sanmao Enterprise (Group) Co., Ltd.
English abbreviation of the Company	SMEG
Legal representative	Zou Ning

II. Contact information

	Board secretary	Securities Affairs Representative
Name	Shen Lei	Wu Xiaoying
Address	No. 51, Lane 200 Xiasha New Street, Pudong New Area, Shanghai	No. 51, Lane 200 Xiasha New Street, Pudong New Area, Shanghai
Tel.	021-63059496	021-63059496
Fax	021-63018850	021-63018850
Email	shenl@600689.com	wuxy@600689.com

III. Basic information of the Company

Registered address	Room 1401-1405, No. 1476 and 1482, Pudong Avenue, Pudong New Area
Post code	200135
Office address	No. 51, Lane 200 Xiasha New Street, Pudong New Area, Shanghai
Post code	201317
Website	www.600689.com
Email	sanmaogroup@600689.com

IV. Information disclosure media and placement

Designated media for info disclosure	Shanghai Securities News, Hong Kong Wen Wei Po
Website designated by China Security Regulatory Commission for disclosure of annual report	www.sse.com.cn
Annual Report placed at	No. 51, Lane 200 Xiasha New Street, Pudong New Area, Shanghai

V. Company stock information

Stock Profiles of the Company				
Stock type	Stock exchange listed at	Short form of stock	Stock code	Short form of stock before changing
A-share	Shanghai Stock Exchange	Shanghai Sanmao	600689	*ST Sanmao
B-share	Shanghai Stock Exchange	Sanmao B-share	900922	*ST Sanmao B-share

VI. Miscellaneous

CPAs' employed by the Company (Domestic)	Title	Shanghai Shu Lun Pan Certified Public Accountants LLP (Limited Liability Partnership)
	Office address	4F New Huangpu Financial Building, No. 61 Nanjing Rd. E.
	CPAs to sign	Tian Hua, Wu Haiyan
Financial adviser to perform the duties of continuous supervision and guidance during the reporting period	Title	Guojin Securities Co., Ltd.
	Office address	23 F 1088 International Building Shichiku, Fang Dian Road, Pudong New Area, Shanghai
	CPAs to sign	Xie Zhengyang, Yang Qin
	The period of continuous supervision and guidance	2014-12—2015-12

VII. Major accounting data and financial indicators of the last three years**(I) Major accounting data**

Unit: RMB yuan

Major accounting data	2015	2014	Growth over same period prior year (%)	2013	
				After adjustment	Before adjustment
Operating revenue	1,128,476,975.39	1,284,936,742.95	-12.18	1,657,210,234.22	1,657,210,234.22
Net profit attributable to shareholders of the listed company	-38,768,776.04	60,007,420.97	-164.61	-47,148,670.13	-47,182,653.98
Net profit after deducting non-recurring gains/losses attributable to shareholders of the listed company	-36,625,257.12	-38,592,286.11		-114,219,074.43	-114,253,058.28
Net cash flow from operating activities	40,813.10	-5,960,237.53		-136,994,229.18	-136,968,174.16
	End of 2015	End of 2014	Growth over same period prior year (%)	End of 2013	
				After adjustment	Before adjustment
Net asset attributable to shareholders of the listed company	328,975,159.02	406,069,919.50	-18.99	322,947,750.53	318,415,161.18
Total assets	764,006,974.95	826,222,983.46	-7.53	890,194,884.03	885,896,558.44
Ending general capital	200,991,343.00	200,991,343.00	0	200,991,343.00	200,991,343.00

(II) Major financial indicators

Major financial indicators	2015	2014	Growth over same period prior year (%)	2013	
				After adjustment	Before adjustment
Basic EPS (yuan/share)	-0.19	0.30	-163.33	-0.23	-0.24

Diluted EPS (yuan/share)	-0.19	0.30	-163.33	-0.23	-0.24
Basic EPS after deducting non-recurring gains/losses (yuan/share)	-0.18	-0.19		-0.57	-0.48
Weighted average net assets earnings ratio (%)	-10.37	16.46	Decreased by 163.00 percentage points	-13.76	-12.31
Weighted average net assets earnings ratio after deducting non-recurring gains/losses (%)	-9.79	-10.59		-33.32	-25.09
Net asset per share attributable to shareholders of the listed company (yuan/share)	1.64	2.02	-18.81	1.61	1.80

VIII. Accounting data difference domestic and international accounting standards

(I) Difference between the net profit in the financial report and the net asset attributable to shareholders of the listed company released simultaneously in accordance with both the international accounting standards and the national accounting standards of China

applicable inapplicable

(II) Difference between the net profit in the financial report and the net asset attributable to shareholders of the listed company released simultaneously in accordance with both the offshore accounting standards and the national accounting standards of China

applicable inapplicable

IX. 2015 quarterly major financial data

Unit: RMB yuan

	First quarter (Jan to Mar)	Second quarter (Apr to June)	Third quarter (July to Sep)	Fourth quarter (Oct to Dec)
Operating revenue	326,589,639.00	243,491,705.93	247,702,773.08	310,692,857.38
Net profit attributable to shareholders of the listed company	-11,471,990.70	345,393.55	-8,977,287.32	-18,664,891.57
Net profit after deducting non-recurring gains/losses attributable to shareholders of the listed company	-4,782,386.44	-2,027,769.28	-10,159,247.01	-19,655,854.39
Net cash flow from operating activities	5,135,011.90	4,009,625.38	-14,158,694.72	5,054,870.54

Explanation on the difference between quarterly data and periodic reports data have been disclosed

applicable inapplicable

X. Items and amount of non-recurring gains/losses

applicable inapplicable

Unit: RMB yuan

Items of non-recurring gains/losses	Amount 2015	Amount 2014	Amount 2013
Gains/losses from disposal of non-current assets	954,400.78	124,029,773.62	56,843,332.20
Exceeded authority or without official approval document or incidental tax revenue return, relief			
Government subsidy into current profit except for government subsidy related to the Company's operation, enjoyed by certain state standard or certain quota	1,107,099.05	1,447,946.47	4,169,201.13
Funds occupation fee received from non-financial enterprises through profit and loss			56,925.33
Enterprises to obtain subsidiaries, associates and joint venture investment cost is less than the investment made eligible investment unit fair value of identifiable net assets of the revenue			
Non-monetary assets exchange gains and losses			
Gains and losses from commissioned investment or asset management			
The impairment provision for the asset impairment due to			

force majeure, such as natural disasters			
Debt restructuring gains and losses			
Corporate restructuring costs, such as staffing expenses and integration costs			
Significant loss of fair trading price of the transaction over the fair value of the portion of gains and losses			
Subsidiary under common control business combination generated consolidated net profit or loss from the beginning to date			
Gains/losses from contingencies irrelevant to the company's normal operation	-60,000,000.00		-16,761,485.70
Gains/losses from fair value movement of tradable financial assets, tradable financial liabilities held except for valid hedging business related with company's normal operation, and investment income acquired from disposal of tradable financial assets, tradable financial liabilities and financial assets available for sale	56,677,216.30	4,990,010.84	2,427,317.08
Impairment of receivables separate impairment test back			
The gains and losses of commissioned loans			
Gains and losses from changes in fair value of investment property using the fair value model for subsequent measurement of the resulting			
Affect of a one-time adjustment on the current gains and losses according to tax, accounting and other laws and regulations requires.			
Custodian fee income of entrusted operation			
Non-operating income/expense apart from above	-17,042.44	-320,476.61	21,060,985.16
Other profit and loss items in line with the definition of non-recurring gains and losses			
Minor shareholders' equity impact (after tax)	58,081.39	-7,224.10	-225,997.10
Income tax impact	-923,274.00	-31,540,323.14	-499,873.80
Total	-2,143,518.92	98,599,707.08	67,070,404.30

XI. Items calculated by fair value

Unit: RMB yuan

Item name	Starting balance	Closing balance	Current movement	Impact on current profit
Financial assets				
1. Financial assets measured by fair value whose movement into current P&L (excluding derivative financial assets)	8,484,097.00	629,375.00	-7,854,722.00	1,627,547.25
2. Financial assets available for sale	59,819,756.00	11,510,478.17	-48,309,277.83	53,940,108.13
Total	68,303,853.00	12,139,853.17	-56,163,999.83	55,567,655.38

Chapter III Business Overview

I. The main business the company engaged in, the business model and industry situation during the reporting period

During the reporting period, the main business the company engaged in includes the import and export services, security services and circuit board manufacturing. Regarding the import and export services, a subsidiary of the company Sanjin Import and Export Co., Ltd. and the sales subsidiary of the company achieved transaction services according to the orders from overseas and domestic manufacturers production situation, through procurement, export, foreign exchange and tax rebates. The security service was conducted mainly by the subordinate Sanmao Security Service Co., Ltd., to provide security service for the customer units. Circuit board manufacturing was mainly done by the company's subordinate Baoji Lingyun company, through production subject to orders, manufacturing and processing for the customers single and double-sided circuit boards and multi-layer printed circuit boards.

Public data shows that the company's import and export of textiles industry saw a further decline in the amount of exports, and the drop expanded; In November 2015 China's textile and apparel exports amounted to about 21.982 billion dollars,

year-on-year decrease of 9.71%, a decrease of 7.07% from previous month (data sources on the world clothing shoes and hats website). The year 2016 is expected to maintain a weak recovery trend. Therefore, in the next year, the company's import and export business is likely to remain in the transition state of seeking breakthroughs.

The Company's subordinate Sanmao Security Service Co. Ltd. is a professional security service enterprise, moving from grade three qualification to grade two qualification. As of June 2015, 83 security service companies had been awarded grade certificates issued by Shanghai City Security Services Industry Association, more intense competition in the market has been seen, but also a substantial increase emerged in market demand.

As for the circuit board manufacturing, it is currently facing a bottleneck of market integration and technology improvement. While maintaining the current status quo, the company is paying close attention to the changes in the industry, and then decides on the next arrangement.

II. Elaboration of significant changes on major assets during report period

Major Assets	Change ratio of current closing amount against that of precious period (%)	Remarks on Changes
Monetary fund	-40.05	At the end of year, a reduction of 54.49 million yuan of funds from that of year start, mainly because of 60 million yuan caused by assuming joint responsibility in the case of CITIC Bank financial contract disputes.
financial assets measured by fair value and booked into current P&L	-92.58	a reduction of 7.85 million yuan closing against starting amount, mainly because 8.09 million yuan's tradable financial assets was sold in reporting period, adding new shares by 40,000 yuan, plus value increase of 200,000 yuan of shares held over a year.
Accounts receivable	81.04	an increase of 21.25 million yuan closing amount over starting amount, including: a reduction of 190,000 yuan in net accounts receivable due over one year, an addition of 21.44 million yuan in net accounts receivable within one year, mainly because income from trade business in reporting period not yet settled
long-term equity investment	399.01	5 million yuan investment in Shanghai KONAKA Apparel Co., Ltd., 1.71 million yuan investment in Shanghai Wantu Yunyi Investment Development Co., Ltd.

III. Analysis of the core competitiveness of the reporting period

Although lying in the main stage of adjustment, the company focused on the core competitiveness cultivation. As a textile enterprise with a long history, the company's core competitiveness is mainly embodied in the aspects of resources. The first resource is land. The company currently owns in Shanghai mainly 5 industrial and commercial real estate resources, with a total floor area of about 50,000 square meters. The effective use of these resources is the base for the company's business transformation during these years. The second resource is brands. The company had paid much attention to the cultivation and development of its own traditional clothing brands, and currently holds the following apparel brands: Earth brand trousers, Asahi gentleman clothes, Konaka clothing, Sandie women's clothing and so on. The company is also planning to build its own service brand in the service sector. There is still a long way to go if it really wants to make the resources the core competence for shareholder returns to support the company's sustained profitability and development, in order to maintain the status of market, and it needs the Company to unswervingly continue to work hard and needs to continue to invest and maintain.

Chapter IV Discussion and Analysis by the Management

I. Discussion and analysis by the management

In 2015 Shanghai Sanmao Group suffered from the early Meisuo case lost in the lawsuit with CITIC Bank over guaranty dispute, resulting in significant litigation claims, leading to the Group's 2015 annual loss. At the same time the asset restructuring project which lasted nearly a year was also declared to terminate for various reasons. Facing the unfavorable situation, the company adopted positive measures to react properly, adopted the down-to-earth attitude internally, took courage to start from the interior to promote change; externally actively expanded the channels to seek new industry direction, explored new management mode, which has laid a solid foundation for the company to further future restructuring and development.

II. Operational status of the reporting period

The company's 2015 annual revenues totaled 1.12848 billion yuan, representing a decrease of 156.46 million yuan, or a cumulative decline of 12.18%, mainly due to a decline in foreign trade business as well as domestic production and sales of flat tops.

The total profit of the year 2015 of the company was -46.76 million yuan; net profit attributable to shareholders of the listed company was -38.77 million yuan, mainly due to the 60 million yuan joint responsibility bearing as a result of undertaking financial contract dispute with CITIC Bank.

According to the development strategy planning, the company moved its headquarters to Xiasha Park, which greatly reduced the cost of office space. The original office space is leased out through replacement, which increased rental income for the company, and also makes the quality of the park effectively improved.

During the reporting period, the company made the best use of the advantages and bypassed the disadvantages: it broke the holdings limitation, explored the new mode of equity services, regulated the new management mode.

In the year 2015 regarding external investment, the company abandoned the previous practice where investment must be subject to obtaining the control right, cooperated with professional teams with dedication and professionalism to carry out the depth of cooperation in the level of business and capital, to realize complementary advantages, to put into full play of the listed company standardized management advantages; through service participation and guiding joint venture company's management team to standardize the operation, the company introduced a number of potential business projects.

- Investment in the Sanmao Ant Nest

According to the layout of the sector investment, through the subordinate subsidiary Shanghai Jia Yi Venture Capital Co., Ltd. (hereinafter referred to as the "Jia Yi Venture Capital") in cooperation with Shanghai Antz Investment Management Co., Ltd., the Company provides site (located in the center of the originally office space), Antz provides funding, the two sides complementing each other, having made the said property a benchmark "Internet + education" "ant nest" base. The joint venture company's operation is the charge of Antz who excels in planning, design, investment, operation and so on, with brand and professional team advantage, and Jia Yi Venture Capital is responsible for normalizing the financial management, participating in Internet + Education incubation project screening assessment. The investment focuses both on the current interests and long-term development, causing the company to gain in the two aspects of rental and ownership.

- Investment in Wantu China Fuke

In a similar mode as the cooperation with the "Antz", using its own property of Yangshupu Road Fisherman's Wharf phase II properties, cooperated with Shanghai Wantu Investment Development Co., Ltd., the Group has built the "Public Funding Base", which serves as project reserves for the future transformation to the service industry and the electronics industry.

- Softbank Innovation Fund

In order to explore the mode of fund investment, through a wholly owned subsidiary of Jia Yi Venture Capital, the Group participated in the establishment of Ningbo Meishan Bonded Port Softbank Lin Yi Innovation No.1 Investment Management Partnership (Limited Partnership) Co., Ltd. After the establishment of the fund, special fund investment was made in Shanghai Hujia Culture Communication Co., Ltd. for the enlarging of shares project (the Hujiang Web project).

During the reporting period, the company also carried out its brand strategy, in spite of the fierce market, and adhered to the clothing brand investment.

- Konaka Fund Enlargement

Shanghai Sanmao Group is a textile enterprise originated in garment fabric manufacturing, and thus retaining the clothing brands is the heritage of the blood of the textile, and also the basis of the market for Shanghai Sanmao brand awareness. The Company cooperated in 2012 with Japan Konaka Co., Ltd. and set up a joint venture named Shanghai Konaka Garment and Finery Co., Ltd., and had the Chinese "Konaka" trademark registered, held by the company. In more than three years of operation, the Konaka company's management team, on the one hand, started to learn from the Japanese side retail management methods, and on the other hand, made beneficial exploration to the clothing retail market, and gained a lot of valuable experience and on the basis of which began to try on the internet marketing. At present, the annual turnover stabilizes around 6.5 million yuan. In view of further exploring of the market needs by Konaka, both sides in 2015 respectively added 5 million yuan to help increase the brand publicity.

- Exploring Sandie Brand Dresses

"Sandie" is Shanghai Sanmao's old brand, originally mainly used for its fabric products. In order to build a perfect brand clothing series, relying on the Group's Asahi branch original customized uniform platform, the Group spared valuable business facade, experiments on establishing lady's professional dress designer gathering shops. This year, the Group funded the exploration of joint sales for the shops in the Konaka category.

The company also focused on the strengthening of its service sector according to the strategic thinking of transformation and development, tilted to the beneficial enterprise resources.

Sanmao Security is one of the companies of the Group among the investment of transition projects in a good development trend. After 3 years of continuous development, it has been awarded the security service qualification Grade III. According to the development needs of the Group followed the principle of centering beneficial resources to excellent enterprises, added a capital of 20 million yuan, to help Sanmao Security to win Grade II security qualification.

During the reporting period, the company's affiliated enterprises endeavored to tackle problems and difficulties to work for the better.

1. The transformational projects in steady development

The year 2015 is a time when Sanmao Security maintained a steady development trend in marketing exploration. The annual operating income realized was 49.48 million yuan, net profit 2.41 million yuan, both a significant growth. At the beginning of the year the company completed its evaluation of security service enterprise Grade III. At the same time, the company has filed for Grade III technology security enterprise qualification, and vigorously expanded the business in the field of technology, so as to lay a solid foundation to build modern security service brand integrating manual security and technology security.

In the past year, Baoji Lingyun clutched the high profit-yielding multilayer board market, achieved great breakthrough in civilian sales market, and reached the good momentum of mutual development of both military and civil sectors. The annual operating income reached 25.55 million yuan, net profit 1.43 million yuan. in the course of the year 2015, the company successfully passed UL certification audit and product inspection and supervision of the quality system; made technological transformation investment, solving the problem of production bottleneck in multilayer. At the same time, through technical research, the company developed the thick gold electroplating production process, the new process of multilayer heat radiation and cold pressing plate.

2. Brand projects moved forward in the process of exploration

Asahi branch company played an important role in the "rebirth" of the "Sandie" brand. Through a year of operation, efforts were made to build a designer integrated retail service platform, via introduction of both single designer products and multi designers products, to establish a competition mechanism to achieve the status of survival of the fittest, and moving hand-in-hand with the outstanding designers in a win-win situation.

3. Trade and manufacturing subordinates seeking development and transformation in adversity

The newly established Sanjin company and the sales branch company center on a stable business scale, putting business risk prevention in the first place according to its own characteristics. The two companies' annual operating income amounted to about 1.05 billion yuan. Yi Top Co., Ltd., a manufacturing and operating enterprise, underwent a transformation from production type to trade type, closed its subordinate production base in Chongqing, and paid close attention to the implementation of the transfer of production capacity.

(I) Analysis of the main business operations

Movement of Relevant Entries of P&L and Cash Flow Statements

Unit: RMB yuan

Item	Current Amount	Prior Year Same Period Amount	Change Ratio (%)
Operating income	1,128,476,975.39	1,284,936,742.95	-12.18
Operating cost	1,050,755,487.35	1,210,516,336.65	-13.20
Selling expenses	38,171,858.21	31,064,602.25	22.88
General expenses	70,895,201.74	86,120,391.96	-17.68
Financial expenses	2,459,230.37	13,985,522.90	-82.42
Net cash flow from operating activities	40,813.10	-5,960,237.53	Not applicable
Net cash flow from investment activities	3,308,543.25	146,023,171.06	-97.73
Net cash flow from financing activities	-2,383,056.31	-139,461,205.75	Not applicable
Asset impairment provision	6,285,992.34	3,241,953.93	93.90
Investment income	55,662,897.90	129,595,102.77	-57.05
Non-operating income	2,214,516.80	1,794,154.90	23.43
Non-operating expenses	60,170,059.41	622,764.73	9,561.76

Items whose annual change exceeds 30%:

Financial expenses: due to the increase in foreign exchange gains;

Net cash flow from operating activities: mainly due to the increase of tax refunds received for the period;
 Net cash flow from investment activities: mainly due to disposal of subsidiary in precious year causing great changes, plus the increase in investment spending in reporting period;
 Net cash flow from financing activities: mainly due to decrease of repayment of loans in reporting year;
 Asset impairment loss: caused by the provision of special provisions for bad debts
 Investment income: the big changes are caused by the disposal of subsidiary for the same period last year;
 Non-operating expenses: due to the bearing of 60 million yuan for joint liabilities over the disputes with CITIC Bank financial contract.

1. The analysis of income and cost

In the reporting period, the company's main business income is decreased by 152 million yuan over a year earlier, down 12.09% year on year, mainly in that trading business revenues reduced by 146 million yuan, down 12.86%. The main factors that drive revenue changes: (1) affected by market conditions and the company's own adjustment factors this year, imports and exports totaling \$ 155 million yuan, representing a drop of 16.67% against last year's \$186 million. (2) in 2015, sales of tops and similar products suffered impact by the sales of wool-like materials on the market and withered. Sales volume is decreased by 26% year on year, the main business revenues fell by 16.56 million yuan. (3) in reporting year, the company continued to expand service trade, and proved effective, but taking smaller share, trade in services revenues reaching 4.44% of total income, representing a growth of 1.47 percentage points on a year-on-year basis.

(1) Main business operations in sector, product and region

Main business operations in sector						
in sector	Operating income	Operating cost	gross margin (%)	Operating income growth over prior year (%)	Operating cost growth over prior year (%)	gross margin growth over prior year (%)
industry	70,931,033.17	60,226,211.92	15.09	-20.85	-23.36	Up 2.77 points
commerce	986,112,838.97	940,292,108.44	4.65	-12.86	-13.65	Up 0.88 points
others	49,189,866.61	41,838,830.75	14.94	32.62	33.03	Down 0.27 points
total	1,106,233,738.75	1,042,357,151.11	5.77	-12.09	-13.07	Up 1.05 points
Main business operations in product						
in product	Operating income	Operating cost	gross margin (%)	Operating income growth over prior year (%)	Operating cost growth over prior year (%)	gross margin growth over prior year (%)
textile	811,747,292.89	770,054,346.71	5.14	-14.26	-15.37	Up 1.24 points
steel	21,216,153.29	19,471,915.03	8.22	-4.92	-9.08	Up 8.20 points
machinery	109,740,892.22	106,774,822.05	2.70	-7.58	-6.32	Down 1.32 points
others	163,529,400.35	146,056,067.32	10.69	-4.12	-5.01	Up 0.85 points
total	1,106,233,738.75	1,042,357,151.11	5.77	-12.09	-13.07	Up 1.05 points
Main business operations in region						
in region	Operating income	Operating cost	gross margin (%)	Operating income growth over prior year (%)	Operating cost growth over prior year (%)	gross margin growth over prior year (%)
export	947,332,892.28	908,850,212.67	4.06	-10.06	-10.16	Up 0.10 points
domestic	158,900,846.47	133,506,938.44	15.98	-22.50	-28.75	Up 7.38 points
total	1,106,233,738.75	1,042,357,151.11	5.77	-12.09	-13.07	Up 1.05 points

(2) Cost statements

Unit: yuan

In sector						
in sector	cost composition	reporting period amount	reporting period ratio over total cost (%)	same period prior year amount	same period prior year ratio over total cost (%)	reporting period amount change ratio over same period prior year (%)
industry	Cost of production purchase	60,226,211.92	5.78	78,581,417.64	6.55	-23.36

commerce	Cost of purchase	940,292,108.44	90.21	1,088,991,011.07	90.82	-13.65
others	Labor cost	41,838,830.75	4.01	31,449,597.62	2.62	33.03
total		1,042,357,151.11	100.00	1,199,022,026.33	100.00	-13.07
In product						
in product	cost composition	reporting period amount	reporting period ratio over total cost(%)	same period prior year amount	same period prior year ratio over total cost(%)	reporting period amount change over same period prior year(%)
textile	Cost of production purchase	770,054,346.71	73.88	909,871,691.19	73.16	-15.37
steel	Cost of purchase	19,471,915.03	1.87	21,416,378.72	74.16	-9.08
machinery	Cost of production purchase	106,774,822.05	10.24	909,871,691.19	75.16	-88.26
others	Cost of production purchase	146,056,067.32	14.01	289,150,335.14	12.7	-49.49
total		1,042,357,151.11	100.00	1,199,022,026.33	99.05	-13.07

2. Expenses

Unit: yuan

Item	Reporting period amount	same period prior year amount	change ratio (%)	Reason for change
Selling expenses	38,171,858.21	31,064,602.25	22.88	expenses on sales service increased in reporting period
General expenses	70,895,201.74	86,120,391.96	-17.68	expenses on intermediary fee decreased in reporting period
Financial expenses	2,459,230.37	13,985,522.90	-82.42	exchange gains increased in reporting period

3. Cash flow

Unit: yuan

Item	Reporting period amount	same period prior year amount	change ratio (%)	Reason for change
Net cash flow from operating activities	40,813.10	-5,960,237.53	n.a.	mainly due to increase of tax refund received in reporting period
Net cash flow from investment activities	3,308,543.25	146,023,171.06	-97.73	in previous year disposal of subsidiary causing significant change over prior year same period, while in reporting period investment increased
Net cash flow from financing activities	-2,383,056.31	-139,461,205.75	n.a.	loan repayment made in reporting period decreased against same period prior year

(II) Deliberation of significant change of profit caused by non-operations

 applicable inapplicable

(III) Assets and liabilities

Status of assets and liabilities

Unit: yuan

Item	Reporting period closing amount	Reporting period closing amount ratio over total assets (%)	Previous period closing amount	Previous period closing amount ratio over total assets (%)	reporting period closing amount over previous period amount change ratio (%)

Monetary capital	81,565,546.52	10.68	136,057,261.94	16.47	-40.05
Financial assets measured by fair value and booked into current P&L	629,375.00	0.08	8,484,097.00	1.03	-92.58
Notes receivable	10,733,846.05	1.40	21,677,389.88	2.62	-50.48
Accounts receivable	47,468,704.25	6.21	26,219,817.84	3.17	81.04
Long-term equity investment	4,687,456.51	0.61	939,357.09	0.11	399.01
Construction in progress	203,750.09	0.03	144,780.00	0.02	40.73
Other non-current assets	320,000.00	0.04	39,270.09	0.00	714.87
Accounts payable	47,005,329.73	6.15	26,646,729.08	3.23	76.40
Taxes and charges payable	5,126,645.61	0.67	20,615,220.13	2.50	-75.13
Interests payable	195,811.66	0.03	480,613.25	0.06	-59.26
Long-term loans	10,672,599.27	1.40	21,748,203.67	2.63	-50.93
Other composite income	5,768,902.31	0.76	44,094,886.75	5.34	-86.92

Explanation

Monetary capital: mainly due to bearing of 60 million yuan of joint liabilities over financial contract dispute with CITIC Bank;

Financial assets measured by fair value and booked into current P&L: caused by decrease of tradable financial assets;

Notes receivable: due to decrease of notes settlement;

Accounts receivable: due to not-yet settled trade operations income;

Long-term equity investment: due to addition of long-term investment in reporting period;

Construction in progress: due to addition of electron copper in reporting period;

Other non-current assets: due to repayment made for purchase of fixed assets in reporting period;

Accounts payable: due to not yet paid purchase expenses;

Taxes and fees payable: mainly due to adjustment of 2014 income tax final accounting;

Interest payable: due to settlement of interest in reporting period;

Long-term loans: due to transfer of 2015 payable loans into "non-current liabilities due within one year";

Other composite income: due to sales of tradable financial assets (Pudong Development Bank, Shangong Shenbei).

(IV) Investment analysis

1. General analysis of external equity investment

Item	Amount (*10,000 yuan)
Investment amount reporting period	5,922.00
Investment amount recovered reporting period	200.00
Movement of investment amount	5,722.00
Investment amount same period prior year	0.00

Name of Company Invested in	Business Activities	Ratio of equity in invested-in company (%)	Investment amount (*10,000 yuan)
Shanghai Sanmao Shan Chu Hui Co., Ltd.	investment management, industrial investment	51.00	51.00
Shanghai Konaka Garment and Finery Co., Ltd.	garment retailing	50.00	500.00
Shanghai Shuofeng International Travel Agency Co., Ltd.	travel service	10.00	200.00
Ningbo Meishan Bonded Port Softbank Lin Yi Innovation No.1 Investment Management Partnership (Limited Partnership) Co., Ltd.	investment in Hujiang web	45.04	5,000.00
Shanghai Wantu Yunyi Investment Development Co., Ltd.	Public venture space operation and management	32.00	171.00

A. Completed investment projects in 2015

(1) Joint venture retirement home industry investment company

According to the Company's development planning for the transformation to park construction-based service trade, in order to optimize and adjust the main business structure and cultivate the core competitiveness, the Company cooperated with external company Shanghai Xinlongjin Enterprise Investment Management Co., Ltd. (hereinafter "Xinlongjin") and Zhang Wenqi, a natural person, jointly established Shanghai Sanmao Shan Chu Hui Co., Ltd. (hereinafter "Shan Chu Hui"), a joint venture of retirement home. Total investment from both parties amounted to 1 million as registered capital, aiming to provide follow-up project incubation and operation services. The Company invested 510,000 yuan, Xinlongjin investment 290,000 yuan, while Zhang Wenqi invested 200,000 yuan. On October 12 Shan Chu Hui got its business license. [The project investment followed the procedures as of the decision made by the Board of Directors to authorize the Chairman for the mandate of acting as part of the decision-making.]

(2) Increased capital into Konaka

On July 6, 2015 the Company signed agreement with the Japan corporation Konaka (KONAKA CO., LTD) for capital increase, the two sides agreeing on capital increase into Shanghai Konaka Garment and Finery Co., Ltd. (hereinafter "Shanghai Konaka"). After the capital increase, Konaka's registered capital increased from the original 16 million yuan to 26 million yuan, with the Company and the Japanese side paid an increase capital of 5 million yuan each, ownership, rights and obligations remaining unchanged. [The project investment followed the procedures as of the decision made by the Board of Directors to authorize the Chairman for the mandate of acting as part of the decision-making.]

(3) Capital increase to Shuofeng Travel Agency

According to the Company's development strategy of transition to a service industry, in order to actively explore the venture capital mechanism and further enrich the layout of the transition to service sector, in December 2015 the Company, through a wholly-owned subsidiary Shanghai Jiayi Venture Investment Co., Ltd. (hereinafter "Jia Yi Venture"), exercised capital increase to Shanghai Shuofeng International Travel Agency Co., Ltd. (hereinafter "Shuofeng Travel Agency") to help it grown bigger and stronger in respective of the core business of tourism services. The said increase of capital is 2 million yuan, among which 333,000 yuan included into Shuofeng Travel Agency's registered capital, and 1.667 million yuan into Shuofeng Travel Agency's capital reserves. [The project investment followed the procedures as of the decision made by the Board of Directors to authorize the Chairman for the mandate of acting as part of the decision-making.]

(4) Jointly setting up SOFTBANK Linyi Innovation No. 1 Fund

The Company convened its 2015 fifth interim meeting of the eighth Board of Directors on November 2, 2015, which considered and adopted Motion on Jointly Establishing Ningbo Mishan Bonded Port SoftBank Liyii Innovation No.1 Investment Management Partnership Co., Ltd., according to which the Company invested 50 million yuan through the company's wholly owned subsidiary Shanghai Jiayi Venture Investment Co., Ltd. to jointly establish Ningbo Mishan Bonded Port SoftBank Liyii Innovation No.1 Investment Management Partnership Co., Ltd. (hereinafter "the Fund"), the fund specially used for investment in the Huijiang Web project. On November 18, 2015 the Company paid the subscribed capital.

On January 8, 2016, the company received from the fund manager Ningbo SoftBank Liyii Investment Management Partnership Co., Ltd., (limited partnership) a notification, saying it had completed the related matters of the establishment of the fund and business registration matters concerning the registered capital (fund) change, had paid up the contribution of 111 million yuan, by which time a total of six partners had subscribed their fund shares. (See announcements published in Shanghai Securities News, Wen Wei Po in Hong Kong and the Shanghai Stock Exchange Web site www.sse.com.cn on November 3, 2015 and January 9, 2016.)

(5) Jointly established the Venturer Base

The Company has obtained the real estate ownership certificate for the property located at Yangshupu Road 1058 on the 3rd floor of "Riverside International Plaza". In order for these properties to be put into use and the assets' value to be utilized as soon as possible, the Company, through its wholly-owned subsidiary Shanghai Jiayi Venture Investment Co., Ltd. (hereinafter "Jiayi Venture") and an external enterprise Shanghai Wantu Investment Development Co., Ltd. (hereinafter "Shanghai Wantu"), jointly established Shanghai Wantu Yunyi Investment Development Co., Ltd., into which the Company invested 1.71 million yuan (32%), Shanghai Wantu invested 5.34375 million yuan (68%).

The parties intend to jointly create a joint public venture base + smart mini-office spaces, using the joint venture company to provide college students with dreams, entrepreneur resources, policy support, venture capital financing, and management services etc. in an attempt to make the property on Yangshupu Road a business incubator base. At present, the joint venture company has completed business registration matters. Some venture projects have been situated in the base, including businesses like robots, intelligent technology, Internet financing, property management and others. [The project investment followed the procedures as of the decision made by the Board of Directors to authorize the Chairman for the mandate of acting as part of the decision-making.]

B. Projects whose investment not yet paid

(1) Joint Investment in the "Ant Nest" base

According to the layout and planning of the sectors of the property park, through the subordinate subsidiary Shanghai Jia Yi Venture Capital Co., Ltd. (hereinafter referred to as the "Jia Yi Venture Capital") in cooperation with Shanghai Antz Investment Management Co., Ltd. (hereafter called "Antz Investment"), the Company will jointly establish a joint venture company, the Company invests 1 million through "Jiayi Venture", holding 20%, intends to create a base on the said

property featuring "Internet + education" "ant nest". The said joint venture company has undergone business registration formalities. [The project investment followed the procedures as of the decision made by the Board of Directors to authorize the Chairman for the mandate of acting as part of the decision-making.]

(2) Sanmao Security Company capital increase

The Company's 2015 sixth interim meeting of the eighth session of the Board of Directors reviewed and adopted the Motion on Capital Increase to Wholly Owned Subsidiary Shanghai Sanmao Security Service Co., Ltd., agreeing on the capital increase of 20 million yuan to Sanmao Securities. After the capital increase, Sanmao Security company's registered capital will be increased to 30 million from 10 million yuan. The said capital increase is the result of a reasonable planning based on Sanmao Security company's business development status quo and future development needs of the industry, while providing prerequisites for Sanmao Security to apply for security enterprise Grade II, playing an important role for later improving the comprehensive competitiveness and strengthening the brand image of the company.

On January 12, 2016, Shanghai Sanmao Security Services Co., Ltd. had completed registration of business changes with Shanghai Huangpu District Market Supervision and Administration Office, and obtained a new business license, the registered capital having been increased from 10 million to 30 million yuan. As of reporting day, the above capital increase had not yet paid by the Company and thus only referred to the subscribed capital increase amount. (See announcements published on December 15, 2015, in Shanghai Securities News, Wen Wei Po in Hong Kong and the Shanghai Stock Exchange Web site www.sse.com.cn.)

(1) Significant securities investment

n.a.

(2) Significant non-securities investment

n.a.

(3) Financial assets measured by fair value

(1) Securities investment breakdown

No	Securities	Code	Abbr.	Initial Investment (yuan)	Shares held (share)	Closing book value (yuan)	Ratio in closing securities investment (%)	Gains/losses in report period (yuan)
1	Stock	002563	Selma Finery	435,500.00	26,000	322,400.00	51.23	112,775.00
2	Stock	601558	Huarui Wind Power	540,000.00	36,000	153,720.00	24.42	42,120.00
3	Stock	300307	Citing Shares	105,000.00	6,000	96,360.00	15.31	44,580.00
4	Stock	300493	Runxin Sci. & Tech.	3,435.00	500	20,670.00	3.28	17,235.00
5	Stock	601677	Minutia Aluminium	20,000.00	1,000	16,000.00	2.54	3,280.00
6	Stock	002786	Yinbao Shanxin	5,360.00	500	13,680.00	2.18	8,320.00
7	Stock	300490	Huazi Sci. & Tech.	4,545.00	500	6,545.00	1.04	2,000.00
Gains/losses from sale of securities in report period				/	/	/	/	1,397,237.25
Total				1,113,840.00	70,500	629,375.00	100.00	1,627,547.25

(2) Shares held of other listed companies

Unit: yuan

Securities Code	Abbr.	Initial Investment (yuan)	Closing book value	Gains/losses in report period	Equity movement in report year	Share origin
600000	SPD Bank (Note)	563,302.96	0.00	35,457,547.97	-27,419,427.78	Corporate shares

600843	SGSB (Note)	2,413,380.23	0.00	17,114,640.16	-12,732,838.26	Corporate shares
600610	CHINATEX	380,000.00	6,517,368.00	0.00	1,830,114.00	Corporate shares
Total		3,356,683.19	6,517,368.00	52,572,188.13	-38,322,152.04	/

Note: As of January 2015, the Company had sold a total holdings of 1,400,000 shares of stock of SGSB (600843) and 2,366,000 shares of Shanghai Pudong Development Bank (600000), (Related announcements published in Shanghai Securities News, Hongkong Wen Wei Po and the website of Shanghai Stock Exchange on January 16, 2015)

(V) Material asset and share sale

Follow-up matters with Sanmao Import and Export company, an affiliate company of the Company

Between November and December 2014, the Company, through major asset restructuring, sold the 100% shares of Shanghai Sanmao Import and Export Co., Ltd. (hereinafter "Sanmao Import and Export") to an independent third-party Shanghai Zeshuang Medical Equipment Co., Ltd. (hereinafter "Zeshuang Company"). On July 27, 2015, the Company received notification from Sanmao Import and Export's liquidation group: Shanghai Pudong New Area People's Court ruled via Civil Award coded (2015) Pu Min Er (Shang) Po No. 8-1, that: the appeal for Shanghai Sanmao Import and Export liquidation from the said company's liquidation group had been accepted for filing for bankruptcy liquidation.

According to "other terms" in the Conditionally Effective Share Transfer Agreement signed on December 2, 2014 between the Company's controlled subsidiary Shanghai Shenyi Tops Co., Ltd. (hereinafter referred to as "Shenyi Tops") and Zeshuang Company and the guarantee party Wu Xiaodong (the said company's legal representative): "Zeshuang Company committed, if property of Sanmao Import and Export remains after being compensated according to statutory settlement order respectively including liquidation costs, workers wages, social security costs, statutory compensations, taxes, and settlement of company debts, the remaining part of the property is distributed to shareholders (that is, Zeshuang Company) according to liquidation proceedings. In this case, Zeshuang Company promised to pay 90% of the remaining property to the transferrers (that is, the Company and Shanghai Shenyi Tops). All the trading parties agreed, in due time, Zeshuang Company will authorize Sanmao Import and Export liquidation group to directly pay the 10% of the remaining property of Sanmao Import and Export to Zeshuang Company, 90% to the Company (if among Sanmao Import and Export's remaining property non-currency assets exist, the Company can pay consideration to Zeshuang Company at 10% of the assessment value of the assets to obtain the ownership of that non-currency assets), while upon receiving that assets, the Company will allocate internally with Shenyi Tops by a proportion of 9:1. The voucher Wu Xiaodong agreed to provide joint and several liability under the said item for Zeshuang Company." (See announcements published in Shanghai Securities News, Wen Wei Po in Hong Kong and Shanghai Stock Exchange Web site on November 5, November 12, November 19 and November 26, December 3, December 9, December 18, December 25, December 30, December 31, 2014 and July 28, 2015.)

As of reporting day, Sanmao Import and Export's bankruptcy work is carried out according to legal procedures; currently a manager has been officially designated by the Court and has entered the spot, auditing the external investments of Sanmao Import and Export, preparing for the convening of the first meeting of creditors.

(VI) Key controlled subsidiaries and joint-stock companies

(1) Remarks on 10% impact (after deducting non-recurring gains/losses) on net profit of the Company contributed from single individual subsidiary or investment income from single joint-stock company

Unit: 10,000 yuan

Name of company	Stake ratio (%)	Business type	Major product or service	Registered capital	Total asset	Net asset	Net profit
Shanghai Sanmao Security Service Co., Ltd.	100	Service	Security service	1000	1587	1253	241
Baoji Lingyun Wanzheng Circuit Board Co., Ltd.	65.44	industry	Production and sale of various print boards	1189.84	3865	3480	143

(2) Remarks on over 30% change of operating performance with single subsidiary or joint-stock company as compared with that of prior year, and having significant impact on the consolidated operating performance of the Company:

Unit: 10,000 yuan

Name of company	Stake ratio (%)	Business type	Major product or service	Registered capital	Total asset	Net asset	Net profit
Shanghai Yi Top Textile Co., Ltd. (Note)	100	industry	Production and sales of wool tops, wool yarn etc.	11832	9779	9377	-477

Shanghai Sanjin Import and Export Co., Ltd. (Note)	100	commerce	Import and export of textiles etc.	500	19321	342	-200
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(3) Remarks on significant impact of operating income of individual subsidiary or joint-stock company on the consolidated operating performance of the Company:

Unit: 10,000 yuan

Name of company	Stake ratio (%)	Business type	Major product or service	Registered capital	Total asset	Net asset	Net profit
Shanghai Sanjin Import and Export Co., Ltd. (Note)	100	Commerce	Import and export of textiles etc.	500	19321	342	-200

Note: Operating income of this company in reporting period is 984.27 million yuan, accounting for about 87.22% of the consolidated operating income of the Company.

III. Discussion and analysis of the Company's future development by the Company

(I) Sector competition pattern and developing tendency

The Company currently is still mainly engaged in import and export trade. However, the import and export business still faced severe external situation. Although RMB continued its depreciation which is favorable to the Company's export business, due to the fact that export business mode faced a complicated environment, business risk control cost is constantly increasing, leading to profit shrinking, operation efficiency continuously declining. Provided this situation have not been fundamentally improved, the Company's future foreign trade services development will not be optimistic.

(II) Development strategy of the Company

During the 13th 5-year plan period, as a State-controlled listed company, in the future the Company will still be based on the its existing conditions, make good use of its capital platform, support and help those companies of electronics and services which the state encourages. The Company will implement the two-track parallel strategy, while continuing to accelerate restructuring, improving and stabilizing the recurring profit and loss, on the other hand seizing the opportunity to strengthen the brand and new capital investment, to accumulate energy for sustainable development.

(III) Business plan

Sanmao Group is positioned to target the equity value retaining and increasing in the future, by means of market management. For 2015, although the Group's assets restructuring ended, seeking transformation is inevitable. The Company's size is small, with limited maneuver, and thus it's hard to step in transition in one move. To be bigger and stronger, only sustained efforts work.

In 2016, the Company will continue to deepen internal reforms. Regarding the company's internal reforms, the Company streamlined the institutions and staffing during the reporting period; further defined the functions; rationalized the relations; optimized the structure of leaders; inspired the enthusiasm of the staff; and formed a new employment mechanism. We would like to take the opportunities of the reforms and in 2016 to further deepen the internal reforms. Objectives are as follows:

- (1) With budget management as the starting point, management cost estimates need to be accurate; timely follow-up on the implementation of the budget.
- (2) Strengthen the capacity of staff training, attach great importance to team building, to realize team professionalism.
- (3) Use market assessment criteria to achieve incentive and control, and stimulate employee motivation.
- (4) Actively push the reforms of the subordinate enterprises.

(IV) Possible risks faced

Major risks faced by the Company in the future is the uncertainty of the external environment. As the main business faces reorganization, the objective of restructuring has not yet been determined, against the macro-environment situation of serious volatility and constantly adjusting regulatory policies, the Company must maintain a high level of vigilance, and actively responds to various unforeseeable risks that may come from the external.

(V) Others

n.a.

IV. Remarks on status and reasons for the Company's failure of release subject to the standards due to the fact of not complying with the standards or due to special reasons

Chapter V Substantial Events

I. Ordinary shares or capital accumulation fund profit distribution plan

(I) Cash dividend policy formulation, implementation or adjustments

The company current profit distribution policy was implemented through the consideration by the Sixth Special Meeting of Seventh Board in 2012 and 2012 First Extraordinary General Meeting, appropriate contents of the "Articles" also amends. Current profit distribution policy clearly provided that method such as cash dividends, stock dividends, cash dividends combined with stock dividends or other methods permitted by laws and regulations can be used as company's profits distribution. The company's priority implementation is cash dividend. In the mean time, making itemized regulations about profit distribution ways (dividend standard and ratio), conditions for implementation and decision procedures. (See more in related announcements published on November 13, November 27 and December 8 2012 on Shanghai Securities News, Hongkong Wen Wei Po and the website of Shanghai Stock Exchange www.sse.com.cn.)

During the reporting period, the Company held the and the eighth meeting of the 8th Board of Directors, 2014 Annual General Meeting and adopted the "Company 2014 Annual Profit Distribution Plan": Given the company's undistributed profits is negative at the end of 2014, the company did not distribute profit in 2014, nor capitalize capital reserves according to the "Articles".

(II) The company's ordinary shares profit distribution plan or, capital capitalizing of common reserves plan or prediction scheme in last three years (including the reporting period)

Unit: RMB yuan

Dividend year	Bonus for every 10 shares (shares)	Payout for every 10 shares (RMB) (tax included)	Increase by transferring for every 10 shares (shares)	Amount of cash dividends (tax included)	Bonus year consolidated net profit attributable to shareholders of listed companies	Consolidated statements attributable to shareholders of listed companies net profit ratio (%)
2015	0	0	0	0	-38,768,776.04	
2014	0	0	0	0	60,007,420.97	
2013	0	0	0	0	-47,148,670.13	

(III) In the case of cash tender offer of shares included in the cash dividend

Unit: RMB yuan

	The amount of cash dividends	ratio (%)
2015	0	0
2014	0	0
2013	0	0

(IV) Gains during the reporting period and distributable profits of the parent company available to common shareholders is positive, but does not make common stock cash profit distribution plan, the company should detailed disclose the reasons as well the purpose and use of undistributed profit plan

applicable inapplicable

II. Implementation of commitments

applicable inapplicable

III. Reporting period funds occupancy and debts clearing progress

applicable inapplicable

IV. Description the Board of Directors on CPA's 'non-standard audit report'

(I) Description the Board of Directors and Supervisory Board on CPA's 'non-standard audit report'

applicable inapplicable

(II) Illustration of the Board to the changes in accounting policies, accounting estimates or accounting methods

applicable inapplicable

(III) Illustration of the Board to the causes and effects of error correction in the prior periods

applicable inapplicable

V. Appointment and dismissal of accounting firm

Unit: 10,000 yuan

	Current appointment
Domestic accounting firm	Shanghai Shu Lun Pan Certified Public Accountants LLP
Domestic accounting firm payment	85
Domestic accounting firm audit period	14

	Name	Reward
Internal control audit accounting firm	Shanghai Shu Lun Pan Certified Public Accountants LLP (Limited Liability Partnership)	30
Financial adviser	Haitong Securities Co., Ltd.	230

Illustration of appointment and dismissal of accounting firm

applicable inapplicable

The 2014 annual shareholders general meeting of the Company held on June 23, 2015, considered and adopted the Proposal on the Company Hiring Accounting Firm for 2015 Audit and for Internal Control Audit and the Remuneration, agreeing to continue the appointment of Shanghai Shu Lun Pan Certified Public Accountants LLP (Limited Liability Partnership) to audit the financial statements and internal control of the Company in 2015. For the year 2015 the Company pays Shanghai Shu Lun Pan Certified Public Accountants LLP audit fee 1.15 million yuan for the financial audit and the internal control audit.

Illustration of rehiring of accounting firm during audit

Inapplicable

VI. Conditions of facing the risk of suspension of listing

(I) Causes of the suspension of listing and measures company taken to eliminate the suspension of listing

Inapplicable

VII. Restructuring on bankruptcy

applicable inapplicable

VIII. Substantial lawsuits, arbitrations and media generally questioned events

applicable inapplicable

(I) Substantial lawsuits and arbitrations disclosed in the provisional announcement and without changes or progresses of follow-up implementation

Events overview	Index
<p>1. CITIC Bank case</p> <p>In June 2014, the Company and the original controlled subsidiary Shanghai Sanmao Import and Export Company Limited (hereinafter referred to as "Sanmao Import and Export") received notice of suit response from Shanghai Pudong New Area People's Court, saying CITIC Bank had filed a lawsuit at Shanghai Pudong New Area People's Court on financing loan contract dispute, requesting the court to order Sanmao Import and Export to return the \$9644014.96 documentary bill and the payment of overdue interest, and requesting the court to order the Company to assume joint responsibility to Sanmao Import and Export. As judged by the first trial of Pudong New Area People's Court, Sanmao Import and Export was to return the amount owed and the payment of overdue interest, also the rest of the litigant request of CITIC bank rejected.</p> <p>On November 5, 2014, the Company received from CITIC Bank Shanghai Branch the civil petition, saying that because of objections of CITIC Bank against Shanghai Pudong New Area People's Court civil judgment coded (2014) Pu Min Liu (Shang)Chu Zi No. 6604, put forward an appeal, request the court to order:</p> <p>In March 2015, the Company received a civil judgment issued by the First Intermediate Court coded "(2014), Hu Yi Zhong Min Liu (Shang) Zhong Zi No. 534", which ruled that the Company bear joint and several liability within a maximum of 60 million yuan for the compensation liability of Sanmao Import and Export in the said case, while after fulfilling the mentioned responsibility according to law, the Company can retrace the compensation to Shanmaoao Import and Export. This decision is final.</p>	<p>(See more in related announcements published on June 12, June 26, June 28, July 18, October 14, Nov. 6, 2014, March 4, March 7, June 18 and August 1 2015 on Shanghai Securities News, Hongkong Wen Wei Po and the website of Shanghai Stock Exchange.)</p>

On March 13, 2015, the Company followed the above judgment and paid 60 million yuan for the guaranty, and at the same time had appealed to Shanghai Municipal Higher People's Court for retrial. On July 30, the Company received from Shanghai Municipal Higher People's Court the Civil Award coded "(2015) Hu Gao Min (Shang) Shen Zi No. 34 ". The Court rejected the appeal for a retrial.	
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(II) Substantial lawsuits and arbitrations not disclosed in the provisional announcement and with changes or progresses of follow-up implementation

applicable inapplicable

Unit: 10,000 yuan

During the reporting period									
Prosecution (application) side	Respondent (by application) Party	Jointly and severally liable party	Type of Litigation and arbitration	Basic litigation (arbitration)	Litigation (arbitration) involving amount	Whether litigation (arbitration) is formed to estimated liabilities and the amount	Litigation (arbitration) progress	Litigation (arbitration) trial results and impact	Litigation (arbitration) adjudication implementation
Shanghai Sanmao Enterprise (Group) Co., Ltd.	Shanghai Sanmao Import and Export Co., Ltd.		Civil Procedure	The Company applied to Shanghai Huangpu District People's Court to recourse against Shanghai Sanmao Import and Export Co. because of the adjudication about CITIC Bank case.	605.74	No	Acquired Shanghai Huangpu District People's Court Ruling Paper (2015) Huangpu Zhi Zi No. 3227		End of execution

Regarding the adjudication of the issues in the case of CITIC Bank, the Company applied to Shanghai Huangpu District People's Court for recovery from Shanghai Sanmao Import and Export. On June 17, 2015, the Company received from Shanghai Huangpu District People's Court the ruling coded (2015) Huangpu Zhi Zi No. 3227, in which the Court ruled to freeze or transfer Sanmao Import and Export's deposits of 6,057,400 yuan; If the said amount is insufficient, corresponding value of the insufficient part is to be sealed up or detained from Sanmao Import and Export. Due to insufficient amount in the Sanmao Import and Export's bank account the Company provided, or no corresponding value of property available, and the Company was not able to provide clues to other property, so as of this date, Shanghai Huangpu District People's Court had ruled to terminate the execution of the case.

(III) Other notes

Other significant events, see Other important matters in the Financial Note XIII.

IX. Punishment and rectification of the listed company and its directors, supervisors, senior management personnel, shareholders, the actual controller, acquirers

applicable inapplicable

X. During the reporting period the company and its controlling shareholder, actual controller integrity status

During the reporting period, there exists no failure of fulfillment of effective judgment from the court, matured debt of a significant amount unredeemed and etc. of the Company and its controlling shareholder, actual controller.

XI. Equity incentive plan, employee stock ownership plans or other employee incentive and its impact

applicable inapplicable

XII. Magnificent related transactions

applicable inapplicable

XIII. Major contracts and their implementation

(I) Entrusting, contracting and leasing

applicable inapplicable

(II) Guaranty

applicable inapplicable

Unit: 10,000 yuan

Guaranties for subsidiaries	
Total guaranties for subsidiaries incurred in report period	687.10
Total guaranties for subsidiary balance in report period (B)	687.10
Total guaranties of the Company (including those for subsidiaries)	
Total guarantee amount (A+B)	687.10
Proportion of net assets of the Company (%)	2.09
Among them:	
Amount of guarantee for shareholders, actual controllers and related parties (C)	0.00
Debt guarantee amount directly or indirectly to the assets-liability ratio over 70% of the guarantee (D)	687.10
Amount of total guarantee exceeding 50% of net assets (E)	0.00
Total amount of the three guarantees above (C+D+E)	687.10
Joint liability involving immature guarantees may undertake	
Guarantee	Above guarantees on the subsidiaries approved by the company's eighth, ninth 8 th board of directors meeting, and the Company 2014 Annual General Meeting of Shareholders. Independent directors issued independent opinions. (See more in related announcements published on February 17, April 28 and June 24 2015 on Shanghai Securities News, Hongkong Wen Wei Po and the website of Shanghai Stock Exchange.)

(III) Cash assets entrusted others to manage

1. Entrusted financing

 applicable inapplicable

2. Entrusted loans

 applicable inapplicable

3. Other investment, financial management and derivative investments

 applicable inapplicable

Investment Type	Signatories	Investment share	Investment Deadline	Product Type	Investment gains and losses	Whether involved in a lawsuit
Financial product	Agricultural Bank of China	4,641,500 yuan	Real-time redemption	Confidence Express Daily Compound Interest Phase II	Note	No

Description of other investment and financial management and investments of the derivatives

Note: This financial product is a non-guaranteed floating income financial product, has not yet redeemed at the end reporting period.

(IV) Other major contracts

Inapplicable

XIV. Other significant events applicable inapplicable

1. Delisting risk warning relief

The Company was included in the Shanghai Stock Exchange delisting risk warning plate after the 2013 annual report disclosed due to audited negative annual net profits for the year 2012 and 2013. In the year 2014, the Company's audited net profit was positive, the condition of delisting risk warning had been eliminated, and the Company applied to Shanghai Stock Exchange for discharging the delisting risk warning after the disclosure of the 2014 annual report. On February 27,

2015, as approved by Shanghai Stock Exchange, from March 3, 2015 on, the Company's delisting risk warning be withdrawn and moved out of the warning plate for stock trading. (See related announcements published in Shanghai Securities News, Wen Wei Po in Hong Kong and the Shanghai Stock Exchange Web site on January 23, March 1, April 1, April 14, 2014, and January 28, February 4, February 11, February 17 and March 2, 2015.)

2. Share reduction from shareholders holding more than 5% stocks and persons acting in concert

In March 2015, the Company received a notice from a shareholder Cai Lin, the effective controller of Ningbo Liyuan Import and Export Co., Ltd., saying that during a period from January 30 to March 18, 2015 shareholder Cai Lin and persons with concerted action reduced total holdings of 4,028,201 shares of B-shares through secondary market trading, at the average price between \$0.8042 to \$0.9396 per share. After the reduction, Cai Lin and persons with concerted action together totally holding 9,971,123 shares of B-share, no A-shares, accounting for 4.96% of the total share capital of the Company, among which holding 5,000,000 B-shares through BNP PARIBAS WEALTH MANAGEMENT HK BRANCH, 4,971,123 B-shares through YOU TOO (HK) CO.LTD. (See announcements published in Shanghai Securities News, Wen Wei Po in Hong Kong and the Shanghai Stock Exchange Web site on March 20, 2015.)

3. Yi Tops company adjusting operations

Shanghai Yi Tops Textile Chongqing Co., Ltd., starting in 2012 impacted under the influence of adverse factors in the operating environment, suffered continuous losses. To shake off the business passive situation, subject to consideration at the first interim meeting 2015 of the eighth session of the Board, agreed to terminate the operation of Shanghai Yi Tops Textile Chongqing Co., Ltd. and transfer production to its subsidiary Taicang Sanmao Textile Co., Ltd. and the surrounding area. (See announcements published in the Shanghai Securities News, the Wen Wei Po in Hong Kong and the Shanghai Stock Exchange Web site on February 4, 2015.)

4. Transfer of shares of Tianjin Dawei

In December 2000, the Company held 2 million legal person shares in Tianjin Dawei as the sponsor, with face value of one yuan per share, accounting for 3.86% of Tianjin Dawei company's total share capital of 51.8 million shares. The investment objective was to gain return on investment through realizing the plan for Tianjin Dawei to be listed on the stock market. In recent years, due to decline in business conditions of Tianjin Dawei, suffering consecutive losses, the plan for listing proved to be elusive. According to the Chairman of the eighth session of the Board authorized as the mandate of acting as part of the decision-making, on May 15, 2015, the Company signed a share transfer agreement. On May 29, 2015 the Company received all the equity transfer payments of 2 million yuan.

5. Purchase of Wanyuan Tong stakes

On August 28, 2015, the 2015 fourth interim meeting of the eighth session of Board of Directors of the Company considered and adopted the proposal to purchase 100% shares of Kunshan Wanyuan Tong Electronic Technology Co., Ltd. (hereinafter "Wanyuan Tong"), held by Wang Xuegen, Shi Yahui and Wang Liguu, through issuing shares and cash payment method, total trading price at 330 million yuan. Meanwhile, the Company intended to issue to not more than 10 specific investors non-public offering of shares to raise matching funds, matching funds not to exceed a total of 160 million yuan. 58 million yuan from this raised matching funds will be used to pay cash in the deal on the price, while no more than 80 million yuan used to supplement the Company's liquidity, with the remainder to be used to pay tax and fee in the deal, such as merger integration costs.

On October 9, the Company was informed by the shareholders, suggesting the Company discuss and revise the restructuring program involving trade price, share issuing lock period, performance awards, and trading counterparts. After rounds of consultation with the transaction counterparts, the Company received, on October 26, a notice in writing from the counterparts, informing us that because the 3-sided shareholders failed to agree on the adjustment programmes, they did not agree with the proposed adjustment, while the controlling shareholders of the Company had clearly stated at the shareholders' meeting that the premise condition for the restructuring is based on its adjustment programme subject to the proposed revision. On November 2, the Company convened the fifth interim meeting in 2015 of the eighth session of the Board, which considered the adoption of the motion concerning the termination of major assets reorganization and the Motion on Signing the "Material Asset Reorganization Termination Agreement, and on the same day the Company signed the significant asset restructuring termination agreement with the trading counterparts. And hereby the reorganization is terminated.

(See the announcements published in the "Shanghai Securities News", "Hong Kong Wen Wei Po" and the Shanghai Stock Exchange website on April 1, April 9, April 16, July 23, April 30, May 7, May 14, May 16, May 23, May 30, June 6, June 9, June 13, June 16, June 23, June 30, July 3, July 7, July 9, July 14, July 21, July 28, Aug. 4, August 11, Aug. 18, August 25, Sep. 1, September 12, Sep. 16, September 17, October 10, October 17, October 27, Oct. 28, October 30, and October 31, Nov. 3 and Nov. 4)

6. Transfer of Ancheng Insurance shares

On February 3, 2016 the Company signed with Chongqing Yufu Assets Management Group Co., Ltd. (hereinafter "Yufu Group") a share transfer agreement, stating the Company would transfer 50 million shares (1.2267%) of non-listed financial company Ancheng Property and Casualty Insurance Co., Ltd. (hereinafter "Ancheng Insurance") to Chongqing Fuyu Group at the transfer price of 1.40 yuan per share, total transaction amount involved being 70 million yuan. As of

December 31, 2015, Ancheng Insurance's equity had a book value of 50 million yuan. The matter was adopted at the 12th meeting of the 8th Board on February 4, 2016, to be taken to the shareholders general assembly for consideration.

(See announcements published in Shanghai Securities News, Wen Wei Po in Hong Kong and the Shanghai Stock Exchange Web site www.sse.com.cn on February 4, 2016)

7. For other matters of significance, please see Financial Statements Note XIII.

XV. Convertible Bonds

applicable inapplicable

Chapter VI Movement of Common Shares and Shareholder's Profile

I. Particulars about common shares movement

(I) Particulars about ordinary shares' equity movement

1. Particulars about common shares' movement

In report period, no changes incurred concerning the total number of common shares and the share capital structure of the Company.

2. Changes of common shares

Inapplicable

3. Influence of changes in common shares on financial indicators such as earnings per share, net assets per share of last year and last period (if any)

Inapplicable

4. Other stuffs the company considers necessary or securities regulators require to disclosure

Inapplicable

(II) Changes of restricted shares

applicable inapplicable

II. Securities issuance and listing

During the reporting period, the Company did not issue securities; no changes of the company's total number of shares and shareholders' structure, or changes of the company's assets and liabilities structure due to bonus shares, increase capital, allotment of new shares, non-public offering stock, the exercise of warrants, implementation of equity incentive plans, business combination, transfer shares of convertible corporate bonds, capital reducing, listing of employee shares, bond issuance.

III. Particulars about shareholders and effective controller of the Company

(I) Total number of shareholders

Number of shareholders at period end (accounts)	42,582	(A share 34521; B share 8061)
Total shareholders end of last month of current annual report (accounts)	46,150	(A share 38022; B share 8128)

(II) Shareholding profile of top 10 shareholders, top 10 circulating shareholders (or shareholders of shares without sale limitations)

Unit: share

Shareholding profile of top 10 shareholders							
Shareholder's Name	Movement during the Year	Ending number of shares held	Ratio (%)	shares held subject to conditional sales	Shares pledged or frozen		Shareholder's Nature
					Shares status	Amount	
Chongqing Textile Holdings (Group) Co., Ltd.	0	52,158,943	25.95	0	No	0	state legal person
BNP PARIBASWEALTH MANAGEMENT HONG KONG BRANCH	-3,623,001	5,000,000	2.49	0	Unknown		other
Jin Zhangxian	3,580,000	3,580,000	1.78	0	Unknown		domestic natural person
Shanghai Textile Holding (Group) Co., Ltd.	0	3,354,194	1.67	0	No	0	state legal person
YOU TOO(HK) CO, LTD	-3,984,615	1,391,708	0.69	0	Unknown		other

BOCI SECURITIES LIMITED	692,742	1,317,954	0.66	0	Unknown		other
Ningbo Yongqiang International Trade Co., Ltd.	955,900	955,900	0.48		No	0	domestic non-state-owned legal person
Lin Lan	217,000	800,000	0.40	0	No	0	domestic natural person
Lin Jingbo	694,900	694,900	0.35	0	No	0	domestic natural person
CITIC Bank Corporation Limited - Investment Quality Growth Mixed Securities Investment Fund (LOF)	656,056	656,056	0.33	0	No	0	other
Particulars about top 10 shareholders of shares without sales limitations							
Shareholder's Name	Shares without sales limitations	Type and Quantity of shares					
		Type	Amount				
Chongqing Textile Holdings (Group) Co., Ltd.	52,158,943	A-share	52,158,943				
BNP PARIBAS WEALTH MANAGEMENT HONG KONG BRANCH	5,000,000	B-share	5,000,000				
Jin Zhangxian	3,580,000	B-share	3,580,000				
Shanghai Textile Holding (Group) Co., Ltd.	3,354,194	A-share	3,354,194				
YOU TOO (HK) CO, LTD	1,391,708	B-share	1,391,708				
BOCI SECURITIES LIMITED	1,317,954	B-share	1,317,954				
Ningbo Yongqiang International Trade Co., Ltd.	955,900	A-share	955,900				
Lin Lan	800,000	A-share	800,000				
Lin Jingbo	694,900	A-share	694,900				
CITIC Bank Corporation Limited - Investment Quality Growth Mixed Securities Investment Fund (LOF)	656,056	A-share	656,056				
Elaboration on related relationship or consistent action among shareholders above	Shareholders BNP PARIBAS WEALTH MANAGEMENT HONG KONG BRANCH and YOU TOO (HK) CO, LTD are concerted actionists. The Company is not aware whether other shareholders are of concerted action relation or concerted actionists.						

(III) Strategic investors or legal persons who become the top 10 shareholders due to placing of new shares
There are no strategic investors or legal persons becoming the top ten shareholders due to placing of new shares.

IV. Controlling shareholders and actual controllers

(1) Particulars about the corporate controlling shareholder

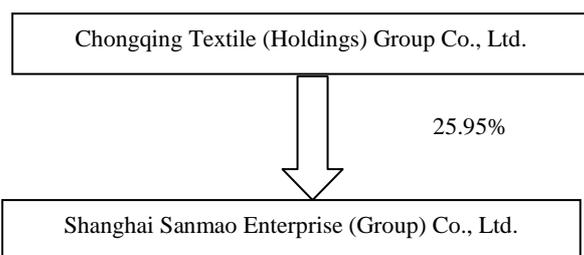
Legal person

Name	Chongqing Textile Holdings (Group) Co., Ltd.
The person in charge of the unit /legal representative	Xie Yingming
Date of incorporation	2000-08-25
Principal business activities	Operating and managing of state-owned assets within authorization from Municipality Government; sales of machinery and equipment, electronic appliances, optical equipment and instrument, auto parts, chemical products and raw materials (excluding chemical hazardous products), and general merchandise.
Equities of other domestic and foreign listing corporations in which the controller holds shares or controls during the reporting period	Subsidiary Chongqing Beer (Group) Co., Ltd. holds 0.487% stake in Chongqing Southwest Securities Co., Ltd.
Other notes	No

2. There are no special notes of the company's controlling shareholders
Inapplicable

3. Date and index of changing in the controlling shareholders during reporting period
Inapplicable

4. Block diagram showing property and controlling relationship between the effective controller and the Company



(II) Actual controller

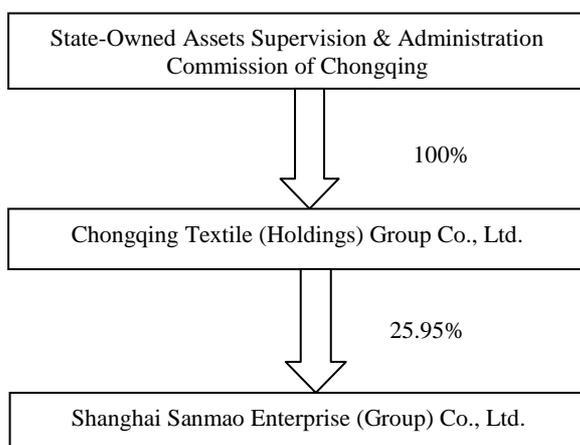
1. Legal person

Name	State-Owned Assets Supervision & Administration Commission of Chongqing
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2. There are no special notes about the company's actual controller
Inapplicable

3. Date and index of Changing in the controlling shareholders during reporting period
Inapplicable

4. Block diagram showing property and controlling relationship between the effective controller and the Company



5. Actual controller controls the company through a trust or other asset management
Inapplicable

(III) Other briefing of controlling shareholders and actual controllers
None

(V) Other corporate shareholders holding over 10% of stock
Inapplicable

VI. Shares reduction limitations

applicable inapplicable

Chapter VII Preferred Shares

applicable inapplicable

Chapter VIII Directors, Supervisors, Senior Executives and Employees

I. Chang of holdings and remuneration

(I) Share holding changes and remuneration of directors, supervisors and senior executives under employment or retired during report period

√ applicable □ inapplicable

Unit: share

Name	Title (note)	Sex	Age	Start of Tenure	End of Tenure	Shares held at the beginning of year	Shares at end of year	Change in report period	Reason for change	Total Paid by the Company during report period(RMB 10,000) (before tax)	Total Paid by the shareholders units during report period(RMB 10,000)
Zou Ning	Chairman of the Board, president	M	47	2013-06-07	2016-06-07	0	0	0		0	Yes
Liu Jie	Director, vice president	M	47	2013-06-07	2016-06-07	0	0	0		37	No
Hu Yu Note 1	Director	M	42	2016-01-19	2016-06-07	0	0	0		0	Yes
Zhao Xiaolei	Independent Director	M	61	2013-06-07	2016-06-07	0	0	0		9	No
Qian Liming	Independent Director	M	45	2013-06-07	2016-06-07	0	0	0		10	No
Xu Feng	Independent Director	M	43	2014-12-24	2016-06-07	0	0	0		10	No
Zhang Ping	Chairman of the Supervisory Board	F	58	2013-06-07	2016-06-07	10,000	10,000	0		46	No
Cao Yongxiang	Supervisor	M	58	2013-06-07	2016-06-07	0	0	0		0	Yes
He Guiyun	Supervisor	M	47	2015-06-23	2016-06-07	0	0	0		0	Yes
Gu Shunliang	Supervisor	M	62	2013-06-07	2016-06-07	0	0	0		0	No
Cai Zhiwei	Supervisor	M	55	2013-06-07	2016-06-07	0	0	0		14	No
Shen Lei	Board secretary	F	45	2013-06-07	2016-06-07	500	500	0		39	No
Zhou Zhiyu	CFO	M	53	2015-04-24	2016-06-07	0	0	0		34	No
Zhang Wenqing Note2	Former Chairman of the Board, president	M	60	2013-06-07	2015-12-29	0	0	0		98	No
Deng Shoudong Note3	Former Supervisor	M	63	2013-06-07	2015-04-24	0	0	0		0	No
Total	/	/	/	/	/	10,500	10,500	0	/	297	/

Names	Main Work Experience
Zou Ning	Used to be director of Assets Department with Chongqing Foreign Trade Holding (Group) Co., Ltd.; vice director of Assets Operating Office with Chongqing Foreign Trade Holding (Group) Co., Ltd.; director of Operational Department with Chongqing Textile Holding (Group) Co., Ltd.; Chairman of the Board and President of Enterprise Management Department with Chongqing Textile Holding (Group) Co., Ltd.
Liu Jie	Is now director of the 8 th board of directors and Vice President of Shanghai Sanmao; executive director, general manager, and Secretary of the Party committee of Shanghai Yi Top Textile Co., Ltd.; executive director of Taicang Sanmao Textile Co. Ltd.; Executive Director Shanghai Mao Yu Asset Management Co. Ltd. (legal representative)
Hu Yu Note 1	Used to be Deputy secretary of the Youth League committee of Chongqing Beer (Group) Co., Ltd. ; business director of the Discipline Audit Office of Chongqing Textile Holdings (Group) Co., Ltd. Is now Deputy Chief of the Department of Business Management of Chongqing Textile Holdings (Group) Co., Ltd.
Zhao Xiaolei	Is now teacher, professor of Shanghai University of Finance and Economics; president of Shanghai Development Institute; and independent director of the 8 th board of directors of Shanghai Sanmao.
Qian Liming	Is now general manager of Junze Investment (Shanghai) Co., Ltd. and independent director of the 8 th board of directors of Shanghai Sanmao.
Xu Feng	Used to be General Manager of Shanghai Hailuo Garments Co., Ltd.; is now vice principal of Shanghai International Fashion Education Center; independent director of the 8 th board of directors
Zhang Ping	Used to be director of the 7 th board of directors and Party Secretary of Shanghai Sanmao; director of the 8 th board of directors and Party Secretary of Shanghai Sanmao; is now chairman of the 8 th Board of Supervisors of Shanghai Sanmao.
Cao Yongxiang	Used to be Director of Institution Planning Department of the Office of Chongqing Municipal Organization Planning Committee; Director of Governmental Unit Registration Administration Bureau of the Office of Chongqing Municipal Organization Planning Committee; Party Committee member and assistant to President and Party Secretary of Disciplinary Committee of Chongqing Textile Holding, chairman of the 7 th and 8 th Supervisory Board of Shanghai Sanmao; is now vice Party secretary and Party Secretary of

	Disciplinary Committee of Chongqing Textile Holding; Supervisor of the 8 th Board of Supervisors of Shanghai Sanmao.
He Guiyun	Used to be Chief of Finance of Natong Mining Bureau supplies; Minister of Nantong Mining Audit Department; is now Director of the Audit Office (Office of the Supervisory Board) of Chongqing Textile Holdings (Group) Co., Ltd.
Gu Shunliang	Used to be deputy general manager of supervision and auditing office of Huayu Wool & Jute Enterprise Development Co., Ltd.; supervisor of the 6 th and 7 th Supervisory Board of Shanghai Sanmao, manager of supervision and auditing office of Shanghai Sanmao; is now supervisor of the 8 th Supervisory Board of Shanghai Sanmao.
Cai Zhiwei	Used to be office director of Comprehensive Management Center with Shanghai Sanmao Enterprise (Group) Co., Ltd.; personnel manager of Property Management Center of Shanghai Sanmao, responsible person of the trade union preparation; supervisor of 7 th supervisory board of Shanghai Sanmao; Party Committee member, secretary of disciplinary committee, trade union chairman and personnel manager of the Property Management Center of Shanghai Sanmao; is now supervisor of 8 th supervisory board of Shanghai Sanmao; Party Committee member, secretary of disciplinary committee, trade union chairman and personnel manager of the Property Management Center of Shanghai Sanmao.
Shen Lei	Used to be securities agent with the 6 th board of directors of Shanghai Sanmao; secretary of the 7th board of directors of Shanghai Sanmao; is now secretary of the 8th board of directors of Shanghai Sanmao; General Manager of Investor Relations Department
Zhou Zhiyu	Used to be Shanghai Zhongchuang Information Technology Co., Ltd.; Finance Manager of Shanghai Changkai Information Technology Co., Ltd. Shanghai Sanmao supervision and examination, vice president, financial manager. The current Director, Finance Management Department Shanghai Sanmao Finance.
Zhang Wenqing Note2	Used to be President and Party Secretary of Chongqing Textile Holding (Group) Co., Ltd.; Chairman of the 6 th Board and Party Secretary of Shanghai Sanmao, Chairman of the 7 th Board of Directors of Shanghai Sanmao; is now President of Chongqing Textile Holding (Group) Co., Ltd.; Chairman of the 8 th Board of Directors and President of Shanghai Sanmao
Deng Shoudong Note3	Used to be directing clerk and vice director of Auditing Department of Chongqing Light Industry Bureau; director of Auditing Office of Chongqing Textile Holding (Group) Co., Ltd.; director of the Supervisory Board Office (simultaneously); Supervisor of the 6 th and 7 th Supervisory Board of Shanghai Sanmao;

Other notes

Note1: Eighth Board of Directors approved at the Seventh Interim Session in 2015 and 2016 First Interim General Meeting, Mr. Hu Yu was supplemented to the Eighth Board of Directors.

Note 2: Zhang Wenqing resigned from chairman of the board of directors, special committee and presidency on December 29, 2015.

Note 3: Deng Shoudong resigned from the position of supervisor of the eighth Board of Supervisors on April 14, 2015.

(II) Directors, supervisors and senior executives equity incentives awarded during report period

applicable inapplicable

II. Office holding profile of directors, supervisors and senior executives in office or retired during report period

(I) Particulars about office-holding at shareholding companies

applicable inapplicable

Name	Name of shareholding companies	Title	Starting Date	Ending Date
Zou Ning	Chongqing Textile Holdings (Group) Co., Ltd.	Director of Enterprise Management Department	2009-08	
Cao Yongxiang	Chongqing Textile Holdings (Group) Co., Ltd.	Deputy Secretary of the Party committee, Secretary of the Discipline Inspection Commission	2011-05	
He Guiyun	Chongqing Textile Holdings (Group) Co., Ltd.	Director of the Audit Office (and the Office of the Supervisory Board)	2015-3	
Hu Yu	Chongqing Textile Holdings (Group) Co., Ltd.	Vice Director of Enterprise Management Department	2012-7	
Zhang Wenqing	Chongqing Textile Holdings (Group) Co., Ltd.	Chairman of the Board	2010-10	2015-11

(II) Particulars about office-holding with other companies

applicable inapplicable

Name	Name of shareholding companies	Title	Starting Date	Ending Date
Zhao Xiaolei	Shanghai University of Finance and Economics	Teacher, professor	1986-7	

Zhao Xiaolei	Xinjiang Qingsong Building Materials Chemical Industry (Group) Co., Ltd.	Independent director	2014-4	
Zhao Xiaolei	Shanghai Institute of Development	Department head	2015-12	
Qian Liming	Junze Investment (Shanghai) Co., Ltd.	General manager	2010-1	
Xu Feng	Shanghai International Fashion Education Center	vice principal	2013-7	
Directions about office-holding with other companies	No			

III. Remuneration of directors, supervisors and senior executives

Decision-making procedures for remuneration of Directors, Supervisors and senior executives	To be decided by the Board of Directors and the Remuneration and Appraisal Committee under the board. Remuneration of independent directors is subject to approval by shareholders' general meeting.
Calculation basis for remuneration of Directors, Supervisors and senior executives	Set according to the business objectives set at the beginning of year and assessment method, proposed by the Remuneration and Evaluation Committee of the Board of Directors with the annual assessment of senior managers of the Company, and brought to the Board for consideration. Independent directors' allowance drawn up by the Board of Directors and submitted to the shareholders' general meeting.
Total remuneration payable to all directors, supervisors and senior executives	Combined with integrated completion of annual financial position, operating results and other targets, paid after review by the Remuneration and Evaluation Committee. Remuneration the Company discloses commensurate with the actual distribution.
Total remuneration received by all directors, supervisors and senior executives at period end	Total payment to directors, supervisors, and senior managers in 2015 amounts to 2.97 million yuan.

IV. Particulars about changes of directors, supervisors and senior executives

Name	Title	Change	Reason
Zhang Wenqing	the 8th Board of Directors general manager	appointment	appointment by the 8th Board of Directors
Zhang Wenqing	the 8th Board of Directors Chairman, general manager	retired from post	December 29, 2015, Mr. Zhang Wenqing resigned chairman, Board of Directors, special committees and general manager.
Zhou Zhiyu	CFO	appointment	appointment by the 8th Board of Directors
Deng Shoudong	the 8th Supervisory Board Supervisor	retired from post	April 14, 2015, Mr. Deng Shoudong resigned from Eighth Board of Supervisors duties due to age.
He Guiyun	the 8th Supervisory Board Supervisor	election	election by the 8th Supervisory Board, approved by the 2014 Annual General Meeting of Shareholders
Zou Ning	the 8th Board of Directors Chairman	election	Eighth Board by-election
Zou Ning	general manager	appointment	appointment by the 8th Board of Directors
Hu Yu	the 8th Board of Directors director	election	election by the 8th Board of Directors, approved by the 2016 First Provisional Shareholders General Meeting

V. Punishments from securities regulators in last three years

applicable inapplicable

VI. Employee status of the Parent Company and its key subsidiaries

(I) Particulars about employees

Number of employees of Parent Company in service	55
Number of employees of key subsidiaries in service	444
Total headcount in employment	499
Number of retired personnel on the payroll of the parent company and key subsidiaries	5
The constitution of specialties	
Classification	Number
Production staff	294

Selling staff	46
Technicians	47
Financial staff	23
Administrative staff	45
Others	44
Total	499
Educational level	
Educational Level	Number (head count)
Master	16
Bachelor	80
Junior full time college	82
Senior high school or below	321
Total	499

(II) Remuneration policies

Directors and executives: payment made in strict accordance with the "Board of Directors Remuneration and Appraisal Committee Implementation Details", combined with the annual financial status, operating results, comprehensive completion of safe production and other targets, appraisal of the performance the directors and senior management personnel;

The branch (subsidiary)companies: in strict accordance with the Management Measures of Performance Assessment; basic annual salary: decided on the basis of the enterprise investment (assets), the amount of net profit, sales scale, staff size, management functions and the structure of investment proportion and other comprehensive measures. Reward: as for normal profitable enterprise, award made according to the profit level of the enterprise; as for non-profitable enterprise, award made by the completion of work objectives, and fulfillment of annual loss reduction target.

Headquarters remuneration policy: According to the company headquarters restructuring spirit and the "Shanghai Sanmao Group headquarters wage adjustment programs" (2015 edition), in August 2015 the company headquarters by the middle chief competition for employment positions and the following management staff, workers and service personnel adjustments salary, wages according to seniority, skills, job title, duties, etc. may be different after the competition.

(III) Training programs

According to the 2015 restructuring and development needs, the Company actively carried out preliminary research, developed training programs, and purposeful, hierarchical promotion plan implemented. It has already implemented internal training, professional training and management training.

1. Internal training : Organized internal trainings themed as "team building" and " Sunny mood " in line with the institutional reform of the head headquarter in April 2015, All employees participate in the company headquarters, 456 people.

2. Professional training: Organized the "People's Republic of China Production Safety Law" (2014 edition) study classes in December 2015 Group Company and its subsidiaries in charge of safety and security leadership cadres to participate, 42 people had been trained;

3. Management Trainee: In the year 2015, the company developed the Management Trainee Training Program to train reserve cadres. With the implementation of one management trainee's professional designated training in November 2015, indicating the company's talent echelon construction officially started.

Chapter IX Corporate Governance

I. Corporate governance and information insider registration management**(I) Corporate governance**

The Company acted strictly in accordance with the provisions of the Company Law, Securities Law and other laws and regulations, established the rules of procedure and related regulations about the shareholders' meeting, board of directors and board of supervisors, made clear the duties and powers about decision-making, implementation, monitoring, and other aspects, formed a legal person management structure that is clear of division of responsibilities, with everyone's duties performed, effective checks and balances, scientific decision-making and coordinated operations among authority, decision-making bodies, supervisory bodies and managers.

In 2014, the Company amended the Company's Articles of Association, Related Transaction Management System, Board of Directors' Audit Committee Working Procedures, Working Procedures of the General Meeting of Shareholders and other systems, according to the Articles of Association of Listed Companies Guidelines (2014 Revision), Shanghai Stock Exchange Listed Company Related Transaction Implementation Guidance, Shanghai Stock Exchange Listed Company Audit Committee Operational Guidelines and other related regulatory guidelines, combined with the actual situation of the Company.

Corporate governance is long-term and sustained work. The Company will continue to follow the laws and regulations issued by regulatory authorities, continuously deepen corporate governance, establish a long-term mechanism to improve corporate governance standards, strengthen the Company's internal controls, and effectively improve the Company's standard operation level, safeguard the legitimate rights and interests of the Company and its shareholders, and promote the healthy and stable development of the Company.

II. Summary of shareholders general meeting

Session time of meeting	Date of meeting	Index of resolutions on designated media or website	Date of resolution publishing
2014 Annual Shareholder's General Meeting	2015-06-23	Shanghai Securities News B61, Hong Kong Wen Wei Po A29, www.sse.com.cn	2015-06-24

Particulars about Shareholders' Meeting

Items considered at the 2014 Annual Shareholder's General Meeting:

1. Work Report 2014 of the Board of Directors
2. Work Report 2014 of the Supervisory Board
3. 2014 Financial Final Account
4. 2014 Profit Sharing Plan
5. Motion on Asset Impairment Reserve for 2014
6. Motion on 2014 Annual Write-off of Bad Debt Losses
7. The 2014 Annual Report and Highlights
8. Motion on Hiring of CPA Accounting Firm for Annual Audit and Audit Body for Internal Control Audit 2015
9. Motion on the Company's Loan Quota for 2015
10. Motion on Authorizing the Company to Provide Guaranty for Subsidiary Applying for Bank Credit Line
11. Motion on Authorizing the Company to Provide Additional Guaranty for Subsidiary Applying for Bank Credit Line
12. Motion on Supplementing Mr. He Guiyun to the Eighth Supervisory Board

III. Duty fulfillment of directors

(I) Attendance of directors at meetings of the Board of Directors

Name	Independent Director or not	Attendance of meetings of the Board of Directors						attendance of general meeting of shareholders
		Expected attendances	Actual attendances in person	Number of attendances by correspondence	Entrusted attendances	Absences	Two absences in succession or not	Number of attendances of general meeting of shareholders
Zou Ning	No	11	11	9	0	0	No	1
Liu Jie	No	11	11	6	0	0	No	1
Zhao Xiaolei	Yes	11	11	6	0	0	No	1
Qian Liming	Yes	11	11	6	0	0	No	1
Xu Feng	Yes	11	11	6	0	0	No	1
Zhang Wenqing	No	11	11	6	0	0	No	1

Failure to attend meetings of the Board personally twice in a row
Inapplicable

Number of board meetings in report year	11
Including: number of field meeting	1
Number of meeting by correspondence	6
Number of meeting field & by correspondence	4

(II) Dissent expressed by Independent Directors on related issues of the Company
In report period, independent directors did not provide any dissent to related issues.

IV. Important opinions and suggestions proposed by the Board's special committees in report period

The special committees stand under the Board of Directors: Strategic Committee, Audit Committee, Nomination Committee and Remuneration and Appraisal Committee. In the year 2015, the four committees work actively conscientiously perform their duties, having promoted the standardized operation of the Board of Directors, scientific decision-making and stayed in strict compliance with disclosure obligations.

Strategy Committee of the Board focuses on determining the company's strategic development plan, improve the investment decision-making process in 2015. The Committee members carefully judged the business environment, trends and competitive landscape of our industry, made objective analysis of advantages and disadvantages of the Company in the market competition, as well as possible risks, drafted annual operating goals, planned out annual work, guided the operating level to carry out goal management and related business activities; developed thematic studies to the Company's management mode adjustment, and other thematic studies; made prudent decisions related to the Company's mid-term and long-term development strategies and development plans to achieve annual capital operation, asset disposal and other major issues. The Strategy Committee endorse the new model of foreign investment that the Company breaking the limitations of holding and exploring equity services.

The Audit Committee made thorough studies of the Company's production management, financial management, standardized operation and internal control, focused on related transactions, the use of funds and so on. Five meetings were held this year, which deliberated matters related to the annual report, semi-annual report, third quarter report. The Remuneration and Appraisal Committee of the board of directors gave guiding opinions to the making of company's executive compensation plan, the company headquarters institutional reform and related personnel system specify in 2015. Especially in terms of the development of executive compensation, Remuneration and Appraisal Committee make recommendations about the incentive policy that should link the Company's management to annual operational profit. The recommendation has been adopted and implementation by the company.

Nomination Committee audited the qualifications for senior management candidates and candidates for directors, on the basis of being in full knowledge of the candidates' ability to perform their duties, moral qualities, and the part-time situation, confirmed the eligibility of candidates, and audited the nominees' qualification, held that the Company's directors, senior management elective procedures are legitimate, in line with the relevant requirements.

The Strategy Committee of the Board of Directors, the Audit Committee, the Remuneration Committee and the Nomination Committee have fully played their roles during the reporting period, strictly followed the requirements of the implementation details of the various committees, made active recommendations to the Board of Directors, promoted the development of the standardized corporate governance structure. The special committees under the Board fell in favor of all the proposals under consideration.

V. Description of the supervisory board finding out about the Company's existing risks

In report period, the supervisory board has no objections to supervisory matters.

VI. Explanation on failure to maintain independence or independent operation from its controlling shareholder in respect of business, personnel, assets, organization and finance etc.

Inapplicable

The company's corresponding solutions, progress and follow-up plan to the presence of intra-industry competition
Inapplicable

VII. In report period, the establishment and implementation of evaluation and motivation of senior executives

The company established a reasonable performance evaluation mechanism in order to effectively motivate senior management personnel to perform their duties diligently, dutifully. At the beginning of each year, senior management personnel established the annual work plan by the administrative division according to the business objectives established by the Board of Directors. After the end of the year, the Remuneration Committee evaluated the implementation of the target and fulfillment of annual work of the company's senior management in accordance with relevant provisions of the "Board Remuneration Committee Rules", established annual payment plan of senior management's remuneration, and submitted to the Board for consideration. The Company linked the work performance and the annual remuneration of the company's senior management, so as to achieve the purpose of incentive.

During the reporting period, the Board of Directors Remuneration Committee bring up the company's senior management 2015 annual payroll plan according to the evaluation results, squared the senior management of the company 2015 annual remuneration after reviewed and approved by the board of directors.

VIII. Whether disclosed of the internal control self-assessment report

applicable inapplicable

The 12th meeting of the 8th board of directors examined and adopted the "2015 Annual Internal Control Evaluation Report." See the full text in the relevant announcement published on the Shanghai Stock Exchange Web site www.sse.com.cn February 6, 2016.

Significant defect of the Internal Control during report period

applicable inapplicable

IX. Deliberation of internal control audit report

Commissioned by the Company, Shu Lun Pan Certified Public Accountants (special general partnership) (hereinafter referred to as "the Shu Lun Pan") audit on the effectiveness of our internal control the financial report on December 31,

2015. the Shu Lun Pan believe that, as of December 31, 2015, the Company had maintained effective internal control over financial reporting in all major aspects in accordance with the "Basic Norms of Internal Control" and the relevant provisions. In the internal control audit process, we noted that Shanghai Sanmao Company's non-financial report internal control has one major defect. To see full text of "2015 Annual Internal Control Audit Reports" Shu Lun Pan issued about the Company on Shanghai Stock Exchange Web site www.sse.com.cn published on February 6, 2016.

Whether the internal control audit report disclosed or not: Yes

Chapter X Corporate Bonds

applicable inapplicable

Chapter XII Reference Available

Documents for Reference	(I) 2015 Annual Report original copies signed by the legal representative (II) Financial statements sealed and signed by the legal representative, CFO and person in charge of accounting division (III) Originals of Audit Report with seals and signatures of CPAs' and CPA's Firm (IV) The originals of all the company's documents and public bulletins released in the newspapers designated by China Securities Regulation Committee within the report period
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Chairman of the Board: Zou Ning

Delivery date approved by the Board of Directors: Feb. 6, 2016

SHANGHAI SANMAO ENTERPRISE (GROUP) COMPANY LIMITED

AUDITORS' REPORT AND FINANCIAL STATEMENTS

(From January 1, 2015 to December 31, 2015)

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AUDITORS' REPORT

PCPAR (2016) No.110165

To shareholders of Shanghai Sanmao Enterprise (Group) Company Limited:

We have audited the accompanying financial statements of Shanghai Sanmao Enterprise (Group) Company Limited (hereinafter referred to as 'the Company'), which comprise the consolidated statement of financial position and the statement of financial position as at December 31, 2015, the consolidated statement of comprehensive income and the statement of comprehensive income, the consolidated statement of cash flows and the statement of cash flows, the consolidated statement of changes in equity and the statement of changes in equity, and notes to the financial statements for the year then ended.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Accounting Standards for Business Enterprises, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Independent Auditing Standards for Chinese Certified Public Accountants. Those standards require that we comply with ethical requirements of Chinese Certified Public Accountants and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making our risk assessments, the auditors consider internal control relevant to the entity's preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements of the Company have been prepared in accordance with Accounting Standards for Business Enterprises and present fairly, in all material respect, the consolidated and the Company's the financial position as at December 31, 2015, and the consolidated and the Company's results of operations and cash flows for the year then ended.

BDO China Shu Lun Pan Certified Public
Accountants LLP

Shanghai, China

Date: February 4, 2016

This auditors' report and the accompanying notes to the financial statements are English translation of the Chinese auditors' report. In case of doubt as to the presentation of these documents, the Chinese version shall prevail.

SHANGHAI SANMAO ENTERPRISE (GROUP) COMPANY LIMITED
CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS at December 31, 2015

(Amounts are expressed in RMB unless otherwise stated)

Assets	Notes 5	As at December 31, 2015	As at December 31, 2014
CURRENT ASSETS			
Cash and cash equivalents	5.1	81,565,546.52	136,057,261.94
Provision of settlement fund			
Funds lent			
Financial assets calculated by the fair value, which variation was credited to the current profit and loss	5.2	629,375.00	8,484,097.00
Notes receivable	5.3	10,733,846.05	21,677,389.88
Accounts receivable	5.4	47,468,704.25	26,219,817.84
Advances to suppliers	5.5	107,866,780.80	97,291,253.81
Insurance premiums receivable			
Cession premiums receivable			
Provision of cession receivable			
Interests receivable			
Dividends receivable			
Other receivables	5.6	48,213,326.03	54,782,901.08
Redemptory monetary capital for sale			
Inventories	5.7	35,072,845.65	40,173,343.74
Non-current assets maturing within one year			
Other current assets	5.8	2,971,445.73	3,660,436.21
TOTAL CURRENT ASSETS		334,521,870.03	388,346,501.50
NON-CURRENT ASSETS			
Loans and payments on behalf			
Available-for-sale financial assets	5.9	116,166,436.81	113,475,714.64
Held-to-maturity investments			
Long-term accounts receivable			
Long-term equity investments	5.10	4,687,456.51	939,357.09
Investment properties	5.11	216,604,848.88	224,887,568.81
Fixed assets	5.12	80,499,809.01	86,459,258.75
Construction in progress	5.13	203,750.09	144,780.00
Project materials			
Disposal of fixed assets			
Productive biological assets			
Oil and natural gas assets			
Intangible assets	5.14	8,051,892.72	8,288,828.30
Research and development costs			
Goodwill			
Long-term deferred expenses	5.15	1,888,521.99	2,663,378.32
Deferred tax assets	5.16	1,062,388.91	978,325.96
Other non-current assets	5.17	320,000.00	39,270.09
TOTAL NON-CURRENT ASSETS		429,485,104.92	437,876,481.96
TOTAL ASSETS		764,006,974.95	826,222,983.46

The accompanying notes form an integral part of these financial statements.

Corporate Representative:

Chief accountant:

Accountant in charge:

SHANGHAI SANMAO ENTERPRISE (GROUP) COMPANY LIMITED
CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

As at December 31, 2015

(Amounts are expressed in RMB unless otherwise stated)

Liabilities and owners' equity (or shareholders' equity)	Notes 5	As at December 31, 2015	As at December 31, 2014
CURRENT LIABILITIES			

Short-term borrowings	5.18	108,200,000.00	92,000,000.00
Financial liabilities held for trading			
Notes payable			
Accounts payable	5.19	47,005,329.73	26,646,729.08
Advances from customers	5.20	147,100,170.24	131,120,870.56
Employee benefits payable	5.21	6,922,141.06	7,517,489.28
Taxes and surcharges payable	5.22	5,126,645.61	20,615,220.13
Interests payable	5.23	195,811.66	480,613.25
Dividends payable	5.24	716,561.13	716,561.13
Other payables	5.25	31,901,195.98	28,486,457.33
Non-current liabilities maturing within one year	5.26	13,291,420.43	12,519,224.87
Other current liabilities			
TOTAL CURRENT LIABILITIES		360,459,275.84	320,103,165.63
NON-CURRENT LIABILITIES			
Long-term borrowings	5.27	10,672,599.27	21,748,203.67
Long-term payables	5.28	1,553,100.00	1,553,100.00
Long-term employee benefits payable	5.29	8,980,872.36	10,954,810.91
Specific items payable	5.30	8,460,000.00	8,460,000.00
Estimated liabilities	5.31	4,000,000.00	4,000,000.00
Deferred income	5.32	24,618,736.55	25,092,977.20
Deferred tax liabilities	5.16	1,583,996.70	13,587,549.47
Other non-current liabilities			
TOTAL NON-CURRENT LIABILITIES		59,869,304.88	85,396,641.25
TOTAL LIABILITIES		420,328,580.72	405,499,806.88
OWNERS' EQUITY (or shareholders' equity)			
Paid-in capital (or share capital)	5.33	200,991,343.00	200,991,343.00
Capital reserves	5.34	211,783,201.47	211,783,201.47
Minus: Treasury Stock			
Other comprehensive income	5.35	5,768,902.31	44,094,886.75
Special reserve			
Surplus reserves	5.36	38,610,002.38	38,610,002.38
General risk provisions			
Undistributed profit	5.37	-128,178,290.14	-89,409,514.10
Total owners' equity belongs to parent company		328,975,159.02	406,069,919.50
Minority shareholders' equity (B/S)		14,703,235.21	14,653,257.08
TOTAL OWNERS' EQUITY (OR SHAREHOLDERS' EQUITY)		343,678,394.23	420,723,176.58
TOTAL LIABILITIES AND OWNERS' EQUITY		764,006,974.95	826,222,983.46

The accompanying notes form an integral part of these financial statements.

Corporate Representative:

Chief accountant:

Accountant in charge:

SHANGHAI SANMAO ENTERPRISE (GROUP) COMPANY LIMITED

STATEMENT OF FINANCIAL POSITION

AS at December 31, 2015

(Amounts are expressed in RMB unless otherwise stated)

Assets	Notes 14	As at December 31, 2015	As at December 31, 2014
CURRENT ASSETS			
Cash and cash equivalents		42,753,170.92	84,130,022.22
Financial assets held for trading		182,595.00	181,608.00
Notes receivable			
Accounts receivable	14.1	3,068,855.77	3,564,421.02
Advances to suppliers		2,048,341.91	8,622,098.40
Interests receivable			
Dividends receivable			
Other receivables	14.2	25,980,041.35	3,903,887.16
Inventories		3,779,042.58	2,660,521.53
Non-current assets maturing within one year			
Other current assets			158,720.21

TOTAL CURRENT ASSETS		77,812,047.53	103,221,278.54
NON-CURRENT ASSETS			
Available-for-sale financial assets		59,173,326.64	113,475,714.64
Held-to-maturity investments			
Long-term accounts receivable			
Long-term equity investments	14.3	329,996,841.87	327,376,246.64
Investment properties		166,092,208.89	170,533,026.21
Fixed assets		9,262,093.34	10,038,741.52
Construction in progress		118,280.00	144,780.00
Project materials			
Disposal of fixed assets			
Productive biological assets			
Oil and natural gas assets			
Intangible assets		662,075.47	692,504.19
Research and development costs			
Goodwill			
Long-term deferred expenses			63,335.17
Deferred tax assets			
Other non-current assets			39,270.09
TOTAL NON-CURRENT ASSETS		565,304,826.21	622,363,618.46
TOTAL ASSETS		643,116,873.74	725,584,897.00

The accompanying notes form an integral part of these financial statements.

Corporate Representative:

Chief accountant:

Accountant in charge:

SHANGHAI SANMAO ENTERPRISE (GROUP) COMPANY LIMITED

STATEMENT OF FINANCIAL POSITION (CONTINUED)

AS at December 31, 2015

(Amounts are expressed in RMB unless otherwise stated)

Liabilities and Owners' Equity (or Shareholder's Equity)	Notes 14	As at December 31, 2015	As at December 31, 2014
CURRENT LIABILITIES			
Short-term borrowings		108,000,000.00	90,000,000.00
Financial liabilities held for trading			
Notes payable		85,036.42	
Accounts payable		10,002,685.01	8,369,833.53
Advances from customers		5,861,137.70	4,838,218.64
Employee benefits payable		4,403,148.56	5,458,222.73
Taxes and surcharges payable		3,017,536.04	13,227,776.82
Interests payable		195,811.66	480,613.25
Dividends payable		716,561.13	716,561.13
Other payables		102,927,316.60	100,421,758.38
Non-current liabilities maturing within one year		13,291,420.43	12,519,224.87
Other current liabilities			
TOTAL CURRENT LIABILITIES		248,500,653.55	236,032,209.35
NON-CURRENT LIABILITIES			
Long-term borrowings		10,672,599.27	21,748,203.67
Long-term payables		1,553,100.00	1,553,100.00
Long-term employee benefits payable		7,220,656.36	9,194,594.91
Specific items payable		8,460,000.00	8,460,000.00
Estimated liabilities		4,000,000.00	4,000,000.00
Deferred income		6,955,284.33	7,137,121.83
Deferred tax liabilities		1,583,996.70	13,587,549.47
Other non-current liabilities			
TOTAL NON-CURRENT LIABILITIES		40,445,636.66	65,680,569.88
TOTAL LIABILITIES		288,946,290.21	301,712,779.23
OWNERS' EQUITY (OR SHAREHOLDERS' EQUITY)			

Liabilities and Owners' Equity (or Shareholder's Equity)	Notes 14	As at December 31, 2015	As at December 31, 2014
Paid-in capital (or share capital)		200,991,343.00	200,991,343.00
Capital reserves		202,539,157.71	202,539,157.71
Other comprehensive income		4,772,734.71	43,094,886.75
Specific reserves			
Surplus reserves		38,610,002.38	38,610,002.38
Undistributed profit		-92,742,654.27	-61,363,272.07
Total Owners' Equity (Or Shareholder's Equity)		354,170,583.53	423,872,117.77
TOTAL LIABILITIES AND OWNERS' EQUITY		643,116,873.74	725,584,897.00

The accompanying notes form an integral part of these financial statements.

Corporate Representative:

Chief accountant:

Accountant in charge:

SHANGHAI SANMAO ENTERPRISE (GROUP) COMPANY LIMITED

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the Year ended 2015

(Amounts are expressed in RMB unless otherwise stated)

Items	Notes 5	Current year	Prior year
1. Overall sales		1,128,476,975.39	1,284,936,742.95
Including: Sales from operations	5.38	1,128,476,975.39	1,284,936,742.95
Interest income			
Insurance premiums earned			
Handling charges and commissions income			
2. Overall costs		1,170,999,443.66	1,347,764,046.75
Including: Cost of operations	5.38	1,050,755,487.35	1,210,516,336.65
Taxes and surcharges on operations	5.39	2,431,673.65	2,835,239.06
Selling and distribution expenses	5.40	38,171,858.21	31,064,602.25
General and administrative expenses	5.41	70,895,201.74	86,120,391.96
Financial expenses	5.42	2,459,230.37	13,985,522.90
Impairment loss on assets	5.43	6,285,992.34	3,241,953.93
Plus: Gain or loss from changes in fair value	5.44	-1,947,582.18	2,468,618.50
Investment income	5.45	55,662,897.90	129,595,102.77
Including: Investment income from joint ventures and affiliates		-2,961,900.58	3,087,857.12
Gain or loss on foreign exchange transactions			
3. Profit from operations		11,192,847.45	69,236,417.47
Plus: Non-operating profit	5.46	2,214,516.80	1,794,154.90
Including: Gain from disposal of non-current assets		974,913.93	323,950.50
Less: Non-operating expenses	5.47	60,170,059.41	622,764.73
Including: Loss from disposal of non-current assets		20,513.15	280,030.19
4. Profit Before Tax		-46,762,695.16	70,407,807.64
Less: Income tax expenses	5.48	-8,325,121.21	10,072,041.02
5. Net profit		-38,437,573.95	60,335,766.62
Net profit belonging to parent company		-38,768,776.04	60,007,420.97
Minority shareholders' equity		331,202.09	328,345.65
6. Net other comprehensive income after tax		-38,328,008.40	14,191,383.00
Net other comprehensive income after tax belonging to parent company		-38,325,984.44	14,191,383.00
6.1 Other comprehensive income can't be reclassified into gain or loss in future			
Other comprehensive income can't be reclassified into gain or loss in future under equity method			
6.2 Other comprehensive income can be reclassified into gain or loss in future		-38,325,984.44	14,191,383.00
Other comprehensive income can be reclassified into gain or loss in future under equity method			
Gain arising from the change of fair value on Available-for-sale financial assets		-38,325,984.44	14,191,383.00
Net other comprehensive income after tax, which attributable to minority shareholders		-2,023.96	
7. Total Comprehensive Earnings		-76,765,582.35	74,527,149.62
Net Comprehensive Earnings belonging to parent company		-77,094,760.48	74,198,803.97
Net Comprehensive Earnings belonging to Minority shareholders		329,178.13	328,345.65

8.Earnings per share (EPS)			
Basic EPS		-0.19	0.30
Diluted EPS		-0.19	0.30

The accompanying notes form an integral part of these financial statements.

Corporate Representative:

Chief accountant:

Accountant in charge:

SHANGHAI SANMAO ENTERPRISE (GROUP) COMPANY LIMITED

STATEMENT OF COMPREHENSIVE INCOME

For The Year Ended 2015

(Amounts are expressed in RMB unless otherwise stated)

Item	Notes 14	Current year	Prior year
1.Overall sales	14.4	79,677,359.32	96,205,522.60
Less: Cost of operations	14.4	63,854,250.98	83,364,422.48
Taxes and surcharges on operations		745,490.00	570,611.85
Selling and distribution expenses		3,221,652.29	1,416,882.56
General and administrative expenses		35,623,899.86	42,249,679.47
Financial expenses		5,388,528.79	10,990,847.23
Impairment loss on assets		7,419,657.79	16,553,276.98
Plus: Gain or loss from changes in fair value		109,697.00	44,901.00
Investment income	14.5	55,104,626.13	125,147,383.96
Including: Investment income from joint ventures and affiliates		-2,889,404.77	3,087,857.12
2.Profit from operations		18,638,202.74	66,252,086.99
Plus: Non-operating profit		181,837.50	567,271.51
Including: Gain from disposal of non-current assets			137,458.41
Less: Non-operating expenses		60,123,223.48	376,220.19
Including: Loss from disposal of non-current assets		890.00	56,220.19
3.Profit Before Tax		-41,303,183.24	66,443,138.31
Less: Income tax expenses		-9,923,801.04	9,886,301.04
4.Net profit		-31,379,382.20	56,556,837.27
5.Net other comprehensive income after tax		-38,322,152.04	14,191,383.00
5.1 Other comprehensive income can't be reclassified into gain or loss in future			
Other comprehensive income can't be reclassified into gain or loss in future under equity method			
5.2 Other comprehensive income can be reclassified into gain or loss in future		-38,322,152.04	14,191,383.00
Other comprehensive income can be reclassified into gain or loss in future under equity method			
Gain arising from the change of fair value on Available-for-sale financial assets		-38,322,152.04	14,191,383.00
Total Comprehensive Earnings		-69,701,534.24	70,748,220.27
Earnings per share (EPS)			
Basic EPS		-0.16	0.28
Diluted EPS		-0.16	0.28

The accompanying notes form an integral part of these financial statements.

Corporate Representative:

Chief accountant:

Accountant in charge:

SHANGHAI SANMAO ENTERPRISE (GROUP) COMPANY LIMITED

CONSOLIDATED STATEMENT OF CASH FLOWS

For the Year ended 2015

(Amounts are expressed in RMB unless otherwise stated)

Items	Notes 5	Current year	Prior year
Cash flows from operating activities			
Cash receipts from the sales of goods and the rendering of		1,133,732,159.94	1,330,098,274.86
Receipts of tax refunds		146,068,656.12	138,717,682.47
Other cash receipts relating to operating activities	5.49	42,444,259.51	50,691,944.34
Sub-total of cash inflows from operating activities		1,322,245,075.57	1,519,507,901.67
Cash payments for goods purchased and services received		1,141,551,456.55	1,366,022,659.88
Net increase in loans and payments on behalf			
Net increase in deposits with centre bank and interbank			

Payments of claims for original insurance contracts			
Interests, handling charges and commissions paid			
Commissions on insurance policies paid			
Cash payments to and on behalf of employees		85,346,148.43	65,115,700.56
Payments of all types of taxes		17,160,062.79	15,045,116.11
Other cash payments relating to operating activities	5.49	78,146,594.70	79,284,662.65
Sub-total of cash outflows from operating activities		1,322,204,262.47	1,525,468,139.20
Net cash flows from operating activities		40,813.10	-5,960,237.53

The accompanying notes form an integral part of these financial statements.

Corporate Representative:

Chief accountant:

Accountant in charge:

SHANGHAI SANMAO ENTERPRISE (GROUP) COMPANY LIMITED
CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)
For the Year ended 2015

(Amounts are expressed in RMB unless otherwise stated)

Items	Notes 5	Current year	Prior year
Cash flows from investing activities			
Cash receipts from disposals and withdraw on investment		276,257,468.01	259,114,829.44
Cash receipts from returns on investments		57,624,798.48	128,981,602.28
Net cash receipts from disposals of fixed assets, intangible assets and other long-term assets		854,992.04	15,250,922.76
Net cash receipts from disposals of subsidiaries and other business units			
Other cash receipts relating to investing activities	5.49		4,284,294.20
Sub-total of cash inflows from investing activities		334,737,258.53	407,631,648.68
Cash payments to acquire and construct fixed assets, intangible assets and other long-term assets		2,345,070.28	26,958,713.09
Cash payments to acquire investments		329,083,645.00	229,577,030.00
Net increase in secured loans			
Net cash payments for acquisitions of subsidiaries and other business units			
Other cash payments relating to investing activities	5.49		5,072,734.53
Sub-total of cash outflows from investing activities		331,428,715.28	261,608,477.62
Net cash flows from investing activities		3,308,543.25	146,023,171.06
Cash flows from financing activities			
Cash receipts from investors in making investment in the enterprise		490,000.00	
Including: Cash received from issuing shares of minority shareholders			
Cash receipts from borrowings		108,200,000.00	269,130,000.00
Cash receipts from issuance of bonds			
Other cash receipts relating to financing activities		60,000,000.00	
Sub-total of cash inflows from financing activities		168,690,000.00	269,130,000.00
Cash repayments of amounts borrowed		102,303,408.84	332,226,894.17
Cash payments for distribution of dividends or profits, or cash payments for interest expenses		8,769,647.47	16,364,311.58
Including: Subsidiary companies pay cash to minority shareholders for interest expenses and distribution of dividends or profit			
Other cash payments relating to financing activities	5.49	60,000,000.00	60,000,000.00
Sub-total of cash outflows from financing activities		171,073,056.31	408,591,205.75
Net cash flows from financing activities		-2,383,056.31	-139,461,205.75
Effect of foreign exchange rate changes on cash and cash equivalents		4,018,884.54	-13,653,833.44
Net increase in cash and cash equivalents		4,985,184.58	-13,052,105.66
Plus: Cash and cash equivalents at beginning of period		75,187,261.94	88,239,367.60
Cash and cash equivalents at end of period		80,172,446.52	75,187,261.94

The accompanying notes form an integral part of these financial statements.

Corporate Representative:

Chief accountant:

Accountant in charge:

SHANGHAI SANMAO ENTERPRISE (GROUP) COMPANY LIMITED

STATEMENT OF CASH FLOWS

For the Year ended 2015

(Amounts are expressed in RMB unless otherwise stated)

Items	Current year	Prior year
Cash flows from operating activities		
Cash receipts from the sales of goods and the rendering of services	80,158,857.80	100,705,900.04
Receipts of tax refunds		
Other cash receipts relating to operating activities	250,271,912.84	353,449,226.41
Sub-total of cash inflows from operating activities	330,430,770.64	454,155,126.45
Cash payments for goods purchased and services received	70,326,115.74	112,612,788.93
Cash payments to and on behalf of employees	16,580,054.15	18,936,592.77
Payments of all types of taxes	1,551,893.61	1,177,266.29
Other cash payments relating to operating activities	280,313,015.12	311,621,398.54
Sub-total of cash outflows from operating activities	368,771,078.62	444,348,046.53
Net cash flows from operating activities	-38,340,307.98	9,807,079.92
Cash flows from investing activities		
Cash receipts from disposals and withdraw on investment	285,222,918.19	180,401,499.44
Cash receipts from returns on investments	57,895,232.30	129,487,191.42
Net cash receipts from disposals of fixed assets, intangible assets and other long-term assets	70.00	304,723.50
Net cash receipts from disposals of subsidiaries and other business units		
Other cash receipts relating to investing activities		
Sub-total of cash inflows from investing activities	343,118,220.49	310,193,414.36
Cash payments to acquire and construct fixed assets, intangible assets and other long-term assets	204,128.81	12,062,136.05
Cash payments to acquire investments	285,647,525.00	151,087,855.00
Net cash payments for acquisitions of subsidiaries and other business units		
Other cash payments relating to investing activities		
Sub-total of cash outflows from investing activities	285,851,653.81	163,149,991.05
Net cash flows from investing activities	57,266,566.68	147,043,423.31

The accompanying notes form an integral part of these financial statements.

Corporate Representative:

Chief accountant:

Accountant in charge:

SHANGHAI SANMAO ENTERPRISE (GROUP) COMPANY LIMITED

STATEMENT OF CASH FLOWS (CONTINUED)

For the Year ended 2015

(Amounts are expressed in RMB unless otherwise stated)

Items	Current year	Prior year
Cash flows from financing activities		
Cash receipts from investors in making investment in the enterprise		
Cash receipts from borrowings	108,000,000.00	258,000,000.00
Cash receipts from issuance of bonds		
Other cash receipts relating to financing activities	60,000,000.00	
Sub-total of cash inflows from financing activities	168,000,000.00	258,000,000.00
Cash repayments of amounts borrowed	100,303,408.84	330,706,894.17
Cash payments for distribution of dividends or profits, or cash payments for interest expenses	7,999,729.69	13,039,423.34
Other cash payments relating to financing activities	60,000,000.00	60,000,000.00
Sub-total of cash outflows from financing activities	168,303,138.53	403,746,317.51
Net cash flows from financing activities	-303,138.53	-145,746,317.51
Effect of foreign exchange rate changes on cash and cash equivalents	28.53	
Net increase in cash and cash equivalents	18,623,148.70	11,104,185.72
Plus:Cash and cash equivalents at beginning of period	24,130,022.22	13,025,836.50
Cash and cash equivalents at end of period	42,753,170.92	24,130,022.22

The accompanying notes form an integral part of these financial statements.

Corporate Representative:

Chief accountant:

Accountant in charge:

SHANGHAI SANMAO ENTERPRISE (GROUP) COMPANY LIMITED
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 2015

(Amounts are expressed in RMB unless otherwise stated)

Items	Current year									
	Owners' equity belongs to parent company								Minority shareholders' equity (B/S)	Total owners' equity
	Paid-in capital (or share capital)	Capital reserves	Minus: Treasury shares	Other comprehensive income	Special reserve	Surplus reserves	General risk provisions	Undistributed profit		
Opening balance brought forward	200,991,343.00	211,783,201.47		44,094,886.75		38,610,002.38		-89,409,514.10	14,653,257.08	420,723,176.58
Plus: Adjustments for changes in accounting policy										
Adjustments for correction of accounting errors in prior year										
Others										
Beginning balance of current year	200,991,343.00	211,783,201.47		44,094,886.75		38,610,002.38		-89,409,514.10	14,653,257.08	420,723,176.58
Adjustments for current year				-38,325,984.44				-38,768,776.04	49,978.13	-77,044,782.35
Total comprehensive income				-38,325,984.44				-38,768,776.04	329,178.13	-76,765,582.35
Capital contributed or reduced by owners									490,000.00	490,000.00
Capital contributions by owners									490,000.00	490,000.00
Amount of share payment registered into owners' equity										
Others										
Distributed profit									-769,200.00	-769,200.00
Extract for surplus reserve										
Extract for general risk reserve										
Distribute to Owners' (or shareholders)									-769,200.00	-769,200.00
Others										
Internal transfer of owners' equity										
Capital reserves transferring to paid-in capital (or share capital)										
Surplus reserve transferring to paid-in capital (or share capital)										
Surplus reserve offsetting loss										
Others										
Special reserve										
Extract in the current year										
Used in the current year										
Ending balance carried forward	200,991,343.00	211,783,201.47		5,768,902.31		38,610,002.38		-128,178,290.14	14,703,235.21	343,678,394.23

The accompanying notes form an integral part of these financial statements.

Corporate Representative:

Chief accountant:

Accountant in charge:

SHANGHAI SANMAO ENTERPRISE (GROUP) COMPANY LIMITED
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED) FOR THE YEAR ENDED 2015

(Amounts are expressed in RMB unless otherwise stated)

Items	Prior year									
	Owners' equity belongs to parent company								Minority shareholders' equity (B/S)	Total owners' equity
	Paid-in capital (or share capital)	Capital reserves	Minus: Treasury shares	Other comprehensive income	Special reserve	Surplus reserves	General risk provisions	Undistributed profit		
Opening balance brought forward	200,991,343.00	202,859,836.47		29,903,503.75		38,610,002.38		-149,416,935.07	13,333,426.42	336,281,176.95
Plus: Adjustments for changes in accounting policy										
Adjustments for correction of accounting errors in prior year										
Others										

Beginning balance of current year	200,991,343.00	202,859,836.47		29,903,503.75		38,610,002.38		-149,416,935.07	13,333,426.42	336,281,176.95
Adjustments for current year		8,923,365.00		14,191,383.00				60,007,420.97	1,319,830.66	84,441,999.63
Total comprehensive income				14,191,383.00				60,007,420.97	328,345.65	74,527,149.62
Capital contributed or reduced by owners		8,923,365.00							991,485.01	9,914,850.01
Capital contributions by owners										
mount of share payment registered into owners' equity										
Others		8,923,365.00							991,485.01	9,914,850.01
Distributed profit										
Extract for surplus reserve										
Extract for general risk reserve										
Distribute to Owners' (or shareholders)										
Others										
Internal transfer of owners' equity										
Capital reserves transferring to paid-in capital (or share capital)										
Surplus reserve transferring to paid-in capital (or share capital)										
Surplus reserve offsetting loss										
Others										
Special reserve										
Extract in the current year										
Used in the current year										
Ending balance carried forward	200,991,343.00	211,783,201.47		44,094,886.75		38,610,002.38		-89,409,514.10	14,653,257.08	420,723,176.58

The accompanying notes form an integral part of these financial statements.

Corporate Representative:

Chief accountant:

Accountant in charge:

SHANGHAI SANMAO ENTERPRISE (GROUP) COMPANY LIMITED
STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 2015
(Amounts are expressed in RMB unless otherwise stated)

Item	Current year							
	Paid-in capital (or share capital)	Capital reserves	Minus: Treasury shares	Other comprehensive income	Special reserve	Surplus reserves	Undistributed profit	Total owners' equity
Opening balance brought forward	200,991,343.00	202,539,157.71		43,094,886.75		38,610,002.38	-61,363,272.07	423,872,117.77
Plus: Adjustments for changes in accounting policy								
Adjustments for correction of accounting errors in prior year								
Others								
Beginning balance of current year	200,991,343.00	202,539,157.71		43,094,886.75		38,610,002.38	-61,363,272.07	423,872,117.77
Adjustments for current year				-38,322,152.04			-31,379,382.20	-69,701,534.24
Total comprehensive income				-38,322,152.04			-31,379,382.20	-69,701,534.24
Capital contributed or reduced by owners								
Capital contributions by owners								
mount of share payment registered into owners' equity								
Others								
Distributed profit								
Extract for surplus reserve								
Extract for general risk reserve								
Distribute to Owners' (or shareholders)								
Others								

Internal transfer of owners' equity								
Capital reserves transferring to paid-in capital (or share capital)								
Surplus reserve transferring to paid-in capital (or share capital)								
Surplus reserve offsetting loss								
Others								
Special reserve								
Extract in the current year								
Used in the current year								
Ending balance carried forward	200,991,343.00	202,539,157.71		4,772,734.71		38,610,002.38	-92,742,654.27	354,170,583.53

The accompanying notes form an integral part of these financial statements.

Corporate Representative:

Chief accountant:

Accountant in charge:

SHANGHAI SANMAO ENTERPRISE (GROUP) COMPANY LIMITED
STATEMENT OF CHANGES IN EQUITY (CONTINUED) FOR THE YEAR ENDED 2015
(Amounts are expressed in RMB unless otherwise stated)

Items	Prior year							
	Paid-in capital (or share capital)	Capital reserves	Minus: Treasury shares	Other comprehensive income	Special reserve	Surplus reserves	Undistributed profit	Total owners' equity
Opening balance brought forward	200,991,343.00	202,539,157.71		28,903,503.75		38,610,002.38	-117,920,109.34	353,123,897.50
Plus: Adjustments for changes in accounting policy								
Adjustments for correction of accounting errors in prior year								
Others								
Beginning balance of current year	200,991,343.00	202,539,157.71		28,903,503.75		38,610,002.38	-117,920,109.34	353,123,897.50
Adjustments for current year				14,191,383.00			56,556,837.27	70,748,220.27
Total comprehensive income				14,191,383.00			56,556,837.27	70,748,220.27
Capital contributed or reduced by owners								
Capital contributions by owners								
mount of share payment registered into owners' equity								
Others								
Distributed profit								
Extract for surplus reserve								
Extract for general risk reserve								
Distribute to Owners' (or shareholders)								
Others								
Internal transfer of owners' equity								
Capital reserves transferring to paid-in capital (or share capital)								
Surplus reserve transferring to paid-in capital (or share capital)								
Surplus reserve offsetting loss								
Others								
Special reserve								
Extract in the current year								
Used in the current year								
Ending balance carried forward	200,991,343.00	202,539,157.71		43,094,886.75		38,610,002.38	-61,363,272.07	423,872,117.77

The accompanying notes form an integral part of these financial statements.

Corporate Representative:

Chief accountant:

Accountant in charge:

SHANGHAI SANMAO ENTERPRISE (GROUP) COMPANY LIMITED
FOR THE YEAR ENDED DECEMBER 31, 2015
NOTES TO THE FINANCIAL STATEMENTS

1 Corporate information

1.1 Company profile

Shanghai Sanmao Enterprise (Group) Company Limited (hereinafter referred to as "the Company"), formerly known as Shanghai Sanmao Textile Co., Ltd., is a Sino-foreign joint venture established by public offer approved with HJQ (1993) No. 330 issued by Shanghai Economic Committee on July 19, 1993. The Company's business license number is 310000400072008 (municipal bureau). The A shares and the B shares of the Company was listed for public trading in Shanghai Stock Exchange on November 8, 1993 and December 31, 1993 respectively. The Company is mainly engaged in industry sector.

The controlling shareholder of the Company, Shanghai Textile Holding (Group) Company, transferred stated owned equity of 72,572,143 shares (36.11% of total shares of the Company) to Chongqing Light Industry and Textile Holdings (Group) Company for free in February 2006. On July 10, 2006, resolution of relevant shareholders' general meeting to float the non-tradable shares approved that: the consideration paid by holders of non-tradable shares to holders of tradable shares in order to obtain the trading right of non-tradable shares is that holders of tradable shares will receive 3 shares as consideration for each 10 shares owned. The total number of shares remained unchanged after the aforesaid transfer. However, the structure of share holdings has changed.

As at December 31, 2015, the Company had cumulatively issued a total of 200,991,343 Shares, among which, the number of A shares without restrictions on liquidity was 152,204,143, which represented 75.73% of the total shares. The number of B shares was 48,787,200, which represented 24.27% of the total shares.

As at December 31, 2015, registered capital of the Company was RMB 200,991,343.00. The main scopes of business were: investments in areas permitted by law; lease of the Company's own property, properly management; production of wool, wool yarn and textile products and clothes, sales of self-produced products and relevant technical consultancy; software, website design and development, webpage making, system integration, technology management services of enterprise information; minerals(including ironstone),metallic material(except precious metal),wholesale of steel products; prepackaged foods(except cooked food and fowl, refrigeration food), milk products(including infant formula milk powder)(food wholesale in non-physical way), food agricultural produce(except food, pig, cattle, sheep and other livestock products), telecommunications equipment and related products, computer hardware and software(except audio and video products, electronic publications), general merchandise, craft(except artifact), hardware, building materials(except cement), decoration materials, auto parts, cosmetics, stationery, clocks and glasses(except contact lenses), photographic equipment, jewelry (except rough diamonds and loose diamonds), medical equipment wholesale of the first category, online retail, import and export, commission agency (except auction) as well as after-sales service; maintenance of communications equipment (except for special control); storage (except food, dangerous goods); ticketing agent (except air ticketing agents). (For the goods that were not related to the state trading, quota or license administration should be applied according to relevant national regulations, administrative licensing and the operating permission). The Company's registered address: Room 1401-1415, No. 1476, 1482, Pudong Avenue, Pudong New District, Shanghai. Head office address: No. 51, Nong 200, Xiasha New Street, Hangtoun Town, Pudong New District, Shanghai.

The financial statements are passed and issued by Board of Directors of the Company on February 4, 2016.

1.2 The scope of consolidated financial statements

As at December 31, 2015, the scope of consolidated financial statements is as follows:

Name of the subsidiaries
Shanghai Maofeng Property Management Co., Ltd
Shanghai Maofa Property Management Co. Ltd.
Shanghai No.1 Mill Textile Co., Ltd
Shanghai No.1 Mill Textile (Chongqing) Co., Ltd
Taicang Sanmao Textile Co., Ltd
Shanghai Shenyi Mill Co., Ltd
Shanghai Shanhe Investment Administration Co., Ltd
Shanghai Sanmao Asset Management Co., Ltd
Shanghai Shanyun International Trade Co.,Ltd
Shanghai Sanlian Textile and Dye Co., Ltd
Baoji lingyunWanzheng Circuit Boards Co., Ltd
Shanghai Jiayi Venture Capital Co., Ltd
Shanghai Sanmao Security Services Co., Ltd
Shanghai Yinfeng Clothing Co., Ltd
Shanghai Sanjin Import and Export Co., Ltd
Shanghai Yitiao Textile Co., Ltd
Shanghai Sanmao Shan Chu Hui Investment Administration Co., Ltd

2 Basis of preparation of financial statements

2.1 Basis of preparation

The financial statements have been prepared on the going concern basis. Actual transactions and events occurred are recognized and measured in conformity with Accounting Standards for Business Enterprises-Basic Standards, specific accounting standards, the Accounting Standards for Enterprises Application Guide issued subsequently, the interpretation of the Accounting Standards for Business Enterprises, other relevant provisions (collectively referred as the "Enterprise Accounting Standards") and China Securities Regulatory Commission's "No. 15 disclosure of the company which public offered securities - the general provisions of the financial Reporting".

2.2 Going concern

The Company estimated its capability of going concern from the end of the current year to the following 12 months. The results indicated that there was no material uncertainty of capability of going concern.

3 Principal accounting policies, accounting estimates

3.1 Declaration on compliance with Accounting Standards

The financial statements of the Company have been prepared in accordance with the 'Accounting Standards for Business Enterprises', and present fairly and fully, the financial position, the results of the operations, and cash flows of the Company for the year of

**SHANGHAI SANMAO ENTERPRISE (GROUP) COMPANY LIMITED
FOR THE YEAR ENDED 2015
NOTES TO THE FINANCIAL STATEMENTS**

reporting.

3.2 Accounting year

The accounting year is from January 1 to December 31.

3.3 Opening year

The opening year is 12 months.

3.4 Recording currency

Recording currency is RMB.

3.5 Accounting treatment for business combinations under common control and under different control

Business combinations under common control: The assets and liabilities acquired through business combination shall be measured at carrying amount as in the acquirer's accounting record on the date of merger (including Goodwill formed during the merging). The difference between the carrying amount of net assets acquired and carrying amount of consideration paid for the business combination (or total par value of shares issued) is charged against capital reserves. If the capital reserves are insufficient to cover the differences, the remaining amount shall be charged against retained earnings.

Business combinations not under common control: The Company shall, on the acquisition date, measure the assets surrendered and liabilities incurred or assumed by the Company for a business combination at their fair values, and shall charge the differences between their fair value and their carrying amounts to profit or loss for the current period.

The Company shall recognize the positive difference between the combination costs and the fair value of the identifiable net assets acquired from the acquired as goodwill. The Company shall recognize the negative difference between the combination costs and the fair value of the identifiable net assets acquired from the acquired in profit or loss for the current period. The Company shall recognize the positive difference between the combination costs and the fair value of the identifiable net assets acquired from the acquired as goodwill. The Company shall recognize the negative difference between the combination costs and the fair value of the identifiable net assets acquired from the acquired in profit or loss for the current period.

Intermediary costs related to audit, legal services, evaluation consulting and other related management costs arising from business combination under different control and purchaser's payment for combination shall be recognized through profit or loss; the price of equity securities or transaction costs of the debt securities issued by the purchaser shall be recognized in the initial amount of equity securities or debt securities.

3.6 Preparation of Consolidated Financial Statements

1) Scope of consolidation

The scope of consolidation of consolidated financial statements shall be determined on the basis of control, and all subsidiaries of the Company (including those severable parts in investment that can be controlled by the Company) shall be included in the scope of consolidation of financial statements.

2) Consolidation procedures

The consolidated financial statements shall be prepared based on the financial statements of the parent and its subsidiaries, and other related information. When preparing consolidated financial statements, the Company shall consider the entire group as an accounting entity, adopt uniform accounting policies and apply the requirements of Accounting Standard for Business Enterprises related to recognition, measurement and presentation. The consolidated financial statements shall reflect the overall financial position, operating results and cash flows of the group.

All subsidiaries within the scope of consolidation shall adopt the same accounting policies and accounting period as those of the Company. If the accounting policies or accounting period of a subsidiary are different from those of the Company, the financial statements of the subsidiary shall be adjusted according to the accounting policies and accounting period of the Company when preparing consolidated financial statements. For subsidiaries acquired not under common control, the financial statements shall be adjusted on the basis of the fair value of the identifiable net assets on acquisition date. For subsidiaries acquired under common control, the financial statements shall be adjusted on the basis of the book value of its assets and liabilities in the final control entity.

The share belongs to minority shareholders in subsidiary's equity, net profit or loss and comprehensive income in the current period should respectively, be listed within equity in the consolidated statement of financial position, net profit and comprehensive income in consolidated statement of comprehensive income. If the current losses attributable to the minority shareholders of a subsidiary exceed minority interest of the subsidiary at the beginning of the period, the excess shall be deducted from the owners' equity of the Company.

(1) Increase subsidiaries

If the Company acquired additional subsidiaries under common control during a reporting period, the beginning balance in the consolidated balance sheets shall be adjusted. The incomes, expenses and profits of the reporting period of the newly acquired subsidiaries from the beginning to the end shall be included in the consolidated income statements. The cash flows of the newly acquired subsidiaries from the beginning to the end of the reporting period shall be included in the consolidated cash flow statement while adjusting the related items of the comparative statement, and the reporting entity after the merger shall be regarded as existence in the previous period.

Because of additional investments to control the investees under the same control parties, the consolidated financial statement should be adjusted based on these parties involved in the merger are regarded as in the current state since starting control. The confirmed relevant profit or loss, other comprehensive income and other changes in net assets before gaining control of the combined party are respectively written down retained earnings or current profits and losses of comparative statements from the late date between acquiring the original equity and the two parties under the same control to the combining date.

If the Company acquired additional subsidiaries under different control during a reporting period, the beginning balance of the consolidated balance sheets shall not be adjusted. The incomes, expenses and profits of the newly acquired subsidiaries from acquisition date to the end of the reporting period shall be included in the consolidated income statements. The cash flows of the newly acquired subsidiaries from acquisition date to the end of the reporting period shall be included in the consolidated cash flow statement.

When an enterprise becomes capable of exercising control over an investee not under common control due to additional investment or other reasons, when preparing the consolidated financial statements, the acquirer shall re-measure its previously held equity interest in the acquiree to its fair value at the acquisition date. The difference between the fair value and the carrying amount shall be recognized as investment income for the period when the acquisition takes place. When the previously-held equity investment is accounted for under the equity method, any other comprehensive income previously recognized in relation to the acquiree's equity changes shall be transferred to profit or loss for the current period when acquisition takes place, excluding other comprehensive income due to net change in net liabilities or net assets resulting from investee re-measured defined benefit plan.

(2) Disposal of subsidiaries

(i) General disposal approach

**SHANGHAI SANMAO ENTERPRISE (GROUP) COMPANY LIMITED
FOR THE YEAR ENDED 2015
NOTES TO THE FINANCIAL STATEMENTS**

If the Company disposes of a subsidiary in a reporting period, the incomes, expenses and profits from beginning of the period to the date of disposal of the subsidiary shall be included in the consolidated income statements. The cash flows of the disposed subsidiary from beginning of the period to the date of disposal shall be included in the consolidated cash flow statement.

When loss of control over the original subsidiary due to the disposal of some equity investments or for other reasons occurs, the Company should re-measure the remaining equity after the disposal in accordance with its fair value at the date of loss of control. The difference between the sum of the consideration of equity disposal and the fair value of the remaining equity and the net assets which shall be calculated continuously since the date of purchase in accordance with the original share ratio shall be charged to the return on investment for the current loss of control. Other comprehensive income and other equity change excluding net profit and other comprehensive income, arising from the equity interests in subsidiaries, shall be transferred to the current investment income when loss of control occurs, excluding other comprehensive income due to net change in net liabilities or net assets resulting from investee re-measured defined benefit plan.

When loss of control over the original subsidiary due to the decrease of the Company's shareholding because of increasing investment of other companies on the subsidiary, the accounting treatment are in accordance with the above principles.

(ii) disposal of subsidiaries step by step

In the case that the Company lose the control on the subsidiary by multiple transactions of disposal of the subsidiary's equity investment, the terms, conditions and the economic impact of disposal of equity investments in subsidiaries meet one or more of cases as following, usually indicates that transactions should be treated as a package deal:

- (a) These transactions are considered simultaneously, or in the case of mutual influence made;
- (b) These transactions as a whole in order to reach a complete business results;
- (c) The occurrence of a transaction depends on the occurrence of at least one of other transaction;
- (d) One transaction alone is not economical, but when considered together with other transaction is economical;

While the disposal of the equity investment until loss of control of a subsidiary belongs to a package deal, the Company should recognize the transactions as a package deal and make accounting treatment. However, before the loss of control, the difference between disposal proceeds and the corresponding share of net assets of subsidiaries was recognized as other comprehensive income in the consolidated financial statements for every disposal and transferred to profit or loss when loss control over the subsidiary.

In the case that disposal of the subsidiary's equity investment is not belong to a package deal, before losing control, the accounting treatment is according to disposal of partial equity investments in subsidiaries without losing control. When losing control, the accounting treatment is according to General disposal approach.

(3) Acquire a minority stake

The difference between the new long-term equity investment which the Company obtained from the purchase of a minority stake and the identifiable net assets of the subsidiary continuously calculated from acquired date (or combination date), shall be adjusted as the equity premium in the capital reserve in the consolidated financial position. When the share premium in capital reserve is insufficient to dilute, retained earnings shall be adjusted.

(4) Disposal of partial equity investments in subsidiaries without losing control

In the case of disposal of partial equity investments in subsidiaries without losing control, the difference between acquired disposal price due to disposal of partial of equity investments in subsidiaries and the corresponding share of net assets of subsidiaries, shall be adjusted as the equity premium in the capital reserve in the consolidated financial position. When the share premium in capital reserve is insufficient to dilute, retained earnings shall be adjusted.

3.7 Joint venture arrangement classification and accounting method

Joint venture is divided into common operation and joint venture.

When the Company is an operator under the situation of common operation, and enjoy the relevant assets and liabilities, the common operation is regarded as the arrangements.

The following items related to common operation should be confirmed and accounting treatment should be made according to the relevant provisions:

- (1) Confirming assets held by the company alone, and confirming jointly owned assets based on the company's share.
 - (2) Confirming liabilities undertaken by the company alone, and confirming jointly undertaken liabilities based on the company's share.
 - (3) Confirming the revenue generated by common operation.
 - (4) Confirming the income generated by common operation based on the company's share.
 - (5) Confirming cost held by the company alone, and confirming jointly-venture cost held based on the company's share.
- Accounting policy about joint venture investment refers to Note "3.14 Long-term Equity Investments".

3.8 Recognition criteria of cash and cash equivalents

In preparation of statements of cash flows, the term 'cash' refers to cash on hand and deposits that are readily available for payment. The term 'cash equivalents' refers to short-term (maturing within three months on acquisition) and highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value.

3.9 Foreign currency and translation of financial statements in foreign currency

1) Foreign currency

Foreign currency transactions are converted into RMB for recording purpose at the spot exchange rate on the day when the transaction occurs.

The exchange difference arising from balance of foreign currency monetary items is converted at the spot exchange rate prevailing on the balance sheet date. Except those arising from specific-purpose borrowings in foreign currencies relating to assets eligible for capitalization that shall be measured in accordance with principle of capitalization of the borrowing costs, other exchange differences shall be recognized in profit or loss for the current period.

2) Translation of financial statements in foreign currency

The asset and liability items in the statements of financial position shall be translated at the spot exchange rate prevailing on the balance sheet date. Except undistributed profits, the owners' equity items shall be translated at the spot exchange rate on the occurrence date. The income and expense items in the profit statements shall be translated at a spot exchange rate on the transaction date.

Where the Company disposes of an overseas business, it shall transfer the exchange difference relating to the business disposed of, which is presented under the items of the owners' equity in the statement of financial position, to the gain or loss on disposal in the current period. If the overseas business is disposed of partly, the exchange difference shall be calculated as proportionate to the percentage of disposal and transferred to profit or loss for the current period.

3.10 Financial instruments

Financial instruments include financial assets, financial liabilities and equity instruments.

1) Classification of financial instruments

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Financial assets and liabilities are classified into the following categories according to the purpose of acquisition: the financial assets or financial liabilities measured at fair values through current profits and losses, including financial assets or financial liabilities held for trading (and those financial assets or financial liabilities directly designated under this category), held-to-maturity investments, receivables, financial assets available for sale and other financial liabilities, etc.

2) Recognition and measurement of financial assets or financial liabilities

i) Financial assets (financial liabilities) measured at fair values through profits and losses

Financial assets/liabilities are initially recorded at fair values when acquired (deducting cash dividends that have been declared but not distributed and bond interests that have matured but not drawn). Relevant transaction expenses are charged to profit or loss for the current period.

The interests or cash dividends received are recognized as investment income during the holding period. Change in fair values is charged to profit or loss for the current period at the end of year.

Difference between the fair value and initial book value is recognized as investment income upon disposal, while gain or loss from changes in fair values is adjusted at the same time.

ii) Held-to-maturity investments

Held-to-maturity investments are initially recorded at fair values (deducting bond interests that have matured but not drawn) plus transaction costs when acquired.

Interest income is recognized as investment income based on the amortized cost and effective interest rate. The effective interest rates are determined upon acquisition and remain unchanged during the expected remaining period, or a shorter period if applicable.

Difference between the proceeds and book value of the investment is recognized as investment income on disposal.

iii) Receivables:

The creditor's rights arising from selling goods or rendering service by the Company and other creditor's rights from other enterprises held by the Company (excluding liability instruments quoted in an active market), including accounts receivable, other receivables, etc. are initially recognized at the contract or agreement price. If the right is financing in nature, it shall be recognized at present value.

Difference between the amount received and book value of the receivables is charged to profit or loss for the current period upon collection or disposal.

iv) Available-for-sale financial assets

Available-for-sale financial assets are initially recorded at fair values (deducting cash dividends that have been declared but not distributed and bond interests that have matured but not drawn) plus transaction costs when acquired.

The interests and cash dividends received during the holding period are recognized as investment income. Available-for-sale financial assets are measured at fair value at year end, and the amount of changes in fair value is charged to other comprehensive income. However, investments in equity instruments, which have no quoted price in an active market and whose fair value can't be reliably measured, and derivative financial assets which link to the equity instrument and settled by delivery of an equity instrument, are measured in accordance with the cost.

Difference between the proceeds and the book value of the financial assets is recognized as gain or loss on investment upon disposal. Meanwhile, the accumulated changes in fair value of the disposed assets which are previously recognized in other comprehensive income are transferred to gain or loss on investment.

v) Other financial liabilities

Other financial liability is initially recognized at fair values plus transaction costs. The subsequent measurement is based on amortized cost.

3) Recognition and measurement of transfer of financial assets

If the Company has transferred nearly all of the risks and rewards relating to the ownership of the financial asset to the transferee, the financial asset shall be de-recognized. If it retains nearly all of the risks and rewards relating to the ownership of the financial asset, the financial asset shall not be de-recognized.

Substance over form principle is adopted to determine whether the transfer of a financial asset can satisfy the criteria as described above for de-recognition of a financial asset. The Company shall classify the transfer of a financial asset into the entire transfer and the partial transfer of financial asset. If the transfer of an entire financial asset satisfies the criteria for de-recognition, the difference between the amounts of the following two items shall be recognized in profits or loss for the current period:

i) The carrying amount of the transferred financial asset;

ii) The aggregate consideration received from the transfer, and the cumulative amount of the changes of the fair value originally recognized in the owners' equity (in the event that the financial asset involved in the transfer is an available-for-sale financial asset).

If the partial transfer of financial asset satisfies the criteria for de-recognition, the carrying amount of the entire financial asset transferred shall be split into the de-recognized and recognized part according to their respective fair value and the difference between the amounts of the following two items are charged to profit or loss for the current period:

i) The carrying amount of the de-recognized part;

ii) The aggregate consideration for the de-recognized part, and the portion of the accumulative amount of the changes in the fair value of the de-recognized part which are originally recognized in the owners' equity (in the event that the financial asset involved in the transfer is an available-for-sale financial asset).

If the transfer of financial asset does not meet the de-recognition requirements, the financial asset shall continue to be recognized, and the consideration received will be recognized as financial liability.

4) De-recognition of financial liabilities

A financial liability shall be totally or partly de-recognized if the present obligations of financial liabilities are totally or partly dissolved. Where the Company enters into an agreement with a creditor so as to substitute the existing financial liabilities with any new financial liability, and the new financial liability is substantially different from the contractual stipulations regarding the existing financial liability, the existing financial liability shall de-recognized, and the new financial liability shall be recognized at the same time.

Where substantial revisions are made to some or all of the contractual stipulations of the existing financial liability, the Company shall de-recognize the existing financial liability totally or partly, and at the same time recognize the financial liability with revised contractual stipulations as a new financial liability.

Upon total or partial de-recognition of financial liabilities, the difference between the carrying amount of the financial liabilities de-recognized and the consideration paid (including non-monetary assets surrendered or new financial liabilities assumed) is charged to profit or loss for the current period. Where the Company redeems part of its financial liabilities, it shall allocate, on the redemption date, the carrying amount of the whole financial liabilities between the comparative fair value of the part that continues to be recognized and the de-recognized part. The difference between the carrying amount allocated to the de-recognized part and the considerations paid (including non-monetary assets surrendered and the new financial liabilities assumed) is charged to profit or loss for the current period.

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5) Determination of fair value of financial assets/liabilities

When existing active market, the financial instruments should determine its fair value according to the quoted price at active market. If not existing, an enterprise should use valuation techniques that are appropriate in the circumstances and for which sufficient data and other information are available to measure fair value. When using valuation techniques, an enterprise shall give priority to the use of relevant observable inputs that market participants would use when pricing the asset or liability, and shall use unobservable inputs only when relevant observable inputs cannot be obtained or are impracticable to obtain.

6) Provision for impairment loss on financial assets (excluding accounts receivable)

Except financial assets whose fair value and changes are recognized as profit or loss, the book value of financial assets on the balance sheet date should be checked. If there is objective evidence that a financial asset is impaired, then the impairment is recognized.

i) Provision for impairment loss on available-for-sale financial assets

If the fair value of available-for-sale financial assets has significantly declined at the end of year, or after considering of all the relevant factors, it is expected that the trend of decrease in value is non-temporary, impairment shall be recognized, and accumulated decreases in fair value previously charged directly to the owner's equity are reversed and recognized as impairment loss.

For the available-for-sale debt instruments whose impairment losses have been recognized, if in a subsequent accounting period the fair value has risen and it is objectively confirmed that the recognized original impairment loss is related to the matters occurring after the impairment loss are recognized, the previously recognized impairment loss shall be reversed and charged to the current profit or loss.

Impairment losses on available-for-sale equity instruments shall not be reversed through profit or loss.

The standard of the fair value of available-for-sale investments in equity instruments fell "serious" is

The fair value of available-for-sale investments in equity instruments fell above 30%.

The standard of the fair value of available-for-sale investments in equity instruments fell "other than temporary" is

The expected decline in fair value in the future for a long period of time (12 months) has been consistently above 30%.

ii) Provision for impairment loss on held-to-maturity investments

Measurement of provision for impairment loss on held-to-maturity investments is similar to the measurement of provision for impairment loss on accounts receivable.

3.11 Provision for the bad debts of receivables

1) Individually material receivables with separately-made allowance for bad and doubtful debts

Recognition criteria for individual materiality:

Individually material receivables refer to top five receivables in terms of ending balances.

Allowance method for bad debts of individually material receivables:

The Company performs impairment tests on these receivables separately. If any indication exists that the receivables may be impaired, impairment loss is recognized and allowance for bad and doubtful debts is made at the negative difference between present value of predicted future cash flows generated and their carrying amount. For receivables which are not impaired as the result of impairment test separately, provision for bad debts is made in accordance with the corresponding portfolio.

2) Receivables with allowance for bad and doubtful debts made on the basis of portfolio

The basis of determining the portfolio

portfolio 1	Except the accounts receivable and other receivables with individually-made allowance for bad and doubtful debts, the Company determines the percentage of allowance for bad and doubtful debts with reference to the actual percentage of bad debts of the same or similar receivable portfolio of prior year classified by aging with similar credit risk features and the practical situation.
portfolio 2	The Company performs impairment tests separately on the portfolio of notes receivable, advance to suppliers, and long-term receivables with similar credit risk features. If any indication exists that the portfolio may be impaired, impairment loss is recognized and allowance for bad and doubtful debts is made at the negative difference between present value of future cash flows generated and its carrying amount. If the portfolio is not impaired as the result of impairment test, allowance is not made.

The methods of recognizing the provision for bad debts of the portfolio

portfolio 1	Accounting age analysis method
portfolio 1	Other methods

Recognizing the provision for bad debts under the aging method in the portfolio

Aging	Allowance percentage of accounts receivable (%)	Allowance percentage of other receivables (%)
Within 1 year (including 1 year)	2	0
From 1 year to 2 years (including 2 years)	10	10
From 2 years to 3 years (including 3 years)	20	20
More than 3 years	30	30

3) Individually immaterial receivables with separately-made allowance for bad and doubtful debts If any indication exists that the individually immaterial receivables with separately-made allowance for bad and doubtful debts may be impaired, impairment loss is recognized and allowance for bad and doubtful debts is made at the negative difference between present value of future cash flows generated and their carrying amount. For receivables which are not impaired as the result of impairment test, provision for bad debts is made in accordance with the corresponding portfolio.

3.12 Inventory

1) Classification

Inventories are classified as: raw materials, work in process, merchandise inventories, processing material on consignment, goods in transit, etc.

2) Valuation method of inventory upon delivery

The inventories are calculated using weighted average method when delivered.

3) Recognition criteria for net realizable value of inventory and provision for diminution in value of inventory

Net realizable value of commodity inventories held directly for sale, such as finished goods, merchandise inventories, and available-for-sale materials, are determined at the estimated sales price less estimated sales expenses and relevant taxes under normal

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production process. Net realizable value of material inventories which need further processing are determined at the estimated sales price less the estimated cost of completion, estimated sale expense and relevant taxes under normal production process. Net realizable value of inventories held for the purpose of execution of sales contract or service contract should be calculated on the basis of the contract price; if the quantity of inventories held exceeds that stated in the contract, the net realizable value of the excessive part should be calculated on the basis of normal sales price. The Company shall make provision for impairment loss on diminution in value of inventory separately at the year end. For inventories with large quantities and relatively low unit price, the provision for loss on diminution in value of inventory shall be made on category basis. For the inventories which are related to the series of products manufactured and sold in the same area, and of which the final use or purpose is identical or similar thereto, and which is difficult to separate from other items for measurement purposes, the provision for impairment loss on diminution in value of inventory may be made on a combined basis.

Unless there is clear evidence that the market price exception accrue at the balance sheet date, the net realizable value of the inventory items is determined based on market prices at the balance sheet date.

The net realizable value of the inventory items is determined based on market prices at the balance sheet date.

4) System of stock inventory

The perpetual inventory system is adopted.

5) Amortization of low-cost and short-lived articles and packaging materials

- i) Low-cost and short-lived articles are amortized using lump-sum method.
- ii) Packaging materials are amortized using lump-sum method.

3.13 Long-term Equity Investment

1) Criterion for judgment of joint control or significant influence

The term 'joint control' refers to the contractually agreed sharing of control over an economic activity, which exists only when the investing parties of the economic activity reach a consensus on sharing the control over critical financial and operating policies relating to the said economic activity. The invested company under common control by investing company and other parties of the invested entity was the joint venture of the investing company.

The term 'significant influences' means the power to participate in decision-making on the financial and operating policies of the company, but with no control or joint control over the formulation of these policies. Investing company can exercise significant influence over the invested company, and the invested company was its associates.

2) Initial measurement of cost of investments

- i) Long-term equity investment from merger

For the merger of enterprises under common control: if the consideration is in the form of cash paid, non-cash assets transferred, liabilities assumed or equity securities issued, initial cost of investment shall be recognized at the proportionate share of the carrying amount of the owners' equity of the acquired company. For the merger of enterprises under common control due to additional investment or other reasons, initial cost of investment shall be recognized at the proportionate share of the carrying amount of the owners' equity of the acquired company. The difference between the initial investment cost of long-term equity investment and the consideration paid is recognized in stock premium of capital reserves. If stock premium of capital reserves are insufficient to cover the difference, the excess amount is charged to retained earnings.

For business combination under different control: in accordance with the agreement, the cost of the merger on the date of purchase is the initial investment cost of a long-term equity investment. When an investor becomes capable of exercising control over an investee not under common control due to additional investment or other reasons, the investor shall change to the cost method and use the carrying amount of the previously-held equity investment, together with the additional investment cost, as the initial investment cost under the cost method.

- ii) Long-term equity investment acquired with other methods

The initial cost of a long-term equity investment obtained by payment of cash shall be the purchase price actually paid.

The initial cost of a long-term equity investment obtained by issuance of equity instruments shall be the fair value of the equity instruments issued.

Under the condition that an exchange of non-monetary assets has commercial substance and the fair value of assets exchanged can be reliably measured, non-monetary assets traded in are initially stated at the fair value of the assets traded out minus relevant taxes payable, unless conclusive evidence indicates that the fair value of the assets traded in is more reliable. If the above conditions are not satisfied, initial investment cost shall be determined at the carrying amount of the assets traded out and the relevant taxes payable.

The initial cost of a long-term equity investment obtained by debt restructuring shall be determined on fair value basis.

3) Subsequent measurement and recognition of gains and losses

- i) Long-term equity investments calculated with cost method

Investments in subsidiaries are measured under the cost method. Under the cost method, the cash dividends or profits declared by the investee shall be recognized as the investment income of the current period, except cash dividends or profits declared but not yet distributed which are included in the consideration of the investment.

- ii) Long-term equity investments calculated with equity method

A Long-term equity investment in an associate or a joint venture shall be accounted for using the equity method. If the initial cost of a long-term equity investment is higher than the investor's attributable share of the fair value of the investee's identifiable net assets, no adjustment will be made to the initial cost of the long-term equity investment. If the initial cost of a long-term equity investment is lower than the investor's attributable share of the fair value of the investee's identifiable net assets, the difference shall be recognized in profit or loss for the current period.

After the investor has acquired a long-term equity investment, it shall recognize its share of the investee's net profits or losses, as well as its share of the investee's other comprehensive income, as investment income or losses and other comprehensive income, and adjust the carrying amount of the investment accordingly. The carrying amount of the investment shall be reduced by the portion of any profit distributions or cash dividends declared by the investee that is attributable to the investor. The investor's share of the investee's owners' equity changes, other than those arising from the investee's net profit or loss, other comprehensive income or profit distribution, shall be recognized in the investor's equity, and the carrying amount of the long-term equity investment shall be adjusted accordingly.

The investor shall recognize its share of the investee's net profits or losses after making appropriate adjustments based on the fair values of the investee's identifiable net assets at the acquisition date and the accounting policies and accounting period. During the holding of investment, if the investee prepares consolidated financial statements, the consolidated financial statements should be measured at net profit or loss, other comprehensive income and other changes in owner's equity attributable to the investee.

The unrealized profits or losses resulting from transactions between the investors and its associate or joint venture shall be eliminated in proportion to the investor's equity interest in the investee, based on which investment income or losses shall be recognized. Any losses resulting from transactions between the investors and the investee, which are attributable to asset impairment should be

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recognized in full. The transactions of investing or selling assets between the investors and its associate or joint venture, which constitutes a business, should be dealt with accounting treatment according to accounting policies disclosed in Note “3.5-Accounting treatment for business combinations under common control and under different control” and Note “ 3.6-Preparation of Consolidated Financial Statements”.

Under the equity method, share of loss of the investee attributable to the Company is treated in the following sequence: firstly, it is deducted from book value of the long-term equity investment. Secondly, if the book value of the long-term equity investment is not sufficient to cover the loss, the loss on investments shall continue to be recognized, with the restriction that the amount of which shall not exceed the book value of long-term interests in the investee. The loss shall be deducted from the carrying amount of long-term receivables, etc. Lastly, after the above treatment, if the Company still assumes additional obligation according to investment contracts or agreements, the obligation expected to be assumed should be recognized as expected liability and charged to loss on investment of the current period.

iii) Disposal of long-term equity investment

On disposal of a long-term equity investment, the difference between the proceeds actually received and the carrying amount shall be recognized in profit and loss for the current period.

For a long-term equity investment accounted for using the equity method, any other comprehensive income previously recognized shall be accounted for on the same basis as would have been required if the investee had directly disposed of the related assets or liabilities on a pro-rata basis upon the disposal of the equity investment. Other owners’ equity resulting from the change of investees’ equity except for net profits and losses, other comprehensive income, profit distribution, should be adjusted to current profits and losses in proportion, excluding other comprehensive income resulting from changes of net assets and net liabilities of re-defined benefit plan.

When an investor can no longer exercise joint control of or significant influence over an investee due to partial disposal of equity investment or other reasons, the remaining equity investment shall be accounted for in accordance with financial instruments recognition and measurement criteria. The difference between the fair value and the carrying amount at the date of the loss of joint control or significant influence shall be charged to profit or loss for the current period. When the previously-held equity investment is accounted for under the equity method, any other comprehensive income previously recognized shall be accounted for on the same basis as would have been required if the investee had directly disposed of the related assets or liabilities for the current period upon discontinuation of the equity method. Other owners’ equity resulting from the change of investees’ equity except for net profits and losses, other comprehensive, profit distribution should be adjusted to current profits and losses in full when stop adopting the equity method.

When an investor can no longer exercise control over an investee due to partial disposal of equity investment or the decrease of the Company’s shareholding because of increasing investment of other companies on the subsidiary, and with the retained interest, still has joint control of, or significant influence over the investee, when preparing the individual financial statements, the investor shall change to the equity method and adjust the remaining equity investment as if the equity method had been applied from the date of the acquisition. If the investor can’t exercise joint control of or significant influence over the investee after partial disposal of equity investment, the remaining equity investment shall be accounted for in accordance with financial instruments recognition and measurement criteria. The difference between the fair value on losing control date and the carrying amount is recognized to statement of comprehensive income.

If the disposal equity acquired by consolidation due to additional investment or other reasons, the remaining equity investment shall be accounted for cost or equity method when performing individual financial statements. Other comprehensive and equity before the date of acquisition due to adopting equity method shall be adjusted in proportion. The remaining investment should be accounted in accordance with financial instruments and measurement criteria and other comprehensive and equity should be adjusted in full.

3.14 Investment properties

Investment properties are properties held for rental income or for capital appreciation or both, comprising land use rights leased out, land use rights held for transfer upon capital appreciation and buildings leased out (Including self-construction or development activities have been completed for the rental buildings and under construction or development in the future for rental buildings). The Company adopts the cost model for measurement of investment properties. For investment properties held for lease purpose under the cost model, the Company adopts the same depreciation policy as that of fixed assets, and adopts the same amortization policy for land use rights as that of intangibles.

3.15 Fixed assets

1) Recognition of fixed assets:

Fixed assets refer to tangible assets held for the purpose of producing commodities, providing services, renting or business management with useful life exceeding one accounting year. Fixed assets are recognized when the following criteria are satisfied simultaneously:

- i) It is probable that the economic benefits relating to the fixed asset will flow into the Company; and;
- ii) The cost of the fixed assets can be measured reliably.

2) Depreciation of fixed assets

Depreciation is calculated using the straight-line method. The depreciation rates are determined according to the category, estimated useful life and estimated residual values of fixed assets. If the useful lives of each composed parts in fixed assets are different or they provide economic benefits for enterprises in different ways, different depreciation rates or depreciation methods shall be selected to recognize the provision for depreciation respectively.

The estimated useful lives and depreciation rates of fixed assets are as follows:

Categories	Useful lives (years)	Estimated residual rates (%)	Annual depreciation rates (%)
Buildings and constructions	10~40	5	2.38~9.5
Machinery equipment	12~18	5	5.28~7.92
Transportation and other equipment	5~12	5	7.92~19

3.16 Construction in progress

The book value of the fixed assets is stated at total expenditure incurred before reaching working condition for their intended use. For construction in progress that has reached working condition for intended use but without budget needed for the completion of projects, the estimated value of project budgets, prices, or actual costs should be capitalized as the cost of relevant fixed assets, and depreciation should be provided according to depreciation policy of the Company when working condition for intended use is reached. When budget needed for the completion of projects is available, the estimated value should be substituted by actual cost, but depreciation already provided is not adjusted.

3.17 Borrowing costs

1) Recognition criteria for capitalization of borrowing costs

Borrowing costs include interest on borrowings, amortization of discounts or premiums, ancillary expenses and exchange differences

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on foreign currency borrowings.

For borrowing costs incurred by the Company, those directly connected with purchase, construction or manufacturing of assets eligible for capitalization should be capitalized; other borrowing costs are recognized as expenses at their actual amount when incurred and charged to profit or loss for the current period.

Assets eligible for capitalization refer to fixed assets, investment properties, and inventories which will reach working conditions for their intended use or sale only after long-term purchase, construction or manufacturing activities.

Borrowing costs start to be capitalized when following conditions are met simultaneously:

- i) Capital expenditure has been incurred. Capital expenditure comprises disbursements incurred in the form of payments of cash, transfers of non-monetary assets or assumption of interest-bearing debts;
- ii) Borrowing costs have been incurred;
- iii) Purchase, construction or manufacturing activities necessary to bring assets to working conditions for their intended use or sale have begun.

2) Capitalization period for borrowing costs

Capitalization period refers to the period from beginning of capitalization of borrowing costs to its end; period of suspension for capitalization is excluded.

When assets purchased, constructed or manufactured eligible for capitalization reach working conditions for their intended use or sale, the relevant borrowing costs should cease to be capitalized.

When part of assets purchased, constructed or manufactured eligible for capitalization have been completed separately and can be used independently, that part should cease to be capitalized.

If each part of assets purchased, constructed or manufactured has been completed separately but can be used or sold only after the entire assets have been completed, the borrowing costs should cease to be capitalized at the completion of the entire assets.

3) Period that the capitalization suspended

If purchase, construction or manufacturing of assets eligible for capitalization has been interrupted abnormally, and the interruption lasts more than three months consecutively, the capitalization of borrowing costs should be suspended; if the interruption is the necessary procedure for the assets purchased, constructed or manufactured eligible for capitalization to reach working conditions for their intended use or sale, the borrowing costs should continue to be capitalized. Borrowing costs incurred during the interruption should be charged to profit or loss for the current period, and should continue to be capitalized when purchase, construction or manufacturing of the relevant assets resumes.

4) Calculation of capitalized amount and ratio of borrowing costs

The amount of the capitalization of borrowing costs was determined by special borrowing cost which was borrowed for acquisition or the production complied with the conditions of the capital assets. The capitalized borrowing cost are recognized on the special borrowing cost that actually incurred, minus interest income that was received through the unused borrowing funds deposited in the bank or the amount of the temporary investment of the investment income.

For the general borrowing which is occupied for purchase, construction or manufacturing of assets eligible for capitalization, the interest amount of the general borrowings eligible for capitalization shall be calculated by the weighted average of accumulated expenditures for the asset that exceed the expenditures for special borrowing multiplied by the capitalization rate of the occupied general borrowing. The capitalization rate is calculated on the basis of weighted average interest rate of general borrowings.

3.18 Intangible assets

1) Valuation of intangible assets

i) Intangible assets are stated at actual cost on acquisition.

Costs of purchased intangible assets include purchase price, relevant taxes, and other expenses that are attributable directly to the intangible assets before they reach working condition for their intended use. If payments for the purchase of intangible assets are extended beyond the normal credit terms with financing nature, the cost of intangible assets is based on the present value of the purchase price. In case of debt restructuring, for the intangible asset obtained from the debtor to offset his obligation, it should be initially stated at its fair value. The difference between the book value and the fair value of the intangible asset is charged to profit or loss for the current period.

If the exchange of non-monetary assets has commercial substance, and the fair value of these assets can be measured reliably, the book value of incoming intangible assets is based on the fair value of the outgoing intangible assets unless there is any clear evidence that the fair value of the incoming assets is more reliable. If the exchange of non-monetary assets does not meet the above criteria, the cost of the incoming intangible assets should be the book value of the outgoing assets and relevant taxes paid, and no profit or loss is recognized.

ii) Subsequent Measurement

The useful lives of the intangible assets should be analyzed and determined on their acquisition.

The intangible assets are amortized on straight-line basis over the period during which they can bring economic benefits to the Company. For intangible assets which are not expected to bring economic benefits for the Company, they are deemed as intangible assets with uncertain useful lives and are not amortized.

2) Estimated useful lives of intangible assets with limited useful lives

Item	Estimated useful life	Basis
Land use right	50 years	Land useful life
Software	5 years	Benefit period

The Company shall review the useful lives of intangible assets with limited useful lives at each period end.

As a result of the review, the useful lives and amortization method of intangible assets at the end of current year are not different from previous estimates.

3) Intangible assets with uncertain useful lives

Trademark with prioritized renewal right shall be recognized as an intangible asset with uncertain useful life.

The Company shall review the useful lives of intangible assets with uncertain useful lives at each financial year.

As a result of the review, the useful lives of intangible assets with uncertain useful lives remain uncertain.

4) Criteria of classification into research phase and development phase on internal research and development projects

The expenditure of internal research and development project is divided into research expenditures and development expenditures.

Research phase: Research is original and planned investigation, undertaken with the prospect of gaining new scientific or technical knowledge and understanding.

Development phase: Development is the application of research findings or other knowledge to a plan or design for the production of new or substantially improved materials, devices, or products before the start of commercial production or use.

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5) Criteria for capitalization of qualifying expenditures during development phase

Expenditures arising from development phase on internal research and development projects must be capitalized if the Company can demonstrate all of the following criteria:

- i) There is technical feasibility of completing the intangible asset (so that it will be available for use or sale);
- ii) There is intention to complete and use or sell the asset;
- iii) The method that the intangible asset generates economic benefits, including existence of a market for products produced by the intangible asset or for the intangible asset itself, shall be proved. Or, if to be used internally, the usefulness of the asset shall be proved;
- iv) Adequate technical, financial, and other resources are available to complete the asset, and the Company has the ability to use or sell the asset;
- v) The cost of the asset can be measured reliably;

The development expenditures which do not meet the above conditions shall be charged through profit or loss when they occurred. Research expenditures shall be charged through profit or loss when they occurred.

3.19 Goodwill

For goodwill arising from a business combination not under common control, its initial cost shall be the excess part if the combination cost is over the fair value of identifiable net assets of the acquired upon acquisition.

Goodwill is transferred out upon the disposal of the related asset group or asset portfolios, and is charged to profit or loss for the current period.

The Company's goodwill is not amortized.

3.20 Impairment of long-term assets

Long-term equity investments, investment properties accounted on cost method, fixed assets, construction in progress, intangible assets with limited useful lives and other long-term assets shall perform impairment tests at period end if there is clear indication of impairment. If the test result shows that recoverable amount of an asset is lower than its carrying amount, the difference shall be recognized as an impairment loss and charged to profit or loss for the current period.

The recoverable amount of an asset is the higher of its fair value less costs of disposal or the present value of the future cash flows expected to be derived from the asset. The Company shall confirm the impairment loss on basis of the individual asset. When the recoverable amount of the individual asset is difficult to be estimated, the Company shall estimate the recoverable amount of the asset portfolio that the individual asset belongs to. Asset portfolio is the minimum combination that can generate cash inflows.

Goodwill and intangible assets without limited useful lives is tested for impairment at the end of each year.

The Company conducts impairment test of goodwill. The carrying value of goodwill arising from a business combination is amortized to the relevant asset groups by a reasonable method from the date of purchase; The carrying value which is difficult to be amortized to the relevant asset groups shall be amortized to related asset portfolios. When the carrying value of goodwill is amortized to the related asset group or asset portfolios, it shall be conducted according to the ratio of the fair value of each asset group or asset portfolio in the total fair value of the asset groups or asset portfolios. Fair value which is difficult to be reliably measured shall be amortized according to the ratio of the book value of each asset group or asset portfolio in the total book value of the asset groups or asset portfolios.

When impairment testing of the relevant asset groups or asset portfolios including goodwill is conducted, if impairment exists in the asset group or asset portfolios related to goodwill, the impairment test of the asset groups or asset portfolios excluding goodwill shall be conducted first, and the recoverable amount shall be calculated. The corresponding impairment loss shall be recognized after a comparison is made between the recoverable amount and the related carrying value. Then, the impairment test of the asset groups or asset portfolios including goodwill shall be conducted, and a comparison shall be made between the carrying value (including the amortized carrying value of the goodwill) of these related asset groups or asset portfolios and their recoverable amount. If the recoverable amount of these related asset groups or asset portfolios is less than its carrying value, impairment loss of goodwill is recognized.

Impairment loss on assets above shall not be reversed in future accounting periods once recognized.

3.21 Long-term deferred expenses

Long-term deferred expenses refer to such expenses that have been incurred and shall be amortized in the current and future periods with an amortization period of more than one year. The Company's long-term deferred expenses is improvement expenditure for fixed assets.

1) Amortization method

Long-term deferred expenses are amortized evenly over the beneficial period.

2) Amortization period

Improvement expenditure for fixed assets acquired under operating lease is amortized reasonably according to the best realization method of expected economic benefit.

3.22 Employee Benefits

1) Accounting treatment on short-term employee benefits

An enterprise shall recognise, in the accounting period in which an employee provides service, actually occurred short-term employee benefits as a liability, with a corresponding charge to the profit or loss for the current period or in the cost of relevant assets.

Payments made by an enterprise of social security contributions for employees, payments of housing funds, and union running costs and employee education costs provided in accordance with relevant requirements shall, in the accounting period in which employees provide services, be calculated according to prescribed basis and percentage of provision in determining the amount of employee benefits.

The worker welfare funds for non-monetary benefits should be accounted in accordance with fair value when can be reliably measured.

2) Accounting treatment on post-employment benefits

The company pays basic pension insurance and unemployment insurance for worker according to the relevant provision of the local government. During the period in which the employees render service, the company shall calculate coverage on the basis of the base and proportion of local regulation and pay it and recognise relevant liabilities, with a corresponding charge to the profit or loss for the current period or the cost of a relevant asset.

The company also establishes enterprise annuity payment, namely supplementary pension insurance, based on the national policy of the enterprise annuity system. The company pays coverage to the local social insurance agency according to a certain proportion of the total wages, with a corresponding charge to the profit or loss for the current period or the cost of a relevant asset.

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More details pls refer to Note "5.22-Employee pay payable".

3) Accounting treatment on termination benefits

An enterprise which provides termination benefits to employees shall recognise an employee benefits liability for termination benefits, with a corresponding charge to the profit or loss for the current period, at the earlier of the dates when the enterprise cannot unilaterally withdraw the offer of termination benefits because of an employment termination plan or a curtailment proposal and when the enterprise recognises costs or expenses to profit or loss related to a restructuring that involves the payment of termination benefits.

3.23 Estimated debts

1) Recognition standards of estimated liabilities

The Company should recognize liabilities in relation to litigation, debt-guarantee, loss contract, restructuring and other contingencies as estimated liabilities when the following conditions are satisfied simultaneously:

- i) That obligation is a present obligation of the Company;
- ii) It is probable that settlement of such obligation will result in economic benefit to flow out from the Company; and
- iii) The amount of the obligation can be measured reliably.

2) Method of measurement of estimated liabilities

The Company's estimated liability shall be initially measured at the best estimate of the necessary expenses for the fulfillment of the present obligation.

To determine the best estimate, the Company shall take into full account the risks, uncertainty, time value of money, and other factors relating to the contingency. If the time value of money is significant, the best estimate shall be determined after discounting the relevant future outflows of cash.

The best estimate shall be treated as follows in different circumstances:

If there is continuous range (or region) for the necessary expenses, and probabilities of occurrence of all the outcomes within this range are equal, the best estimate shall be determined at the average amount of upper and lower limits within the range.

If there is no continuous range (or region) for the necessary expenses, or probabilities of occurrence of all the outcomes within this range are unequal despite such a range exists, the outcomes within this range are unequally likely to occur, in case that the contingency involves a single item, the best estimate shall be determined at the most likely outcome; if the contingency involves two or more items, the best estimate should be determined according to all the possible outcomes with their relevant probabilities.

When all or part of the expenses necessary for the settlement of an estimated liability of the Company is expected to be compensated by a third party, the compensation should be separately recognized as an asset only when it is virtually certain that the compensation will be received. The amount recognized for the compensation should not exceed the carrying amount of the estimated liability.

More details pls refer to Note "5.32- Estimated debts".

3.24 Revenue

1) The principles of recognition time of revenue from sales of goods

i) The general principles of recognition and measurement of revenue from selling goods

- a) Revenue from sale of goods is recognized when the Company has transferred to the buyer the significant risks and rewards of ownership of the goods;
- b) The Company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- c) The relevant amount of revenue and costs can be measured reliably;
- d) It is probable that the economic benefits associated with the transaction will flow to the enterprise;
- ii) The cognition criteria and specific timing of revenue recognition criteria of the revenue:

The company's income revenue includes domestic revenue and export revenue.

The company's export revenue is recognized when the goods achieved offshore.

The company's domestic revenue is recognized when the customer receives the goods and confirms reception.

iii) Analysis and presentation of business characteristics of the company's revenue from selling goods

For the company's domestic business, after signing the contracts or orders between the company and the customer, the company recognizes the revenue and billing sales when shipping out and receiving confirmation from customer.

The company's export business is mainly self-trade export business. The contract entered into between the company and its customers, the risk is transferred the goods achieve offshore. The company recognizes revenue in accordance with the export invoice and Customs Export declaration.

2) Recognition criteria for remise of right to use assets

i) The general principle of recognition of remise of right to use assets

The relevant economic benefits are likely to flow into the Company, and the amount of revenues can be measured reliably. The recognition of the right to use assets revenue is divided into the following two situations as respectively:

- a) The amount of interest income should be measured based on the duration for which cash of the Company is used by others and the effective interest rate; or
- b) The amount of royalty should be measured according to the period and method of charging as stipulated in the relevant contract or agreement.

ii) The recognition criteria for remise of right to use assets

The company's rental revenue is recognized when the company places the property to the lessee and offer the right to use according to the lease agreement.

iii) Analysis and presentation of business characteristics of remise of right to use assets

The company leases its property to customers and collects rent and management fees. The mode of operation is that the company signed a lease agreement with the lessee. The company mainly accepts lease fees and property management fees in advance, according to the agreement, settlement on a regular basis, and recognizes revenue on a monthly basis.

3) Measurement of completion stage where revenue from rendering of services and constructing contracts is recognized with percentage-of-completion method

If the outcome of a transaction can be estimated reliably at the balance sheet date, revenue is recognized using the percentage of completion method. The percentage of completion is determined by measurement of completed work.

Revenue from provision of services is determined by prices stated in the contracts or agreements, whether received or to be received, unless the relevant prices are unfair. At the balance sheet date, total revenue from provision of services multiplied by percentage of completion deducting accumulated revenue from provision of services of previous accounting periods is recognized as the revenue from provision of services of the current period. Meanwhile, total cost of provision of services multiplied by percentage of completion deducting accumulated cost is recognized as the cost of provision of services of the current period.

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If the outcome of a transaction cannot be estimated reliably at the balance sheet date, it should be treated as follows in different circumstances:

- i) For service cost already incurred and expected to be compensated, revenue is recognized at the service cost, and the service cost of the same amount is charged to expenses of the current period.
- ii) For service cost already incurred but not expected to be compensated, the service cost is charged to profit or loss for the current period, and revenue is not recognized.

3.25 Government grants

1) Category

A government grant refers to the monetary or non-monetary assets obtained by the Company from the government for free.

Government grants are classified into asset-related government grants and income-related government grants.

Government grants related to assets are obtained by an enterprise for the acquisition, construction or other form of government grants long-term assets, including the purchase of fixed assets or financial allocation of intangible assets, fixed assets and other specialized financial discount loans. Government grants related to income are government excluding those related to assets.

The specific standard classified as asset-related government grants: government grants obtained by an enterprise for the acquisition, construction or other form long-term assets.

The specific standard classified as income-related government grants: other government grants obtained by an enterprise instead of asset-related government grants.

2) Recognize point

The Company recognize government grants when actually receive.

3) Accounting treatment

Asset-related government grants shall be recognized as deferred income and amortized over the useful lives of assets constructed or purchased and charged to non-operating income by stages.

Income-related government grants to compensate future expenses or losses shall be recognized as deferred income and shall be charged to non-operating income during the period when the relevant expenses are incurred. The government grants relating to income to compensate incurred expenses or losses shall be directly recognized as non-operating income in the current period.

3.26 Deferred tax asset and deferred tax liability

Deferred tax assets which are recognized for deductible temporary differences shall be within the taxable income limit which is likely to be obtained and used to offset the deductible temporary differences in the future periods. Deferred tax assets which are recognized for deductible temporary differences which are likely to be obtained and used to offset the deductible temporary differences in the future periods shall be recognized as deferred tax asset, within the taxable income limit.

Deferred tax liabilities are recognized for taxable temporary differences, except in special circumstances.

Special circumstances of non-recognition of deferred tax assets or deferred tax liabilities include: the initial recognition of goodwill; other transactions or events which neither affect the accounting profit nor taxable income (or deductible loss), except those arising from a business combination.

When having statutory rights of netting and trying to net or achieve assets and settle the liability at the same time, the current tax assets and current tax liabilities shall be reported by the net amount after offsetting.

When having statutory rights of netting current tax assets and current tax liabilities and deferred tax assets and deferred tax liabilities are related to the income tax which is levied by the same taxation authority on the same taxable entity, or related to different taxable entities, but within each of the significant reversal periods of deferred tax assets and liabilities, when the related taxpayer intended to net and settle the current tax assets and liabilities or acquire assets and pay off liabilities at the same time, deferred tax assets and deferred tax liabilities shall be reported by the net amount after offsetting.

3.27 Leases

- 1) The lease payments should be recognized as an expense in the current statement of comprehensive income over the lease term (including rent-free period) on a straight-line basis. Initial direct costs relating to lease transaction incurred by the Company shall be recognized as expense of the current period.

If expenses relating to lease which should be borne by the Company are paid by the lessor of the assets, they shall be deducted from the total lease expenses and the balance shall be amortized over the lease term as expense of the current period.

- 2) Lease income should be recognized over the lease term (including rent-free period) on a straight-line basis. Initial direct costs relating to lease transaction incurred by the Company shall be recognized as expense of the current period; if the amount is material, it shall be capitalized and amortized over the lease term on the same basis as the recognition of lease income.

If expenses relating to lease which should be borne by the lessee of the assets are paid by the Company, they shall be deducted from the total lease income and the balance shall be amortized over the lease term by the Company.

3.28 Related parties

One party is related to another if it has control or joint control, or significant influence over the other party, or both of them are jointly controlled by the same third party. Related parties can be persons or entities. State-controlled enterprises without other related party relations should not be related parties.

An entity is related to the Company if any of the following conditions applies (not exhaustive):

- 1) The parent of the Company;
- 2) The subsidiaries of the Company;
- 3) The fellow subsidiaries of the Company;
- 4) A third party with joint control over the Company;
- 5) A third party with significant influence over the Company;
- 6) The joint ventures of the Company, and their subsidiaries;
- 7) The associates of the Company, and their subsidiaries;
- 8) Principal individual investors of the Company and their close family members;
- 9) Key management personnel of the Company and their close family members;
- 10) Other entities controlled or jointly controlled by principal individual investors, key management personnel or their close family members.

3.29 Significant changes in principal accounting policies and estimates

There were no significant changes in principal accounting policies and estimates during the reporting period.

3.30 Corrections of errors for prior period

There is no correction of errors for prior period during the reporting period.

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4 Taxation

4.1 Main taxes and tax rates applicable to the Company

Types of tax	Basis of tax assessment	Tax rate (%)
Value-added tax	Output VAT is calculated on the basis of sales of goods and taxable labor income on tax law, the balance of output VAT and input tax amount allow to be deducted is VAT payable	17(13, 6)
Business tax	operation revenue	5 (3)
Enterprise income tax	Taxable income	25
City maintenance and construction tax	Actually paid business tax and VAT	7, 5
Educational tax and surcharges	Actually paid business tax and VAT	3
Local educational tax and surcharges	Actually paid business tax and VAT	2

Different income tax rate are used in entities as follows:

The main tax name	income tax rate
Shanghai Maofeng Property Management Co., Ltd	20%
Shanghai Sanlian Textile and Dye Co., Ltd	20%
Taicang Sanmao Textile Co., Ltd	20%
Baoji lingyunWanzheng Circuit Boards Co., Ltd	15%
Shanghai No.1 Mill Textile (Chongqing) Co., Ltd	15%

4.2 Preferential tax policies and approvals

In accordance with the < Notice of the Ministry of Finance and State Administration of Taxation on the relevant issues concerning the preferential policies for the income tax of low profit enterprises > (the Ministry of Finance and State Administration of Taxation No.34 [2014]), The subsidiaries, namely Shanghai Maofeng Property Management Co., Ltd, Shanghai Sanlian Textile and Dye Co., Ltd and Taicang Sanmao Textile Co., Ltd have satisfied the criteria of small enterprises with low profit, and is subject to reduce to tax rate of 20% in the current year.

For the subsidiary Taicang Sanmao Textile Co., Ltd, Enterprise Income Tax Taxable income is 5% of revenue.

In accordance with the <Approval about the thorough Implementation of Western Development Strategy on the Problem of Enterprise Income Tax> (the State Administration of Taxation No.12 [2012]) and the Approval about the <Tax Policies thorough Implementation of Western Development Strategy>(CaiShui No.58[2011]), subsidiary of the Company, Baoji lingyunWanzheng Circuit Boards Co., Ltd, is eligible for the preferential tax policies on grand development of Western China and is subject to the beneficial enterprise income tax of 15% in the current year.

In accordance with the <Approval Notice of the Bureau of State Taxation of Fengdu County on the Tax Deduction and Exemption> (FengDuGuoShuiBei No.015 [2012]), subsidiary of the Company, Shanghai No.1 Mill Textile (Chongqing) Co., Ltd, is eligible for the preferential tax policies on grand development of Western China and is subject to the beneficial enterprise income tax of 15% in the current year.

5. Notes to the main items of consolidated financial statements

5.1 Cash and cash equivalents

Items	As at December 31, 2015	As at December 31, 2014
Cash in hand	103,821.73	171,867.35
Cash in bank	80,068,624.79	135,015,394.59
Other	1,393,100.00	870,000.00
Total	81,565,546.52	136,057,261.94

Categories of other cash equivalents:

Items	As at December 31, 2015	As at December 31, 2014
Deposit for Letter of Credit	1,193,100.00	870,000.00
Deposit for Forward Foreign Exchange Settlement	200,000.00	
Total	1,393,100.00	870,000.00

Among which, the cash and cash equivalents with limitation for being frozen and pledged are detailed as follows

Items	As at December 31, 2015	As at December 31, 2014
Deposit for Letter of Credit	1,193,100.00	870,000.00
Deposit for Forward Foreign Exchange Settlement	200,000.00	
Fixed deposits frozen by the court (Note)		60,000,000.00
Total	1,393,100.00	60,870,000.00

Note: The above-mentioned cash equivalent was kicked out when the Company prepared the statement of cash flows.

5.2 Financial assets calculated by the fair value, which variation was credited to the current profit and loss

Items	As at December 31, 2015	As at December 31, 2014
Trading financial assets	629,375.00	8,484,097.00
Including: Equity instruments investment	629,375.00	8,484,097.00

5.3 Notes receivable

1) Classification of notes receivable

Items	As at December 31, 2015	As at December 31, 2014
Bank acceptance note	10,608,358.62	21,610,365.92
Trade acceptance note	125,487.43	67,023.96
Total	10,733,846.05	21,677,389.88

2) There were no pledged notes receivables as at December 31, 2015.

3) The notes receivable undue but had been endorsed or discounted as at December 31, 2015:

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Item	Amount of de-recognition as at December 31, 2015	Amount of continued recognition as at December 31, 2015
Bank Acceptance Bills	1,949,368.54	

- 4) There were no notes receivable transferred into accounts receivable because the drawer was unable to pay the notes as at December 31, 2015.

5.4 Accounts receivable

1) Disclosure by the category of accounts receivable

Category	As at December 31, 2015					As at December 31, 2014				
	Ending Balance		Provision for bad debt		Book Value	Ending Balance		Provision for bad debt		Book Value
	Amount	Proportion (%)	Amount	Proportion (%)		Amount	Proportion (%)	Amount	Proportion (%)	
Individually material accounts receivable with separately-made provision for bad debts										
Accounts receivable with provision for bad debts on a risk portfolio basis	48,606,350.37	97.02	1,137,646.12	2.34	47,468,704.25	26,940,029.14	94.76	720,211.30	2.67	26,219,817.84
Individually immaterial accounts receivable with separately-made provision for bad debts	1,490,675.93	2.98	1,490,675.93	100.00		1,490,675.93	5.24	1,490,675.93	100.00	
Total	50,097,026.30	100.00	2,628,322.05		47,468,704.25	28,430,705.07	100.00	2,210,887.23		26,219,817.84

Among the portfolio, accounts receivable which the provision for bad debt is calculated by the aging analysis:

Aging	As at December 31, 2015		
	Accounts Receivable	Provision for bad debt	Proportion of provision (%)
Within 1 year (including 1 year)	47,690,233.28	953,804.66	2.00
1-2 years (including 2 years)	454,968.37	45,496.84	10.00
2-3 years (including 3 years)			
Over 3 years	461,148.72	138,344.62	30.00
Total	48,606,350.37	1,137,646.12	

2) Conditions of provision, reversal and withdrawal of bad-debt provision

The amount of provision of bad-debt provision was RMB 417,434.82 in FY 2015; the amount of reversal and withdrawal of bad-debt provision was RMB 0.00 in FY 2015.

- 3) There were no accounts receivables actually written-off in FY 2015.

4) Top five of accounts receivable as at December 31, 2015

Name	As at December 31, 2015		
	Accounts receivable	Portion (%)	Provision for bad debt
CONOVO TRADING INC LIMITED	10,481,196.25	20.92	209,623.93
MACS INTERNATIONAL LIMITED	2,131,397.05	4.25	42,627.94
SHANGHAI DONGDU PROPERTY MANAGEMENT CO.,LTD	1,953,200.00	3.90	39,064.00
MO TONG TEXTILE CO LTD	1,718,398.91	3.43	34,367.98
NH APPAREL LIMITED	1,659,365.99	3.31	33,187.32
Total	17,943,558.20	35.81	358,871.17

- 5) There was no accounts receivable derecognized due to transfer of financial assets in FY 2015.

- 6) There was no accounts receivable transferred and continually involved into formed assets or liabilities.

5.5 Advances to suppliers

1) Aging analysis of advances to suppliers

Aging	As at December 31, 2015		As at December 31, 2014	
	Ending Balance	Proportion (%)	Ending Balance	Proportion (%)
Within 1 year (including 1 year)	107,214,205.35	99.40	97,212,432.21	99.92
1-2 years (including 2 years)	605,953.85	0.56	32,200.00	0.03
2-3 years (including 3 years)			11,085.20	0.01
Over 3 years	46,621.60	0.04	35,536.40	0.04
Total	107,866,780.80	100.00	97,291,253.81	100.00

2) Top 5 debtors of advances to suppliers as at December 31, 2015

Company	Ending Balance	Proportion (%)
Suzhou Tian Di Mei Garments Co., Ltd.	10,221,260.58	9.48
Zhejiang New Bright Garments Co., Ltd.	10,117,909.45	9.38
Jiangyin Shen You Garments Co., Ltd.	6,374,968.75	5.91
Shanghai Mai Jie Garments Co., Ltd.	5,575,091.78	5.17
Shanghai Yu Shang Garments Co., Ltd.	5,391,000.00	5.00
Total	37,680,230.56	34.94

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5.6 Other receivables

1) Disclosure by the category of other receivables

Items	As at December 31, 2015					As at December 31, 2014				
	Book Balance		Provision for bad debt		Book Value	Book Balance		Provision for bad debt		Book Value
	Amount	Proportion (%)	Amount	Proportion (%)		Amount	Proportion (%)	Amount	Proportion (%)	
Individually material other receivable with separately-made provision for bad debts	13,829,313.37	21.18	13,829,313.37	100.00		7,927,323.83	12.00	7,927,323.83	100.00	
Other receivable with provision for bad debts on a risk portfolio basis	48,840,767.61	74.78	627,441.58	1.28	48,213,326.03	55,388,063.06	83.82	605,161.98	1.09	54,782,901.08
Individually immaterial other receivable with separately-made provision for bad debts	2,640,041.75	4.04	2,640,041.75	100.00		2,762,197.75	4.18	2,762,197.75	100.00	
Total	65,310,122.73	100.00	17,096,796.70		48,213,326.03	66,077,584.64	100.00	11,294,683.56		54,782,901.08

Individually material other receivables with separately-made provision for bad debts as at December 31, 2015:

Debtors	As at December 31, 2015			
	Book Balance	Provision for bad debt	Proportion of provision (%)	Reasons
Blue Ribbon International Yule Business Co., Ltd. (Note)	6,569,692.60	6,569,692.60	100.00	The difference between estimated recoverable amount and book value
Zhangjiagang Hengtong Maotiao Co. Ltd.	4,950,517.74	4,950,517.74	100.00	The difference between estimated recoverable amount and book value
Shanghai Sanjin Import & Export Co. Ltd.	2,309,103.03	2,309,103.03	100.00	The difference between estimated recoverable amount and book value
Total	13,829,313.37	13,829,313.37	100.00	

Note: For details please refer to Note 13.6.7).

Among the portfolio, the other receivables which the provision for bad debt is calculated by the aging analysis

Aging	As at December 31, 2015		
	Book Balance	Provision for bad debt	Proportion of provision (%)
Within 1 year (including 1 year)	46,557,774.68		
1-2 years (including 2 years)	285,941.50	28,594.15	10.00
2-3 years (including 3 years)	2,680.00	536.00	20.00
Over 3 years	1,994,371.43	598,311.43	30.00
Total	48,840,767.61	627,441.58	

2) Conditions of provision, reversal and withdrawal of the bad-debt provision

The amount of provision of bad-debt provision was RMB 5,802,113.14 in FY 2015; the amount of reversal and withdrawal of bad-debt provision was RMB 0.00 in FY 2015.

3) There were no other receivables actually written-off in FY 2015

4) Other receivables classified by their properties

Properties of other receivables	As at December 31, 2015	As at December 31, 2014
Export rebates	46,097,094.02	51,972,091.65
Current account	5,245,225.15	6,304,548.41
Cooperative profit	6,569,692.60	6,569,692.60
Advance payment	5,740,517.74	
Temporary payment	1,057,977.43	449,130.69
Deposit	397,639.00	597,357.32
Petty cash	176,945.84	123,048.50
Withholding payments	25,030.95	61,715.47
Total	65,310,122.73	66,077,584.64

5) Top five of other receivables as at December 31, 2015

Company name	Nature or content	Ending Balance	Aging	Proportion of total receivable accounts (%)	Provision for the bad debt
Shanghai Huangpu District administration of taxation	Export rebates	46,097,094.02	Within 1 year	70.58	
Blue Ribbon International Yule Business Co., Ltd.	Cooperative profit	6,569,692.60	Over 3 years	10.06	6,569,692.60
Zhangjiagang Hengtong Maotiao Co. Ltd.	Advance payment	4,950,517.74	Within 1 year	7.58	4,950,517.74
Shanghai Sanjin Import & Export Co. Ltd.	Current account	2,309,103.03	2-3 years	3.54	2,309,103.03
Jianhe Li	Current account	1,000,000.00	Over 3 years	1.53	1,000,000.00

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Company name	Nature or content	Ending Balance	Aging	Proportion of total receivable accounts (%)	Provision for the bad debt
Total		60,926,407.39		93.29	14,829,313.37

- 6) There was no subsidy due from government as at December 31, 2015.
- 7) There were no other receivables derecognized due to transfer of financial assets as at December 2015.
- 8) There were no other receivables transferred and continually involved into formed assets or liabilities as at December 2015.

5.7 Inventories

1) Inventory category

Items	As at December 31, 2015			As at December 31, 2014		
	Carrying amounts	Provision for impairment	Net book values	Carrying amounts	Provision for impairment	Net book values
Raw materials	4,582,141.44		4,582,141.44	4,155,739.47		4,155,739.47
Work in process	108,400.77		108,400.77	282,250.76		282,250.76
Merchandise inventory	31,856,526.14	1,474,222.70	30,382,303.44	40,170,066.78	4,434,713.27	35,735,353.51
Total	36,547,068.35	1,474,222.70	35,072,845.65	44,608,057.01	4,434,713.27	40,173,343.74

2) Provision for inventory devaluation

Item	As at December 31, 2014	Increase		Decreases		As at December 31, 2015
		Provision	Others	Reversal or Written-off	Others	
Merchandised inventory	4,434,713.27	66,444.38		3,026,934.95		1,474,222.70

The particular basis of the net realizable value: The net realizable value equals the estimated sale price of the above mentioned merchandised inventory minus the estimated selling expense and related taxes and fees.

The provision for reversals or written-off in the current year: the Company has already sold the merchandised inventories which were calculated the provision for the impairment, thus, related provision for inventory devaluation is tend to be reversed.

- 3) There were no capitalized amounts of borrowing expenses recognized as inventory cost as at December 31, 2015.

5.8 Other current assets

Items	As at December 31, 2015	As at December 31, 2014
Input VAT to be deducted	2,660,597.65	3,660,436.21
Pre-payment of Corporate income tax	310,848.08	
Total	2,971,445.73	3,660,436.21

5.9 Available-for-sale financial assets

1) Details of available-for-sale financial assets

Items	As at December 31, 2015			As at December 31, 2014		
	Carrying Amounts	Provision for asset impairment	Net book Value	Carrying Amounts	Provision for asset impairment	Net book Value
Available-for-sale equity instruments	118,251,588.09	7,078,261.45	111,173,326.64	121,553,976.09	8,078,261.45	113,475,714.64
Among: Calculated by fair value	6,517,368.00		6,517,368.00	59,819,756.00		59,819,756.00
Calculated by cost	111,734,220.09	7,078,261.45	104,655,958.64	61,734,220.09	8,078,261.45	53,655,958.64
Other (Note)	4,993,110.17		4,993,110.17			
Total	123,244,698.26	7,078,261.45	116,166,436.81	121,553,976.09	8,078,261.45	113,475,714.64

Note: 'Other' refers to the non break-even financial product that Baoji Lingyun Wangzheng Circuit Board Co. Ltd has purchased from bank.

2) Available-for-sale financial assets calculated by fair value as at December 31, 2015

Classification of Available-for-sale financial assets	Available-for-sale equity instruments	Other	Total
The cost of equity instruments	380,000.00	5,000,000.00	5,380,000.00
Fair Value	6,517,368.00	4,993,110.17	11,510,478.17
The cumulative amount included in the changes in fair value of other comprehensive income	6,137,368.00	-6,889.83	6,130,478.17

The details of the above-mentioned available-for-sale financial assets are as following:

Available-for-sale financial assets calculated in fair value method	Shares	Cost	Fair value
Zhongyida	514,800.00	380,000.00	6,517,368.00

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3) Available-for-sale financial assets calculated by cost as at December 31,2015

Investees	Carrying Amounts			Provision for impairment				Cash dividend as at December 31, 2015	
	As at December 31, 2014	Increase	Decrease	As at December 31, 2015	As at December 31, 2014	Increase	Decrease		As at December 31, 2015
Bank of Shanghai	2,193,000.00			2,193,000.00					367,920.00
ANCHENG Property and Casualty Insurance Co., Ltd.	50,000,000.00			50,000,000.00					
Guangdong Fotao Group Co., Ltd.	79,000.00			79,000.00	79,000.00			79,000.00	
Guangdong Province Jinshan industrial Co., Ltd	55,000.00			55,000.00	55,000.00			55,000.00	
Shanghai Yixin Industrial and Trading Company	597,220.09			597,220.09	597,220.09			597,220.09	
Shanghai Shuanglong High Technology Development Co., Ltd	6,000,000.00			6,000,000.00	5,537,041.36			5,537,041.36	
Shanghai Xinde Enterprise Development Company	600,000.00			600,000.00	600,000.00			600,000.00	
Tianjin Dawei Co., Ltd	2,000,000.00		2,000,000.00		1,000,000.00		1,000,000.00		
Shandong Jinan Wool and Textile Factory	200,000.00			200,000.00	200,000.00			200,000.00	
Ningbo NO.1 Soft Bank innovation		50,000,000.00		50,000,000.00					
Shanghai Shuofeng International Travel Agency Co., Ltd.		2,000,000.00		2,000,000.00					
Others	10,000.00			10,000.00	10,000.00			10,000.00	
Total	61,734,220.09	52,000,000.00	2,000,000.00	111,734,220.09	8,078,261.45		1,000,000.00	7,078,261.45	367,920.00

4) Details of the variation of impairment of the available-for-sale financial assets as at December 31, 2015

Items	Available-for-sale equity instruments
Calculated Accruals for impairment as at December 31, 2014	8,078,261.45
Decrease	1,000,000.00
Calculated Accruals for impairment as at December 31, 2015	7,078,261.45

5) There was no severe or non-temporary impairment of available-for-sale equity instruments, which were not accrued as at December 31, 2015.

5.10 Long-term equity investment

Name of Investee	As at December 31, 2014	Increase /decrease							As at December 31, 2015	Impairment provision in FY 2015	Impairment provision provided for 2015
		Additional Investment	Decrease of Investment	Investment income confirmed by the equity method	Adjustment of other comprehensive income	Other equity variation	Declaration of paying cash dividend or profits	Other			
1. Joint venture											
Bioword Genechip Inc., Shanghai	939,357.09			-13,833.47					925,523.62		
Shanghai KONAKA Co., Ltd (Note 1)		5,000,000.00		-2,875,571.30					2,124,428.70		
Subtotal	939,357.09	5,000,000.00		-2,889,404.77					3,049,952.32		
2. Associate											
Shanghai Wantuyi Investment and Development Co., Ltd.(Note 2)		1,710,000.00		-72,495.81					1,637,504.19		
Subtotal		1,710,000.00		-72,495.81					1,637,504.19		
Total	939,357.09	6,710,000.00		-2,961,900.58					4,687,456.51		

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Note 1: Shanghai Sanmao Enterprise (Group) Co., Ltd. and KONAKACO., LTD corporately funded to establish the Shanghai KONAKA Co., Ltd in Sep 2012. The shares holding by the Company would be calculated in equity method. As at December 31, 2014, net asset of Shanghai KONAKA Co., Ltd was RMB -1,357,047.14, the book value of long-term investment after confirming investment gain or loss was 0, and excess losses of RMB 678,523.72 remaining was not confirmed. The Company and KONAKACO., LTD reinvestment RMB 5,000,000.00 respectively in Shanghai KONAKA Co., Ltd in August, 2015. Consequently, Shanghai Sanmao Enterprise (Group) Co., Ltd. held 50% of shareholding with RMB 13,000,000.00 of investment.

Note 2: Shanghai Wantuyunyi Investment and Development Co., Ltd, which corporately funded by Shanghai InternationalWantu Investment and Development Co., Ltd and wholly-owned subsidiary Shanghai Jiayi Venture Capital Co., Ltd, in December, 2015. Shanghai Jiayi Venture Capital Co., Ltd. held 32% of shareholding with RMB 1,710,000.00 of investment. The shareholding of Shanghai Jiayi Venture Capital Co., Ltd. is calculated by equity method.

5.11 Investment Properties

Investments Properties measured at cost

Items	Buildings and Constructions
1. The original value of the book	
(1) As at December 31, 2014	264,790,958.01
(2) Increase	
—Purchase	
(3) Decrease	
—Disposal	
(4) As at December 31, 2015	264,790,958.01
2. Accumulated depreciation and accumulated amortization	
(1) As at December 31, 2014	39,903,389.20
(2) Increase	8,282,719.93
—Provision and accrual	8,282,719.93
(3) Decrease	
—Disposal	
(4) As at December 31, 2015	48,186,109.13
3. Provision for impairment of assets	
(1) As at December 31, 2014	
(2) Increase	
—Provision	
(3) Decrease	
—Disposal	
(4) As at December 31, 2015	
4. Book Value	
(1) As at December 31, 2015	216,604,848.88
(2) As at December 31, 2014	224,887,568.81

Explanation of the Investment Properties:

The net book value of Investment Properties used as guarantees is RMB 166,838,446.59 For details please refer to Notes 11.1(6) and 11.2(4).

The accrual depreciation and amortization of the investment properties is RMB 8,282,719.93 in FY 2015.

The amount of investment property transferred from construction in progress is RMB0.00 in FY 2015.

The accrual of provision for impairment of investment properties was RMB 0.00 in FY 2015.

5.12 Fixed Assets

1) Details of Fixed Assets

Items	Buildings and constructions	Machinery equipment	Transportation and other equipments	Total
1. The original value of the book				
(1) As at December 31, 2014	75,226,031.53	51,591,913.62	17,193,812.22	144,011,757.37
(2) Increase		1,351,393.71	618,112.09	1,969,505.80
—Purchase		1,351,393.71	478,217.06	1,829,610.77
—transferred from construction in progress			139,895.03	139,895.03
(3) Decrease		4,049,328.54	1,534,201.73	5,583,530.27
—Disposal or Obsolescence		4,049,328.54	1,534,201.73	5,583,530.27
(4) As at December 31, 2015	75,226,031.53	48,893,978.79	16,277,722.58	140,397,732.90
2. Accumulated depreciation				
(1) As at December 31, 2014	16,444,025.25	28,210,046.16	10,383,976.35	55,038,047.76
(2) Increase	2,206,873.01	3,333,452.57	1,311,090.24	6,851,415.82
—Accrual	2,206,873.01	3,333,452.57	1,311,090.24	6,851,415.82
(3) Decrease		3,056,134.08	1,218,180.54	4,274,314.62
—Disposal or Obsolescence		3,056,134.08	1,218,180.54	4,274,314.62
(4) As at December 31, 2015	18,650,898.26	28,487,364.65	10,476,886.05	57,615,148.96
3. Provision for impairment of assets				
(1) As at December 31, 2014		2,414,130.00	100,320.86	2,514,450.86
(2) Increase				
(3) Decrease		160,128.71	71,547.22	231,675.93
(4) As at December 31, 2015		2,254,001.29	28,773.64	2,282,774.93
4. Book Value				
(1) As at December 31, 2015	56,575,133.27	18,152,612.85	5,772,062.89	80,499,809.01
(2) As at December 31, 2014	58,782,006.28	20,967,737.46	6,709,515.01	86,459,258.75

The amount of depreciation for current year is RMB 6,851,415.82.

The amount of fixed assets transferred from construction in progress is 139,895.03 FY 2015.

The net book value of fixed assets used as guarantees is 2,379,598.05. For details please refer to Notes 11.1.6.

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- 2) There were no fixed assets acquired from finance lease as at December 31, 2015.
- 6) There were no fixed assets acquired under operating lease as at December 31, 2015.
- 7) There were no fixed assets without property right certificate as at December 31, 2015.

5.13 Construction in progress

1) Details of Construction in progress

Items	As at December 31, 2015			As at December 31, 2014		
	Book Balance	Provision for impairment	Book Value	Book Balance	Provision for impairment	Book Value
Construction betterment in Xia Sha , Nan Hui				26,500.00		26,500.00
14500 Technology improvement project	118,280.00		118,280.00	118,280.00		118,280.00
Equipment for Electro-coppering	85,470.09		85,470.09			
Total	203,750.09		203,750.09	144,780.00		144,780.00

- 2) There was no provision for impairment loss of construction in progress as at December 31, 2015.

5.14 Intangible assets

5.14.1 The details of intangible assets

Items	Land usage right	Patent Right	Software	Total
1. The original value of the book				
(1) As at December 31, 2014	10,873,148.00	530,000.00	445,832.57	11,848,980.57
(2) Increase			132,075.47	132,075.47
—Purchase			132,075.47	132,075.47
(3) Decrease				
(4) As at December 31, 2015	10,873,148.00	530,000.00	577,908.04	11,981,056.04
2. Accumulated amortization				
(1) As at December 31, 2014	2,406,653.84		160,998.27	2,567,652.11
(2) Increase	171,555.42		197,455.63	369,011.05
—Accrual	171,555.42		197,455.63	369,011.05
(3) Decrease				
(4) As at December 31, 2015	2,578,209.26		358,453.90	2,936,663.16
3. Asset impairment				
(1) As at December 31, 2014	992,500.16			992,500.16
(2) Increase				
(3) Decrease				
(4) As at December 31, 2015	992,500.16			992,500.16
4. Book Value				
(1) As at December 31, 2015	7,302,438.58	530,000.00	219,454.14	8,051,892.72
(2) As at December 31, 2014	7,473,994.00	530,000.00	284,834.30	8,288,828.30

Amortization of intangible assets is RMB 369,011.05 in FY 2015.

There were no intangible assets for mortgage or guarantee as at December 31, 2015.

The amount of intangible assets transferred from construction in progress is RMB 0.00 in FY 2015.

5.15 Long-term deferred expenses

Items	As at December 31, 2014	Increase	Amortization	Other decrease (note)	As at December 31, 2015
Improvement on fixed assets acquired under operating lease	2,663,378.32		742,513.33	32,343.00	1,888,521.99

Note: Other decrease is adjustment on estimated amount of improvement on fixed assets acquired under operating lease when settled.

5.16 Deferred tax assets and deferred tax liabilities

1) Deferred tax assets before being offset

Items	As at December 31, 2015		As at December 31, 2014	
	Deductible temporary difference	Deferred tax assets	Deductible temporary difference	Deferred tax assets
Provision for impairment losses on assets	1,119,321.63	236,460.22	743,620.21	136,135.57
Undistributed deficit			1,758,761.56	439,690.39
Accrued payroll but not paid as at ending balance			1,610,000.00	402,500.00
Variation of fair value of Available-for-sale financial assets	6,889.83	1,033.47		
Deferred income	500,000.00	75,000.00		
Accrued expenses	2,999,580.88	749,895.22		
Total	4,625,792.34	1,062,388.91	4,112,381.77	978,325.96

2) Deferred tax liabilities before being offset

Items	As at December 31, 2015		As at December 31, 2014	
	Taxable temporary differences	Deferred tax liabilities	Taxable temporary differences	Deferred tax liabilities
Changes in fair value of available-for-sale	6,137,368.00	1,583,996.70	54,350,303.67	13,587,549.47

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financial assets				
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5.17 Other non-current assets

Items	As at December 31, 2015	As at December 31, 2014
The prepayment for purchasing fixed assets	320,000.00	39,270.09

5.18 Short-term borrowings

1) Category of Short-term borrowing

Items	As at December 31, 2015	As at December 31, 2014
Mortgaged loan (Note)	70,000,000.00	40,000,000.00
Guaranteed loan	18,000,000.00	20,000,000.00
Unsecured loan	20,000,000.00	30,000,000.00
Discounted bills	200,000.00	2,000,000.00
Total	108,200,000.00	92,000,000.00

Note: All mortgaged loans were mortgaged by buildings and constructions. For details please refer to Notes 11.1.6).

2) There were no unpaid short-term loans due as at December 31, 2014.

5.19 Accounts payable

1) Details of Accounts payable

Items	As at December 31, 2015	As at December 31, 2014
Payments for goods	40,197,650.17	19,566,329.33
Account payables for purchasing the Binjiang International Plaza	5,000,000.00	5,000,000.00
Project Payments		52,166.82
Labor cost	1,807,679.56	2,028,232.93
Total	47,005,329.73	26,646,729.08

2) Important accounts payables which were aged more than one year

Company	As at December 31, 2015	Explanations for the existing items
Shanghai Runshu Real Estate Co., Ltd.	5,000,000.00	Purchase of the Binjiang International Plaza
Textile Material Corporation	601,793.24	The remaining accounts payable
Total	5,601,793.24	

5.20 Advances from costumers

1) Details of Advances from costumers

Items	As at December 31, 2015	As at December 31, 2014
House rent	146,352,911.16	131,096,618.56
Labor cost	747,259.08	24,252.00
Total	147,100,170.24	131,120,870.56

2) Important advances from costumers which were aged more than one year

Company	As at December 31, 2015	Explanations for the existing items
Wen Zhou HuaYue	1,590,966.80	The remaining accounts
Ji Tai Wool and Linen Textile Mill	478,958.85	The remaining accounts
Total	2,069,925.65	

5.21 Employee benefits payable

1) Details of Employee benefits payable

Items	As at December 31, 2014	Increases	Decreases	As at December 31, 2015
Short-term employee benefits	3,996,116.62	75,867,578.06	76,375,468.67	3,488,226.01
Post-employment benefits-Defined Contribution Plan	103,357.53	6,871,449.18	6,879,226.18	95,580.53
Termination benefits	3,418,015.13	1,492,197.13	1,571,877.74	3,338,334.52
Total	7,517,489.28	84,231,224.37	84,826,572.59	6,922,141.06

2) Short-term compensation

Items	As at December 31, 2014	Increases	Decreases	As at December 31, 2015
1 Salary, bonus and allowance	3,900,000.00	69,079,090.94	69,565,690.94	3,413,400.00
2. Welfare expenses for staff		1,421,398.14	1,421,398.14	
3. Social insurance fees	53,213.57	2,547,995.67	2,552,386.47	48,822.77
Including:(1) Medical insurance	51,454.57	2,267,265.50	2,271,134.60	47,585.47
(2) Work injury insurance	586.40	135,365.16	135,539.16	412.40
(3) Maternity insurance	1,172.60	145,365.01	145,712.71	824.90
4. Housing accumulation fund		2,410,535.77	2,410,535.77	
5. Labor union expenditure and personnel education fund	42,903.05	408,557.54	425,457.35	26,003.24
Total	3,996,116.62	75,867,578.06	76,375,468.67	3,488,226.01

3) Defined Contribution Plan

Items	As at December 31, 2014	Increases	Decreases	As at December 31, 2015
Basic old-age insurance	96,165.30	5,526,223.01	5,533,478.41	88,909.90

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Items	As at December 31, 2014	Increases	Decreases	As at December 31, 2015
Unemployment insurance	7,192.23	231,777.17	232,298.77	6,670.63
Annuity payment		1,113,449.00	1,113,449.00	
Total	103,357.53	6,871,449.18	6,879,226.18	95,580.53

5.22 Tax and surcharge payable

Items	As at December 31, 2015	As at December 31, 2014
VAT	364,416.19	1,995,010.09
Business tax	2,068,923.50	2,126,189.07
Corporate Income tax	1,291,898.63	14,661,694.24
Individual income tax	134,176.26	435,954.58
City maintenance and construction tax	113,539.60	235,158.10
Land and housing property tax	1,076,576.14	969,062.14
Educational tax and surcharges	60,345.74	173,399.69
Channel management fee	12,740.63	14,281.03
Foundation for water works	2,694.66	4,471.19
Stamp duty	1,334.26	
Total	5,126,645.61	20,615,220.13

5.23 Interests payable

Items	As at December 31, 2015	As at December 31, 2014
Long-term loan interest payable	43,858.88	68,946.58
Interests caused by borrowing money from the parent company		246,666.67
Short-term loan interest payable	151,952.78	165,000.00
Total	195,811.66	480,613.25

5.24 Dividends payable

Name of investor	As at December 31, 2015	As at December 31, 2014
Domestic legal representative as shareholder	716,561.13	716,561.13

Reason for arrears over 1 year: Not claimed by shareholders yet.

5.25 Other payables

1) Details of other payables classified by their usages:

Items	As at December 31, 2015	As at December 31, 2014
Current Account	6,789,888.71	6,629,167.34
Service charge	4,723,385.48	5,461,067.73
Attorney fee	2,950,000.00	5,450,000.00
Deposits	8,540,971.12	4,644,472.13
Suspense credits	3,766,221.29	3,132,510.21
Consulting Fees	4,430,000.00	2,600,000.00
Compensation for workers	79,228.13	50,531.63
Withholding of pension and personnel income tax	621,501.25	439,439.29
Rent		79,269.00
Total	31,901,195.98	28,486,457.33

2) Material other payables aged more than one year

Items	As at December 31, 2015	Reasons
Deposit	1,390,000.00	Deposit
Wool & Flax Company	900,342.26	The relief fund
Jingling Wool & Flax Company	812,020.04	The relief fund
Lin Yun(Shanxi) Electric Appliance Gorup	787,474.74	Current Account
Shanghai Bo De Genetic Development Co. Ltd.	543,774.00	Current Account
Total	4,433,611.04	

5.26 Non-current liabilities maturing within one year

1) Details of Non-current liabilities maturing within one year

Items	As at December 31, 2015	As at December 31, 2014
Long-term borrowing maturing within one year	12,854,020.43	12,081,824.87
Long-term payable maturing within one year	437,400.00	437,400.00
Total	13,291,420.43	12,519,224.87

2) Long-term loan maturing within one year

Items	As at December 31, 2015	As at December 31, 2014
Mortgaged loan (Note 1)	11,075,604.43	10,303,408.87
Guaranteed loan (Note 2)	1,778,416.00	1,778,416.00
Total	12,854,020.43	12,081,824.87

Note 1: The Company mortgaged the real estate to Shanghai Pudong Development Bank to acquire loans for purchasing some buildings and 20 car parking spaces of Bingjiang International Plaza, which is located in No. 1058 Yangshupu Road. The loan is installment. For details please refer to Notes 11.1.6).

Note 2: Among which, specific loan of RMB 1.6 million for environmental protection matured in December 2003. The Company had accrued overdue interests of RMB 178,416.00.

3) Long-term payment maturing within one year

Items	As at December 31, 2015	As at December 31, 2014
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Special fund loan for pollution source treatment	437,400.00	437,400.00
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5.27 Long-term borrowings

The long-term loan classification

Loan classification	As at December 31, 2015	As at December 31, 2014
Mortgaged loan (Note 1)	10,672,599.27	21,748,203.67
Total	10,672,599.27	21,748,203.67

Note 1: The Company mortgaged the real estate to Shanghai Pudong Development Bank to acquire loans for purchasing some buildings and 20 car parking spaces of Bingjiang International Plaza, which is located in No. 1058 Yangshupu Road. The loan is installment. For details please refer to Notes 11.1 6).

5.28 Long-term payables

Items	As at December 31, 2015	As at December 31, 2014
Facility for employee benefits (Note 1)	1,107,300.00	1,107,300.00
Medical fee for employee (Note 2)	445,800.00	445,800.00
Total	1,553,100.00	1,553,100.00

Note 1: Recognized as non-operating assets by State-owned Assets Bureau during the Company's reform.

Note 2: Medical expense for employees accrued by Shanghai Textile Holding (Group) Company.

5.29 Long-term employee benefits payable

Items	As at December 31, 2015	As at December 31, 2014
Termination benefits	8,980,872.36	10,954,810.91

5.30 Specific items payable

Items	As at December 31, 2014	Increase	Decrease	As at December 31, 2015	Reasons
Item of special fund project Special subsidy fund for state (Note)	8,460,000.00			8,460,000.00	

Note to specific items payable:

Note: In accordance with the document of GJMTZ(2002) No. 848 issued by China Economic and Trading Committee, China Development Scheme Committee and Ministry of Finance, the Company's project of extra thin woolen textile clothing material was one of the National Significant Project Supported by Government Loan Special Fund in 2002 (the fourth group). In 2005, the Company received special state loan fund of RMB 8,460,000.00 among which, subsidy from central government was RMB 2,820,000.00 and subsidy from local government was RMB 5,640,000.00. As at December 31, 2015, the project had not been completed yet.

5.31 Estimated liabilities

Items	As at December 31, 2015	As at December 31, 2014	Reasons
The obligation of deliver property(Note)	4,000,000.00	4,000,000.00	The possibility of the obligation to deliver property because the Company purchased 2 real estates located in Shenzhen from Shanghai Sanmao Import and Export Co. Ltd within 6 month before Shanghai Sanmao Import and Export Co. Ltd's liquidation.
Total	4,000,000.00	4,000,000.00	

Note: The obligation of Deliver property in the future might be RMB 4,000,000.00. For details please refer to Notes 11.2.3).

5.32 Deferred Income

Items	As at December 31, 2014	Increase	Decrease	As at December 31, 2015	Reasons
Deferred income 1	7,137,121.83		181,837.50	6,955,284.33	Note 1
Deferred income 2	17,955,855.37		792,403.15	17,163,452.22	Note 2
Deferred income 3		500,000.00		500,000.00	Note 3
Total	25,092,977.20	500,000.00	974,240.65	24,618,736.55	

Items referred to governmental subsidy:

Liabilities	As at December 31, 2014	The new amount of subsidies	Confirmed as non-operating income	Other changes	As at December 31, 2015	Associated with the asset or benefits
Deferred income 1	7,137,121.83		181,837.50		6,955,284.33	Associated with the asset
Deferred income 2	17,955,855.37		792,403.15		17,163,452.22	Associated with the asset
Deferred income 3		500,000.00			500,000.00	Associated with the asset
Total	25,092,977.20	500,000.00	974,240.65		24,618,736.55	

Note1: In October 2010, the Company received a grant of RMB 65,000,000.00 from Yangpu District Finance Bureau for the construction in progress of proposed Shanghai office of Chongqing Company in No. 1056, Yangshupu Road. The construction area was about 35,000.00 square meters. The company's wholly owned subsidiary, Shanghai Sanmao Real Estate Co., Ltd(renamed as Shanghai Maofa Property Management Co., Ltd.), set up Shanghai Runyu Property Co., Ltd for the construction. As at December 31, 2011, Shanghai Sanmao Real Estate Co., Ltd had transferred all its equity of Shanghai Runyu Property Co., Ltd.

On July 18, 2012, the Company and Shanghai Runyu Property Co., Ltd signed the "Shanghai Real Estate Pre-sale Contract", to purchase some buildings and 20 car parking spaces of Bingjiang International Plaza (tentatively named as 'Shanghai office of Chongqing Company'), which was located in No. 1058 Yangshupu Road. The total gross floor area was 3,917.04 square meters (forecast area) and the total price was RMB 122,511,200.00. The Company recognized RMB 57,726,500.00 as non-operation income proportionally according to the non-repurchased area for all construction area, and recognized the surplus as deferred income.

In March 2014, the Company gained the certificates of the real estate above with a correspondence change from Construction in

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progress to Investment properties and began to carry depreciation. Based on the period of depreciation, the company amortized corresponding deferred income recognized to non-operating income.

As at December 31, 2015, according to the period of housing depreciation, the company had been recognized RMB 7,273,500.00 as non-operating income. The remaining balance was RMB 6,955,284.33.

Note2: According to the document 'A notification from the Shanghai Municipal Economic Commission on allocating the land-transferring fees of Shanghai No. 3 Sanmao Textile Factory belonging to Shanghai Sanmao enterprise (Group) Company Limited' [the document number: HJJ (2007) No. 534], 'A notification of preferential policies for enterprises enjoying returned land transfer fees' [the document number: HJJ(2006) No.315] from Municipal Economic Commission, and "A notification from Municipal Finance Bureau on allocation of textile factory relocation and management funds of Shanghai No. 3 Sanmao Textile Factory belonging to Shanghai Sanmao enterprise (Group) Company Limited(HCJ [2007] No.37) from City Financial Bureau, In January 11, 2008, the company received relevant compensation of RMB 24,310,000.00. By resolution of the board of directors, the amount of RMB 3,190,000.00 compensated for a loss of the disposal of original production equipment, and the balance of RMB 21,125,500.00 was used to purchase the housing property located in No. 791, Xietu Road as a management office.

As at December 31, 2015, the deferred income has transferred RMB 3,962,015.75 to non-operating income according to relevant property depreciation period and the remaining amount of RMB 17,163,452.22 was recognized as deferred income.

Note3: According to <Events of combination of specific funds in 2015> (SGXF(2015) No.261) issued by Shanxi Province of Industry and Information Technology Hall and Shanxi Provincial Department, the shareholding subsidiary Baoji Lingyun Wanzheng Circuit Board Co., Ltd received government grants amount to RMB 500,000 related to the project of 'Enterprise Information Construction and Application'. As at December 31, 2015, the project has not been completed and acceptance and RMB 500,000.00 was recognized as deferred income.

5.33 Paid-in capital

Item	As at December 31, 2014	Increase (+) / Decrease (-)					As at December 31, 2015
		IPO	Stock bonus	Transfer from Surplus reserves	Others	Total	
Shares	200,991,343.00						200,991,343.00

5.34 Capital reserves

Items	As at December 31, 2014	Increases	Decreases	As at December 31, 2015
1. Capital premium (share premium)				
(1) Capital invested by investor	181,235,469.26			181,235,469.26
(2) Other capital premium	320,678.76			320,678.76
Subtotal	181,556,148.02			181,556,148.02
2. Other capital reserves				
(1) Transfer from original statutory capital surplus	21,303,688.45			21,303,688.45
(2) Remaining relocation compensation from government because of public interests	8,923,365.00			8,923,365.00
Subtotal	30,227,053.45			30,227,053.45
Total	211,783,201.47			211,783,201.47

5.35 Other comprehensive income

Items	As at December 31, 2014	Amount incurred in FY 2015					As at December 31, 2015
		Amount incurred in current period before income tax	Minus: confirmed as other comprehensive income in prior period, then transferred into profit or loss in current period	Minus: income tax	Attributable to the parent company after income tax	Attributable to the minority parties after income tax	
1. Other comprehensive income can't be reclassified into gain or loss in future.	1,020,744.61						1,020,744.61
Among which: Other comprehensive income can't be reclassified into gain or loss in future under equity method.	1,020,744.61						1,020,744.61
2. Other comprehensive income can be reclassified into gain or loss in future.	43,074,142.14	2,433,262.17	40,152,266.04	609,004.53	-38,325,984.44	-2,023.96	4,748,157.70
Among which: Gain arising from the change of fair value on Available-for-sale financial assets.	43,074,142.14	2,433,262.17	40,152,266.04	609,004.53	-38,325,984.44	-2,023.96	4,748,157.70
Total	44,094,886.75	2,433,262.17	40,152,266.04	609,004.53	-38,325,984.44	-2,023.96	5,768,902.31

5.36 Surplus reserves

Items	As at December 31, 2014	Increases	Decreases	As at December 31, 2015
Statutory surplus reserves	26,835,100.40			26,835,100.40
Discretionary surplus reserves	11,774,901.98			11,774,901.98
Total	38,610,002.38			38,610,002.38

5.37 Undistributed profit

Items	2015	2014
Undistributed profit brought forward for opening balance	-89,409,514.10	-149,416,935.07
Add: Net profit attributed to shareholders of parent company	-38,768,776.04	60,007,420.97

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Undistributed profit for ending balance	-128,178,290.14	-89,409,514.10
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5.38 Sales from operations and cost of operations

1) Sales from operations and cost of operations

Items	2015		2014	
	Sales from operations	cost of operations	Sales from operations	cost of operations
Principal activities	1,106,233,738.75	1,042,357,151.11	1,258,361,254.23	1,199,022,026.33
Other activities	22,243,236.64	8,398,336.24	26,575,488.72	11,494,310.32
Total	1,128,476,975.39	1,050,755,487.35	1,284,936,742.95	1,210,516,336.65

2) Revenue and costs from principal activities (listed by industry)

Industry	2015		2014	
	Sales from operations	cost of operations	Sales from operations	cost of operations
(1) Industry	70,931,033.17	60,226,211.92	89,621,442.79	78,581,417.64
(2) Commerce	986,112,838.97	940,292,108.44	1,131,648,380.45	1,088,991,011.07
(3) Others	49,189,866.61	41,838,830.75	37,091,430.99	31,449,597.62
Total	1,106,233,738.75	1,042,357,151.11	1,258,361,254.23	1,199,022,026.33

3) Revenue and costs from principal activities (listed by region)

Region	2015		2014	
	Sales from operations	cost of operations	Sales from operations	cost of operations
Export revenue	947,332,892.28	908,850,212.67	1,053,338,250.95	1,011,636,225.43
Domestic revenue	158,900,846.47	133,506,938.44	205,023,003.28	187,385,800.90
Total	1,106,233,738.75	1,042,357,151.11	1,258,361,254.23	1,199,022,026.33

5.39 Taxes and surcharge on operations

Items	2015	2014
Business Tax	1,673,634.48	1,746,652.23
City maintenance and construction tax	407,286.30	565,531.60
River maintenance surcharges	26,115.10	17,068.29
Education surcharges	217,201.26	322,397.97
Local education surcharges	107,436.51	183,588.97
Total	2,431,673.65	2,835,239.06

5.40 Selling and distribution expense

Items	2015	2014
Transportation expense	6,014,820.24	5,961,937.84
Serving charges	18,005,861.05	14,044,089.18
Lump sum charge	5,239,045.34	4,298,258.64
Travelling expense	3,305,751.51	1,538,562.30
Business funds	800,959.82	1,175,782.96
Others	4,805,420.25	4,045,971.33
Total	38,171,858.21	31,064,602.25

5.41 General and administrative expense

Items	2015	2014
Employee benefits	32,179,382.00	36,834,186.38
Intermediary service expense	6,909,014.24	13,712,999.88
Depreciation cost	6,868,737.67	5,956,467.58
Office supplies	2,997,084.90	2,632,219.10
Entertainment expense	1,837,415.21	2,586,049.17
Travelling expense	1,540,227.28	2,742,896.71
Others	18,563,340.44	21,655,573.14
Total	70,895,201.74	86,120,391.96

5.42 Financial expense

Items	2015	2014
Interest expense	7,715,645.88	15,816,739.07
Minus: Interest income	1,906,035.37	771,567.89
Gain or loss on foreign exchange	-4,018,884.54	-1,842,263.44
Bank Charges	668,504.40	782,615.16
Total	2,459,230.37	13,985,522.90

5.43 Impairment loss on assets

Items	2015	2014
Loss on bad debts	6,219,547.96	-120,122.16
Loss on diminution in value of inventory	66,444.38	1,182,076.09
Loss on impairment of fixed Assets		2,180,000.00
Total	6,285,992.34	3,241,953.93

5.44 Gain or loss from changes in fair value

Source of gain on changes in fair value	2015	2014
Financial assets measured in fair value and the changes charged to the	-1,947,582.18	2,468,618.50

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current gain or loss.		
Among which: Income from derivative financial instruments in fair value and the change charged to the current gain or loss.		-903,586.00

5.45 Investment income

1) Details for investment income

Items	2015	2014
Investment income from long-term equity investment under equity method(Note 1)	-2,961,900.58	3,087,857.12
Investment income from disposal of long-term equity investment(Note 2)		123,985,853.31
Investment income from holding financial assets calculated by the fair value, which variation was credited to the current profit and loss.	6,775.00	490,754.15
Investment income from holding available-for-sale financial assets.	367,920.00	1,898,820.00
Investment income from disposal of financial assets calculated by the fair value, which variation was credited to the current profit and loss.	3,568,354.43	131,818.19
Investment income from disposing available-for-sale financial assets.	53,572,188.13	
Others (Note)	1,109,560.92	
Total	55,662,897.90	129,595,102.77

Note: Others refer to the income from purchase of financial products.

2) Investment income from long-term equity investment under equity method

Items	2015	2014
BiowordGenechip Inc., Shanghai	-13,833.47	-1,590.00
Shanghai Xiefeng Mill Co., Ltd.		6,093,659.58
Shanghai KONAKA Co., Ltd.(Note)	-2,875,571.30	-3,004,212.46
Shanghai Wantu Yunyi Investment Advisory Management Co., Ltd	-72,495.81	
Total	-2,961,900.58	3,087,857.12

Note: It is confirmed that the amount of excess loss of Shanghai KONAKA Co., Ltd is RMB 678,523.72 during previous period, excluding the amount of RMB 2,197,047.58 which is losses of current period according to proportion of shareholding.

3) Investment income from disposal of long-term equity investment

Name of investee	2015	2014
Shanghai Sanmao Import and Export Co., Ltd.		2.00
Shanghai Sanmao International E-commerce Life Square Trade Co., LTD.		123,985,851.31
Total		123,985,853.31

5.46 Non-operating profit

Items	2015	2014	Amount included in non-recurring profit or loss
Gain on disposal of non-current assets	974,913.93	323,950.50	974,913.93
Among which: Gain on disposal of fixed assets	974,913.93	323,950.50	974,913.93
Government subsidy	1,107,099.05	1,447,946.47	1,107,099.05
Others	132,503.82	22,257.93	132,503.82
Total	2,214,516.80	1,794,154.90	2,214,516.80

Government subsidy included in current profit or loss:

Items	2015	2014	Related with assets or profit
Compensation for relocation	792,403.15	792,403.15	Related with assets
Incentive funds for integration compensation	2,858.40	6,288.40	Related with profits
Incentive funds for integrated management system		150,000.00	Related with assets
Government subsidies for natural gas construction		15,468.75	Related with assets
Incentive funds of HuangPu District	130,000.00	40,000.00	Related with profits
Clean production audit		20,000.00	Related with profits
Lujiazui Financial and Trade Zone Fund		4,000.00	Related with profits
Staff education allowance from Pudong New District		10,408.00	Related with profits
Intensive fund from Lujiazui Financial and Trade Zone Management Council		273,000.00	Related with profits
Deferred income amortization from Bingjiang building	181,837.50	136,378.17	Related with assets
Total	1,107,099.05	1,447,946.47	

5.47 Non-operating expenses

Items	2015	2014	Amount included in non-recurring profit and loss
Loss on disposal of non-current assets	20,513.15	280,030.19	20,513.15
Among which: Loss on disposal of fixed assets	20,513.15	280,030.19	20,513.15
Public donation and sponsorship	25,675.04	20,000.00	25,675.04
Overdue fine expenditure		300,000.00	
Payment of loan assurance for joint guarantee	60,000,000.00		60,000,000.00
Others	123,871.22	22,734.54	123,871.22
Total	60,170,059.41	622,764.73	60,170,059.41

5.48 Income tax expenses

1) Income tax table

Items	2015	2014
Current income tax expenses	-8,242,091.73	11,611,861.41

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Deferred tax expenses	-83,029.48	-1,539,820.39
Total	-8,325,121.21	10,072,041.02

2) Process of adjustment between accounting profit and income tax

Items	2015	
Profit before tax		-46,762,695.16
Income tax expense calculated by legal rate		-11,419,009.77
Influence from different tax rate on subsidiaries		
Influence from adjustment on income tax at previous period		-10,169,038.77
Influence on non-taxable income		-12,168.00
Influence on non-deductible cost, expense and loss		1,131,579.15
Influence on using deductible loss from preliminary unconfirmed deferred income tax assets		-7,201,458.46
Influence on the unconfirmed deferred income tax assets attributable to the deductible temporary difference or deductible losses at current period		19,344,974.64
Income tax expenses		-8,325,121.21

5.49 Notes to cash flow statements

1) Other cash receipts relating to operating activities

Items	2015	2014
1. Current account collected and paid on behalf	7,946,036.22	16,655,438.30
2. Special subsidy and government subsidy	632,858.40	519,165.15
3. Rental income	24,938,064.00	29,194,603.60
4. Interest income	1,906,035.37	771,567.89
5. Non-operating income	15,774.50	27,377.16
6. Deposit recovery	5,635,912.00	1,867,728.22
7. Others	1,369,579.02	1,656,064.02
Total	42,444,259.51	50,691,944.34

2) Other cash payments relating to cash flow from operating activities

Items	2015	2014
1. Current account collected and paid on behalf	6,332,137.24	4,619,793.57
2. Selling expenses	37,453,267.32	29,724,030.69
3. General and administrative expenses	22,367,295.42	35,988,565.68
4. Non-operating expenses	149,546.26	342,734.54
5. Financial expenses	668,504.40	782,595.16
6. Deposit payment	4,720,012.00	2,015,568.52
7. Operating lease expense	6,455,832.06	5,811,374.49
Total	78,146,594.70	79,284,662.65

3) Other cash receipts relating to investment activities

Items	2015	2014
Deposit received for forward foreign exchange settlement		4,284,294.20
Total		4,284,294.20

4) Other cash payments relating to investment activities

Items	2015	2014
Deposit paid for forward foreign exchange settlement		2,866,000.00
Net cash payments for acquisition of subsidiaries (Note)		2,206,734.53
Total		5,072,734.53

Note: Net cash payments for acquisition of subsidiaries is the net cash balance on the disposal date held by the subsidiary Shanghai Sanmao International E-commerce Life Square Trade Co., LTD.

5) Other cash receipts relating to financing activities

Items	2015	2014
Deposit received for funds frozen by the court (Note)	60,000,000.00	

Note: As mentioned in Note 13.6.3), due to contract dispute with China Citic Bank, the company has provided RMB 60,000,000.00 deposit as a counter guarantee and the funds have been released in March 2015.

6) Other cash payments relating to financing activities

Items	2015	2014
Payment of loan assurance for joint guarantee	60,000,000.00	
Deposit certificate frozen by the court (Note)		60,000,000.00
Total	60,000,000.00	60,000,000.00

Note: As mentioned in Note 13.6.3), due to contract dispute with China Citic Bank, the company has provided RMB 60,000,000.00 deposit as a counter guarantee. The company paid 60,000,000 for joint-guarantee in March 13, 2015.

5.50 Supplementary information of the statement of cash flows

1) Supplementary information of cash flow statements

Items	2015	2014
1. Net profit adjusted to cash flow from operating activities		
Net profit	-38,437,573.95	60,335,766.62
Plus: Provision for impairment loss on assets	6,285,992.34	3,241,953.93
Depreciation of fixed assets	15,134,135.75	15,638,795.20
Amortization of intangible assets	369,011.05	428,765.16

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Items	2015	2014
Amortization of long-term deferred expenses	742,513.33	576,647.80
Losses on disposal of fixed assets, intangible assets and other long-term assets (deduct: Gains)	-954,400.78	-43,920.31
Losses on scrap of fixed assets (deduct: Gains)		
Losses on changes in fair value (deduct: Gains)	1,947,582.18	-2,468,618.50
Financial expenses (deduct: Income)	3,696,761.34	13,974,184.51
Losses arising from investments (deduct: Gains)	-55,662,897.90	-129,595,102.77
Decrease in deferred tax assets (deduct: Increase)	-83,029.48	-1,539,820.39
Increase in deferred tax liabilities (deduct: Decrease)		
Decrease in inventories (deduct: Increase)	5,034,053.71	33,234,309.87
Decrease in operating receivables (deduct: Increase)	40,902,427.42	-33,588,841.89
Increase in operating payables (deduct: Decrease)	21,066,238.09	33,845,643.24
Others		
Net cash flows from operating activities	40,813.10	-5,960,237.53
2. Investing and financing activities not involving cash receipts and payments		
Conversion of liability into capital		
Convertible bonds maturing within one year		
Fixed assets acquired under financial lease		
3. Net increase in cash and cash equivalents		
Ending balance of cash	80,172,446.52	75,187,261.94
Minus: Beginning balance of cash	75,187,261.94	88,239,367.60
Plus: Ending balance of cash equivalents		
Minus: Beginning balance of cash equivalents		
Net increases in cash and cash equivalents	4,985,184.58	-13,052,105.66

2) Composition of cash and cash equivalents:

Items	2015	2014
1. Cash	80,172,446.52	75,187,261.94
Among which: Cash in treasury	103,821.73	171,867.35
Unrestricted cash in bank	80,068,624.79	75,015,394.59
Unrestricted other monetary funds		
Unrestricted due from Central Bank		
Due from banks		
Call Loan to Banks		
2. Cash equivalents		
Among which: bond investment maturing within 3 months		
3. Ending balance of cash and cash equivalents	80,172,446.52	75,187,261.94

5.51 Assets of ownership or use right restrict

Items	Book value(as at December 31, 2015)	Restrict reason
Cash and cash equivalents (others)	1,393,100.00	Deposit for Letter of Credit
Investment property	4,380,113.02	Security in litigation
Investment property	166,838,446.59	Assets mortgage for borrowing
Fixed assets	2,379,598.05	Assets mortgage for borrowing
Total	174,991,257.66	

5.52 Foreign currency monetary items

Items	Foreign currency in ending balance	Discount rate	Discounted to RMB in ending balance
Cash and cash equivalents			2,249,834.23
Among which: dollars	346,469.47	6.4936	2,249,834.16
HKD	0.08	0.83778	0.07
Accounts receivable			43,596.67
Among	6,144.53	7.0952	43,596.67
which: Euro			
Accounts payable			6,507,910.59
Among which: dollars	300,106.32	6.4936	1,948,770.41
Euro	638,404.86	7.0952	4,529,610.16
HKD	6,246.30	4.7276	29,530.02
Advance to suppliers			109,883,583.58
Among which: dollars	15,166,221.73	6.4936	98,478,442.92
Yen	153,135,534.70	0.053875	8,250,176.95
Pound	328,098.64	9.6159	3,154,963.71

6. Changes in scope of consolidation

6.1 No business combination under different control in FY 2015.

6.2 No business combination under common control occurred in FY 2015.

6.3 There was no reverse takeover in 2015.

6.4 There was no disposal of subsidiaries

6.5 Other reasons for the change of consolidated scope

The Company invested to set up a holding subsidiary Shanghai Sanmao Shanchuhui Investment Administration Co., Ltd in September, 2015, and the subsidiary was included in the consolidated statements.

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7. Interest in other entities

7.1 Interest in subsidiaries

1) Structure of the enterprise group

Full names of subsidiaries	Main premise	Registered address	Nature of business	Proportion of shareholdings of the Company (%)		Obtaining method
				direct	indirect	
Shanghai Shenyi Mill Co., Ltd (Note 1)	Shanghai	Shanghai	Top wool, caddice, knitting wool	90.00	9.00	Set up
Shanghai No.1 Mill Textile Co., Ltd	Shanghai	Shanghai	Wholesale of top wool and wool yarn	100.00		Set up
Shanghai No.1 Mill Textile (Chongqing) Co., Ltd (Note 2)	Chongqing	Chongqing	Top wool, caddice, knitting wool		100.00	Set up
Taicang Sanmao Textile Co., Ltd (Note 3)	Taicang	Taicang	Production, processing and sales of diaphanous facing material		100.00	Combination under common control
Shanghai Shanhe Investment Administration Co., Ltd	Shanghai	Shanghai	Industry investment and management consultancy	90.00		Set up
Shanghai Sanmao Asset Management Co., Ltd	Shanghai	Shanghai	e-commerce, investment advisory, investment management, labor services, etc.	100.00		Set up
Shanghai Maofa Property Management Co., Ltd	Shanghai	Shanghai	Real estate development operation	90.00		Set up
Shanghai Maofeng Property Management Co., Ltd (Note 4)	Shanghai	Shanghai	Property management		90.00	Combination under common control
Shanghai Sanlian Textile and Dye Co., Ltd	Shanghai	Shanghai	Fiber dyeing, wool washing, etc	100.00		Combination under common control
Baoji lingyun Wanzheng Circuit Boards Co., Ltd	Baoji	Baoji	Printed circuit boards including various single, double-side circuit boards and multilayer circuit board, etc	65.44		Combination under different control
Shanghai Jiayi Venture Capital Co., Ltd	Shanghai	Shanghai	Venture investment	100.00		Set up
Shanghai Yinfeng Clothing Co., Ltd	Shanghai	Shanghai	Production of men and women's trousers, etc	100.00		Combination under different control
Shanghai Sanmao Security Services Co., Ltd	Shanghai	Shanghai	Security service	100.00		Set up
Shanghai Shanyun International Trade Co.,Ltd	Shanghai	Shanghai	Import and export	100.00		Set up
Shanghai Sanjin Import and Export Co., Ltd	Shanghai	Shanghai	Import and export	100.00		Set up
Shanghai Yitiao Wool and Textile Co., Ltd	Shanghai	Shanghai	Textile, etc	90.00		Combination under common control
Shanghai Shanchuhui Investment Administration Co., Ltd (Note 5)	Shanghai	Shanghai	Investment and Administration	51.00		Set up

Note 1: The Company and the holding subsidiary, Shanghai Shanhe Investment Administration Co., Ltd, hold 90% and 10% of equity interests of Shanghai Shenyi Mill Co., Ltd. respectively.

Note 2: The wholly owned subsidiary, Shanghai No.1 Mill Textile Co., Ltd, holds 100% of equity interests of Shanghai No.1 Mill Textile (Chongqing) Co., Ltd.

Notes 3: The wholly owned subsidiary, Shanghai No.1 Mill Textile (Chongqing) Co., Ltd, holds 100% of equity interests of Taicang Sanmao Textile Co., Ltd.

Note 4: The holding subsidiary, Shanghai Maofa Property Management Co., Ltd, holds 100% of equity interests of Shanghai Maofeng Property Management Co., Ltd.

Note 5: The Company invested to set up a holding subsidiary Shanghai Sanmao Shanchuhui Investment Administration Co., Ltd in September, 2015 and holds 51% of equity interests of Shanghai Sanmao Shanchuhui Investment Administration Co., Ltd. The subsidiary was included in the consolidated statements.

2) There is no important non wholly owned subsidiary.

3) There is no major limitation of using assets and debt liquidation of the Company.

4) There is no financial or other support to the structured subject that included in the scope of consolidated financial statements.

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7.2 There is no transaction that equity shares of the Company in subsidiary have changed, while the Company still has control on that subsidiary.

7.3 Equity in the joint venture arrangement or joint ventures

1) There is no important associates and joint venture.

2) Summary of financial information of joint and associated enterprises, which were not important to the Company:

Items	Ending balance/ Amount incurred in current period	Beginning balance/ Amount incurred in previous period
Associates:		
Total book value of investment	3,049,952.32	939,357.09
Amount calculated according to the shareholding proportions		
—Net profit	-2,210,881.05	-3,684,326.18
—Other comprehensive income		
—Total comprehensive income	-2,210,881.05	-3,684,326.18
Joint ventures:		
Total book value of investment	1,637,504.19	
Amount calculated according to the shareholding proportions		
—Net profit (Note)	-72,495.81	
—Other comprehensive income		
—Total comprehensive income	-72,495.81	

3) The ability of associates and joint venture transferring funds to the Company has not significant restrictions.

4) There is no excess loss in associates and joint ventures.

5) There is no unrecognized commitment related to joint ventures.

6) There is no unrecognized contingent liabilities related to associates or joint ventures.

7.4 No important joint operation.

7.5 There is no equity in the structured entity that is not included in the scope of consolidated financial statements.

8. Disclosure of the fair value

An enterprise shall categorise the inputs to measure fair value into three levels:

Level 1 inputs are unadjusted quoted prices in active markets for identical assets or liabilities that the enterprise can access at the measurement date.

Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3 inputs are unobservable inputs for the asset or liability.

The level in which fair value measurement is categorized is determined by the level of the fair value hierarchy of the lowest level input that is significant to the entire fair value measurement.

8.1 Final fair value of assets and liabilities measured in fair value

Items	Final fair value			Total
	Fair value measure in level 1	Fair value measure in level 2	Fair value measure in level 3	
1. Fair value measured persistently				
(1) Financial assets measured in fair value and the changes charged to the current profit or loss				
i. Trading financial assets	629,375.00			629,375.00
Among which: Equity instruments investment	629,375.00			629,375.00
(2) Available-for-sale financial assets	6,517,368.00			6,517,368.00
Among which: Equity instruments investment	6,517,368.00			6,517,368.00
Total assets measured in fair value persistently	7,146,743.00			7,146,743.00

8.2 Basis on the confirmation of items whose market price is measured in level 1: Quoted price of financial assets in an active market at the ending of the period.

8.3 The Company has no continuous and non-continuous items measured in level 2 fair values.

8.4 The Company has no continuous and non-continuous items measured in level 3 fair values.

8.5 No transfers between levels of the fair value hierarchy occurred for items in fair value persistently.

9. Related party transactions

9.1 Details of parent company

Name of the parent Company	Registered Address	Nature of Business	Registered Capital	Holding proportion (%)	Voting proportion (%)

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Chongqing Light Industry and Textile Holdings and Textile Holdings	Chongqing	Operating and administrate state-owned assets	RMB 180,000.00	25.95	25.95
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The final controller of the Company: Chongqing State-owned Assets Supervision and Administration Commission.

9.2 Subsidiaries of the Company

For details please refer to Note 7: Interest in other entities.

9.3 Details of joint ventures and associates of the Company

For details of joint ventures and associates of the Company, please refer to Note 7. Interest in other entities.

Details of joint ventures and associates of the Company, who have transactions with Company in the current year and former years:

Name	Relationship with the Company
Bioword Genechip Inc., Shanghai	Associates
Shanghai KONAKA Co.,Ltd	Associates
Shanghai Wantuyunyi Investment and Development Co., Ltd.	Joint Venture

9.4 Other related parties of the Company

Name	Relationship with the Company
Shanghai Sanmao International E-commerce Life Square Trade Co., LTD	Combination under common control
Shanghai Yixin Industrial and Trading Company	Former subsidiary

9.5 Related party transactions

1) Goods transaction / services provided or received to or from related parties

Goods purchased / services received from related parties

Name of related party	Description of related party transactions	As at December 31, 2015	As at December 31, 2014
Shanghai KONAKA Co.,Ltd	Procurement of goods	1,358.12	1,982.91
Shanghai KONAKA Co.,Ltd	Providing consulting service	879,245.06	

Sales of goods / providing of services to related parties

Name of related party	Description of related party transactions	As at December 31, 2015	As at December 31, 2014
Shanghai KONAKA Co.,Ltd	Sales of goods	114,785.92	
Shanghai KONAKA Co.,Ltd	Providing consulting service		3,830.19

2) There was no trusteeship/contract and commission management/assigned contract in current year.

3) Leasehold to related parties

Names of Lessor	Types of leasing assets	Lease rental in current year	Lease rentals in last year
Shanghai KONAKA Co., Ltd	Renting out real estate to related party		28,188.00
Shanghai Wantuyunyi Investment and Development Co., Ltd.	Renting out real estate to related party	97,539.84	
Shanghai Sanmao International E-commerce Life Square Trade Co., LTD.	Leasing real estate from related party.	55,846.37	63,190.37

4) Guarantee offered by related parties

The Company offered guarantees to related parties:

Guarantor	Guaranteed related parties	Guaranteed amount	Starting date	Maturing date	Whether Guarantee is implemented
Shanghai Sanmao Enterprise (Group) Co., Ltd.	Shanghai Sanjin Import and Export Co., Ltd.	30,000,000.00	2013-12-24	2015-3-24	Yes
Shanghai Sanmao Enterprise (Group) Co., Ltd.	Shanghai Sanjin Import and Export Co., Ltd.	20,000,000.00	2015-1-15	2016-1-5	No

The Company was guaranteed by related parties:

Guarantor	Guaranteed related parties	Guaranteed amount	Starting date	Maturing date	Whether Guarantee is implemented
Shanghai Jiayi Venture Capital Co., Ltd	Shanghai Sanmao Enterprise (Group) Co., Ltd.	20,000,000.00	2014-5-30	2015-5-30	Yes
Shanghai Jiayi Venture Capital Co., Ltd	Shanghai Sanmao Enterprise (Group) Co., Ltd.	20,000,000.00	2015-5-27	2016-5-27	No
Shanghai Sanmao Asset Management Co., Ltd	Shanghai Sanmao Enterprise (Group) Co., Ltd.	45,000,000.00	2014-9-12	2016-9-12	No

Other related party guarantees

Security for the claim of subsidiaries

In May, 2013, Shanghai Asset Management Co., Ltd, a wholly-owned subsidiary of the company, provided guarantee for the event that Bioword Genechip Inc., Shanghai, applied for closing down security account belonging to Shanghai Bohu Investment Consultation Company with its property [H No.2012052692] located in Building 6, No.791 Xietu Road. As at 31st December, 2015, the net book value of asset was RMB 4,380,113.02.

5) The short-term loan between related parties

(a) There is no capital borrowed from related party

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(b) Capital lent to related party

Related party	Amount	Starting date	Maturing date
Shanghai Sanjin Import and Export Co., Ltd.	15,000,000.00	2015-1-4	2015-12-31

Note:

As at December 31, 2015, Shanghai Sanjin Import and Export Co., Ltd. has paid the loans off and interest.

9.6 Receivables and payables with related parties

1) Receivables due from related parties:

Items	Related party	As at December 31, 2015		As at December 31, 2014	
		Book value	Bad debt provision	Book value	Bad debt provision
Other receivables					
	Shanghai KONAKA Co.,Ltd			470,000.00	
	Shanghai Sanmao International E-commerce Life Square Trade Co., LTD	37,230.91		37,230.91	

2) Payables due to related parties:

Items	Related party	As at December 31, 2015	As at December 31, 2014
Advances to suppliers			
	Shanghai Sanmao International E-commerce Life Square Trade Co., LTD		43,758.91
Other payables			
	Bioword Genechip Inc., Shanghai	80,023.12	83,203.12
	Shanghai Yixin Industrial and Trading Company	415,353.75	415,353.75

9.7 Commitment of related parties

The Company has no other Commitments signed and were not disclosed on the balance sheet date, which had connection to related parties

10. Share-based payment

There was no share-based payment in 2015.

11. Commitments & Contingencies

11.1 Significant commitments

1) The Company had no signed external investment contract that was not fulfilled or not fully fulfilled, or relevant financial expenses.

2) The Company had no signed contracting-out contract with large amount that was being or to be fulfilled, or relevant financial impact.

3) The Company's signed leasehold contract that was being or to be fulfilled, and relevant financial impact:

Investment property is used for operating lease by the Company. The condition of acquired leasehold income in 2015 was as follows:

Property for rent	Original Value of investment property	Net value of investment property as at December 31, 2015	Leasehold income as at December 31, 2015
No. 51, Lane 200, Hangtuo, Xiasha New Street, Nanhui	8,077,541.96	5,773,206.86	1,200,089.31
No. 380 Qi Lian Shan Road	44,544,350.00	32,550,784.11	5,162,117.90
No 369 Lihang Road	16,195,906.98	2,758,750.05	1,483,773.36
No. 781-783, Xietu Road	18,188,833.12	13,868,985.12	1,466,726.00
6#(D), No. 791, Xietu Road	5,368,197.10	4,380,113.02	947,307.00
4#, 5#, 10#, No. 791, Xietu Road	42,527,488.00	35,709,800.56	5,081,585.00
No. 3019 West Gaoke Road	9,907,880.00	6,914,541.97	1,756,338.00
No. 1058 Yangshupu Road	130,791,459.27	125,355,439.17	1,350,396.84

4) There were no merger agreements that were signed or under preparation.

5) There were no restructuring plans that were signed or under preparation.

6) Other significant financial commitments

Mortgaged investment properties and fixed assets:

i) The Company mortgaged the real estate on 4#, 5#, 10#, No. 791, Xietu Road [real estate certificate number: HFDHZ (2012) No. 052695] to Communication Bank Yangpu Branch to acquire bank loans of RMB 40,000,000.00, among which, the RMB 20,000,000.00 was subjected to a period from September 25, 2015 to September 12, 2016, the remaining RMB 20,000,000.00 was subjected to a period from November 16, 2015 to September 12, 2016. The highest insured and mortgaged amount of obligation was RMB 45,000,000.00. The mode of guarantee was jointly liability. As at December 31, 2015, the book value of the real estate was RMB 42,527,488.00 and the net value was RMB 35,709,800.56.

ii) The Company mortgaged the real estate on Room 1401-1415, No. 1476, No. 1482, Pudong Avenue [real estate certificate number: HFDPZ (2008) No. 62338] and the real estate on No. 51, 200 Lane, Xiashaxin Street, Hangtuo Town, Nanhui [real estate certificate number: HFDNZ (2004) No. 000636] to Bank of Shanghai Hongkou Branch to acquire loans of RMB 30,000,000.00. As at December 31, 2015, the total book value of the two real estates was RMB 12,669,230.13 and the net value was RMB 8,152,804.91.

iii) The Company purchased some buildings and 20 car parking spaces of Bingjiang International Plaza, which is located in No. 1058 Yangshupu Road, from Shanghai Runyu Property Co., Ltd. The total covered area is 3,916.90 square meters (real estate certificate number: HFDYZ (2014) No. 006242, HFDYZ (2014) No. 006243, HFDYZ (2014) No. 006237, HFDYZ (2014) No. 006239, HFDYZ (2014) No. 006248. In order to purchase above properties, the Company mortgaged the real estate to Shanghai Pudong Development Bank to acquire loans of RMB 51,244,400.00 from November 20, 2012 to November 19, 2017. The repayment method equals installment monthly. As at

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December 31, 2015, the total amount repaid was RMB 29,496,196.30, the rest of it was RMB 21,748,203.70. The net book value of corresponding mortgaged property was RMB 125,355,439.17.

11.2 Contingency

Contingent liabilities arising from guarantee for other parties and relevant financial impact as at December 31, 2015

1) Provide guarantee to related parties

Guaranteed party	Guaranteed amount	Actual amount (Note)	Maturing date	Effects on the Company's financial position
Related party (subsidiary):				
Shanghai Sanjin Import and Export Co.	20,000,000.00	USD 1,074,231.57	2016-1	No material effects

Note: it refers to the actual amount guaranteed as at December 31, 2015.

ii) The Company did not provide guarantee to other companies.

iii) Other contingency liabilities

In the first 6 months liquidation of Company's former holding subsidiary Shanghai Sanmao Import and Export Co., Ltd, the Company and its wholly owned subsidiary Shanghai Sanjin Import and Export Co., Ltd bought some tangible assets (Mainly vehicles, two sets of house in Shenzhen and part of computer equipment) and intangible assets (the 'di' brand) from Shanghai Sanmao Import and Export Co., Ltd and Shanghai Dipai Garments Co., Ltd. As at December 31, 2015, the liquidation of Shanghai Sanmao Import and Export Co., Ltd hadn't completed, the Company has confirmed the estimated liabilities RMB 4,000,000.00 according to the possibility of the obligation to deliver the property in the future.

iv) Other contingencies

As described in Note 9.5.4), in May, 2013, Shanghai Sanmao Asset Management Co., Ltd, a wholly-owned subsidiary of the Company, provided guarantee for the event that Bioword Genechip Inc., Shanghai, applied for closing down security account belonging to Shanghai Bohu Investment Consultation Company with its property[H No.2012052692] located in Building 6, No.791 Xietu Road. The net book value of the real estate is RMB 4,380,113.02 as at December 31, 2015.

12. Post balance sheet events

12.1 Note to significant post balance sheet events which have no need to be adjusted

The company planned to transfer 50,000,000 shares (accounting for 1.2267% of shares) at the price of RMB 1.40 per share of Ancheng Property Insurance Co., Ltd. to Chongqing Yufu Asset Administration (Group) Co., Ltd. Ancheng Property Insurance Co., Ltd. is an unquoted finance firm to another shareholder of Ancheng Property Insurance Co., Ltd., Chongqing Yufu Asset Administration (Group) Co., Ltd. The total amount of transaction sum up to RMB 70,000,000.00. As at December 31, 2015, the book value of the above-mentioned Ancheng Insurance shareholding was RMB 50,000,000.00. The Company has signed the relative share transfer contract with Chongqing Yufu Asset Administration (Group) Co., Ltd. on February 3, 2016 and been approved by the 12th meeting of the 8th session of the Board of Directors on February 4, 2016.

12.2 Note to profit distribution

In accordance with 2015 profit distribution plan passed by the 12th meeting of the 8th session of the Board of Directors on February 4, 2016, the Company doesn't distribute profit, nor transfer capital reserves to share capital. The above profit distribution plan should be executed after the approval by the general meeting of shareholders.

12.3 Note to sales return

The company has no material sales return to be disclosed after the balance sheet date.

12.4 Other events:

The company has no other post balance sheet events to be disclosed as at the reporting date.

13 Other events

13.1 Corrections of errors for prior period

There is no correction of errors for prior period adopting future applicable method in the reporting period.

13.2 Debt restructuring

There is no important debt restructuring matters in the reporting period.

13.3 Replacement of assets

There is no important non-monetary assets exchange in the reporting period.

13.4 Pension plan

The company establishes enterprise annuity payment, namely supplementary pension insurance, based on the national policy of the enterprise annuity system. The company pays coverage to the local social insurance agency according to a certain proportion of the total wages, with a corresponding charge to the profit or loss for the current period or the cost of a relevant asset.

13.5 Discontinuing operation

There is no important discontinuing operation in this reporting period.

13.6 Other important events need to be disclosed

1) Matters on cancel of delisting risk

As the negative value of net profit between 2012 and 2013, it was alarmed to delist by the Shanghai Stock Exchange. However, the net profit became positive in 2014 per audit. As a result, the company has got the permission of canceling the risk of delisting by the Shanghai Stock Exchange.

2) Event of asset restructuring of Kunshan Wanyuantong Electronic Technology Co., Ltd.

Approved by the fourth temporary meeting of the 8th session of the Board of Directors in 2015, the Company planned to buy 100% shares of Kunshan Wanyuantong Electronic Technology Co., Ltd, which is held by Wang Xuegen, Shi Yahui and Wang Liguo, by cash and issuing shares. The transaction price was RMB 330 million. The company planned to issue non-public shares in order to collect supporting funds to no more than 10 specific investors and the total amount was less than RMB 160 million, among which RMB 580 million were used to pay cash consideration, and amount less than RMB 80 million were used to supplement working capital. The rest of supporting funds were used for expenses of taxation.

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On October 9, 2016, the company was informed by controlling shareholders that the company should negotiate with each other relating to the transaction price, lockup period and performance bonus. A written notice was received on October 26 2016, that the counterparty (three shareholders of Wanyuantong) could not come to an agreement and disagreed the project. However, the controlling shareholders indicated that they would not agree unless the Company and the counterparty adjusted the project according to the suggestion of revision. The fifth temporary meeting of the 8th session of the Board of Directors was convened on November 2 and passed the <Events of termination of material assets restructure> along with <Events of sign of <Termination of material assets restructure>>, the Company and the counterparty signed Agreement of termination of material assets restructure.

3) Events of civil action of Shanghai Citic Bank Co., Ltd., Shanghai Branch

In June, 2014, the Company and its former holding subsidiary, Shanghai Sanmao Import & Export Co. Ltd, separately received notices of responding to a case. China Citic Bank Co.,Ltd Shanghai Branch filed a lawsuit to Shanghai Pu Dong District People's Court because of dispute of financial loan contract, claiming that Shanghai Sanmao Import & Export Co. Ltd should return credit amount of USD 9,644,014.96 and overdue interest, meanwhile, the Company should have the joint liability for above-mentioned requirements. The court sentenced that the Shanghai Sanmao Import and Export Co., Ltd returned the documentary credit and interest, at the same time, the court rejected the request of joint liability that the Company should undertake.

On November 5, 2014, the Company received the civil appeal, China Citic Bank Shanghai Branch tried to appeal against the decision from "Paper of Civil Ruling" ((2014)PML(S)C No.6604), and lodged an appeal to Shanghai No.1 Intermediate People's Court.

In March 2015, the Company received the civil judgment of [HYZML(S)Z(2014) No.534] and the court sentenced the Company should undertake joint and security guarantee within the maximum amount of RMB 60,000,000. Then the Company can pursue recovery from Shanghai Sanmao Import and Export Co., Ltd. This was the final judgment.

On March 3, 2015, the Company paid RMB 60,000,000 according to the judgment, recorded as non-operating expense and required a retrial to Shanghai Higher People's Court. On July 30, the civil ruling paper [HGMW(S)S(2015) No.34] was received and the requirement of retrial was rejected.

Because of the judgment, the Company filed a lawsuit to Shanghai Huangpu District People's Court to pursue a recovery from Shanghai Sanmao Import and Export Co., Ltd. On June 17, 2015, the paper of ruling [HPZZ(2015) No.3227] was received from Shanghai Huangpu District People's Court. The court decided to transfer and freeze the cash in bank RMB 6,057,400. The same value asset of Shanghai Sanmao Import and Export Co., Ltd would be closed down and distained if there were no adequate funds. Due to insufficient funds in Shanghai Sanmao Import and Export Co., Ltd's bank account and no same value asset or other asset, Shanghai Huangpu District People's Court had been ended the execution up to September 31, 2015.

4) Regarding investment on Soft Bank Linyi Innovation No.1 Investment Administration Partnership Company in Ningbo Meishan Free Trade Port Zone:

The fifth temporary meeting of the 8th session of the Board of Directors on November 2, 2015, has pass <the Proposal on the cooperation of founding Soft Bank Linyi Innovation No.1 Investment Administration Partnership Company in Ningbo Meishan Free Trade Port Zone>. It also agreed that the subsidiary Shanghai Jiayi Venture Capital Co., Ltd. fund Soft Bank Linyi Innovation No.1 Investment Administration Partnership Company in Ningbo Meishan Free Trade Port Zone (Limited Partnership) (hereafter 'Fund') cooperatively with RMB 50,000,000.00, and the fund was used to invest in Hujiang project exclusively.

On January 8, 2016, the Company was informed by fund manager from Ningbo Soft Bank Linyi Asset Administration Partnership Company (Limited Partnership) that it has finished the events as well as Industry and Commerce register. Actual amount of contribution was RMB 111million and the fund shares were subscribed by 6 partners.

5) Regarding production halt and productivity transfer of Shanghai Yimaotiao Textile Chongqing Co., Ltd.:

On February 3, 2015, the company convened the first interim meetings of the 8th session of the Board of Directors in 2015. The meeting has approved of following proposals: Shanghai No.1 Mill Textile (Chongqing) Co., Ltd suffered continuous loss since FY 2012 due to disadvantage operating environment. In order to avoid passive situation, Shanghai No.1 Mill Textile (Chongqing) Co., Ltd will be forced to halt the production, and transfer its productivity to its holding subsidiary Taicang Sanmao Textile Co., Ltd surrounding areas. The Board of Directors authorized the management of Shanghai No.1 Mill Textile (Chongqing) Co., Ltd to handle all these business events.

As at the reporting day, Shanghai No.1 Mill Textile (Chongqing) Co., Ltd has halted production entirely, and it was seeking opportunities to rent and sale its assets.

6) Regarding Bankruptcy liquidation of former holding subsidiary company, Shanghai Sanmao Import and Export Co., Ltd.:

In July, 2015, the Company was informed by liquidation group of former holding subsidiary, Shanghai Sanmao Import and Export Co., Ltd. that said: according to civil ruling paper [PME(S)P(2015) No.8-1] from Shanghai Pudong New District People's court, People's court accept the bankruptcy liquidation application from liquidation group of Shanghai Sanmao Import and Export Co., Ltd.

7) Allotment of profit arising from cooperation with Blue Ribbon International Yule Business Co., Ltd.

On March 13, 2003 and in April 2004, with regards to controversy with Shanghai Wenshabao Haibawang Dining Entertainment Co., Ltd. over allotment of profit arising from cooperation with it, the Company submitted applications twice for arbitration to China International Economic and Trade Arbitration Committee Shanghai Branch with Blue Ribbon International Yule Business Co., Ltd. as the defendant. In accordance with the ruling, as at June 30, 2007, Blue Ribbon International Yule Business Co., Ltd. should have paid the Company with principal, breach penalties, the arbitration fee and corresponding interest for delayed payment at a total of RMB 11.3488 million. Because there was no civil judicial assistance treaty with Taiwan, the Company is not able to execute the implementation, and no further progress was made during the reporting period.

As at December 31, 2015, the Company's receivables due from Blue Ribbon International Yule Business Co., Ltd amounted to RMB 6.5697 million, and the provision for bad debts was RMB 6.5697 million.

8) Recovery of royalties for technology transfer by Bioword Gene chip Inc., Shanghai, an associate of the Company.

On February 26, 2004, Shanghai Arbitration Committee issued Judgment 2003 HC(J)Z No. 0070 and made the following rulings regarding the dispute between Bioword Gene chip Inc., Shanghai ('Bioword Company'), an associate of the Company and Shanghai Boxing Gene Chip Co., Ltd. ('Boxing Company') for the violation of the technology transfer contract: Boxing Company should return the technology transfer fee of RMB 20,000,000.00 to Bioword Company, pay the penalty of RMB 1,000,000.00 and assume arbitration fee of RMB 154,800.00. The total amount of above items was RMB 21,154,800.00 and should be fully paid to Bioword Company within 15 days since the date of this judgment and this was the final judgment. On March 16, 2004, Bioword Company applied for execution to Shanghai No.2 Intermediate People's Court.

In June 2006, Bioword Company received the payment for execution of RMB 2,162,845.00 from the Court. 20% of total shares (12,000,000 shares) of Shanghai Biology Chip Co., Ltd. held by Boxing Company were frozen by the Court.

On May 3, 2013, Shanghai No.2 Intermediate People's Court issue "A ruling of execution in writing" [HEZZZ(2004) No.202], ruling that Shanghai Bohu Investment Consultation Company security accounts opened in China Citic Bank should be frozen, including cash and securities. Shanghai Sanmao Asset Management Company which is the wholly owned company provided guarantee with its property [H No.2012052692] located in Building 6, No.791 Xieta Road for the event.

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As at December 31, 2015, the execution was still in progress. Bioword Company had not yet received the total return payment. The book balance of accounts receivable was RMB 17,437.70 thousand and the provision for bad debt was RMB 15,694 thousand.

9) Regarding receivable of sales proceeds from Fenghua Huayuan Buyun Pants Co., Ltd.

On December 15, 2004, Fenghua People's Court, Zhejiang Province issued Judgment (2004) FMECZ No.622 on civil suit and sentenced defendant Fenghua Huayuan Buyun Pants Co., Ltd. to pay RMB 1,074,344.63 to the Company within one month since the date of judgment and the penalty for delayed payment of RMB 1,074,344.63 (On the base of 0.021% per day, since September 1, 2003 to the payoff date of payment for goods). On 20th April, 2005, Fenghua People's Court issued Judgment (2005) FZZ No.446 on civil suit and seized 4,520 pairs of pants and 3,143 shirts which belonged to Fenghua Huayuan Buyun Pants Co., Ltd.

As at December 31, 2015, the Company had not received this payment for goods. The book balance of the receivables of the Company due from Fenghua Huayuan Buyun Pants Co., Ltd. was RMB 1,058,099.76 and the 100% provision had been made for bad debt of RMB 1,058,099.76.

10) Regarding the invest capital increasingly on subsidiary Shanghai Sanmao Security Service Co., Ltd.:

On December 14, 2015, the sixth temporary meeting of the 8th session of the Board of Directors in 2015 has approved of following proposals:

In order to further enhance core competitiveness and reputation of Shanghai Sanmao Security Service Co., Ltd. (hereafter 'Sanmao Security Company'), the board of directors agreed to invest 20 million on Sanmao Security Company, and entitled operational department to manage detailed issues. After capital increase, the registered capital of Sanmao Security Company increased to RMB 30 million from RMB 10 million, and the company still held 100% of Sanmao Security Company's shares.

On Jan 1, 2016, Shanghai Sanmao Security Service Co., Ltd. has been finished change of registration in Market Supervision Administration of Huangpu District of Shanghai, and has acquired the new Business License. Moreover, the total amount of registered capital has increased from 10 million to 30 million.

As at the reporting day, the additional capital was the increase of subscribed capital contribution, but has not been paid.

14 Notes to the main items of financial statement of parent company

14.1 Accounts receivable

1) Disclosure by the category of accounts receivable

category	As at December 31, 2015					As at December 31, 2014				
	Ending Balance		Provision for bad debt		Book value	Ending Balance		Provision for bad debt		Book value
	Amount	Proportion (%)	Amount	Proportion (%)		Amount	Proportion (%)	Amount	Proportion (%)	
Individually material accounts receivable with separately-made provision for bad debts	1,058,099.76	23.17	1,058,099.76	100.00		1,325,095.76	26.11	1,325,095.76	100.00	
Accounts receivable with provision for bad debts on a risk portfolio basis	3,131,485.48	68.57	62,629.71	2.00	3,068,855.77	3,639,938.19	71.72	75,517.17	2.07	3,564,421.02
Individually immaterial accounts receivable with separately-made provision for bad debts	377,155.72	8.26	377,155.72	100.00		110,159.72	2.17	110,159.72	100.00	
Total	4,566,740.96	100.00	1,497,885.19		3,068,855.77	5,075,193.67	100.00	1,510,772.65		3,564,421.02

Individually material accounts receivable with separately-made provision for bad debts as at December 31, 2015:

Accounts receivable (by company)	As at December 31, 2015			
	Accounts receivable	Provision for bad debt	Proportion of provision (%)	Reasons
Ningbo Fenghua Worldbset Buyun Trousers Co., Ltd	1,058,099.76	1,058,099.76	100.00	The difference between estimated recoverable amount and book value
Total	1,058,099.76	1,058,099.76		

Accounts receivable with provision for bad debts made by aging analysis method within the portfolio:

Aging	As at December 31, 2015		
	Accounts receivable	Provision for bad debt	Proportion of provision (%)
Within 1 year (including 1year)	3,131,485.48	62,629.71	2.00

2) Conditions of provision, reversal and withdrawal of bad-debt provision

The amount of provision of bad-debt provision was RMB 12,887.46 in FY 2015.

3) There are no accounts receivable actually written off in FY 2015

4) Top 5 debtors of accounts receivable as at December 31, 2015

Company	As at December 31, 2015		
	Accounts receivable	Proportion of total accounts receivable (%)	Provision for bad debt
Shanghai Sanjin Import and Export Co., Ltd	1,205,127.31	26.39	24,102.55
Ningbo Fenghua Worldbset Buyun Trousers Co., Ltd	1,058,099.76	23.17	1,058,099.76
Chongqing Construction Group Corporation	780,000.00	17.08	15,600.00
Shanghai Xiangjin Textile Co., Ltd	674,133.60	14.76	134,826.72

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Company	As at December 31, 2015		
	Accounts receivable	Proportion of total accounts receivable (%)	Provision for bad debt
Shanghai Wangling Textile Co., Ltd	412,982.30	9.04	82,596.46
Total	4,130,342.97	90.44	1,315,225.49

5) There were no receivables derecognized due to transfer of financial assets in 2015.

6) There were no assets or liabilities due to receivables transfer and continuous involvement.

14.2 Other receivables

1) Disclosure by the category of other receivables

Items	As at December 31, 2015					As at December 31, 2014				
	Ending Balance		Provision for bad debt		Book value	Ending Balance		Provision for bad debt		Book value
	Amount	Proportion (%)	Amount	Proportion (%)		Amount	Proportion (%)	Amount	Proportion (%)	
Individually material other receivable with separately-made provision for bad debts	13,829,313.37	31.37	13,829,313.37	100.00		9,657,578.70	66.48	9,657,578.70	100.00	
Other receivables with provision for bad debts on a risk portfolio basis	26,294,203.27	59.65	314,161.92	1.19	25,980,041.35	4,197,715.08	28.89	293,827.92	7.00	3,903,887.16
Individually immaterial other receivable with separately-made provision for bad debts	3,958,011.99	8.98	3,958,011.99	100.00		672,775.12	4.63	672,775.12	100.00	
Total	44,081,528.63	100.00	18,101,487.28		25,980,041.35	14,528,068.90	100.00	10,624,181.74		3,903,887.16

Individually material other receivables with separately-made provision for bad debts as at December 31, 2015:

Other receivables (by company)	As at December 31, 2015			
	Other receivables	Provision for bad debts	Proportion of provision (%)	Reason
Blue Ribbon International Yule Business Co., Ltd	6,569,692.60	6,569,692.60	100.00	The difference between estimated recoverable amount and book value
Zhangjiagang Heng Tong Mill Textile Co., Ltd.	4,950,517.74	4,950,517.74	100.00	The difference between estimated recoverable amount and book value
Shanghai Sanmao Import and Export Co., Ltd	2,309,103.03	2,309,103.03	100.00	The difference between estimated recoverable amount and book value
Total	13,829,313.37	13,829,313.37		

Other receivables with provision for bad debts made by aging analysis method within the portfolio:

Aging	As at December 31, 2015		
	Other receivables	Provision for bad debts	Proportion of provision (%)
Within 1 year (including 1 year)	25,088,959.89		
1-2 years (including 2 years)	237,055.50	23,705.55	10.00
2-3 years (including 3 years)			
Over 3 years	968,187.88	290,456.37	30.00
Total	26,294,203.27	314,161.92	

2) Conditions of provision, reversal and withdrawal of bad-debt provision

The amount of provision of bad-debt provision was RMB 7,477,305.54 in FY 2015.

3) There are no other receivables actually written off in FY 2015.

4) Other receivables classified by payment properties

Items	As at December 31, 2015	As at December 31, 2014
Current account	30,510,662.65	7,287,745.08
Cooperative profit	6,569,692.60	6,569,692.60
Advances to suppliers	5,740,517.74	
Temporary payment	952,404.14	367,009.72
Deposit	184,403.00	180,573.00
Pretty cash	123,848.50	123,048.50
Total	44,081,528.63	14,528,068.90

5) Top 5 debtors of other receivable as at December 31, 2015

Company name	Nature	As at December 31, 2015	Aging	Proportion of total receivable accounts (%)	Ending balance of provision for bad debts
Shanghai Jiayi Venture Capital Co., Ltd.	Current account	23,000,000.00	Within 1 year	52.18	
Blue Ribbon International Yule	Cooperative	6,569,692.60	Over 3 years	14.90	6,569,692.60

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Business Co., Ltd	profit				
Zhangjiagang Heng Tong Mill Textile Co., Ltd.	Advances to suppliers	4,950,517.74	Within 1 year	11.23	4,950,517.74
Shanghai Sanmao Import and Export Co., Ltd.	Current account	2,309,103.03	2-3 years	5.24	2,309,103.03
Shanghai No.1 Mill Textile Co., Ltd.	Current account	2,041,846.65	Within 1 year	4.63	
Total		38,871,160.02		88.18	13,829,313.37

6) There was no subsidy due from government as at December 31, 2015.

7) There were no other receivables derecognized due to transfer of financial assets in 2015.

8) There were no assets or liabilities due to receivables transfer and continuous involvement.

14.3 Long-term equity investments

Items	As at December 31, 2015			As at December 31, 2014		
	Ending balance	Provision for bad debts	Book value	Ending balance	Provision for bad debts	Book value
Subsidiary	359,500,059.93	32,553,170.38	326,946,889.55	358,990,059.93	32,553,170.38	326,436,889.55
Associates and joint ventures	3,049,952.32		3,049,952.32	939,357.09		939,357.09
Total	362,550,012.25	32,553,170.38	329,996,841.87	359,929,417.02	32,553,170.38	327,376,246.64

1) Investment to subsidiary

Name of invested Company	As at December 31, 2014	Increase	Decrease	As at December 31, 2015	Provision in current period	Provision as at December 31, 2015
Shanghai Maofa Property Management Co., Ltd	18,000,000.00			18,000,000.00		8,185,844.22
Shanghai No.1 Mill Textile Co.,Ltd.	118,320,000.00			118,320,000.00		
Shanghai Shenyi Mill Co., Ltd	49,500,000.00			49,500,000.00		6,542,955.10
Shanghai Shanhe Investment Administration Co., Ltd.	27,000,000.00			27,000,000.00		14,340,489.17
Shanghai Sanmao Asset management Co., Ltd.	53,000,000.00			53,000,000.00		
Baoji Lingyun Wanzheng Circuit Boards Co.,Ltd.	22,081,475.80			22,081,475.80		-
Shanghai Sanlian Textile and Dye Co., Ltd.	7,304,527.25			7,304,527.25		-
Shanghai Jiayi Venture Capital Co., Ltd.	30,000,000.00			30,000,000.00		-
Shanghai Yinfeng Clothing Co., Ltd.	10,300,174.99			10,300,174.99		-
Shanghai Sanmao security service Co., Ltd.	10,000,000.00			10,000,000.00		-
Shanghai Sanjin Import and Export Co., Ltd.	5,000,000.00			5,000,000.00		-
Shanghai Shanyun International Trade CO.,LTD	5,000,000.00			5,000,000.00		
Shanghai Yitiao Mill Textile Co.,Ltd.	3,483,881.89			3,483,881.89		3,483,881.89
Shanghai Sanmao Shan Chu Hui Investment Administration Co., Ltd.		510,000.00		510,000.00		
Total	358,990,059.93	510,000.00		359,500,059.93		32,553,170.38

2) Investment on Associates and Joint Ventures

Name of invested Company	As at December 31, 2014	Increase/Decrease							As at December 31, 2015	Provision in current period	Provision as at December 31, 2015
		Additional investment	Decreased investment	Profit and loss on investments under the equity method	Adjustment on other comprehensive income	Change of other equity	Declaration of cash dividends or profits	Others			
Associates											
Bioword Genechip Inc.,Shanghai	939,357.09			-13,833.47						925,523.62	
Shanghai KONAKA Co.,Ltd		5,000,000.00		-2,875,571.30						2,124,428.70	
Total	939,357.09	5,000,000.00		-2,889,404.77						3,049,952.32	

14.4 Sales from operations and cost of operations

1) Sales from operations and cost of operations

Items	2015		2014	
	Sales from operations	cost of operations	Sales from operations	cost of operations
Principal activities	67,491,943.79	61,244,144.51	84,757,473.96	80,964,884.47
Other activities	12,185,415.53	2,610,106.47	11,448,048.64	2,399,538.01
Total	79,677,359.32	63,854,250.98	96,205,522.60	83,364,422.48

2) Revenue and costs from principal activities (listed by industry)

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Items	2015		2014	
	Sales from operations	cost of operations	Sales from operations	cost of operations
Industry	1,966,509.27	1,548,216.35	540,166.05	511,354.50
Commerce	65,525,434.52	59,695,928.16	84,217,307.91	80,453,529.97
Total	67,491,943.79	61,244,144.51	84,757,473.96	80,964,884.47

3) Operating revenue and cost listed by category of principal business

Item	2015		2014	
	Sales from operations	cost of operations	Sales from operations	cost of operations
Domestic	67,491,943.79	61,244,144.51	84,757,473.96	80,964,884.47

14.5 Investment income

1) Details for Investment Income

Items	2015	2014
Investment income from long-term equity investment under cost method	2,516,943.77	
Investment income from long-term equity investment under equity method	-2,889,404.77	3,087,857.12
Investment income from disposal of long-term equity investments		120,021,951.56
Investment income from holding financial assets calculated by the fair value, which variation was credited to the current profit and loss.	1,525.00	3,582.00
Investment income from holding available-for-sale financial assets.	367,920.00	1,898,820.00
Investment income from disposal of financial assets calculated by the fair value, which variation was credited to the current profit and loss.	500,145.40	135,173.28
Investment income from disposal of available-for-sale.	53,572,188.13	
Other (Note)	1,035,308.60	
Total	55,104,626.13	125,147,383.96

Note: Others refer to the income from purchase of bank financial products.

2) Investment income from long-term equity investment under cost method

Items	2015	2014
Baoji Lingyun Wanzheng Circuit Board Co., LTD	1,456,600.00	
Shanghai Sanmao Security Service Co., Ltd.	1,060,343.77	
Total	2,516,943.77	

3) Investment income from long-term equity investment under equity method

Items	2015	2014
BiowordGenechip Inc., Shanghai	-13,833.47	-1,590.00
Shanghai Xiefeng Mill Co., Ltd.		6,093,659.58
Shanghai KONAKA Co., Ltd.	-2,875,571.30	-3,004,212.46
Total	-2,889,404.77	3,087,857.12

14.6 Supplementary information of the statement of cash flows

1) Supplementary information of cash flow statements

Items	2015	2014
1. Net profit adjusted to cash flow from operating activities		
Net profit	-31,379,382.20	56,556,837.27
Plus: Provision for impairment loss on assets	7,419,657.79	16,553,276.98
Depreciation of fixed assets	5,439,365.35	4,747,725.68
Amortization of intangible assets	162,504.19	54,215.04
Amortization of long-term deferred expenses	63,335.17	13,194.83
Losses on disposal of fixed assets, intangible assets and other long-term assets (deduct: Gains)	890.00	-81,238.22
Losses on scrap of fixed assets (deduct: Gains)		
Losses on changes in fair value (deduct: Gains)	-109,697.00	-44,901.00
Financial expenses (deduct: Income)	6,813,698.17	11,163,976.25
Losses arising from investments (deduct: Gains)	-55,104,626.13	-125,147,383.96
Decrease in deferred tax assets (deduct: Increase)		
Increase in deferred tax liabilities (deduct: Decrease)		
Decrease in inventories (deduct: Increase)	-1,073,760.76	3,838,270.90
Decrease in operating receivables (deduct: Increase)	37,687,469.68	33,115,572.01
Increase in operating payables (deduct: Decrease)	-8,259,762.24	9,037,534.14
Others		
Net cash flows from operating activities	-38,340,307.98	9,807,079.92
2. Investing and financing activities not involving cash receipts and payments		
Conversion of liability into capital		
Convertible bonds maturing within one year		
Fixed assets acquired under financial lease		
3. Net increase in cash and cash equivalents		
Ending balance of cash	42,753,170.92	24,130,022.22
Minus: Beginning balance of cash	24,130,022.22	13,025,836.50
Plus: Ending balance of cash equivalents		
Minus: Beginning balance of cash equivalents		
Net increases in cash and cash equivalents	18,623,148.70	11,104,185.72

15 Supplementary materials

SHANGHAI SANMAO ENTERPRISE (GROUP) COMPANY LIMITED
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15.1 Non-recurring gain or loss in the current year

Items	2015	2014
Profit and loss of non-current assets disposal	954,400.78	124,029,773.62
Government subsidy recorded into profit and loss of current year, with the exception of the government subsidy closely related to company business and obtained by quota and quantity, according to the national unification standard	1,107,099.05	1,447,946.47
Profit and loss caused by contingencies borne no relation to the main operation of the company	-60,000,000.00	
Except the effective hedge related to normal business operations, gains and losses arising from changes in the fair value of the tradable financial assets and liabilities held by the Company, as well as the return on investment during the disposal of tradable financial assets and liabilities, and financial assets available for sale	56,677,216.30	4,990,010.84
Other operating revenues and expenditures in addition to the above items	-17,042.44	-320,476.61
Influence of income tax	-923,274.00	-31,540,323.14
Influence of minority shareholders' profit and loss(after tax)	58,081.39	-7,224.10
Total	-2,143,518.92	98,599,707.08

15.2 Return on net asset and earnings per share

Profit of the reporting period	Weighted average of return on net profit (%)	Earnings per share	
		Basic earnings per share	Diluted earnings per share
Net profit attributable to ordinary shareholders of the Company	-10.37	-0.19	-0.19
Net profit attributable to ordinary shareholders of the Company after deducting non-recurring gain or loss	-9.79	-0.18	-0.18

Shanghai SanMao Enterprise (Group) Co., Ltd.

February 4, 2016